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San Jose, California Creates Housing Impact Fee Fund

by Michael Anderson // 2015, Winter



In the heart of Silicon Valley, California, the San Jose City Council approved a housing impact fee of \$17.00 per square foot on new market-rate developments to support additional affordable housing. A two-year advocacy campaign by grassroots, labor, faith and business groups succeeded in raising revenues to support fair affordable housing choices throughout the City. Numerous advocates worked tirelessly to win this issue, including the Housing Trust Silicon Valley, Silicon Valley Leadership Group, Sacred Heart Community Service, United Way Silicon Valley, Working Partnerships USA, Neighborhood Housing Services Silicon Valley, and the Law Foundation of Silicon Valley.

More than forty-five organizations signed onto a letter to the Mayor and members of the City Council in support of the affordable housing impact fee. The letter highlighted recent events affecting the City's resources to address affordable housing needs, including: the loss of redevelopment funds, current limitations on inclusionary zoning, and the reduction in federal affordable housing funds. *"At the same time, the cost of housing—for our community's teachers; service members; nonprofit employees; artists; seniors; individuals with disabilities; low-income families; service, healthcare, retail, and other low-wage workers; and public sectors employees including police officers and firefighters—is skyrocketing,"* advocates noted. Several cities in the region have adopted these fees as a new means of funding affordable housing: Berkeley, Cupertino, Fremont, Mountain View, Santa Rosa, San Carlos, San Francisco, and Walnut Creek. Projections indicate that the new fee could raise as much as \$25 million a year in new revenues or funds sufficient to build 10,000 affordable homes in San Jose in the next two decades.

Working Partnerships USA Executive Director, Derecka Mehrens, points out that the new fee victory is an appropriate subsequent action to the voter-approved higher minimum wage victory won in 2013. *"This monumental affordable housing victory is the culmination of all of our tireless advocacy efforts, organizing, research and community mobilization,"* she confirmed in an email to supporters.

Prior to the passage of the new fee, a nexus study, prepared by Keyser Marston Associates, confirmed that a nexus did exist and that the use of a Housing Impact Fee for the purpose of increasing the supply of affordable housing in San Jose is legally justified. The Nexus Study also establishes a reasonable

relationship between the need for affordable housing units and new market-rate rental residential development. New market-rate residential rental development leads to a net increase in new residents, and the increase in goods and services required by these new residents leads to an increase in job creation in the City including jobs in the service and retail sectors (e.g., teachers, restaurant workers; pet care; maintenance workers, etc.) with lower wages that will not allow these workers to obtain market-rate housing. This results in an increase in the need for new housing affordable to extremely low, very low, low, and moderate income households, which the Housing Impact Fee will be used to help provide. The Housing Impact Fee is also consistent with the proposed goals of the General Plan, which reads: *“Preserve and improve San Jose’s existing affordable housing stock and increase its supply such that 15% of all new housing stock developed is affordable to low-, very low-, and extremely low-income households.”*

The Housing Impact Fee applies to all rental developments and the Housing Impact Fee is to be paid for each Market Rate Rental Unit. The Resolution also establishes a Housing Impact Fee Fund and all Housing Impact Fees will be deposited into the Housing Impact Fee Fund, along with any earned interest and repayments of loans made from the Fund. The Housing Impact Fee is to be used to increase the supply of affordable housing in the City, including acquisition, financing, construction, and development, and any necessary and reasonable costs for administering the Housing Impact Fee Fund. The Fund will be administered by the City’s Department of Housing and funds may be combined with other sources of affordable housing funding, including: the HOME Investment Partnership Fund, the Low- and Moderate-Income Housing Asset Fund; Inclusionary Housing in-Lieu Fees; 4% low income housing tax credits; tax-exempt bonds; and the Housing Trust Fund, most of which are currently in use to meet existing affordable housing needs.

Contacts: City of San Jose Housing Department, 200 East Santa Clara Street, San Jose CA 95113 (408-535-3860) housing@sanjoseca.gov or Charisse Ma Lebron, Director of Community Development and Health Policy, Working Partnerships USA, 2102 Almaden Road, Suite 112, San Jose, CA 95125 (408-809-2124) charisse@wpusa.org



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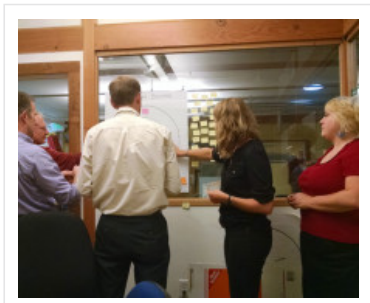
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