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SUMMARY - Fee Study - Downtown Highrise June 3

The conversation centered around the need for a citywide development policy discussion and the challenges faced in achieving a decent return on investment due to high real estate costs. Speakers discussed the downtown high-rise incentive program and its feasibility, while others highlighted their respective departments' roles in the program. There was also a proposal to reduce the impact fee/tax for residential developments to balance housing and infrastructure needs in the city. Overall, the conversation emphasized the importance of reducing costs and securing investments in downtown residential projects.

Action Items

- Send out presentation to attendees.
- Track number of units participating in program and provide regular updates.
- Bring individual projects forward for public hearing and approval.
- Conduct additional outreach and stakeholder meetings between August-October on potential citywide program.
- Return to Council before end of 2022 with analysis of potential citywide program.

Outline

Downtown high-rise incentive program with staff recommendations.

- City officials introduce themselves and pass the mic to colleagues.
- Vince Roccia and Vince Roach discuss downtown high-rise incentive program with colleagues.

Modifying downtown high-rise program to spur housing production while maintaining funding for parks, affordable housing, and infrastructure

- City's housing feasibility study finds significant gap in affordability across all geographies.
- City council provides feedback on downtown development, including height reductions and fee modifications.

- The interdepartmental team has been discussing how to balance city objectives with housing needs, including downtown high-rise housing, affordable housing, and park and open space preservation.
- The team has reached agreement and buy-in from the highest levels of administration on recommendations that address significant concerns, including funding for park development and infrastructure maintenance, reduction in construction taxes, and waived affordable housing fees.
- Council considers modifying downtown high-rise program to spur production.

Affordable housing development fees and taxes.

- Proposed program changes include reduced parks fees, no inclusionary housing fee.
- Speaker 1 outlines Horizon Phase 1 & 2, taxes, and park fees timeline.
- Speaker 1 explains that taxes will be deferred until certificate of occupancy, providing certainty for development community.
- Speaker 4 raises concern about timing of payment for taxes and certificate of occupancy, seeking clarity on how fees will be handled.

Affordable housing program for downtown high-rises.

- Speaker 3 appreciates collaboration among departments to create more active and activated parks, while also considering anti-displacement policies and incremental tax revenue.
- Josh suggests using city funds to invest in high-rise buildings for increased revenue and affordable housing.
- Speaker 3 suggests expedited building permit processing for certain projects.

Downtown development policy for council meeting.

- Josh advocates for more humans in downtown to support businesses.
- Council discusses citywide development policy, timeline, and stakeholder engagement.
- Collaboration and appreciation for the proposed policy, with some minor concerns.

City fees and their impact on real estate development projects in San Jose.

- Speaker 7 highlights the importance of city fees in development projects, explaining that they are paid with the most expensive capital in the development and have a negative leverage impact.
- Refinancing city fees with loan dollars or down the road can make them negligible and in line with other costs, but upfront fees come with the highest return requirements and are the most expensive capital in the project.
- Speaker 6 discusses Bow Town project, which will help get it off the ground this year.
- Speaker 3 mentions incentives in place for downtown residential high-rises, which can help strike deals in certain windows.
- Speaker 7 expresses frustration with unrealistic return numbers in development projects.
- Speaker 3 suggests using marketing tools to reignite conversations and secure deals.

- Speaker 3 recommends investor X be used well.