

## Letters from the Public

**From:** Carol Valentine

**Date:** Thursday, October 31, 2019 at 11:14 AM

**To:** The Office of Mayor Sam Liccardo, "Perez, Raul"

**Subject:** question re proposed changes to inclusionary housing proposal

I just read the proposal and was disturbed by the recommendation to permit new projects to separate the affordable housing units into a separate building or on site area within their new projects. I believe that each renter should have privacy as to their income level and it might be stigmatizing to have designated separate building or area. Am I missing some reason that this is a good idea? Perhaps any increase in affordable units is worth some stigmatization?

Carol Valentine

**From:** Nicole Goehring  
**Sent:** Monday, November 4, 2019 11:13 AM  
**To:** Agendadesk  
**Subject:** Vote to Support Staff Recommendation on Item 4.4

Dear Clerk City Clerk,

I write to you today to advocate in support of staff recommendation on Item 4.4, San Jose's Inclusionary Housing Ordinance (IHO), with a few proposed modifications.

The staff recommendation is a step in the right direction. However, I support three recommendations to enhance the staff recommendation:

1. Lower the in-lieu fee
  - \$43 per square foot is still too high of a fee structure and would be a 50% increase over the current fee structure
  - the \$18.29 per square foot fee "transition" should also be lowered to facilitate even more housing development and generate more affordable housing dollars for the city
2. Tie the reduced fee structure for Downtown High-Rises to a unit production goal rather than an arbitrary timeline
3. Apply the fee only to "net rentable/livable" square footage

The above recommendations will lead to more housing produced as more projects will actually be feasible. 15% of zero housing is still zero housing. We need reasonable reform that will allow projects to actually get through the pipeline so we can create more housing.

Thank you for your support of more housing in San Jose.

Sincerely,

Nicole Goehring

**From:** Steven Meneses

**Sent:** Monday, November 4, 2019 11:15 AM

**To:** Agendadesk

**Subject:** Vote to Support Staff Recommendation on Item 4.4

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Thank you for your support of more housing in San Jose.

Sincerely,

Steven Meneses

**From:** Frank De Turris  
**Sent:** Monday, November 4, 2019 11:22 AM  
**To:** Agendadesk  
**Subject:** Vote to Support Staff Recommendation on Item 4.4

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Thank you for your support of more housing in San Jose.

Sincerely,

Frank De Turris



November 4, 2019

Mayor Sam Liccardo & San Jose City Council  
200 E. Santa Clara St.  
San José, CA 95113  
**Transmitted via EMAIL**

**RE: San Jose City Council 11.5.19 Agenda Item # 4.4, 19-993 Inclusionary Housing Ordinance Proposed Revisions**

Dear Mayor Liccardo and San Jose City Councilmembers,

BIA Bay Area, representing for-sale and rental residential builders who constitute a primary stakeholder's group in San Jose, continues to be very concerned regarding the interpretation, implementation and proposed revisions of City of San Jose's Inclusionary Housing Ordinance (IHO).

In 2018, BIA endorsed the call for comprehensive study sessions to address the rising cost of impact fees, including affordable housing fees, and the need to align those fees both regionally and within the City's fee structure. Projects need more certainty and predictability in proforma development. Impact fees and affordable housing requirements have become a substantial percentage of overall costs with detrimental effect to the ability of a housing development project to meet financial viability.

- **Market based approach is a step in the right direction**

In 2019, the City is finally turning toward an approach that is backed by data. Utilizing a Market Driven/Sub-Market approach which analyzes feasibility data by sub-region, i.e., West Valley, Willow Glen & Cambrian, Downtown, East/South San Jose is a preferable approach to the current blanket approach across the city.

It should be noted that KMA's original Pro Forma Findings dated April 2018 analyzed the city's ability to achieve acceptable rates of return via a Market Driven/Sub-market approach. The 2018 analysis concluded, as does KMA's current 2019 Pro Forma Analysis, that the only area of the city that would support multi-family rental housing is the West San Jose/Stevens Creek sub-region.

- **Proposed multifamily in-lieu fees are out of step with neighboring jurisdictions**

BIA, however, opposes the proposed revision of the IHO because the proposed in-lieu fees for multifamily are much higher than current fees. The City's proposed \$43/sq. ft. in-lieu fee for multifamily is significantly above neighboring cities' current in-lieu fees:

City	Multifamily (Sq. Ft.)	Condo (Sq. Ft.)	Term (years)
Cupertino	\$20.00	\$25.00	99
Fremont	\$17.50	\$27.00	55
Milpitas	\$33.00	\$33.00	55
Santa Clara	\$20.00	\$25.00	55
Sunnyvale	\$25.00	n/a	55
San Jose Current	~\$28.00	~\$27.00	55
<b>San Jose Proposed</b>	<b>\$43.00</b>	<b>\$25.00</b>	<b>99</b>

San Jose's In-lieu proposed fee runs 50% higher or more than the comparable neighboring cities. San Jose does not have the rental valuations to charge fees in the same ranges as San Francisco, Palo Alto & Mountain View. BIA recommends lowering in lieu fees on multifamily projects across the City.

According to Beacon Economics/SVO recent study, since 2014 San Jose, by far the largest city in Santa Clara County, has permitted less than 50% of the housing built throughout the County. This study shows that the issuance of housing permits in the City has significantly lagged behind the rate of supply for the South Bay region. A major obstacle to the production of housing are the restrictions by the city to provide an adequate supply of land zoned for housing.

Another reason that San Jose lags in producing housing, particularly affordable housing, is because the IHO in-lieu fee schedule disincentivizes market rate developers from building residential projects in the city. BIA recommends that to incentivize development in the Eastside/South San Jose region the multifamily in-lieu fee should be set at no higher than \$10.00/sq. ft. Even better, "no fees" could be adopted for a limited time to truly incentivize development in lower valuation areas of the city.

- **A 99-year term of rent restrictions compromises project financing**

Developers have commented that financing is compromised if the Term of Rent Restrictions goes beyond 55 years. Although the City surveyed surrounding cities and found some who have "in perpetuity", or "99 years", several others set the term of affordability at 55 years. Many surrounding smaller Silicon Valley cities, such as Cupertino, are cities that do not to facilitate the development of affordable housing in their communities.

- **Square Footage In-lieu Fee**

BIA supports and has long recommended moving to a "square foot" vs "per unit" basis for calculating the in-lieu fee. However, the square foot fee should be calculated based upon the "habitable space" within the development not the common/uninhabitable area(s) of the development.

- **Fee Payment Deferral**

BIA supports the proposed Aligned Fee payment timing to have fees paid at time of final inspection for 80% of the residential units (Inclusionary, Parkland In-lieu & Construction Taxes).

- **Cost of Development Study**

Should the council choose to adopt the Housing Department recommendation of \$43/sq. ft. In-lieu Fee, BIA strongly recommends that a Feasibility Study be produced and reviewed prior to imposition of the new fee.

- **Clustering of Affordable Units**

BIA continues to support the clustering of affordable units which will facilitate tax credit financing that staff includes in its current set of recommendations.

BIA Bay Area is ready to work with the City to fine tune the Inclusionary Ordinance so that it is best able to work for both the City of San Jose and the building community. We hope that the City will include BIA members and representatives in the efforts outlined by the Mayor and Council in the joint memo.

Very truly yours,

Patricia Sausedo, Director  
Government Affairs South Bay  
BIA Bay Area

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Denyse Cardozo