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June 11, 2018

Mayor Tran and Members of the City Council
City of Milpitas
455 E. Calaveras Blvd.
Milpitas, CA 95035

Dear Mayor Tran, Vice Mayor Grilli, and Councilmembers Barbadillo, Nuñez, and Phan,

Re: Adoption of Fees for Residential Ownership Developments, Residential Rental Developments, and Non-Residential Developments

On behalf of our members, we urge the City Council to approve an Inclusionary Housing Ordinance and adopt Commercial Linkage Fees that will provide the tools needed to support the creation of more affordable housing in Milpitas.

Recent data shows that Milpitas rents for all unit sizes average \$2,870 (Rent Jungle, May 2018), requiring an hourly wage of \$55. The need for more affordable housing is especially dire for low-income workers, with just under nine low-wage Milpitas workers competing for every affordable unit in the City (UC Davis Center for Regional Change, October 2016).

While Milpitas has done a great job in increasing market rate development production in recent years, meeting 688% of its goal during the last Regional Housing Needs Allocation (RHNA) cycle, the City only met 46% of its goals for homes for lower- and moderate income families. In the first four years of the City's 2014-2023 RHNA period, the City did not approve any units for families earning less than 120% of area median income. We do know that the City is considering a number of affordable developments, including two on the Council agenda today, and that it is considering additional development.

However, it is clear that additional tools and funding are needed to ensure the City can address its affordable housing need. The Council has an opportunity to create two new important tools with the action before you today. We request that the Council take action to approve:

- **A Commercial Linkage Fee, that is phased-in over time and that includes a built-in annual adjustment indexed to the cost of construction**
- **A 15% inclusionary requirement for both rental and for-sale residential development**

Adopting a Commercial Linkage Fee (CLF)—By taking this action, Milpitas will join the cities of Fremont, Cupertino, Mountain View, Sunnyvale, Palo Alto, and Santa Clara in establishing fees on various types of non-residential development that generate jobs and drive housing demand, including industrial, office, hotel, and retail uses (see Attachment A). While significantly lower than other cities, including the \$10-20 per square foot office rate recently approved in Santa Clara ([Santa Clara Fees November-2017](#)), the proposed CLF would generate significant resources to increase the number of affordable homes without discouraging commercial investment in Milpitas.

We recommend, in setting the fee, that the City include a phased in approach similar to the one adopted by Fremont ([Fremont Fees July-2017](#)). Following is our recommendation for this phased in approach.

Non-Residential Commercial Linkage Fees

<i>Land Use</i>	<i>Jan. 1, 2019</i>	<i>Jan. 1, 2020</i>	<i>Jan. 1, 2021</i>	<i>Each Jan. 1 thereafter</i>
Light Industrial, Manufacturing, and Warehouse	\$1.00	\$3.00	\$4.00	Rate Indexed
Hotel, Office, R&D, and Retail/Service	\$4.00	\$6.00	\$8.00	Rate Indexed

Strengthening the City's existing inclusionary housing requirements. Similar to Commercial Linkage Fees, inclusionary housing is an invaluable tool for local jurisdictions, providing another means of generating local resources for affordable housing, and creating the opportunity to integrate affordable homes alongside new market rate homes.

While the staff is recommending a 10% requirement, for both for-sale and rental housing, this is a lower requirement than neighboring jurisdictions in Santa Clara County, including Santa Clara, Cupertino, San Jose, Campbell, Mountain View, Sunnyvale and Palo Alto, as well as with former Redevelopment Agency inclusionary policies. In a market as strong as Silicon Valley's, a 15 percent requirement is both feasible and essential for ensuring that the City's affordable housing stock grows as new market rate developments come online.

We thank you for your leadership and commitment to making Milpitas a more affordable city. Thank you for the opportunity to provide feedback

Sincerely,



Pilar Lorenzana
Deputy Director



Affordable Housing Fee Levels in Selected Communities

<i>Non-Residential Fees</i>	<i>Year Last Updated</i>	<i>Office \$/SF</i>	<i>Retail \$/SF</i>	<i>Hotel \$/SF</i>	<i>Industrial \$/SF</i>
Cities in Santa Clara County					
Palo Alto	2016	\$35.00	\$20.37	\$20.37	\$20.37
Mountain View	2014	\$25.00	\$2.68	\$2.68	\$25.00
City of Santa Clara	2017	\$20.00	\$5.00	\$5.00	\$10.00
Cupertino	2015	\$20.00	\$10.00	\$10.00	\$20.00
Sunnyvale	2015	\$15.00	\$7.50	\$7.50	\$15.00
East Bay: West of Hills					
Fremont*	2017	\$8.00	\$8.00	\$8.00	\$4.00
Oakland	2002	\$5.24			
Berkeley	2014	\$4.50	\$4.50	\$4.50	\$2.25
Alameda (City)	1989	\$4.52	\$4.52	\$1.85	\$0.78
Emeryville	2014	\$4.10	\$4.10	\$4.10	\$4.10
Newark		\$3.59	\$3.59	\$3.59	\$0.69
East Bay: East of Hills					
Walnut Creek	2005	\$5.00	\$5.00	\$5.00	
Pleasanton	1990	\$3.04	\$3.04	\$3.04	\$3.04
Dublin	2005	\$1.27	\$1.02	\$0.43	\$0.49
Livermore	1999	\$0.76	\$1.19		
San Francisco	2007	\$25.49	\$23.78	\$19.08	\$20.04

* Fremont fees phase-in starting at \$4.00