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TRANSMITTED VIA EMAIL

December 5, 2016

Honorable Mayor Liccardo and Members of the City Council
City of San Jose
200 East Santa Clara Street, 18th Floor
San Jose, CA 95113

Re: December 6, 2016 City Council Meeting Agenda Item 4.2 - Proposed Modifications to the Affordable Housing Impact Fee (AHIF)

Dear Mayor Liccardo and Members of the City Council:

On behalf of our members and the undersigned organizations, we thank you for your thoughtful consideration of the proposed modifications to the Affordable Housing Impact Fee (AHIF) for residential rental projects. We commend your efforts to establish an Affordable Housing Impact Fee as a core source of much needed funding for affordable housing in San Jose, and we strongly support the policy as passed by the City Council in November 2014. **We write to recommend that no modifications be made to the existing \$17 per square foot AHIF.**

With the AHIF policy's grandfathering period concluding a mere five months ago, the existing policy has not had a chance to be fully implemented, tested, and evaluated to adequately determine what changes should be made.

Therefore, while we support the staff recommendations to make no changes to the AHIF as applied to mixed-use projects and assisted living/memory care facilities, we disagree with the proposal to increase the small project exemption threshold to 20 units.

- **Mixed-Use Projects:** Given the importance of the AHIF revenue to addressing the current housing affordability crisis, we oppose a temporary fee reduction for mixed-use developments. Instead, to encourage mixed-use development in the Diridon and Downtown Station Areas and selected urban villages, we recommend that staff revisit the General Plan Task Force recommendations to allow mixed-use development to proceed whether or not an urban village plan has been adopted.
- **Assisted Living/Memory Care Facilities:** We agree with staff that the AHIF should apply to market-rate assisted living units that include their own bathroom and housekeeping facilities. As with all other market-rate housing, these units create a need for more affordable housing, and as shown by KMA's supplemental feasibility analysis, the AHIF will not affect the feasibility of such projects.

- **Small Project Exemption:** While we understand staff's motivation to streamline the determination of projects' subjectivity to the AHIF or Inclusionary Housing Ordinance (IHO) by aligning the threshold with the IHO, we encourage staff to instead amend the process associated with the Affordable Housing Compliance Plan Application to address this issue, rather than permanently altering the AHIF policy to reduce the size of projects from three to 20 units.

In addition, we request that the City explore alternatives to the fee when a developer can demonstrate that the impact of the new housing has been mitigated through other action. These alternative mitigations could include the provision of on-site or off-site affordable units or the dedication of land for construction of new affordable housing. This would encourage mixed-income housing, which is a laudable policy goal.

Several neighboring jurisdictions and others throughout the State provide for options in their affordable housing impact fee ordinances. Examples include Mountain View and Sunnyvale, which allow alternative mitigation, including construction of affordable units, dedication of land, or partnership with nonprofit developers to build the units on site or off site. To ensure compliance with the Costa-Hawkins Rental Housing Act, these cities require the applicant to enter into an Affordable Housing Developer Agreement that is recorded against the property.

While we are excited that Measure A won the support of the County's voters, we know that the lion's share of the funds generated from this source will be devoted to permanent supportive housing and rapid rehousing for the homeless. With the loss of redevelopment and other important housing funds, the AHIF is a critical source of funding for working households. It is important to maximize this funding source, and not add any new exemptions that will limit the amount of money available to respond to the City's housing affordability crisis.

Again, we commend the City of San Jose for adopting this policy and for all of your efforts to create a more equitable city in which residents of every income level can thrive. We look forward to the AHIF's continued implementation as well as new affordable homes that the AHIF will help to provide over time. Thank you for the opportunity to provide feedback.

Sincerely,

Pilar Lorenzana-Campo, Policy Director, SV@Home
Mary Murtagh, EAH Housing
Kevin Zwick, Housing Trust Silicon Valley
Dan Hardy, Resources for Community Development
Patricia Gardner, Silicon Valley Council of Nonprofits
Bob Brownstein, Working Partnerships