

June 15, 2020

San José City Council
City of San José
200 E. Santa Clara Street
San José CA 95113

Comments for Item 8.1 File 20-630 - Economic Recovery Temporary Cap on New or Increased Infrastructure Fees for Development

Dear Mayor Liccardo, Vice Mayor Jones and Councilmembers:

SPUR believes strongly in San José and a forward-looking vision for the city that reinforces downtown as the economic and social hub of San José. Downtown development is not only an opportunity to grow San José's job base and housing supply, but also to build a great city.

Since establishing the San José office, SPUR has published key policy reports that have urged San José to: develop a more dense, walkable, transit-connected, dynamic urban community (Getting to Great Places, 2013); build a downtown reflective of the largest city in the Bay Area and create a world-class transit hub at Diridon Station (The Future of Downtown San José, 2014); bolster the city's fiscal condition to deliver high-quality public services to its residents (Back in the Black, 2016); and increase housing availability and affordability (Room for More: SPUR's Housing Agenda for San José, 2017).

As we heal from the pandemic, economic recovery will be a critical priority for the City of San José in the months and years ahead. For decades, the City has worked tirelessly to plan for and attract creative development and redevelopment in the downtown that will be of great benefit to our residents, local businesses, and workers. We cannot afford to lose any momentum now.

Transparency, consistency, predictability, and certainty are not only hallmarks of good government they are also essential ingredients to attract investment and employers to our city. While certainty is always critical in the development process, given the social, public health, and economic challenges and turbulence we are currently facing, any opportunity to increase certainty should be seized by local government.

The intent behind the staff proposal to create greater certainty for the business community and investors in our city is appreciated and we provide these comments in order to be helpful. SPUR is also mindful of the need for development projects to mitigate their impacts and pay for construction of related infrastructure and increased capacity.

During a recent stakeholder outreach meeting, staff acknowledged that any increase to infrastructure impact fees or expansion of the boundary for the Diridon Impact Fee would, pursuant to the Mitigation Fee Act, require new nexus and feasibility studies and would be unlikely to be completed and a new fee schedule adopted prior to January 2023.

Given this reality, we strongly suggest that the language in the memo be modified especially for loan underwriting purposes to propose ***a temporary moratorium on infrastructure fee increases until at least January 2023***, rather than a cap at higher amounts which are double the current Diridon Basic Infrastructure Impact Fee. This will provide greater clarity and certainty for lender underwriters while allowing staff to continue unimpeded with both its analysis of volatile economic conditions and the need for additional public improvements funds. The fact is underwriters will have to write to the maximum amount of the fee load under the proposed cap even if the increase isn't actually likely to be adopted and this could unnecessarily push some project proposals into infeasibility.

We also think it is an important practice and one previously utilized by the City to - when contemplating fee increases - consider their impact on existing "pipeline projects" operating under previous assumptions, policies, and data and particularly on smaller pipeline projects that do not enjoy sufficient size and economies of scale to absorb additional costs.

We support the staff recommendation to keep consideration of the Commercial Linkage Fee for affordable housing separate from the infrastructure fees discussion as that item has been in the works for the past couple years and is set to be brought to the Council for consideration in August.

Thank you for your consideration of these comments as well as your commitment to public service and the well-being of our community under such difficult circumstances.

Sincerely,



Michael Lane, San José Director
SPUR