FUNDING AFFORDABLE HOUSING:

SAN JOSE'S COMMERCIAL LINKAGE FEE

Friday, July 24, 2020 | 12 P.M. - 1 P.M.
Welcome!

Housing Action Coalition

- Welcoming Remarks
- Commercial Linkage Fee Update and Progress
- Community Impact and Affordable Housing Need
- Remarks by San Jose Councilmember Raul Peralez
- Questions and Answers
- Next Steps and Closing
TODAY'S SPEAKERS

MATHEW REED  
Policy Manager  
SV@Home

NADIA AZIZ  
Directing Attorney  
Law Foundation of Silicon Valley

RAUL PERALEZ  
Councilmember  
City of San José  
District 3
What is a Commercial Linkage Fee?

Standard tool for generating revenue for Affordable Housing

Commercial Developers pay a fee to mitigate need for Affordable Housing created by new jobs

San Jose is the only major city in Santa Clara County without a Commercial Linkage Fee
### Neighboring Cities (2019-2020)

#### CLF Affordable Housing Fee Levels in Santa Clara County (Per Sq Ft)

<table>
<thead>
<tr>
<th>Non-Residential Fees</th>
<th>Office/R&amp;D</th>
<th>Retail</th>
<th>Hotel</th>
<th>Industrial</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cities in Santa Clara County</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mountain View(1)</td>
<td>$28.25</td>
<td>$3.02</td>
<td>$3.02</td>
<td>$28.25</td>
</tr>
<tr>
<td>City of Santa Clara</td>
<td>$20.00</td>
<td>$5.00</td>
<td>$5.00</td>
<td>$10.00</td>
</tr>
<tr>
<td>Cupertino</td>
<td>$24.60</td>
<td>$12.30</td>
<td>$12.30</td>
<td>$24.60</td>
</tr>
<tr>
<td>Sunnyvale(2)</td>
<td>$17.20</td>
<td>$8.60</td>
<td>$8.60</td>
<td>$17.20</td>
</tr>
<tr>
<td>Milpitas</td>
<td>$8.00</td>
<td>$8.00</td>
<td>$8.00</td>
<td>$4.00</td>
</tr>
</tbody>
</table>

(1) Mountain View: Office/R&D < 10K sq ft pays ½ fee, Hotel/Retail < 25k sq ft pays ½ fee.
(2) Sunnyvale fee for Office/Industrial is ½ fee level up to 20k sq ft, and full fee for sq ft above 20k
NEXUS STUDY (July 17th)

- Required by State mitigation fee laws
- Prepared by Keyser Marston Assoc. in coordination with city staff
- Eight types of commercial development were studied in San Jose
- Different number of employees per square foot
- Different types of jobs, with different wages
Employees live in households that may have more than one worker

<table>
<thead>
<tr>
<th>Income Category</th>
<th>Office</th>
<th>Office, High-Tech</th>
<th>Retail</th>
<th>Hotel</th>
<th>Industrial</th>
<th>R&amp;D</th>
<th>Warehouse</th>
<th>Residential Care</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extremely Low</td>
<td>1.1%</td>
<td>0.6%</td>
<td>4.9%</td>
<td>6.3%</td>
<td>2.1%</td>
<td>0.3%</td>
<td>5.1%</td>
<td>5.1%</td>
</tr>
<tr>
<td>Very Low Income</td>
<td>11.6%</td>
<td>7.2%</td>
<td>37.8%</td>
<td>36.9%</td>
<td>18.7%</td>
<td>5.9%</td>
<td>32.2%</td>
<td>33.2%</td>
</tr>
<tr>
<td>Low Income</td>
<td>15.1%</td>
<td>12.2%</td>
<td>9.6%</td>
<td>17.6%</td>
<td>16.9%</td>
<td>12.1%</td>
<td>23.1%</td>
<td>16.1%</td>
</tr>
<tr>
<td>Moderate Income</td>
<td>33.6%</td>
<td>32.3%</td>
<td>35.9%</td>
<td>29.7%</td>
<td>32.6%</td>
<td>32.6%</td>
<td>31.6%</td>
<td>35.4%</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td><strong>61.4%</strong></td>
<td><strong>52.2%</strong></td>
<td><strong>88.2%</strong></td>
<td><strong>90.4%</strong></td>
<td><strong>70.3%</strong></td>
<td><strong>50.9%</strong></td>
<td><strong>91.9%</strong></td>
<td><strong>89.8%</strong></td>
</tr>
<tr>
<td>Above 120% AMI</td>
<td>38.6%</td>
<td>47.8%</td>
<td>11.8%</td>
<td>9.6%</td>
<td>29.7%</td>
<td>49.1%</td>
<td>8.1%</td>
<td>10.2%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100%</strong></td>
<td><strong>100%</strong></td>
<td><strong>100%</strong></td>
<td><strong>100%</strong></td>
<td><strong>100%</strong></td>
<td><strong>100%</strong></td>
<td><strong>100%</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>
Nexus - Maximum Fee Calculation

Calculates “gap” between household income, and the cost of providing housing that would be affordable to them.

Legal Maximum fee is amount per square foot that would be required to fully mitigate the additional housing burden produced by different types of new commercial development.

Table 1-1. Nexus Analysis Maximum Fee Conclusions

<table>
<thead>
<tr>
<th>Building Type</th>
<th>Maximum Fee Per Square Foot¹</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office</td>
<td>$137.70</td>
</tr>
<tr>
<td>Office, High-Tech</td>
<td>$151.30</td>
</tr>
<tr>
<td>Retail</td>
<td>$176.70</td>
</tr>
<tr>
<td>Hotel</td>
<td>$61.60</td>
</tr>
<tr>
<td>Industrial</td>
<td>$131.90</td>
</tr>
<tr>
<td>Research and Development</td>
<td>$108.80</td>
</tr>
<tr>
<td>Warehouse</td>
<td>$45.90</td>
</tr>
<tr>
<td>Residential Care</td>
<td>$44.60</td>
</tr>
</tbody>
</table>

¹ Maximum fee level findings reflect the cost of mitigating affordable housing impacts of new development expressed per square foot of gross building area excluding parking.

Keyser Marston Associates, Inc. -- July, 2020
Also prepared by Keyser Marston Associates in coordination with City staff

Not required by law, requested by City Council

Technical assessment of the impact of fees at different levels on development feasibility

Different types of development like Nexus Study

Different geographies - Downtown, North San Jose, Edenvale, etc.

Should present fee options and explain how they are sensitive to market conditions
Feasibility Study - What we are looking for

Original study completed in February, and updated in light of the COVID pandemic and economic recession

Difficult time to assess the future of commercial development in the City -- fees set now will be on offices and warehouses that won’t be completed for 2-5 years and beyond

New assumptions will have a significant impact on the analysis of how fee levels will impact the feasibility of future development

In this period of uncertainty is the need to mitigate affordable housing impacts what is holding up development?
2019
3.9 Million Sq Ft Permitted
Up to 11,000 new workers
No fees for affordable housing

March 2020
Pipeline of 38 Million Sq Ft
Up to 125,000 new jobs

Between 2021-2031
Every $1 increase in CLF Fee levels could potentially fund more than current average annual production of affordable homes
Housing Crisis: Community Need in San Jose
RAUL PERALEZ
COUNCILMEMBER
CITY OF SAN JOSÉ
QUESTIONS
AND
ANSWERS
CAMPAIGN TIMELINE

- **July 17**: NEXUS STUDY
- **July 24**: FEASIBILITY STUDY
- **Aug. 6**: PUBLIC MEETING
- **Aug. 14**: STAFF RECOMMENDATIONS
- **Aug. 25**: CITY COUNCIL DELIBERATES
GET INVOLVED!

PUBLIC MEETING

The City will host a public meeting on Wednesday, August 6 soliciting input from the community.

The input will inform staff recommendations to City Council.

LETTERS OF SUPPORT

City staff is scheduled to release their recommendations to City Council on Friday, August 14.

Letter of Support will be circulated as well as an online Take Action petition.

PUBLIC COMMENT

City Council is presented with staff recommendations at its Tuesday, August 25 meeting.

TURNOUT!
#PasstheFeeSJ!!!

@SVatHome  @siliconvalleyathome  @svathome
THANK YOU!

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