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Leslye Corsiglia
Executive Director

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

Dear Mayor Liccardo, Vice Mayor Jones, and Councilmembers Arenas, Davis, Diep, Carrasco, Esparza, Foley, Jimenez, Khamis, and Peralez,

RE: Item #4.3-- Downtown Residential High-Rise Incentive and AHIF Downtown High-Rise Exemption Programs

Today's housing market is challenging for more than one reason. Not only are rents and new home prices too high for all but a lucky few, the cost of construction is threatening the feasibility of many new residential developments. This challenge is particularly acute for high-density, concrete and steel high-rise construction. This lack of production further exacerbates the housing crisis, resulting in even higher housing costs.

Recent data from the City showed that commercial development with the potential for more than 120,000 new jobs was in the planning stages or under construction, yet only 24,000 residential units were similarly in process. Efforts must be made to build new homes to house these new jobs.

While we are reticent to support another exemption from affordable housing requirements, we accept the staff recommendation to extend the existing exemptions for certain residential high-rise developments Downtown. The feasibility study completed by Strategic Economics illustrates that the high-rise market Downtown is fragile and that the affordability requirements would make development of these nine projects cost prohibitive. If these developments don't move forward, we don't get any new homes, market-rate or affordable.

We are concerned though. Over the years, affordable housing requirements have been set aside on many occasions without any plans or strategies for replacing lost units. Case in point is North San Jose, where fewer than 5% of the homes constructed in the first phase were affordable, far short of the 20% goal. In that case the Council agreed that the forgone units would be moved into Phase 2. We are waiting a staff plan, expected to come to the Council in November, that will outline how the affordable homes can be incorporated in this next phase.

Were all nine Downtown high-rise projects to move forward with an exemption, an estimated 457 new affordable homes would be forgone. **We ask the Council to direct the staff to come back with a plan for how to make up for any affordable units lost as a result of the exemption.**

In summary, we agree that incentives are needed to move development forward in this challenging construction environment. However, it is critical that housing be built

Honorable Mayor Sam Liccardo and Members of the City Council

September 19, 2019

Re: 4.3 – Downtown High Rise Incentive

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for people of all incomes and that the City's policies and land use plans make housing affordable to lower- and moderate income families a priority. We also strongly support the approval of funding measures to ensure that San Jose has an ongoing stream of revenue to finance new housing development and look forward to future discussions on Commercial Linkage Fees and a San Jose ballot measure.

Sincerely,



Leslye Corsiglia
Executive Director

