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City Manager's Office

Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Leslye Corsiglia

SUBJECT: SEE BELOW

DATE: September 27, 2013

Approved

Date

9/27/13

INFORMATION

SUBJECT: FOLLOW-UP ON THE NEXUS STUDY FOR AN AFFORDABLE HOUSING IMPACT FEE

On June 4, 2013, the City Council directed the Housing Department to conduct a nexus study analyzing the impact that residential development has on the need for affordable housing in San José and to return to the Council with recommendations on a potential housing impact fee. At that meeting, the Council directed that staff provide an information memo mid-way through the process that identified the consultant selected for the nexus study and the scope of work. This memorandum responds to that direction.

Consultant Selection

Staff completed and issued a Request for Qualifications (RFQ) on June 11 with responses due on July 8. Responses were reviewed and scored based on several factors, including: experience conducting nexus analyses, ability to use local data, experience with legal challenges, cost, and, overall responsiveness. Two applications were received in response to the RFQ—one from Economic and Planning Systems (EPS) and one from Keyser Marston Associates (KMA). Based on the responsiveness of their submittal and experience conducting residential nexus analyses, KMA was the selected consultant.

KMA has conducted affordable housing nexus studies for more than twenty years and conducted its first residential affordable housing nexus analysis in 2005. Since completing the first nexus analysis for the City of Seattle in 2005, KMA has performed additional market rate residential nexus analyses for the City and County of San Francisco, the City of San Diego, the City of Sacramento, the County of Sacramento, and many smaller cities throughout the Bay Area and San Diego County. Finally, KMA conducted the nexus analysis that was upheld in the *Commercial Builders v. City of Sacramento* case and thus has experience responding to a legal challenge of its affordable housing nexus analysis.

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KMA began work in July, with a goal to complete the study by October, enabling staff to bring a recommendation forward to the Council in November 2013 for consideration of a potential impact fee, if the study finds that it is feasible.

Scope of Work and Work Plan

As shown in the attached chart, the work plan includes both an analytic and public engagement component. The analytic component includes both the nexus analysis to determine the maximum supportable housing impact fee and an extensive feasibility analysis to provide information on market and economic conditions to assist the Council in determining the appropriate fee level. The public process includes multiple meetings with developers, stakeholders, the public, and the City's Housing and Community Development Commission in order to provide information on the results of the nexus and feasibility study, to review policy options, and to receive public comment. Staff is also accepting requests for presentations from organizations interested in gaining more information on the study. The Department has a link on the City website (<http://www.sanjoseca.gov/index.aspx?nid=3979>), which provides information on the nexus study, upcoming meetings, and information on KMA's consulting contract and deliverables.

Summary

Since June 4, 2013, when the City Council directed the Housing Department to conduct a nexus study analyzing the impact that residential development has on the need for affordable housing, staff has worked diligently to identify a consultant and has provided the consultant with extensive data specific to the City of San José. In addition, the Housing Department has held and scheduled several community outreach events to obtain public input and expects to meet its goal of presenting findings of the nexus study to the City Council in November.

/s/

LESLYE CORSIGLIA

Director of Housing

For questions please contact Jacky Morales-Ferrand, Assistant Director, at 408-535-3855.

Attachment

Attachment

**Nexus Study Work Plan
(Estimated Dates)**

Action	Target Date	Status
Project Initiation and Data Collection	Late July	Complete
<i>Nexus Analysis:</i>		
1. Market Survey/ Prototypes/ Sales Prices & Rent Levels	Early August	Complete
2. Affordable Sales/ Rents/ Affordability Gaps	Early August	Complete
3. On-site Compliance Cost Analysis	August	Complete
4. Residential Nexus Analysis Draft	September	Pending
<i>Additional Considerations for Program Design:</i>		
1. Existing Fees & Comparison to Other Jurisdictions	September	Complete
2. Draft Report & Refinements	Early October	Pending
3. Development Cost/Financial Feasibility Study	Early October	Pending
4. Final Report	Mid October	Pending
<i>Public Engagements:</i>		
1. Developer Kick-Off Meeting	July 25-26	Held
2. PBCE's Developer Roundtable Meeting	August 2	Held
3. Developer Meeting—Feasibility and Nexus Review	October 8 & 11	Scheduled
4. Public Outreach Meetings—	September 25	Scheduled
a. Camden Community Center	September 26	Scheduled
b. Berryessa Community Center	October 1	Scheduled
c. Southside Community Center	October 3	Scheduled
d. Mayfair Community Center	September 12	Held
e. Senior Commission	September 16	Held
f. Sacred Heart Meeting	September 25	Scheduled
g. BIA Regional Policy Meeting	October 10	Scheduled
h. San Jose Silicon Valley Chamber	October 10	Scheduled
i. Housing and Community Development Commission		
Complete Report and Present to the City Council	November	