



# Memorandum

**TO:** Mayor and City Council

**FROM:** Councilmember David Cohen  
Councilmember Sergio Jimenez

**SUBJECT:** See below

**DATE:** June 18, 2024

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Approved

Date: June 14, 2024

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**SUBJECT: Downtown Residential High-Rise Incentive Program Extension**

**RECOMMENDATION**

In lieu of recommendation (d), take the following actions:

1. Direct the City Manager to explore changes to the Parkland In-Lieu Fees for Multiple Listing Service District 7B (North San Jose), as listed in Attachment A of Resolution #78733, and return to Council no later than Q1 2025 with potential incentives for multi-family development for Council consideration.
2. Direct the City Manager to explore the following and return to the City Council with recommendations:
  - a. Modifications to the Private Recreation Credits available to projects subject to the PIO/PDO in North San José;
  - b. Additional credits for the provision of affordable housing (inclusionary and stand-alone) towards the parkland obligation of projects subject to the PIO/PDO in North San José;
  - c. Reduction or elimination of parkland obligations for 100% affordable housing projects in North San José; and
  - d. Additional credits for the provision of alternatives to the dedication of parkland, such as privately-owned publicly accessible open space, for projects subject to the PIO/PDO in North San José.

3. Direct the City Manager to collaborate with the Council District 4 Office and take the following actions:
  - a. Consider input from stakeholders, including the development community, regarding regulations that reduce the financial feasibility of development in North San José.
  - b. Return to the City Council with recommendations to improve near-term financial feasibility of development in North San José.
  
4. Direct the City Manager to take the following actions:
  - a. Complete recommendation 5 of the green-lighted memo, dated October 25, 2023, from Councilmembers Jimenez and Davis to the Rules and Open Government Committee, which reads: *“Assess the cost implications of the City’s regulatory framework (e.g. Building Code, Design Guidelines, etc.) and incorporate findings into future studies of the cost of development.”*
  - b. Return to the City Council with a preliminary assessment of high-impact modifications to the City’s regulatory framework that increase the financial feasibility of residential development Citywide.
  - c. Reactivate the Park Fee Study Task Force, which includes Council-appointed representatives from each Council District, to review and propose a transparent method to calculate park impact fees, and provide a report to the City Council.

## **BACKGROUND**

The City Council appropriately is concerned about the financial feasibility of residential development, and we appreciate the report provided by City staff regarding this important issue.

We do not oppose consideration of policies that improve the financial feasibility of residential development Citywide. However, we would strongly recommend doing so in the context of the framework proposed and green-lighted in the memo to Rules from Councilmembers Jimenez and Davis, dated October 25, 2023. Specifically, recommendation 5 would expand the scope of the Report on the Cost of Residential Development to include assessment of the financial feasibility impacts of other City-enforced regulations.

We know, for example, that time delays in review and approval significantly increase costs, and we should better understand how improvements to process can increase financial feasibility.

Rather than temporary incentives, we recommend exploration of permanent “right-sizing” of park fees in North San José, along with an exploration of the various credits that exist, with the objective of improving financial feasibility without significant sacrifices to valuable amenities that would serve the future residents of new communities developed in this part of the City.

North San José represents 40% of all available sites in the latest housing element, making it a crucial area for the city's growth and housing solutions. By considering the perspectives of the development community and other stakeholders, the city can identify and modify regulations that impede the financial feasibility of development projects. This collaborative approach ensures that any changes will be well-informed and conducive to fostering a more development-friendly environment.

Staff should also consider crafting incentives in North San Jose to different types and sizes of projects. In order to achieve our goals, we will need two types of developments - infill sites and large development sites. There are different financial considerations for these two types of sites and likely will benefit from different types of incentives. Addressing these issues, the City Manager, in collaboration with the Council District 4 Office, can provide incentives to enhance the near-term financial feasibility of development projects. Implementing these recommendations will allow numerous ready-to-proceed developments in District 4 to move forward, meeting the community's housing needs and contributing to the area's economic growth. By improving development conditions, the city can promote a more robust and sustainable growth strategy that benefits all residents.

*The signers of this memorandum have not had, and will not have, any private conversation with any other member of the City Council, or that member's staff, concerning any action discussed in the memorandum, and that each signer's staff members have not had, and have been instructed not to have, any such conversation with any other member of the City Council or that member's staff.*