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Transmitted via email

October 16, 2017

Honorable Mayor Liccardo and Members of the City Council
City of San Jose
200 E. Santa Clara Street, 17th Floor
San Jose, CA 95113

**Re: October 17, 2017 City Council Agenda Item 3.6
(Council Priority Setting Session)**

Dear Mayor Liccardo, Vice Mayor Carrasco, and members of the City Council,

As you consider the Council's priorities for the coming year, we are encouraged that housing—and particularly affordable housing—is an important part of the discussion.

Silicon Valley is home to many of the most profitable and well known technology firms in the world, yet it is also a place of disparity and inequality. With San Jose apartment rents averaging \$2,570, it takes an income of \$102,800—or nearly \$50 an hour-- to afford the monthly payment. To put this in perspective, even with San Jose's higher minimum wage, a household would need four full-time minimum wage earners to afford the average rent. At the same time, the lack of housing affordable to middle-income workers, including those who work for our leading employers, teachers, nurses, and public safety workers, threatens our economic competitiveness. And, the housing shortage for all residents results in traffic congestion, as people travel long distances to get to their jobs, as well as decreased air quality and other quality of life concerns.

We find ourselves in this situation—high prices and few choices—after years of adding more jobs but not the homes where those jobs can live. Limited land opportunities due to geography—the constraints of the surrounding hills and the Bay—make development more challenging, as easy-to-develop vacant land is scarce. Public policy that favors employment uses over housing has also played a significant role, with localities choosing job-producing development because it provides more in taxes and fees to pay for needed services. And, funding and tools for affordable housing, including redevelopment tax increment and federal funding, have been depleted.

So, we applaud the Mayor's 15-point housing plan to set an ambitious goal of creating a total of 25,000 new units over the next five years, 10,000 of which would be affordable. This is a visionary plan, and we recognize that it will take significant effort on behalf of

City leaders, City staff, community members, and advocates to bring it to reality. SV@Home stands ready to help the City in any way we can.

To ensure the creation of 25,000 housing opportunities, **SV@Home strongly supports the Mayor's proposal** and highlights the following actions that we believe are needed to accomplish the goal:

1. Accelerating High-Density Housing in the Downtown (New Item for Consideration #14)—all efforts to increase residential development in the Downtown are important, and the streamlining and incentives suggested in the Mayor's proposal should be implemented. We agree strongly that any required retail be in areas where there is adequate foot traffic and feasibility for retail success, particularly given changes in shopper habits.
2. Opening up Urban Villages (Mayor's Plan)—since the GP 2040 was approved in 2011, little has moved forward in Urban Villages, and this is where the lion's share of growth is planned. It is important to allow those Villages that are ready to move now to do so. Finalizing the Urban Village Infrastructure Financing Plan is a much-needed action. However, it is critical that the Financing Plan is not an impediment to residential development.
3. Allowing Housing Adjacent to Transit—we encourage the City to rethink zoning around VTA and BART station areas to make housing a priority. Placing housing adjacent to transit is smart public policy, and will help get cars off our streets.
4. North San Jose (New Item for Consideration #16)—we fully support lifting the cap on development in North San Jose and the Mayor's recommendation that 2,400 of the units included be affordable, making up for the lost affordable units during Phase 1 of the Plan (although the Plan called for 20% affordability, only 7% of the units built were affordable).
5. Zoning for Development (New Items for Consideration #20 and #21)—we strongly support efforts to streamline residential development. Rezoning land to residential to conform to the General Plan is an important step, as is considering rezoning commercial sites that are no longer viable. However, with the latter we believe that the requirement that the sites be surrounded on all four sides by residential is too restrictive.

To create 10,000 affordable housing opportunities, **SV@Home strongly supports the Mayor's proposal** and highlights the following actions that we believe are needed to accomplish the goal:

1. Clear Plan— to ensure that the 10,000 affordable homes are built or in the development pipeline, it will be important to develop a clear plan to lay out the strategy for producing the units, including policies, identification of resources, and how inclusionary units and standalone units will meet the goal.
2. Funding Source—in the 1990s, the City pushed forward a plan to create 10,000 units in a six-year period. It accomplished this goal, creating more than 11,000 units. But that was in the days of redevelopment. With redevelopment gone, and no reliable ongoing funding source for housing, creating new funding sources will be necessary in order to reach the goal. While some developers may pay in-lieu fees to comply with the City's inclusionary zoning ordinance, these fees will not be sufficient (and by virtue of paying the fees, the developments won't produce inclusionary units). For that reason, **we support Councilmember Don Rocha's proposal to investigate a Commercial Linkage Fee (CLF) Ordinance.** Surrounding cities either have existing CLF ordinances or are now seriously considering adoption. By preparing a nexus study, the City

Honorable Mayor and City Council

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can determine the feasibility of such a fee. Completing the nexus study does not compel the City to adopt a fee, but will provide the information needed to make a sound policy decision. One concern we have is the increasing cost of development, a significant part of which is due to labor shortages. Affordable housing developers (and likely market rate developers too) are challenged to obtain competitive bids for construction, and prices are high. This is creating higher development costs, and therefore the need for higher subsidies. We worry that fire recovery efforts in the North Bay may further exacerbate the construction labor shortage.

3. Priority Processing—providing priority to affordable housing developments will help developers access outside funding and expedite the process for creating new affordable homes. In the 1990s, affordable housing moved to the top of the list for planning review, a key driver for the creation of those 11,000 homes.
4. Inclusionary Housing—it will be critical to hold tight on inclusionary requirements and not add new exemptions. Otherwise the number of units created will fall short. 17,650 market rate units with 15% affordability would create about 2,650 affordable units, leaving 7,450 affordable units to be built as standalone development. To the extent that market rate developers choose an in-lieu fee option, the number of standalone development will increase. It is also important that the City update and revise the rental and ownership inclusionary ordinances to reflect best practices with respect to the percentage requirement, income targeting, and compliance alternatives.
5. Missing Middle (Mayor's Plan)—given our housing crisis, we know that access to affordable housing is a challenge for many, including the “missing middle,” or those who make too much money to qualify for traditional affordable housing but too little to afford market rate rents. One way to provide naturally affordable housing is through secondary units. While the City recently adopted changes to its Accessory Dwelling Unit ordinance, there are more changes that can be made to open up more opportunities.

We truly appreciate the Mayor's leadership in releasing the 15-point plan. We know that San Jose alone can't solve the housing crisis. A broader regional effort is needed to truly respond. Moving forward with efforts at both the County level and the 9-County Bay Area is critical. SV@Home will work to represent the South Bay as the work of CASA—the Committee to House the Bay Area—moves forward.

Thank you for the opportunity to provide input on the Council's priorities for 2018. SV@Home looks forward to working with the City collaboratively to implement the many actions included in the Mayor's housing plan.

Sincerely,



Leslye Corsiglia
Executive Director

