



Memorandum

TO: MAYOR & CITY COUNCIL

FROM: Councilmember Rocha

SUBJECT: CENTURY COURT
DEVELOPMENT AGREEMENT

DATE: December 8, 2014

Approved

Date

12/8/14

RECOMMENDATIONS:

Do not approve an amendment to the Century Towers Development Agreement.

ANALYSIS

Over the last few weeks we have been confronted again and again by the impacts of the affordable housing shortage in our city. A few days ago we closed the nation's largest homeless encampment. To try and prevent such terrible living conditions from becoming the norm for our lowest-income residents we passed a housing impact fee a few weeks ago. On our December 16th agenda we'll be considering a General Plan Text Amendment that will set an affordable housing production goal. It's clear that we understand the affordable problem we're facing and we have an idea of what our first round of solutions are; now we need to fund them. Preserving the funding already agreed to and available for the purposes of developing affordable housing is a great way to move forward, not backwards, toward our goal.

At this time, only five-percent of the units that have developed in North San Jose have been below market rate units. At the time of the Century Court development proposal, market-rate units in Phase I of the North San Jose Area Development Plan were exhausted. To allow the development to move forward, a development agreement was entered into with \$2.6m provided explicitly to compensate for the loss of affordable housing. At the same time, an affordable housing project was proposed for North San Jose but because our preference for the high-rise product type, the market-rate Century Court project was selected. The benefits of having both a high-rise and a significant contribution to our affordable housing funds made Century Court a more desirable project. Based on our action today our affordable housing fund may not realize the \$2.6m benefit. If this had been the circumstance during the time these projects were being considered, I likely would've supported the affordable project.

Transportation is an important service, and the underfunding of our program has been a concern of mine for some time. In fact, I raised concerns about lowering the traffic impact fees in North San Jose because we had not secured replacement when we created that incentive. Instead of filling a gap that we created by taking money out of a fund that is already dangerously low, staff should work diligently to find other funding sources, including opportunities in a transportation tax or allocations from a general sales tax.

As a City, we just asked developers to pay an impact fee for housing, and now we're proposing to use money we have set aside for affordable units to pay for other city service responsibilities. I think we can do better than this, and we need to stand firm on our commitment to both fiscal responsibility and affordable housing.