

FUNDING AFFORDABLE HOUSING:

# SAN JOSE'S COMMERCIAL LINKAGE FEE

Friday, July 24, 2020 | 12 P.M. - 1 P.M.

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# Welcome!

## Housing Action Coalition

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- Welcoming Remarks
- Commercial Linkage Fee Update and Progress
- Community Impact and Affordable Housing Need
- Remarks by San Jose Councilmember Raul Peralez Questions and Answers
- Next Steps and Closing

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# TODAY'S SPEAKERS



**MATHEW REED**

Policy Manager  
SV@Home



**NADIA AZIZ**

Directing Attorney  
Law Foundation  
of Silicon Valley



**RAUL PERALEZ**

Councilmember  
City of San José  
District 3



# What is a Commercial Linkage Fee?

Standard tool for generating revenue for Affordable Housing

Commercial Developers pay a fee to mitigate need for Affordable Housing created by new jobs

San Jose is the only major city in Santa Clara County without a Commercial Linkage Fee



# Neighboring Cities (2019-2020)

## CLF Affordable Housing Fee Levels in Santa Clara County (Per Sq Ft)

<i>Non-Residential Fees</i>	<i>Office/ R&amp;D</i>	<i>Retail</i>	<i>Hotel</i>	<i>Industrial</i>
<b>Cities in Santa Clara County</b>				
Palo Alto	\$36.53	\$21.26	\$21.26	\$21.26
Mountain View(1)	\$28.25	\$3.02	\$3.02	\$28.25
City of Santa Clara	\$20.00	\$5.00	\$5.00	\$10.00
Cupertino	\$24.60	\$12.30	\$12.30	\$24.60
Sunnyvale(2)	\$17.20	\$8.60	\$8.60	\$17.20
Milpitas	\$8.00	\$8.00	\$8.00	\$4.00

(1) Mountain View: Office/R&D < 10K sq ft pays ½ fee, Hotel/Retail < 25k sq ft pays ½ fee.

(2) Sunnyvale fee for Office/Industrial is ½ fee level up to 20k sq ft, and full fee for sq ft above 20k



# NEXUS STUDY (July 17<sup>th</sup>)

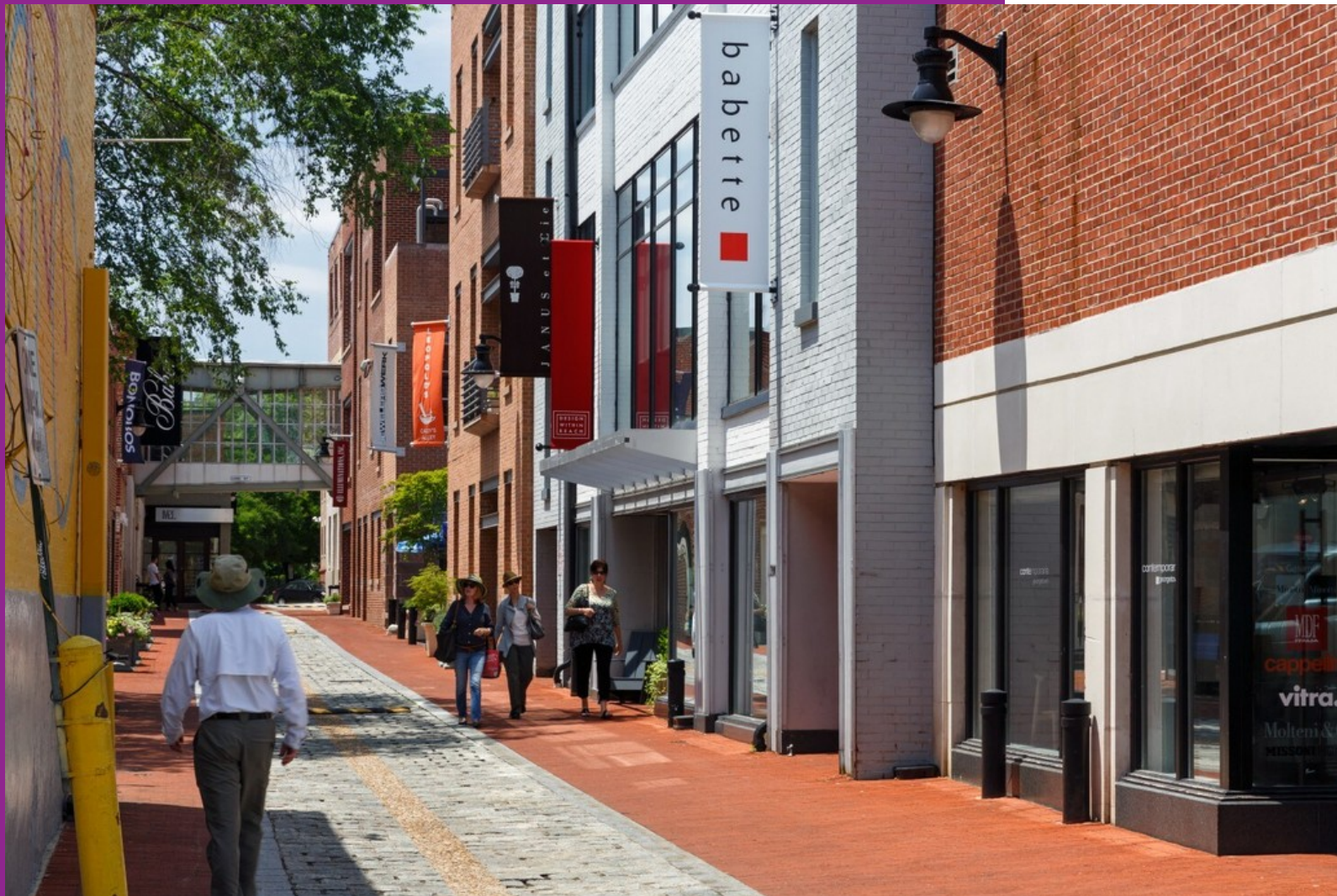
Required by State mitigation fee laws

Prepared by Keyser Marston Assoc. in coordination with city staff

Eight types of commercial development were studied in San Jose

Different number of employees per square foot

Different types of jobs, with different wages



# Nexus – Employee Household Income Distribution

Employees live in households that may have more than one worker

**Table 3-9. Percentage of Households by Income Category**

	Office	Office, High-Tech	Retail	Hotel	Industrial	R&D	Warehouse	Residential Care
Extremely Low	1.1%	0.6%	4.9%	6.3%	2.1%	0.3%	5.1%	5.1%
Very Low Income	11.6%	7.2%	37.8%	36.9%	18.7%	5.9%	32.2%	33.2%
Low Income	15.1%	12.2%	9.6%	17.6%	16.9%	12.1%	23.1%	16.1%
Moderate Income	33.6%	32.3%	35.9%	29.7%	32.6%	32.6%	31.6%	35.4%
<b>Subtotal</b>	<b>61.4%</b>	<b>52.2%</b>	<b>88.2%</b>	<b>90.4%</b>	<b>70.3%</b>	<b>50.9%</b>	<b>91.9%</b>	<b>89.8%</b>
Above 120% AMI	38.6%	47.8%	11.8%	9.6%	29.7%	49.1%	8.1%	10.2%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>



# Nexus - Maximum Fee Calculation

Calculates “gap” between household income, and the cost of providing housing that would be affordable to them

Legal Maximum fee is amount per square foot that would be required to fully mitigate the additional housing burden produced by different types of new commercial development

**Table 1-1. Nexus Analysis Maximum Fee Conclusions**

Building Type	Maximum Fee Per Square Foot <sup>1</sup>
Office	\$137.70
Office, High-Tech	\$151.30
Retail	\$176.70
Hotel	\$61.60
Industrial	\$131.90
Research and Development	\$108.80
Warehouse	\$45.90
Residential Care	\$44.60

<sup>1</sup> Maximum fee level findings reflect the cost of mitigating affordable housing impacts of new development expressed per square foot of gross building area excluding parking.





# FEASIBILITY STUDY (July 24<sup>th</sup>)

Also prepared by Keyser Marston Associates in coordination with City staff

Not required by law, requested by City Council

Technical assessment of the impact of fees at different levels on development feasibility

Different types of development like Nexus Study

Different geographies - Downtown, North San Jose, Edenvale, etc.

Should present fee options and explain how they are sensitive to market conditions



# Feasibility Study - What we are looking for

Original study completed in February, and updated in light of the COVID pandemic and economic recession

Difficult time to assess the future of commercial development in the City -- fees set now will be on offices and warehouses that won't be completed for 2-5 years and beyond

New assumptions will have a significant impact on the analysis of how fee levels will impact the feasibility of future development

In this period of uncertainty is the need to mitigate affordable housing impacts what is holding up development?



**2019**

3.9 Million Sq Ft Permitted  
Up to 11,000 new workers  
No fees for affordable housing

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**March 2020**

Pipeline of 38 Million Sq Ft  
Up to 125,000 new jobs

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**Between 2021-2031**

Every \$1 increase in CLF Fee levels  
could potentially fund more than  
current average annual production of  
affordable homes





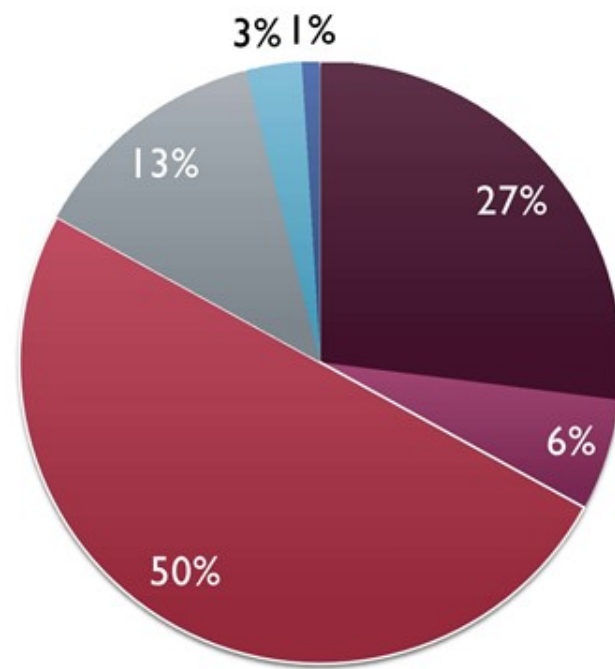
# Housing Crisis: Community Need in San Jose

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Law  
Foundation  
OF SILICON VALLEY



### Clients by Race

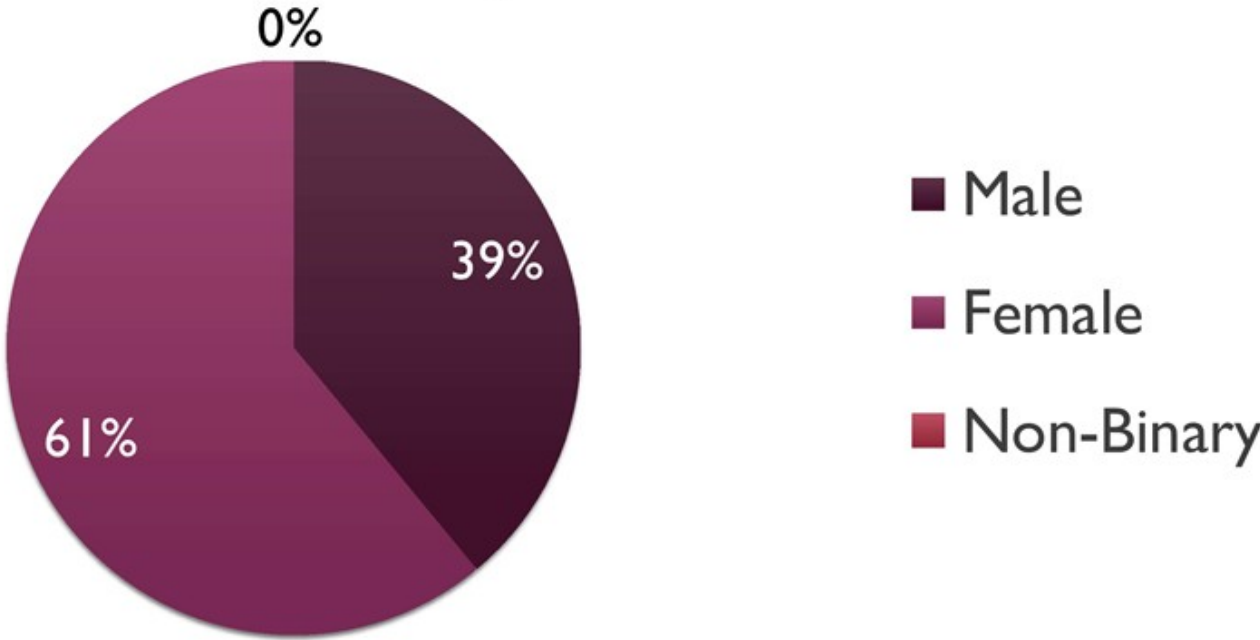


- White
- Asian
- Hispanic
- Black
- Native Amer.
- Other





Clients by Gender



RAUL PERALEZ

COUNCILMEMBER  
CITY OF SAN JOSÉ





# QUESTIONS AND ANSWERS





# CAMPAIGN TIMELINE

July  
17

NEXUS  
STUDY



July  
24

FEASIBILITY  
STUDY



Aug.  
6

PUBLIC  
MEETING



Aug.  
14

STAFF  
RECOMMENDATIONS

Aug.  
25

CITY COUNCIL  
DELIBERATES



# GET INVOLVED!

## PUBLIC MEETING

The City will host a public meeting on **Wednesday, August 6** soliciting input from the community.

The input will inform staff recommendations to City Council.

## LETTERS OF SUPPORT

City staff is scheduled to release their recommendations to City Council on **Friday, August 14**.

Letter of Support will be circulated as well as an online Take Action petition.

## PUBLIC COMMENT

City Council is presented with staff recommendations at its **Tuesday, August 25** meeting.

**TURNOUT!**



# #PasstheFeeSJ!!!



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# THANK YOU!

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