

August 6, 2014

Mayor Chuck Reed  
Vice-Mayor Madison Nguyen  
City Councilmember Pete Constant  
City Councilmember Ash Kalra  
City Councilmember Sam Liccardo  
City Councilmember Kansen Chu  
City Councilmember Xavier Campos  
City Councilmember Pierluigi Olivero  
City Councilmember Rose Herrera  
City Councilmember Don Rocha  
City Councilmember Johnny Khamis

RE: San Jose Housing Impact Fee

Dear Mayor and City Council:

Thank you for your long commitment to affordable housing – from creating the Housing Department, to consistently leading as one of the top cities in the state to allocate its now-lost Redevelopment funds for affordable housing, to passing an Inclusionary Zoning ordinance in 2010. Now, more than ever, due to the urgent nature of the affordable housing crisis that confronts so many city residents, we urge the City of San Jose to be expeditious in its process and move forward to adopt a Housing Impact Fee (HIF) at the highest possible amount justified by the Residential Nexus Study for each housing type - \$28/sf for apartments, and \$27/sf for high-rise apartments.

The background work necessary to support this action is being completed. Over the past two years, the San Jose City Council and Housing Department have been studying the possible adoption of such a fee. The undersigned organizations were encouraged to see that an updated draft Nexus Study and Financial Feasibility Analysis were released to the public on July 1, 2014. We are also encouraged to see that public meetings have been scheduled and that input is being solicited from a wide variety of stakeholders allowing for ample time to study and comment.

The need for affordable housing resources is indisputable. As outlined in a recent San Jose Mercury News article on July 17, 2014 “Bay Area Apartment Rents Soar,” rents on apartments throughout San Jose have soared to their highest levels, increasing more than 10 percent over the past year’s already high prices, further exacerbating most renters’ severe rent burdens and increasing overcrowding of multiple families in apartments and homes meant for a single family. An article published on July 5, 2014 by the Associated Press highlighted the presence in San Jose of the largest homeless encampment in the region, The Jungle, and the need for permanent supportive housing as the only true solution for the problem. Finally, the Silicon Valley Business Journal points out that we face a severe shortage in apartments affordable to most workers.

With all of this urgency, we are pleased to see a true solution emerge – a Housing Impact Fee – on new rental development in San Jose. The updated draft Nexus Study and the Financial Feasibility Analysis

points to the game-changing potential of this well-established financing tool – a ***HIF at the maximum justifiable level can create 16,800 affordable rental homes in San Jose.*** This is because each dollar raised by the HIF can be leveraged with up to three dollars of federal, state, and private affordable housing dollars – funds that can only be accessed when a local city contributes to an affordable housing development.

Moreover, the study substantiates the solid legal nexus between the need for affordable housing and market rate construction. This analysis mirrors what other jurisdictions have found – that a Housing Impact Fee properly studied and supported by a nexus study, meets the requirements of the Mitigation Fee Act, creates significant new sources of funds for affordable homes, and does not restrict new market rate housing development. Not only have local cities such as Mountain View and Fremont successfully enacted Housing Impact Fees, larger jurisdictions throughout the state such as San Francisco and San Diego also have residential housing fees which, despite initial criticism from opponents of affordable housing, have proven to be successful.

In light of the potential power of a strong HIF to meet our affordable housing needs, and the success in nearby cities and like-sized municipalities, we strongly recommend that the City Council move forward with a HIF. Furthermore, we urge the city to adopt a HIF with the following provisions:

- Prohibit permanent carve-outs for tenure of housing (ownership or condominiums) or location of housing (Downtown high-rise); instead, possible exemptions should be determined as a result of a Financial Feasibility study that is updated every five years to reflect market conditions;
- Provide a “pipeline” exclusion only to those developments where land was purchased after Assembly Bill 1229 was vetoed and a planning application has been submitted. All other residential developments would have been purchased and designed assuming an inclusionary housing component, and therefore can afford to absorb this HIF;
- Prioritize affordable housing built from the HIF to those income levels that have the highest income gap identified in the Nexus Study; and
- Implement the new HIF starting January 1, 2015.

Our coalition represents a broad consensus of the community – including business leaders, environmentalists, faith leaders, labor unions and working families, homelessness advocates and agencies, neighborhood associations, people in need of housing, and legal advocates – all working together to advocate for more affordable housing. The City of San Jose has long been a regional leader in producing homes for residents at all income levels. We know that a community that invites and makes room for a diversity of people is a community that will thrive. A community that says “we’ve done enough” or tells its working-class population, in effect, that we want them to be employees in our offices and homes, while forcing them to live and commute an hour or more away, contributing to freeway congestion and increased air pollution, dooms us to a future that is neither sustainable nor reflective of our values. We urge you to stand for a sustainable, inclusive community and pass a strong Housing Impact Fee.

Sincerely,



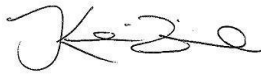
Derecka Mehrens, Executive Director, Working Partnerships USA



Shiloh Ballard, Senior Vice President, Silicon Valley Leadership Group



Ben Field, Executive Officer, South Bay Labor Council, AFL-CIO



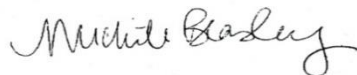
Kevin Zwick, CEO, Housing Trust Silicon Valley



Poncho Guevara, Executive Director, Sacred Heart Community Services



Alison Brunner, CEO, Law Foundation of Silicon Valley



Michele Beasley, Regional Director, Greenbelt Alliance



Carole Leigh Hutton, CEO, United Way Silicon Valley



Jennifer Loving, Executive Director, Destination: Home



Patricia Gardner, Executive Director, Silicon Valley Council of Nonprofits



Jenny Niklaus, Executive Director, HomeFirst



Gregory Kepferle, CEO, Catholic Charities of Santa Clara County



Matt Huerta, Executive Director, Neighborhood Housing Services Silicon Valley



Dianne Spaulding, Executive Director, Nonprofit Housing Association of Northern California



Dayana Salazar, Executive Director, CommUniverCity San Jose