TRANSMITTED VIA EMAIL

February 21, 2017

Honorable Mayor Gillmor and Members of the City Council
City of Santa Clara
1500 Warburton Avenue
Santa Clara, CA

Re: February 21, 2017 City Council Meeting – Item 17A. Affordable Housing Requirements Update

Dear Mayor Gillmor, Vice Mayor O'Neill, and Councilmembers Caserta, Davis, Kolstad, Mahan and Watanabe:

Silicon Valley at Home (SV@Home) is the voice of affordable housing in Silicon Valley, representing a broad range of interests, from leading employers who are driving the Bay Area economy to labor and service organizations, to nonprofit and for-profit developers who provide housing and services to those most in need. Our mission is to drive the creation of affordable housing for a more vibrant and equitable Silicon Valley, and we believe that affordable housing impact fees provide a critical tool for advancing this mission.

On behalf of our members, we thank you for your consideration of the proposed impact fees for both residential and non-residential development, and we look forward to engaging in the public process as your discussions on this issue continue in the future. By taking action on the nexus study recommendations and proactively engaging stakeholders in the process, the City of Santa Clara has set an example for the other jurisdictions participating in the multi-jurisdictional nexus study effort.

We are submitting this letter in support of the adoption of residential and non-residential impact fees for new development in Santa Clara, which would provide much-needed funding for affordable housing. This funding is critical given Santa Clara's high jobs-housing imbalance – the second-highest in the County, with close to 3 jobs for each housing unit – and exceedingly high rents. Recent data shows that the median rent for a two-bedroom apartment in Santa Clara is $2,895 (Zillow Rental Data, December 2016). The need for more affordable housing is thus especially dire for low-income workers, with over 9 low-wage workers competing for every affordable unit in the City (UC Davis Center for Regional Change, October 2016).

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Along with several SV@Home member organizations – including MidPen Housing, the Core Companies, Eden Housing, Greenbelt Alliance, and the Silicon Valley Law Foundation – we had the opportunity to participate in a stakeholder meeting in January with staff of the Housing and Community Development Department to discuss the Santa Clara nexus study findings. In this letter, we offer our recommendations in response to staff's proposal presented at the January stakeholder meeting as well issues raised by the Planning Commission regarding the proposed changes to Santa Clara's affordable housing requirements.

For-Sale Residential Inclusionary Requirements and In Lieu Fees

- **For-sale inclusionary requirements:** We request that the City Council consider increasing the for-sale inclusionary housing requirement to 15 percent. This level is in line with several other Santa Clara County jurisdictions, including Cupertino, San Jose, Campbell, and Palo Alto, as well as with former Redevelopment Agency inclusionary policies.

- **For-sale alternative compliance options:** Additionally, we recommend that the City adopt a policy that provides developers with flexibility in meeting inclusionary requirements. Rather than requiring every development with 10 or more units to provide inclusionary units, developers should have the option to choose from multiple alternative compliance options. These may include paying the in-lieu fee, partnering with an affordable housing developer to build deed-restricted units, dedicating land to the City for future affordable housing development, or purchasing units in other developments. Such options may result in more affordable units or more deeply affordable units being built if the City or an affordable housing developer can access leveraged funds (such as tax credit funding). Furthermore, flexibility allows the developer to pursue the option that works best with the market rate project, recognizing that all developments are different in terms of size, product type, and pricing.

Rental Residential Impact Fees and Alternative Compliance Options

- **Rental residential impact fees and alternative compliance options:** We support the staff proposal to adopt a residential rental fee of $25 per square foot. By setting the fee at a level commensurate with those of neighboring jurisdictions, which range from $17 to $25 per square foot, the City can expect that the fee will likely not deter development.

- **Rental residential alternative compliance options:** As with the in-lieu option for for-sale development, we also support the provision of alternative compliance options for rental residential developers, such as building units on site or other approaches mentioned above, as a means for meeting their affordable housing obligations. If developers are to meet the City's affordable housing requirements by providing 15% affordable units rather than paying the fee, we strongly recommend that the City require these units to be affordable to low-income households earning 60 percent of AMI or below. As established by the nexus study, the need for affordable housing resulting from new development is created primarily by low-income working households, so it is critical that the units created through the city's affordable housing requirements are affordable to these low-income workers.

Non-Residential Impact Fees and Other Recommendations

- **Non-residential impact fees:** We support the recommended fee ranges identified by Keyser Marston Associates through the nexus study ($10-$15 per square foot for office and $5-$10 per square foot for all other non-residential). However, we do not support the staff recommendation to exempt retail and hotel uses from the proposed fee. Adopting fees for retail and hotel uses is especially important because, as shown in the nexus study, these types of development generate the greatest need for affordable housing for workers. SV@Home strongly recommends that the Council adopt fees for all non-residential uses, including retail and hotel uses, to address the need for affordable housing that such developments create.

- **Grace period for pipeline developments:** We support the staff proposal for a six- month grace period following the adoption of new impact fees as well as the idea to allow an even longer grace period for projects with site control. However, we believe that an additional 2.5 year grace period, as suggested by the Planning Commission, is longer than necessary. Instead, we propose a 1.5 year grace period for such projects.

Again, we thank you for your leadership on this issue as well as your ongoing efforts to prioritize affordable housing in Santa Clara. We appreciate the opportunity to provide input and are happy to respond to any questions you may have. Thank you in advance for your consideration of our above recommendations.

Sincerely,

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