



Leadership Board

Ron Gonzales, Chair
*Hispanic Foundation
of Silicon Valley*

Kevin Zwick, Treasurer
Housing Trust Silicon Valley

Kathy Thibodeaux, Secretary
KM Thibodeaux Consulting LLC

Shiloh Ballard
Silicon Valley Bicycle Coalition

Bob Brownstein
Working Partnerships USA

Christine Carr
Silicon Valley Bank

Katie Ferrick
LinkedIn

Amie Fishman
*Non-Profit Housing Association
of Northern California*

Poncho Guevara
Sacred Heart Community Service

Janice Jensen
*Habitat for Humanity
East Bay/Silicon Valley*

Jennifer Loving
Destination: Home

Mary Murtagh
EAH Housing

Chris Neale
The Core Companies

Andrea Osgood
Eden Housing

Kelly Snider
Kelly Snider Consulting

Jennifer Van Every
The Van Every Group

Staff

Leslye Corsiglia
Executive Director

TRANSMITTED VIA EMAIL

November 29, 2016

Members of the Planning and Transportation Commission
City of Palo Alto
250 Hamilton Avenue
Palo Alto, CA 94301

Re: November 30, 2016 PTC Agenda Item 4 (Affordable Housing Impact/In Lieu Fees for Commercial and Residential Construction)

Dear Chair Alcheck, Vice Chair Waldfogel, and Commissioners Fine, Gardias, Rosenblum, and Tanaka:

On behalf of our members, SV@Home thanks you for your thoughtful consideration of the completed nexus studies and housing impact fee proposals. We recognize that there are no simple answers to the policy questions you are deliberating, and we commend you for grappling extensively with these questions to ensure that in the future, the City of Palo Alto can effectively respond to its severe need for affordable housing.

With the median rent for a two-bedroom apartment at over \$3,500 and median sales prices at nearly \$2.4 million (Zillow, September 2016), many individuals and families are priced out of the Palo Alto housing market. Housing and commercial impact fees will provide the City with critical tools to build homes for households for which these prices are far out of reach. However, to be effective, the fees must find a delicate balance between being high enough to generate a meaningful amount of funding for affordable housing and low enough to not deter development.

We believe that this balance can be achieved through a rental housing fee set at around \$25 per square foot, with the option for developers to mitigate the impact of new housing through alternative actions. We recommend that the rental housing fee be set at \$25 per square foot (adjusted annually for inflation according to the Consumer Price Index), which is aligned with rental housing impact fees levied by nearby Silicon Valley jurisdictions, which range from \$17 to \$25 per square foot. By setting the rental housing fee at a level commensurate with those of neighboring communities, it is less likely that the fee will deter development of new rental housing in Palo Alto.

SV@Home also supports the inclusion of language regarding alternative means of compliance with the residential rental impact fee policy, as drafted in Section 16.65.080 of the proposed ordinance. These measures will encourage mixed income housing, which is a laudable policy goal, and will provide the development community with flexibility to partner with nonprofit housing developers to build stand-alone affordable homes that can leverage tax credits and other financing.

We furthermore concur with the proposed ordinance language that prioritizes the inclusion of affordable units in mixed-income developments over the option of paying an in-lieu fee. We also support providing developers of residential ownership housing a number of compliance options. This approach, when adopted in tandem with the proposed in lieu fee, will provide developers with needed flexibility as well as certainty over how these requirements will be factored into total project costs. Within this policy framework, we also support the staff recommendation to adopt a simpler per square foot in-lieu fee for residential ownership development.

While we look forward to Palo Alto's implementation of affordable housing impact fees, we want to stress that impact fees alone are not enough to solve the housing crisis. Without making additional policy changes to ensure that both market rate and affordable housing can be built in Palo Alto, these fees only go so far. It is critical that the City of Palo Alto move forward with a fuller array of measures to facilitate the creation of more new housing, from identifying underutilized land, including publicly owned land, to streamlining development approvals, to increasing allowed densities along key transportation corridors and identified housing opportunity sites.

SV@Home hopes to work with you to achieve these policy changes to support the creation of thriving, sustainable and affordable neighborhoods throughout the City. We thank you for your leadership throughout these impact fee discussions and for the opportunity to provide input.

Sincerely,



Pilar Lorenzana-Campo
Policy Director