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Leslye Corsiglia
Executive Director

TRANSMITTED VIA EMAIL

June 5, 2017

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

Dear Mayor Liccardo, Vice Mayor Carrasco, and Councilmembers Arenas, Davis, Diep, Jimenez, Jones, Khamis, Nguyen, Peralez, and Rocha:

Subject: Agenda Item 4.1-- Report on the Implementation of the Urban Village Component of the Envision San José 2040 General Plan

We write today to request that **Agenda Item 4.1 on the June 6th City Council Agenda be deferred until August or later** in order to allow for adequate outreach regarding the suggested increases in fees for residential development in Urban Villages.

While we appreciate that staff has called out affordable housing as a priority in Urban Villages, we believe that the recommendations included in the report will not only impact market rate development but will have a detrimental impact on the City's affordable housing program.

Our comments:

- (1) A multi-layered strategy is needed to respond to San Jose's and the region's housing crisis. There should be no argument that we have both a housing affordability and a housing supply problem. Housing prices are among the highest in the nation and continue to increase, and the number of jobs added throughout the County—including in San Jose—continues to outpace housing production. The region needs to increase supply by promoting market rate development, while at the same time identifying innovative approaches to housing for the "missing middle" like teachers and public employees, and creating tools and subsidies that provide housing for lower-income households (traditional "affordable housing") and Permanent Supportive Housing for the homeless.
- (2) The recommendation to increase fees for market rate development in Urban Villages suggests that there is additional room available based on the nexus study conducted by the City for its Housing Impact Fee Ordinances. It is important to note that, when the City approved these fees, they were intentionally set at the levels they were because it was determined the fee levels were feasible and would not depress development. While the Nexus study may show that there is room available to charge more, it does not mean that the new charges are feasible. In fact,

Honorable Mayor Sam Liccardo and Members of the City Council

Re: **Agenda Item 4.1-- Report on the Implementation of the Urban Village Component of the Envision San José 2040**

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developers have told us that mixed-use developments are already difficult and expensive to develop, and that adding more process and more requirements—resulting in added expense—will simply discourage development.

(3) For developers to incur new requirements and fees, corresponding incentives need to be offered to both ensure that development is feasible and that it is not all high-priced housing. It is not clear from the staff memo how the developers could feasibly incur these added costs without additional incentives. Surrounding cities are looking to prioritize housing development, recognizing that we cannot continue to prosper as a County or as a region without adequately housing our workers.

(4) To the extent that developers choose to build elsewhere because projects no longer pencil in San Jose, new inclusionary units for ownership housing will not be created, and new funding from Housing Impact Fees will not be added to the City's affordable housing fund. This will have a direct impact on the City's Affordable Housing Program, including the City's availability to leverage Measure A dollars.

In closing, we request that more outreach be conducted, **and offer our support in bringing together stakeholders** to discuss the feasibility of the proposed approach and other potential alternatives. This outreach will allow for more time for all parties to understand the proposal, including the Urban Village Mixed-Use Zoning District (UVMU).

It is important to note that, when the City moved forward with considering an Inclusionary Housing Ordinance, the City required unprecedented outreach. Housing Department and then San Jose Redevelopment Agency staff met individually with 35 market rate developers doing business in the South Bay, and held four stakeholder meetings, twelve open forums, and twelve meetings in front of the City Council and Council committees. Similar outreach was conducted before the City approved the Housing Impact Fee ordinance. While we believe this level of outreach was extraordinary, it does stand in contrast to the outreach conducted on this item, which arguably will have the same or more impact on residential development in San Jose.

We appreciate your consideration of this request.

Sincerely,



Leslye Corsiglia
Executive Director

