

San Jose considers fee to fund housing

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SAN JOSE -- San Jose officials took initial steps Tuesday toward setting a fee on new housing development that would generate money for lower-cost subsidized dwellings in the Silicon Valley city said to have the nation's highest rent.

The council's 8-2-1 vote calls for the city to produce a study over the summer that would lay the legal grounds for a possible "housing impact fee" that could be voted on in the fall. Councilmen Johnny Khamis and Pierluigi Oliverio were opposed. Councilman Pete Constant also was opposed but had to leave before the late-afternoon vote.

San Jose officials said funding for subsidized housing has been drying up, most notably since Gov. Jerry Brown last year eliminated city redevelopment agencies. Redevelopment's cut of property taxes, now diverted to schools and other basic government services, not only subsidized projects in blighted areas, but also affordable housing development.

"While the demand for affordable housing continues to grow, the city's ability to provide such housing is on the decline," Councilmen Ash Kalra and Xavier Campos said in a joint memorandum urging the study.

Before the meeting, the labor-affiliated think-tank Working Partnerships USA convened a news conference outside City Hall where advocates cited local support for affordable housing and called it an asset to San Jose's economy, arguing the proposed fee paid by housing developers is an important part of the funding solution.

"San Jose is now the most expensive rental market in the country," said Derecka Mehrens, Working Partnerships' interim director. "Increasingly, we find workers struggling to make ends meet."

But the housing fee also had its critics. Constant and Khamis, who argued such a fee would only make new housing more expensive, and either be passed on directly to buyers and renters or reduce developers' capital for building enough homes to meet demand and keep market prices in check.

"To believe that increasing the cost of housing will create more affordability," Constant and Khamis said in a joint memorandum, "turns logic on its head."

California's redevelopment law required that 20 percent of the agencies' property tax stream be set aside for affordable housing development. In San Jose, that generated as much as \$40 million a year for housing projects, funding now lost with the elimination of redevelopment. Federal funds for housing have been cut in half over the past 10 years, and state bond funds for housing are mostly spent.

At the same time, Silicon Valley's recovering economy has inflated housing costs that had softened in the Great Recession. City officials, citing U.S. Census data released last month, said the San Jose area has the highest combined rent and utility cost in the United States, topping even New York City and Honolulu.

Housing impact fees have been one tool that cities have turned to either to offset the added service costs from new development such as for streetlights, storm drainage and parks, or to subsidize affordable housing. Berkeley, Walnut Creek, San Carlos and Fremont all have housing impact fees. Mountain View in January enacted a \$10 per square foot fee on rental housing developments.

San Jose's action Tuesday approves a "nexus study" on the proposed fee, aimed at demonstrating a reasonable relationship between the fee's use and the type of development project on which it is assessed. The study is expected to cost \$75,000 and to be completed in early November, after which the council would decide whether to proceed.

Regina Moreno hopes the city does. The 30-year-old single mother of two boys and a girl has been living with her mother in San Jose while working a couple jobs, including doing survey work for Working Partnerships. She said she only earns about \$3,000 a month, while monthly rent for a two-bedroom apartment would cost \$2,300, and that

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she's been on the waiting list for federal housing subsidies.

"It's hard for me as a single mom," Moreno said, "to afford a place to live."

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