# Downtown Residential High-Rise Program Stakeholders Meeting May 29th, 2024

## Fee Discussion Transcript

**Notes and Disclaimer:**

- Disclaimer: The meeting recording was auto transcribed using a transcription service. There may be errors in the transcription.

**SUMMARY KEYWORDS**

fees, city, development, downtown, reduction, parks, project, housing, construction, question, park, program, building permits, reduced, parking, give, council, talked, high rise, unit

00:03

Okay, thanks. I've actually that's the first time I've ever pushed the record button. So, okay, well, welcome. Oh my gosh, just I don't know.

00:16

Let's, let's see.

00:18

I think everyone can see the chat.

00:20

There we go. Now we can see. So if anybody appreciates the closed captioning, you can read it. Okay.

00:29

Captioning. Yep. Thank

00:32

you. It really does take a village. All right. Thanks. Thanks, everybody for being here today. This is a stakeholder and advocates meeting around the downtown high rise program conversation that we started kind of back in October, after a cost of development study session. We had an meeting with many of the folks that are here today, in February and then this is kind of the follow up, we said we would come back and follow up when we had a recommendation to bring forward. So I'm going to give a very brief presentation. Joe Sordi and I are gonna give a brief private presentation, and then we want to hear your you know, your questions and comments. But before we do that, we thought we would just start with a brief round of introductions. We don't have an inordinate number of people on the call today. And so why don't we just why don't we do that? So I want to introduce myself. I'm Blage Zelalich. I'm the Deputy Director in the Office of Economic Development with the city of San Jose, and maybe we'll just go with city staff first, and then to participants and I'm gonna kick it back to Joe in our office.

01:52
Yeah. Hi, everybody. I'm Joe Sordi.

01:55
I am I'm echoing. I am development facilitation officer with Office of Economic Development. I'll kick it over to Jess.

02:08
Good afternoon, Deputy Director for the Department of Transportation and I will pass it to Leo.

02:14
Hi Everyone, Leo Tapia, planner three with city San Jose Parks and Rec. I'll pass it over to my Deputy.

02:23
to Raymond, I think you're on here.

02:24
Sure. I'm Raymond Constantino, the deputy over capital projects within parks recreation Neighborhood Services. I'll pass it over to Giselle who's on my staff.

02:33
Hello, my name is Elisha St. Laurent. I'm in the housing department for Ordinance of fees. Now I'll pass it along to Pedro.

02:33
Hi, I'm a Planner One at the parks and rec department. And I'll pass it over to maybe housing with Elisha.

02:51
Hi, Pedro Leal. I'm also with ordinance and fees and housing. And I'll pass it over to Darius.

02:59
Hello, everybody. Darius Brown, Housing Department or dystrophies. Kemit.

03:06
Good afternoon, everyone. Kemit Mawakana, Division Manager for the residential development division over ordinance and fees. And that's all for housing.

03:19

Yeah, I think we are we have Mayor's office here. Michael you can?

03:25
Everybody Michael Lomio, Mayor's Office of Economic Development.

03:30
Okay, great. And then if we could go to to the audience, so to speak. Larry I'm just gonna I'm going to ask folks to introduce you as I see you if that's okay.

03:48
Mr. Ames. Oh, maybe he's frozen. Okay, Michael, how about you?

03:58
I'm Michael Bertram. I'm a vice president of the River Oaks Neighborhood Association. I was on the Park Fee Task Force and in North San Jose development task force.

04:10
Great. Thank you, Jean.

04:12
Jean Dresden. I'm a longtime Park advocate.

04:17
Thank you, Clarissa.

04:18
Hi Everyone, Clarissa Cabansagan. Again, the executive director at Silicon Valley Bicycle Coalition.

04:27
Great. Thanks, Lillian.

04:28
Oh, sorry. I was just listening to the Bicycle Coalition. Anyway, Lillian Conig, senior substitute teacher, District Three, resident senior housing affordable housing. Thanks, Bob.

04:44
Bob Levy, long-term Park advocate and community advocate.

04:49
Thank you, Ruth.

04:54
I'm sorry. Yes, Ruth, if you wouldn't mind just introducing your herself.

05:00
Yeah, my name is Ruth Callahan. I'm the president of the Kooser Woods Neighborhood Association. And we will be having a very massive public housing project at the end of my block. So I'm interested in all things housing. Thank you.

05:15
Great. Thanks for joining us today.  Helen

05:23
Hellen Chapman, former parks commissioner, current director for the Santa Clara Valley Open Space Authority and longtime Park advocate.

05:32
Great. Thanks so much for joining us, Jake.

05:36
Hi, my name is Jake Wild. I'm a housing advocate and I work with Catalyze SV.

05:41
Thanks, Jake, for joining us, Michelle.

05:43
Hey, everyone, I'm Michelle Williams, with Satellite Affordable Housing Associates. We have some properties in development in San Jose. So I'm interested in anything housing and downtown related.

06:00
Great, thank you. And that, Matthew, I think you're rounding us out here.

06:06
Yes. Hi yes. Matthew Reed, Director of Policy, Silicon Valley at Home.

06:10
Great, thank you. And I think we lost Larry. But hopefully he'll come back. Okay, great. So if I can start sharing my screen, I think we got everybody, right. Just confirming. Okay, wonderful. Thanks. So I'm gonna start to share my screen. If everybody hold on, I try to make sure this goes in big form. Okay, can everybody see the screen here?

06:44
Okay, great. So,

06:47
my colleague, Joe and I are going to tag team on this presentation. And then obviously, we're here with our other colleagues in in D. O. T, in housing PBCE, and in parks. And this has definitely been a very long and difficult conversation that we've had internally, it's taken us a long time to grapple with a

variety of different, very important objectives that the city has. And it is it has been difficult, I would say, difficult to say the least, to arrive at the current recommendation, that that we are going to propose, we do have the support of kind of the highest levels of city leadership at this time. And again, I don't think that I can kind of overstate how difficult it has been to kind of come to come together because there are so many important priorities that the city is trying to achieve, you know, for its residents, and for the city itself, and for the quality of life of folks in the city. So with that, I'm going to kick it over to Joe Sordi. He's going to do a little recap of our last meeting for those of you that were not in attendance, and then we'll get on to kind of the process that we are, are looking at or the process that we went through, the recommendation that we're bringing forward. And we'll go from there with your comments and questions. Alright, so Joe,

08:29
Okay, thank you Blage. So yeah, just first off, just a quick overview of the downtown high rise residential incentive program. So right now, the city just has a high rise program pertaining to downtown only. Currently, the program is open. If a project is able to obtain building permits by June 30 of 2025. And substantially complete construction by June 30 of 2029. You're able to get a complete waiver on inclusionary housing ordinance fees in downtown and also a 50% reduction of the construction taxes with the deferral of the of the other 50% paid at the time of substantial completion. So and that pertains to high rise buildings that are 10 storeys and 150 feet high in downtown. So now I'll go ahead and just do a brief recap of what we just talked about. I think it was like three months to the day that we had our last stakeholder meeting. And we went through with with all of you was changes to the downtown highrise program, possible changes and incentives. We were considering modifying the vertical construction program window and making it three to five years timeframe. We talked about adjusting the the minimum height, possibly bringing it down to mid rise seven stories or 85 feet, talked about possible deeper cuts to construction taxes beyond the current 50% also bringing in cuts to the park fees downtown, below the the current downtown fee at $14,600 a unit we talked to also about other things like reducing commercial requirements on the ground floor, which were preventing some buildings from getting started. Also, some process changes such as local transportation analysis is some of the things that are required at the staff level during development review. And then jumping to the next slide here. Then we also talked about extending the program citywide. So that's something that we've also included in the council memo coming up on June 11. The city wide program could take into account similar measures. Since buildings don't tend to be high, you know, high rise other in other parts of the city. Considering height and density parameters of five storeys and 55 dwelling units to the acre something along those lines. We talked about the possibility of IHO reductions and inclusionary requirement modifications, also reduction of construction taxes outside downtown, consideration of reducing park fees citywide and also modifying those commercial space requirements and those process changes that we talked about downtown to like the LTA. So that's what we talked about in February. And from there, we kind of spent the last three months moving forward and Blage is going to kind of get into the process of what's transpired since February.

11:35
Yeah, and again, maybe just a little, a quick background check. For those of you that didn't join us in February. The way this kind of all came up to begin with is that we did our annual cost of development feasibility study that was presented to the city council in October of 2023. And that was in a study

 

session. And it was a pretty expensive study session in which we presented information that we worked with consultants, Century Urban, who had also done our previous feasibility analysis on both market rate housing in this time, they did market rate and affordable, they looked at a variety of different types of development, low rise, mid rise, high rise throughout different geographies in the city. And basically, all of those models show that there was a pretty substantial gap in the feasibility to produce housing, either for for sale or rental housing anywhere in the city, any type of construction. So low rise, mid rise, high rise, North, East, South, Central, whether it was rent or for sale, and nothing penciled when you took into account the combination of hard costs for development, soft costs, the macroeconomics of the day. And so from that study session, what the council was kind of asking staff is okay, we understand that the city is not the silver bullet here. And it's not even the largest expense when it comes to construction or development. But what can the city do, to show that it wants to encourage and support housing production. We already had the downtown incentive program that had been in place for high rise production. And so what we what we were doing as the staff was focusing, first, although we talked about downtown and citywide, we could really only take kind of one at a time went in conversation at a time. And so we focused our conversation on the downtown, residential high rise program. And we're actually part of the recommendation for June 11, is confirming with the Council on whether they do want us to continue to analyze any further program that would be city wide and outside of downtown. So that's a little little bit of a little more background, or for some of you that were with us in February. So our process is Joe, as Joe said, we've we've had many internal meetings about the give and take, and a lot of thoughtful conversation and trying to come to a recommendation that, you know, quite honestly, I don't know that anybody would be 100% happy with, but we're hoping that it is something that spurs actual development. So we don't want to incentivize entitlement. We want to instead devise shovels in the ground, people getting units constructed, so that we can in turn, you know, increase the vibrancy increase the number of residents downtown. And there's kind of a domino effect on that both on quality of life, both on kind of perception of our downtown city center, and then also on on revenues, you know, both for the public sector and private sector. So we, we realized as, as a staff, there significant concerns that we weighed, you know, the need to support the production of housing. But on the other hand, we were looking at things that would, you know, cause a decrease in funds for park development and improvements for infrastructure and maintenance. And the sort of reduction in construction taxes would affect capital projects, and potential staffing. We, we would potentially have reduced funds needed to match other private and public sector grant opportunities, a lot of our construction taxes that go to the Department of Transportation are utilized in that way. And we would obviously, the, you know, reducing the amount of funding that were to support the production of affordable housing. We did talk about even deeper reductions than we are proposing, but didn't want to go there after assessing the impacts to services and staffing that those deeper reductions would would cause. And overall, the administration's objective is to balance a reduction in city related costs to development, while doing its best to maintain support for transportation, affordable housing and parks related commitments. Okay, so the recommendations that we are coming to here for the June 11 council meeting would be to extend the downtown high rise program with the following kind of additional modifications. So they would include we currently have 14 projects in the downtown growth area that are entitled, they have entitlements that run anywhere from later on this year, to 2028. And that is about it's 4078 units that are currently entitled. So we're we were concentrating on that universe of projects. We're proposing a two phase program approach. In this in this modified program, you've got an additional reduction in construction taxes, you have a reduced parks fee obligation. And you we continue to maintain the waiver of the affordable housing really the inclusionary when Luffy. We would also propose to bring a program update to council either as a council item or an information memo in August of 2025. To kind of see how, how successful the program is, if we've got shovels in the ground if we've got people in for building permits, if the macro economics have changed significantly, we want to check in on this check in on the program and how it's doing. The second before I get deeper to the program and I will with the next slide. The second kind of recommendation in the in the memo will be to confirm that city council wants us to analyze options and study the potential impacts of a temporary city wide multifamily impact fee or tax reduction program to spur housing. And with that, what we would say is that we would look at all of these different kind of program buckets or program parameters, where the where the geography of the project is with the project density is time horizons and performance metrics. The the timing of payment, which fees and taxes might be reduced or left alone or eliminated or any combination thereof. So we'd look at all of those things in our analysis and examination of potential impacts. Okay, so getting back to the propose the current versus the proposed program and hopefully you guys can can see this pretty clearly. So the the proposed current and proposed program there they are both 150 feet, or a minimum of 10 stories. They are the geography of both programs are in the downtown growth area. In in both programs, we would continue the waiver of the inclusionary housing fee. In the current program, there's a 50% reduction in construction taxes the two major construction taxes in the proposed program, which is a two phased approach, the first phase would be 100% reduction in the construction tax, the second phase would be a 50% reduction in the construction tax.

20:45

With with respect to parks fees, which are currently not included in the the high rise program, the first phase would be a 50% reduction in the parks obligation, with the ability for a developer to still receive on site private amenity private rent credits, up to 50%. And in phase two, the reduction would be a 30% reduction in their obligation as a starting point, and then they would be able to achieve up to 50% in private rent credits building on site amenities. And that, of course, would continue to be a discussion, no negotiation between the developer and the parks department staff on what qualifies as a kind of private rec credit worthy. Phase one would be the first 1000 units in for building permits. And those building permits would have to be issued by December 31 2025. So the first tranche is an 18 month window for people to get to pull their building permit. And they would have to have their first inspection passed within 12 months of that building permit issuance. So that's really a time where people are live committed a significant amount of money, they're putting their building permits, they're lining up all of their construction folks, they're digging the holes, they're getting going. The second phase would be for the remaining 3078. Let's let's just say they all they all came in. And they would have a 12 month period after the close of phase one. So phase two is the 12 months after the initial phase 118 month period. And you can kind of see that the time tried to put the calendar dates there. And the the units would be counted when they came in for the for their building permit. So if one project comes in and is 540 units, they get the phase one, they meet the phase one criteria, there would only be 460 units left in phase one, at the time that that's taken up, you would move on to be eligible for a Phase Two for phase two criteria, as long as you were within the timeframes that we're talking about. And as far as timing of payments go, so all the taxes and fees would have to be paid at a certificate of occupancy, or five years from the date that their building permit was issued, whichever is sooner. And we're happy to send out these slides to sorry

23:55
later on.

23:56
Sorry.

24:00
Excuse me, this this table is also in the memo that will be posted for the council meeting. So with that my slides are frozen. Okay. Oh, there you go. We can't this is the last one. But happy to go back and pause for questions on the other side of people. If people want to ask questions, question like specifically Sure. Lillian, please

24:41
wait, let me get my video going hold on, where it says Park fees and it has current program 14,000 blocks of 16 Excuse me 1460 unit and then proposed but I think you said earlier that that was not actually included. Well,

24:58
it's not because In 2017, the parks B was reduced. So and a new category was created and the downtown fee was created. And that fee was 14,600 per unit. So in 2017, the fee was reduced. There was a new category, and so and so there was no additional reduction that was given to park fees. It was just that was the new rate, the new loan rate. So

25:29
is that the current rate? That is the current rate? And do you propose to cut that in your proposed program down to 50%? Reduction? Yes. So

25:40
the so the Phase One would be a 50% reduction in the obligation. So you'd start off with a $7,300 obligation per unit, and then you would be able to achieve as you are now, up to 50%.

26:00
Reduction against I understand I understand that thing, and I appreciate that. I'm just totally I don't understand why you wouldn't want to include a park or green space when you do these buildings. Because I thought, I mean, that's the point of having green space and parks and, and having residents included in that. And when you build and you don't want that makes no sense to me. But that's how you're gonna do it?

26:27
Well, no, no, just just to be clear, they would have to pay their an array, anybody from Parks, please go ahead to chime in here. But they would have this obligation of $7,300 per unit. If they didn't build anything, that would be their obligation. If they are going to build on site amenities that kind of mirror, park and outdoor public space amenities, they can achieve additional credits towards reducing that $7,300 unit cash that they would have to pay to the parks department. But if they don't do anything on

site, then they would have to, they would have to pay $7,300 per unit to the parks department to then gets put into a pot to hopefully be able to create some open space to mitigate the fact that none of that open space or public amenities were built on site. Right. So

27:31
that will reduce the MAL whatever it is, if it's the 3650, or the 7300 would be going towards park improvements. You know, and it's just a reduction from the 14 600.

27:49
Yeah, well, I mean, does that it like clarify things for you? Okay, I can't see literally and but I'm assuming that does. Michael?

28:05
Yeah. Two questions. Does the 14,600 all already represent a reduction in their obligations from past history? Like, are we talking about 50 50% off an already 50% discount that they're getting at 14,600?

28:28
Do you want to take Oh, yes. So yes, the 14 600 is a reduced rate. And so this, the 7300 would be an additional reduction based on the goals that the city is trying to achieve? What would

28:47
be the rate if it hadn't been reduced in the first place?

28:52
I think I don't know if I have that on me. But I think that let me see if I can get that for you.

29:01
Okay. Because, you know, if we're talking about, you know, their obligation would have been 28,000. And we're taking it down to 7300. That's significant versus, you know, what the original obligation was? My second question is, is the reduction for private recreation? Is that publicly accessible private recreation, or private to the development, recreation,

29:29
it's private to the development. So it's the residents that the development or to access those resources.

29:35
So if they build a pool for the residents, exclusively for the use of their residents, it doesn't add anything to the public pool of resources. It's just a sales point for the development.

29:51
Well, the way I would think of it is that it reduces the impact on the public park system. So it does provide an offset, but it is just for the residents of that development.

30:02

Okay?

30:13
All right, Michael asked the question I was concerned with, and that was the pirate fee and the, the, where it started when it was in 2017, when it was decided it was gonna be 14,600 was at a reduction of what should have been allowed based on the Quimby Act, whether that was already discounted.

30:38
The so the amount that's there the 14 600, it is, it is discounted based on the downtown reductions that were done. And the downtown reductions are based on people per household, there was a reduced people per household. And so there was a reduction done. So this Sunday,

31:01
there was a reduction done in 2017. Right. So theoretically, this should have gone gone up anyway, based on the Consumer Price Index, or whatever. If it was in today's dollars, this would have been over $28,000. And that would have been a reduced value already. And so now we're talking about, you know, in essence, asking for a quarter of what was already reduced seven years ago. So this is this seems pretty extreme. And for what what's to be gained from this is very minimal. So I think we're giving up a lot for very minimal benefit. And I'm just confused as to why this is really being done.

31:50
But the whole I mean, we don't know, nobody has a crystal ball. But the hope is that this is being done. So that it is it can spur housing production, in a short, within a short timeframe, to to increase, you know, both the housing supply the number of residents downtown, and hopefully continue to have a positive domino effect. That's, that's what we hope for. Again, nobody has a crystal ball. So we can't say that for sure.

32:25
Yeah, it sounds like a drill, baby drill, drill philosophy. Let's do something let's let's hope for the best and not worry about the future. A question about the

32:37
answer to your question, there was a question about that I just want to respond to so on the slides, there was a reference to the the 2017, when there was a reduction to 14 600, the reduction was from 22 600 per unit to 14 600 per unit. So that's, that was the original amount was 22,600 and was reduced to 14,600. Wow,

33:04
that's pretty significant. Reduction, then and considering that there was no price, we didn't include the cost of money in the CPI. And we're putting it now that's incredible. But I'm concerned also about the phase one and phase two, often when you provide a reduction, it's very difficult to pump it back up again. And I assume this is theoretically triggered based on the number of units, and it'll be automatic. But even so there's a concern that, you know, the powers that be will step in and keep the Phase One values in place. So that's actually a fairly dangerous strategy.

33:49
Thank you for that comment. is definitely noted. Okay. Lots of hearings. Helen, I think you are next.

33:58
Thank you, I guess several questions. One is, can you provide a map of the downtown growth area? So we know how far and how many where this encompasses and where development is impacted? So I assume if Google does cut on board, would Google be given this fee reduction to 3650?

34:22
Well, no, because there's no way that they could come in under this program in this timeline.

34:27
Okay. That was okay. So that would be helpful. The other question I have is, is probably directed to parks with that minimal or hefty decrease in funding for parks, knowing that the cost of land hasn't gone down in a downward trajectory. How does that afford you the ability to purchase land in the downtown growth area? Because you're you're actually cutting off your pipeline probably because that money you're getting less money Again, in order to buy land or to do acquisitions, or just to meet the cost of supplies for capital improvements.

35:11
I mean, that's that that is the case. I mean, it's the obvious evaluation there that yeah, so we'll have less funds. And so it does take longer for us to do the projects we need.

35:23
So in other words, you wouldn't be meeting any goals, trying to increase our capacity or access to urban parks or trails into any new development, any new residents coming into the area, it's gonna take a lot longer to build up.

35:36
It'll take us longer. Right. So and, you know, I mean, the one thing that, like I did say the first phases is 12 months. And then the second phase is, is 18 months, if I remember correctly, so that that's the commitment there that was that we're proposing. What

35:55
one last question is, can you give me a real example of a project where we cut the fees, and we have been cutting the fees since 2008. So this is not a new program. Where it's actually incentivized housing, give me a project that I can go visit where the fee discounts is 2008 has worked to incentivize housing.

36:20
So we've had a couple of projects that have not as many as as we would have wanted to, I think anybody would have wanted to, but there have been a few projects that have taken advantage of the highrise incentive program, which doesn't, it had the at the downtown rate, right. So the parks fee was

not reduced, but it was at this 14,600. So we've had Miro that's right across the street from City Hall. We have the graduate. That is at fourth our street, and in the sofa district. We have the Fe that is currently under construction in sofa. And other my other folks, Jared, who actually didn't introduce himself, and was sneaky Jared Ferguson, who's the principal planner in PVC. Or Joe, do we have any other projects that I'm forgetting?

37:19
Those are the three that came in under that new parks fee rate that I'm aware of from the 2017 number? Yeah,

37:26
you're right. You're

37:27
attributing those effects, those the success of those three projects to the discount of the park fees, not other incentives?

37:37
Well, no, I mean, I think that they came in at it under the

37:42
mic. My question is, is this is an incentive to build housing and to build more housing, where show me a project where that has worked. That where we have cut the park fees, given people less access to a trail or community center or park or improved Park. You see where I'm going with this?

38:08
They will we we cut it in 2017. Right from 22,600 to this 14 six inches. And since then, we those are the projects that have come in for the entire package. Okay.

38:25
Yes, my question. Yeah.

38:28
Okay, I might be getting people out of order. So my apologies, Jean, I think Matthew, Larry's back with us. And then Michelle. That's how I'm seeing you. Oh, wait, Clarissa. Sorry, Jean. Great.

38:44
Thank you. Well, a couple of things. Here we have a specialized St. James Park area, and where they have an opportunity to pay voluntary fees to keep operating that park. And how would you propose handling that so that they can get there improve maintenance? So do you recommend suspending that unproved maintenance because there won't be fees coming in to cover it? And then I'm also wondering half you're going to do a payout analysis or a cost benefit analysis. Nancy Klein commented on that in a council meeting in response to a comment by the mayor, is she going to make that available to the public because when Maryrose memo came forward and all of the numbers on I believe it was marrows

 

came forward and all the numbers on property tax sales tax business tax came out. It came out the that these discounts is worth the same as about a 25 year payout. And so I'm wondering if you're going to make those analysis public. I'd like to compare that analysis so that everybody knows what the long term impact is. And then I'm also wondering how we've got a number of projects that are on the heavy duty capital improvement. Maintenance list. Sounds like the Rylan parks swimming pool. There's some problems over and the Casto in the light. And I'm wondering how an incentive program like this might make it then impossible to do that work, and how that's going to be communicated to the neighbors. That the discounts being offered to these folks, just to get them to build a year earlier, means that they're not going to be able to have those repairs and improvements for five 610 years as a result of those discounts. How are you going to communicate that what department is going to take that responsibility? Will that be the Office of Economic Development so that they can explain their thinking is what's going to make those neighborhoods lower quality, much of how the downtown high rise program and density was sold to the neighborhoods and throughout the city, was based on the idea that there would be benefits coming with them? And I'm wondering how you're going to explain that there are no benefits coming with these developments. And then I'm wondering how much this money compares to like change in the interest rate, these dollar amounts. So you have a whole project and they have to get financing. And if there's a quarter percent change in interest rate, how does that compare? If we just wait a couple of months? And I'm wondering about that. And then I'm thinking how having this go out into the neighborhoods, which we haven't talked about much, because that's really a later discussion, partially later, how that's going to be received in the places that are currently struggling with the concept of anything over two stories. If you tell them that now, the roads can't be improved, and the parks can't be improved, and what replacement dollars you have. And then finally, as you cut these fees, like the construction fees, you know, they're divvied up across the city. And through this incentive program, those prod those dollars don't get divvied up across the city and things are not being repaired at any kind of reasonable rate. Can you make? So I mean, I have a lot of questions and I write, I don't get an answer. Any of them.

43:35
You do have a lot of questions. Gene, you have a lot of questions. And I would, I would say that, for our purposes, right now, we can't really get into the conversation about the city wide. Because quite honestly, we don't even have specific we don't have a specific direction to go forward. And do this city wide, we will potentially get that. Potentially we'll get it. I love it. Maybe we won't each No, no, but you let me so let me just try to answer a couple of your other questions. And happy to obviously I made colleagues chime in here. So each project will come forward as it's come forward previously, for a individual approval. And in that individual approval is where is kind of what you were referring to, which is the the analysis of what is the property tax, what's the business tax, what's the sales tax, potentially, that that project is going or revenue is going to bring to the city you know, over the life of the project and so with this is just a this is a program level adoption, but each project will still need to come forward for its individual subsidy hearing where the city council will, you know, weigh that and the public will have the opportunity and to chime in on their comments. The The other thing, I don't know if there's, if there's anything else anybody wants to say about that. The other thing is one of the ways we were, we were trying to kind of not make this go on for a long time. And to give, you know, some, some level of certainty or some level of constraints to the staff planning and budgeting, and all of that is the short timeframe, I mean, to be able to get and actually fail, phase one would be 18 months, Phase two would

be 12 months already, we're right, it's just just switch the same, same total amount of time. But to get to from from a project being entitled right now. But not having any sort of building permits pulled to getting to pulling their building permits in 18 months, is takes a lot of effort takes a lot of effort, it takes your financing being lined up, it takes all of these things to be lined up to happen. So it that is it's very difficult. It's not it's not going to be easy for any one of these projects currently. To meet that timeline. We do think that there are some projects that can meet that timeline. And we think there are some projects that can meet the second timeline. But the reason we've made it constrained is because we really want people to be serious about doing this. That the last thing I will just say to address one of your other questions was about interest rates, and kind of what maybe why don't we just wait a couple months to see what happens, the folks that that we've been talking to and just kind of reading the news and stuff, nobody is talking about interest rates going down in any substantial way, probably for another year or so, or at least another three quarters or so. So it's not that that doesn't seem to be what people are saying will happen. Now part of why we said let's come back in about a year in August of 2025. To check in on how things are going is because maybe maybe they will maybe things will definitely turn around. And we will have substantial reductions in interest rates. And by August 2025 macroeconomic conditions will be very different from what our conditions are today. And then that then gives the council the opportunity to make changes to this this program or what the city has to offer.

47:37
I just wanted to add to that to blog a so in our in the 2023 analysis on the cost of development, right we included in that was also a sensitivity analysis. So looking at plus or minus 5% on the different inputs. And so that included looking at a 5% decrease in soft costs. So that would include finance costs, and even you know, under those scenarios with that, that level of reduction, you know, the these projects, or at least a hypothetical high rise project was still shown to be infeasible. So just to give some more context.

48:14
Okay, like to go to Clarissa now if that's okay.

48:19
Thanks. You know, I'm jumping in here without as much context as some people. So forgive me if this is a question that has been covered in previous meetings, because I'm hearing a lot on the cost to build housing doesn't pencil. I'm curious how much parking is a factor in the cost of housing. So did the city have truly aggressive reduction in parking for it, especially the downtown where you're going to assume a future with high speed rail and Bart. So if there's any place to do it, it would be here in the downtown. And I would urge the city to be a little bit more aggressive in expecting that of developers so that you're not taking the funds from the feet, right, like you're taking it from where you can feasibly get someone to convert new residents to alternative modes of transportation, because that's a whole other set of impacts that I'm sure you all are aware of as a city. But for this one in particular, the downtown, I think you can go a little bit more aggressive on parking expectations and seeing if that can help projects pencil a little bit better, alongside other TDM travel demand management kind of tools. So I'm just curious how much of that you'll push onto this particular area given that San Jose has invested so much on transit, biking and walking in this particular phase of the BRT.

49:59
Great question, Clarissa, I can take this one if that's okay, login others. So the, the good news is that the city does not require any project to do parking. There, there is actually one exception, but it is around the SAP center. And it's pretty minimal amount of parking about point six spaces per unit. And, and that requires actually, that's not true point six spaces per 1000 square feet. There's no parking requirement or even around the SAP center for residential. But there is for commercial. So slightly different than what we're talking about here. But there is for commercial so that we can meet our parking obligations to the sharks without building a ton of new parking other than what is kind of naturally occurring with new development. So your question is great, and nobody within the downtown has to build parking. They are each looking then at what their market requires and what their financing folks require. We do have some incentives built in where by they have to do less on the transportation demand management front if they do very minimal parking, so that the incentives are aligned for low parking low, therefore traffic impact and then lower cost for the projects. But we don't we don't have a maximum because our our market research and conversations with developers and development entities should that that would also have a chilling effect on housing production in the downtown. So great question. I

51:52
just wanted to add real quick too. So the model assumes, for downtown high rise rental assumes a point eight parking ratio, which is already pretty aggressive compared to what we've seen actually built in the last three projects. So we were trying to factor in kind of an aggressive reduction in parking to kind of look at how the costs would be affected, which it does reduce it, but still not enough in a way that that makes the project feasible. So

52:19
thanks. And I am going off with like older data. And this is the transform parking green trip parking database where you can see that the parking built doesn't necessarily get used. So if there's one place to try to reduce the cost of building housing, I would say I would urge the city to actually see if that parking in the three units that you described Jared, or three buildings are actually utilized to that level that you expect, because even then you could go and it sounds like you've when you've gone more aggressively. I would urge for even more aggression there. Because that is a good envelope to work within instead of taking it from the amenities that those are on the table or are trying to keep hold. I would feel free to reach out to me, Jessica on that front. But I think there's more that can be done on the TDM. Fred.

53:13
All right. Thank you. Larry.

53:20
blurry, Michelle, and then Matthew, three hands that I see. Oh, sorry, I actually have to run. Okay, can I email you afterwards? Maybe please. Please do? Yeah, please do. Let me get let me just were 457. Let me Can I just show this? Well, go ahead. I go ahead. Go ahead with the questions. I will.

53:47

I have to jump to another call. I'm sorry. Yeah. I'll have to email you later. Thank you. Thank you.

53:56
Okay, Larry, go ahead. Okay,

53:58
my turn. So, yeah, the general plan calls for 3.5 acres of land for each new 1000 residents of people coming into the city. And that's especially important for these people living in the high rise buildings because they do not have a backyard or anything else like that. So the parks are their open space. And just trying to do some simple math here. But slam cost about $10 million an acre, so it'd be $35 million for 1000 acre beats about $35,000 per person, or $70,000 per unit. And so you're capped at 14,000 is already 40 to 80% discount, then you're going down to 7.3. That's you're getting 10 cents on the dollar. And if you give all these credits, you're only five cents on the dollar. You're not getting any money for anything here. This money could be used for fixing up the Guadalupe garden. I mean, it has to be used within three miles of the area because of the Nexus but it could fix up St. James Park or Cesar Chavez Plaza, the overfill Park are coming before the Parks Commission next week and they say how much work it needs being done. It could use some of the money for that. And then there's also the Construction and construction tax, that's the CNC tax. And I believe you have that cut down to zero. But that is about the only source of funding for most of this council districts because they don't have construction project going on in their areas. And so if you're almost any place except downtown, this is the only source of money. So if the the playgrounds that were put in 25 years ago, they have a 25 year lifetime, the plastic wears out. And so this is the only source of funding for these things. And so if you give it all away, you're not gonna have any playgrounds in the city anymore. So what type of city are we building here? So I'm really concerned about all these, these discounts. Thank you, Larry,

55:41
I'm gonna clarify, just just make sure it's accurate. So the discounts they're proposing on the park fee, it's for the park Trust Fund. It's not for the construction, the CNC construction, combined stacks relate to the parks. There's another one on the table, but that's more related to the transportation side. So just wanted to give you that insight.

56:02
So it said construction on that chart on that blog,

56:06
you can clarify and getting more detail for life? Yeah, it's the it's the construction taxes. The two major construction taxes are the building and structures tax, and the commercial, residential, mobile home park tax. So those are the two taxes when when developers pay their fees, they go into those two pots and those fun the trap the traffic capital improvement budget, and they provide leverage for matching grants that that transportation goes after. So those see there, it's not the CNC. And so the CNC is not in this conversation at all. It's the BNS and the crimp tax, those are the two taxes. Okay,

56:47
I guess I don't know all those acronyms. So I'm still climbing

56:49
don't neither do we, Larry. So don't feel bad about that.

56:54
I'm still worried about you giving me all the money because we need our city parks in this business. And it doesn't make any sense. I know you want to do something. But if it's just not feasible, right now, it's not feasible and giving away the store to do it doesn't accomplish anything. So. And if you give, if you give away the fees, now, you're not going to be able to raise them later because nobody ever wants to raise taxes. So that's why I'm really worried about what you're doing here.

57:21
Understand. Okay. Thank you. Thank you, Matthew.

57:27
Yes, thank you so much. I just, I guess, going back to some of the comments, could could you confirm that this reduction in fees and taxes will make up the gap identified in the cost of development study?

57:47
It, it will not make up the entire gap. It's this is it's basically what the what the city can do the levers that the city has, in the cost of development, the numbers, and again, my colleagues will correct me but it was about city fees and taxes were about nine to 10% of the total development costs of of those kind of that 10% 60% was the IHO fee 20%, the parks fee 10%, the construction tax, and then other 10% are the kind of the permit fees for staff review time and all that. So it's not it's not the only thing. It's not the biggest thing. But is it is what what we were asked by the council is what can the city do? What are the levers that we control that we could put forward? And so that answer this is? This is one answer to that question.

58:58
Okay, I guess my point is that, and correct me if I'm wrong, Jared, we've never shown financial viability of a high rise, residential, anything in downtown since I've been tracking this, which is why we have 100% fee waiver for the inclusionary housing. There are three projects that nonetheless it figured out how to break ground. And so I think, you know, you're we're in a challenging situation and which we know that all of these other factors outside of your control are what shaping the current development environment. And so I think it's super important that the city is very, very clear that what is standing between development moving forward, and development stalling is not the feast. Yes, I think there's a misunderstanding about that. And I think there's this discussion about spring development. And the reality is, as you said, there are lots of other factors. And so the barrier to development right now is not to fix. Does that make sense?

1:00:20
Yeah, and I, and we're not, I mean, we're not saying we've even heard it from developers. It's not it, there is not one silver bullet. And the fees are not one silver bullet. But what we have heard is that that will help to spur they feel it will help to spur it faster. So if a project gets built a year sooner than it might

have previously been built, that does have other, you know, good, good benefits that it ultimately brings. But you're saying that

1:00:49
the reduction of fees will make the difference for projects getting built. And all I'm all I'm asking you to acknowledge it said, according to the numbers, that is not true. So of all of the analysis that we've done, the feet are up the barrier, and you just need to be real clear with counsel, because they don't always understand this, I think it's always better to pay less, rather than more. But if you're not really clear about what, what's, you know, what you're doing, and the levers that you actually have or not, I think you're misleading the council in the city about the work that you're doing. I also want to voice concern, I was in the last public meeting, and asked specifically about whether this was part of the discussion and moving this to city wide and was told no, so we took you took no comments from us in that public session, about moving or expanding city wide, especially to non high rise developments. So I'm concerned, you haven't done the community engagement, that should have been a part of that discussion. I also raised concerns that you've had, quote unquote, advocates and quote unquote, developers in separate spaces. And that probably wasn't a constructive way to develop a broad public understanding of what the situation was in the city. So I just for the notes, I want to make sure that that's noted. And we'll definitely share that with council members. I guess the last thing I want

1:02:24
to wait, can I just Can I say one thing about just your comment about us, not bringing city wide forward, we're not bringing any recommendations. Just to be clear, there are no recommendations for a city wide program. What we're asking council to do is either confirm or not, that they if they do, or they don't want us to analyze, look at potential impacts, analyze and bring back to them something around city wide. So we're just asking them if they want us to do the work,

1:03:00
oh, stakeholder engagement around expanding these waivers to city wide development project.

1:03:08
That direction, we're trying to Well, I don't know, I'm happy for my colleagues, maybe I'm saying this wrong. Or maybe I'm misunderstanding. But we're not bringing any sort of recommendation for we're just asking them, because what we got at the cost of development study session, was some indication that they wanted us to do this, but we never got direction. So we're now asking for clarity on whether they want us to do it or not,

1:03:34
was developed solely out of the comments from council that came out of a cluster Development Study, not through discussions with other stakeholders.

1:03:46
It is from Council direction. And I guess I would ask my colleagues if they disagree with that. Or Council comment, not Council direction. Yeah,

1:03:54
maybe I could just I mean, just to be clear, like the what we're asking is, is should we continue to work on it? And then if they say yes, then part of that process would be to have more robust engagement and work through that process and get input, and then to go back to council with anything. So it's not there's not any baked proposal or anything regarding city wide. It's just asking whether or not we a staff should continue to work on that and consider it. Yeah,

1:04:24
okay. I understand what's coming. I guess I'm just concerned that there's there's clearly been discussion about what those parameters are that were on the slide. And I don't know if they came out of broader stakeholder engagement that that we weren't a part of, or if they came directly out of the council direction, but they

1:04:43
came out of I would say, staffs professional opinion on what kind of what questions we would have around, you know, what kind of criteria would we be talking about what kind of eligibility would we be talking about? And so I would say we're absolutely open to if there are other, there are other buckets to be looking at, you know, happy to take. These are these are not exclusive. They're limited, you're not limited to, you know, but include the following. Great.

1:05:15
If I could just make one more comment, the high rise exemption was very specific, there was a goal of incentivizing high rise development downtown, which was roughly 30%, more expensive than all the other ways of building a house. And so in order to incentivize that high density in a way that we really envision the downtown being, we made a whole bunch of concessions, given what we were up against. But if there's a shift away from that high rise model, I'm not sure that the city is, is well served, or you're, you're incentivizing the same thing. So I know that the high rise mid density, or the downtown mid density is also part of that discussion. But I think as you draw the comparison to the high rise, the waiver program that that there really needs to be enough contextual background to understand why that happened, downtown and not other places. Because it was more than just a feasibility thing. It was really targeting a desire to promote, and, and restrict construction to a type of construction that was financially significant. So the trade off of demanding that product was the fee reduction. And again, if that's not clear, will misunderstand the connection between the high rise exemption and what might be proposed in other parts of the city.

1:07:03
Right, thank you, Matthew. Okay, I think Helen, years will probably be the last question. Don't want to keep people too long. But certainly people can email questions to any one of us. And I'll show you our slide on kind of next meetings that are going to be have this kind of council meeting. And then I think the Parks Commission is also going to get this through the directors report that they're meeting on June 5.

1:07:34

Okay, thank you. I mean, I appreciate the time appreciate the you know, the invitation and to provide input. And I do agree with Matthew that we should be expanding this to a larger audience. And we should have all the stakeholders in the room to have a thorough discussion, because expanding any conversation, expanding citywide the fee calculations for the city, are, are not equal, I can just say that downtown and District Six have the highest fee collections. If you start getting out into the other districts in district five or district seven, you will decimate those council districts in terms of any funding, they will never see a park improvement, they will never see any progress. I mean, we're basing it South San Jose right now with the current budget that it is and we all know we're facing a budget deficit right now looming over our heads. So, you know, I take this conversation very seriously, I think it should be expanded. And also I'm concerned, I just want to state this for the record. We've always been on the trajectory we're on is constantly to lower the fees, will we ever get a time when we return back to increasing the fees so that we can make headway to get to goals that we have stated in our general plan. And for the record, I don't think we will ever I think we will constantly on the trajectory to lower the fees till they're zeroed out. Then you have no more fees to take away from the park system. And then what will you have, you're gonna go to the voters, and you're gonna say, hey, we need a bond, we need you to pay for the parks. And they're going to say what did you do earlier? And that's, that's a conversation you're going to have to have with the voters to tell them that you have given away since 2008. A considerable amount of money to incentivize. But we have to address that because we haven't had a funding measure since the year 2000. And the parks are failing because we're not investing in them. And that is that is a city wide issue. We don't have to face we have over $500 million backlog and maintenance thank you for including us and thank you for listening. It is this is not new, and you preface this by saying this is not an easy conversation. So again, I I get My thanks and appreciation for allowing us to have this difficult conversation.

1:10:03
Oh, of course, you should, you should not think you should not take us this is we're doing what we should be doing collectively as a city team. I mean, we're all all my colleagues here, do t housing, PVC and parks. We we're kind of all all in this conversation and and acknowledging how difficult it is. Okay, I think Jeffrey just put his comments in the chat. Maybe sorry, Jeffrey. Just want to show this one. Slide that is hold on really quickly. It was kind of like our last. Now where did it go? Oh, my gosh, I was just gonna say this is how to participate. I think you all know how to participate in the June 11. Council meeting. This will come to directors, sorry, how Parks Commission June 5 at 530 correct rate will be part are the directors report. Okay. And so that that is all like I said, all of us on here are open to your comments. We have this recorded. Yes, it's still recording. So we will be posting this as well. And I think what we're also going to probably be doing is a supplemental supplemental memo that summarizes because I think the memo timing will not work out. But I think we'll probably do a supplemental memo that summarizes the stakeholder feedback that we've received. Okay. All right. Thank you, everybody, for your your time. And your commitment to the city. It's it's it's hard work, but you're all doing it from a place of, of passion, which is awesome. So thank you. All right. Have a good evening.

1:11:57
Take care, everyone. Bye bye.