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Leslye Corsiglia
Executive Director

TRANSMITTED VIA EMAIL

December 17, 2017

Mayor Liccardo & Members of the City Council
City of San Jose
200 East Santa Clara Street, 18th Floor
San Jose, CA 95113

Dear Mayor Liccardo, Vice Mayor Carrasco, and Councilmembers Arenas, Davis, Diep, Jimenez, Jones, Khamis, Nguyen, Peralez, and Rocha:

Re: Item 4.6 – Actions Related to the Implementation of the Affordable Housing Impact Fee and Inclusionary Housing Ordinance

On behalf of our members, we write today in support of the staff recommendations and the memo signed by Mayor Liccardo, Vice Mayor Carrasco, and Councilmembers Arenas, Davis, and Ngyuen related to the implementation of the City's Inclusionary Housing Ordinance (IHO). We are excited that the IHO for rental residential development will go into effect in 2018 after years of waiting. San Jose has been a true leader in its support for inclusionary housing as an affordable housing tool.

With respect to the in-lieu fee, we do want to clarify that **this is not a fee that is imposed on construction like other development fees**. Rather, this is a developer choice, made possible because the City has adopted a progressive IHO ordinance that provides developers with several alternative compliance options.

The City's inclusionary Ordinance requires developers to incorporate 15% affordable units in any market-rate residential development. If a developer chooses not to do this, they have a number of choices, including building the units off-site, donating land, partnering with an affordable housing developer, purchasing credits, or payment of an in-lieu fee. SV@Home believes that true inclusionary housing, where affordable homes and market rate homes are incorporated in the same development, is the best public policy option. However, we recognize that some developers are more comfortable with other options.

In order to ensure the development of the highest number of affordable homes, it is important that no one particular alternative compliance option is more favorable than the others. As such, it is important that the in-lieu fee not be set so low that all developers choose to "fee out" rather than consider any of the other alternatives, including the true inclusionary option.

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The City’s IHO ordinance ties the amount of any in-lieu fee to the cost of building an affordable unit. As a result, the recommendation for a \$125,000 fee per inclusionary unit—or \$25,000 per unit-- is appropriate given recent City subsidies for affordable development. And, again, it is important to be clear that this is not a fee that is imposed, but rather is one of the choices a developer can make instead of providing affordable units on site.

While we are in agreement that it is important for the City to study the impact of the totality of fees on residential development, **we will not support a weakening of the IHO.** The City fought hard for years to ensure that inclusionary rights of all cities were protected, including fighting all the way to the US Supreme Court. Without redevelopment funding and other federal funding, the City needs all the tools it can find to address the severe housing crisis faced by its lower and moderate-income residents, and to meet the affordable housing goals set forth in the Mayor’s 15-point housing plan.

We appreciate the opportunity to provide our feedback and hope to continue supporting the City’s efforts to drive the creation of affordable homes.

Sincerely,



Leslye Corsiglia
Executive Director

