

## Ellner, Robin

---

**From:** Pilar Lorenzana-Campo <pilar@siliconvalleyathome.org>  
**Sent:** Wednesday, July 27, 2016 9:42 AM  
**To:** Planning Commission  
**Cc:** Gitelman, Hillary; Murillo-Garcia, Eloiza; adrianfine@gmail.com  
**Subject:** Adoption of a Draft Ordinance to Update the City's BMR Program and Adopt Affordable Housing Impact/In Lieu Fees for Commercial and Residential Construction

Good morning members of the Planning and Transportation Commission,

On behalf of our members, we thank the City of Palo Alto and its staff for taking action on the completed nexus studies and for the thorough analyses and outreach process! We're very excited that the City is taking action to revise its commercial linkage fee, adopt a new rental housing fee, and revise the BMR program.

Impact fees are a critical tool for generating local funds for affordable housing that can be leveraged to bring in other funds such as federal Low Income Housing Tax Credits or State Cap and Trade funds. To date, San Jose has adopted a rental housing fee while three other communities in Santa Clara County have adopted both a commercial linkage fee and a rental housing fee - Mountain View, Sunnyvale, and Cupertino. Towards the latter half of the year, we anticipate that other jurisdictions in Santa Clara county and San Mateo county will adopt these fees as well.

We applaud the City for requiring long-term affordability through a 99-year requirement and for requiring affordable units to be built concurrently with market-rate units. We are also very glad to see that the proposed ordinance provides a range of options for developers by allowing multiple ways to meet the obligation, including providing the units on-site, working with affordable housing developers to build housing off-site, and allowing acquisition/rehabilitation of existing market-rate housing provided that lower-income households are not displaced.

As acknowledged in the staff report before you today, Palo Alto has seen very little development in the last few years. While we strongly support the adoption of impact fees, we want to ensure that the adopted fees do not further deter development in Palo Alto. We continue to engage our members and interested stakeholders on this issue and may have additional comments as this moves forward to the City Council. In the meantime, we offer the following feedback for your consideration.

**Fee amounts.** The recommended fees are substantially higher than the fees charged by neighboring communities, which range between \$17 and \$25 per square foot on new rental housing and between \$7 to \$20 per square foot on commercial uses. We appreciate the City's efforts to adopt meaningful fees, but there is some concern that such a disparity in fees across the County may further deter new development in Palo Alto. If the fees are set at these high levels, what assurances are there that developers won't just move to another nearby city? This is of particular concern because so little housing development has been approved in Palo Alto in recent years—the City met only 38% of its RHNA numbers in the last Housing Element period, compared to 74% for the County as a whole.

**Exemptions.** Section 16.65.025. M. grants an exemption to “Any nonresidential project otherwise determined to be exempt pursuant to City”. We are concerned that this is too broad, creating a loophole that may severely impact the ordinance’s effectiveness.

**Inconsistent Depth of Affordability.** Sections 16.65.030 B.1. and B.2. (which call out required depth of affordability in the existing BMR ordinance) seem to contradict Sections A.1 and A.2, which call for the provision of VLI and LI

units. In the last RHNA cycle, the City only permitted 12% of its required housing for lower-income households (those earning less than 80% AMI). We recommend moving forward with a draft ordinance that requires the provision of affordable housing for very low- and low-income households.

**Monitoring.** We also want to ensure that there are the needed monitoring and compliance requirements in place to ensure that the affordable units are built and that they are monitored on an on-going basis to ensure long-term affordability.

SV@Home is the voice of affordable housing in Silicon Valley, representing a broad range of interests, from leading employers who are driving the Bay Area economy to labor and service organizations, to nonprofit and for-profit developers who provide housing and services to those most in need. We thank you for taking the time to consider our recommendations.

Please feel free to reach out to us with any questions or concerns.

Sincerely,

Pilar Lorenzana-Campo  
Policy Director  
[pilar@siliconvalleyathome.org](mailto:pilar@siliconvalleyathome.org)  
c. (408) 215-8925

**SV@Home**  
95 South Market Street, Suite 300, San Jose, CA 95113