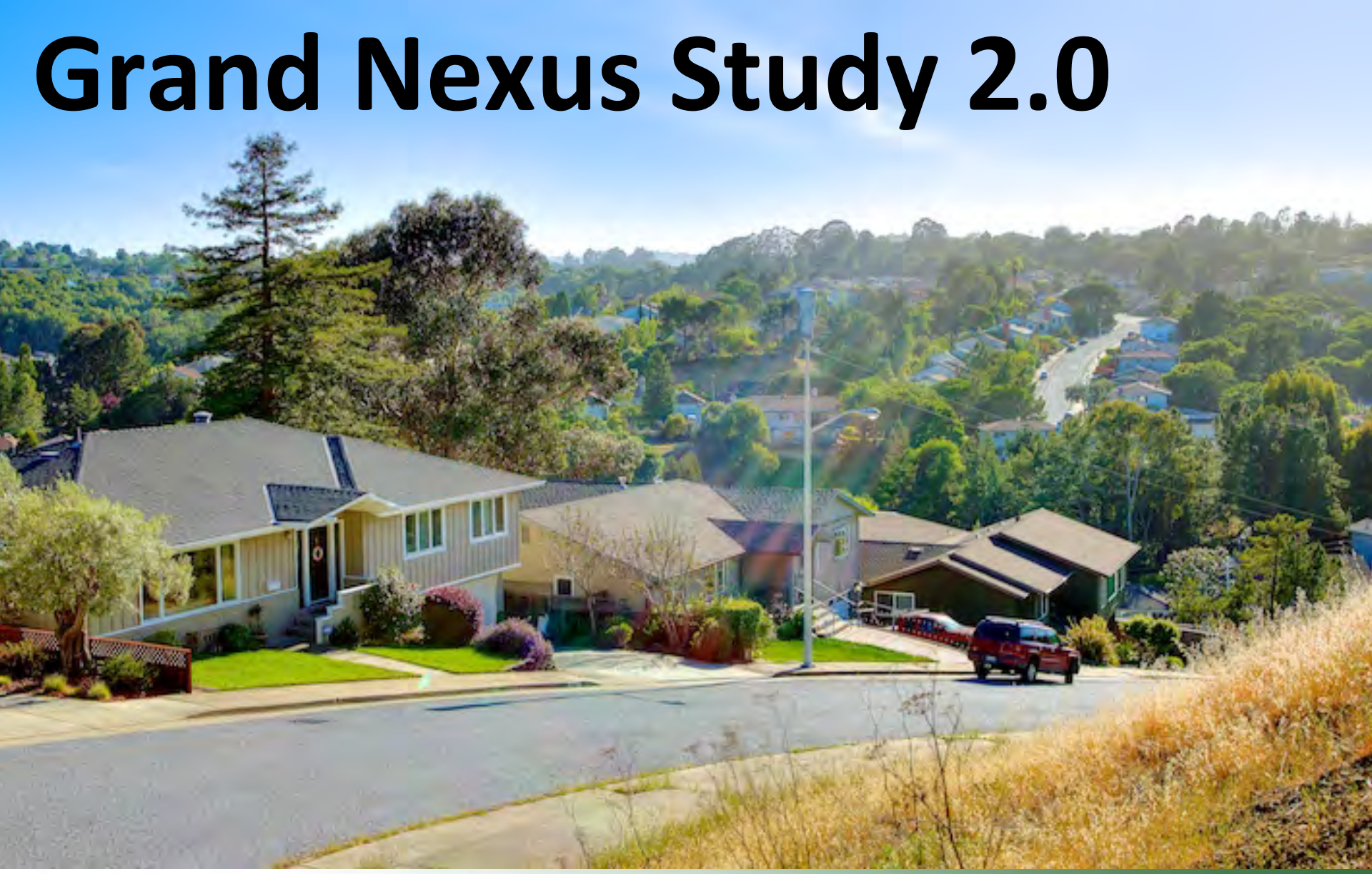
Grand Nexus Study 2.0



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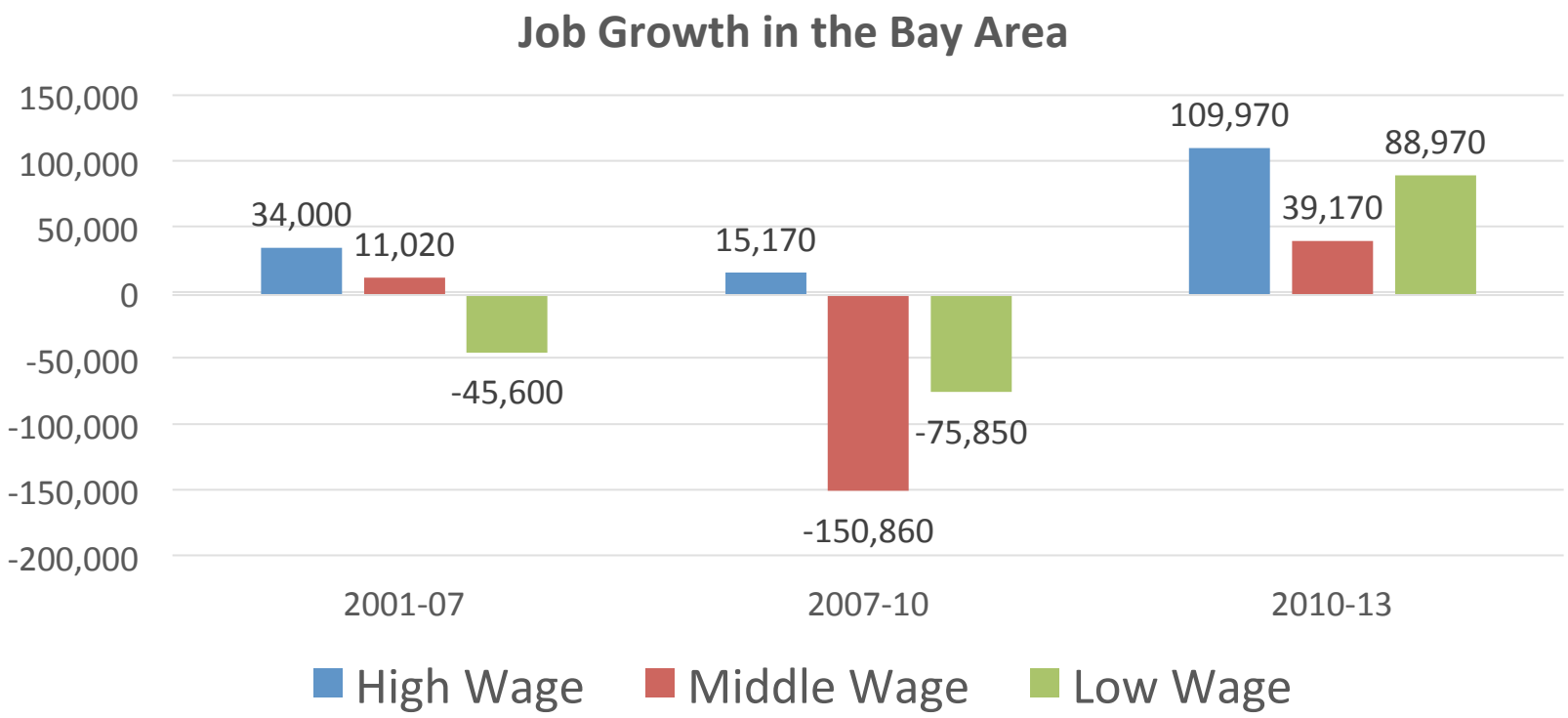
Agenda

1. The world we live in and the need for affordable housing
2. Impact fee basics
3. Grand Nexus study model

Loss of Middle Income Jobs



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Loss of Affordability

Santa Clara Home Sales History

(2014 dollars)

Year	Sales Price	Potential Buyer
1992	$410,700	$94,500
1995	$365,800	$81,600
2006	$631,800	$153,700
2009	$602,800	$138,700
2009	$665,500	$153,100
2015	$955,000	$219,700

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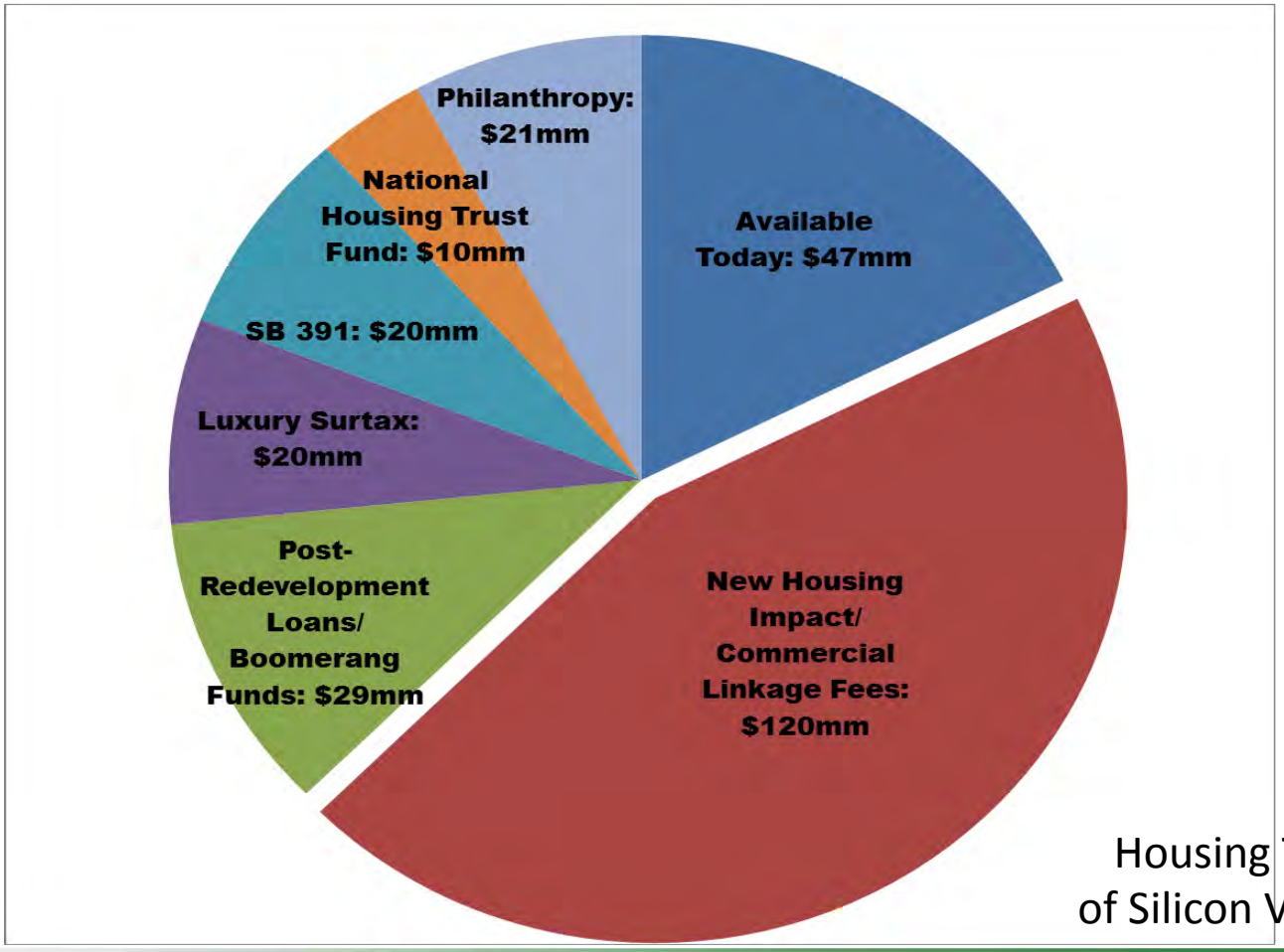
Funding Needed



Housing Trust of Silicon Valley

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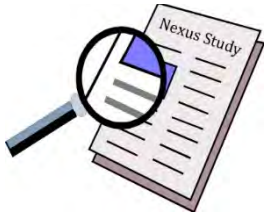
Impact Fees Basics

Impact fee - Charge imposed by a local government on a new development project that is used to reduce the impacts of that development or provide infrastructure associated with the new development.



Fees paid

Market rate development

Affordable Housing Trust Fund

New Affordable Housing

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Growth of Impact Fees

- Challenges with Rental Inclusionary
  - Palmer/Fifth St. Properties v. City of Los Angeles
- Concerns about Inclusionary and Courts
  - *CBIA v. City of San Jose*
  - Koontz v. St. Johns River Water Management District
- Loss of Funding / Redevelopment
  - Funding for stewardship
- Prop 13 Limits on Taxes

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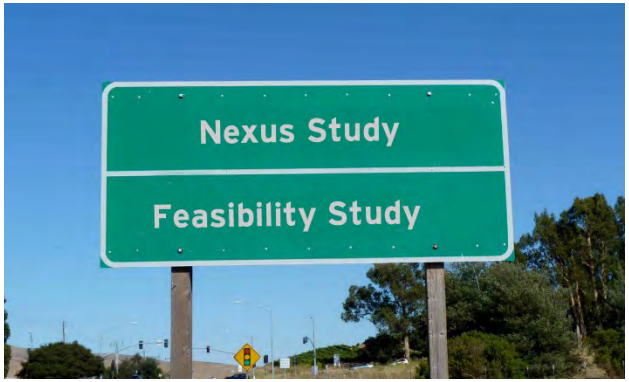
Nexus and Feasibility Study

- Nexus
  - Legally required
  - Maximum permitted fees
- Feasibility
  - Suggested levels
  - Community goals



Residential / Affordable Housing Nexus

New market rate homes

New jobs, some pay low wages

Need for new affordable homes

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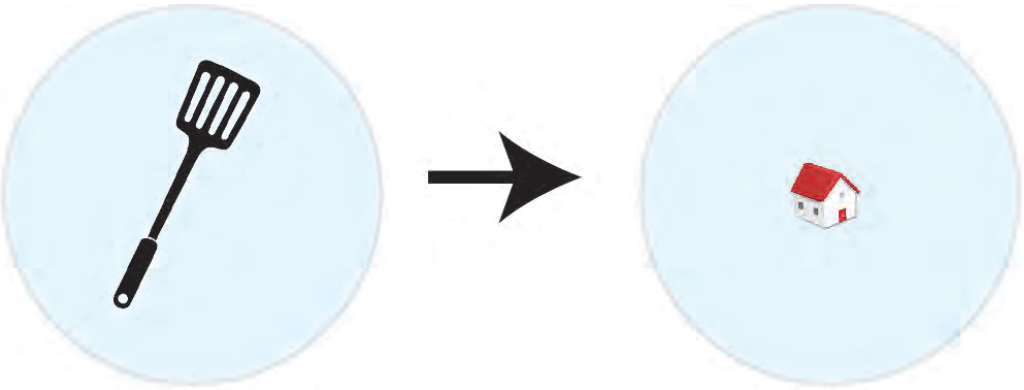
Commercial / Affordable Housing Nexus



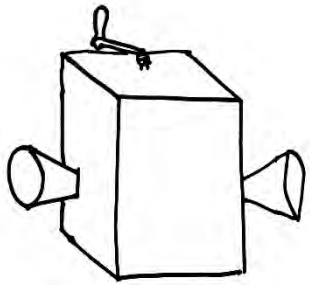
New jobs, some pay low wages

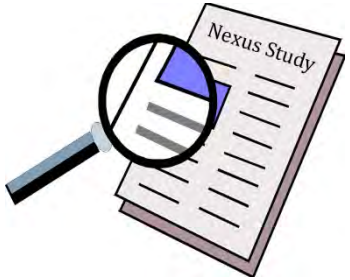
Need for new affordable homes

Nexus Study

- Expected development
- Disposal income or residents or employees
- Affordability gap (cost to build new housing)

Data: Incomes, spending patterns cost to build affordable homes





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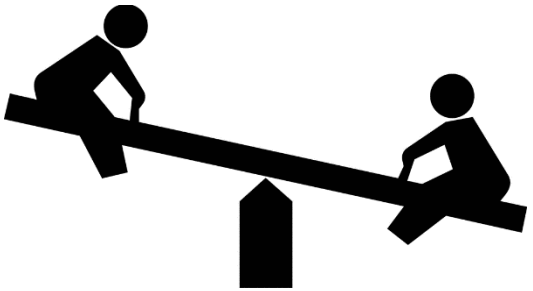
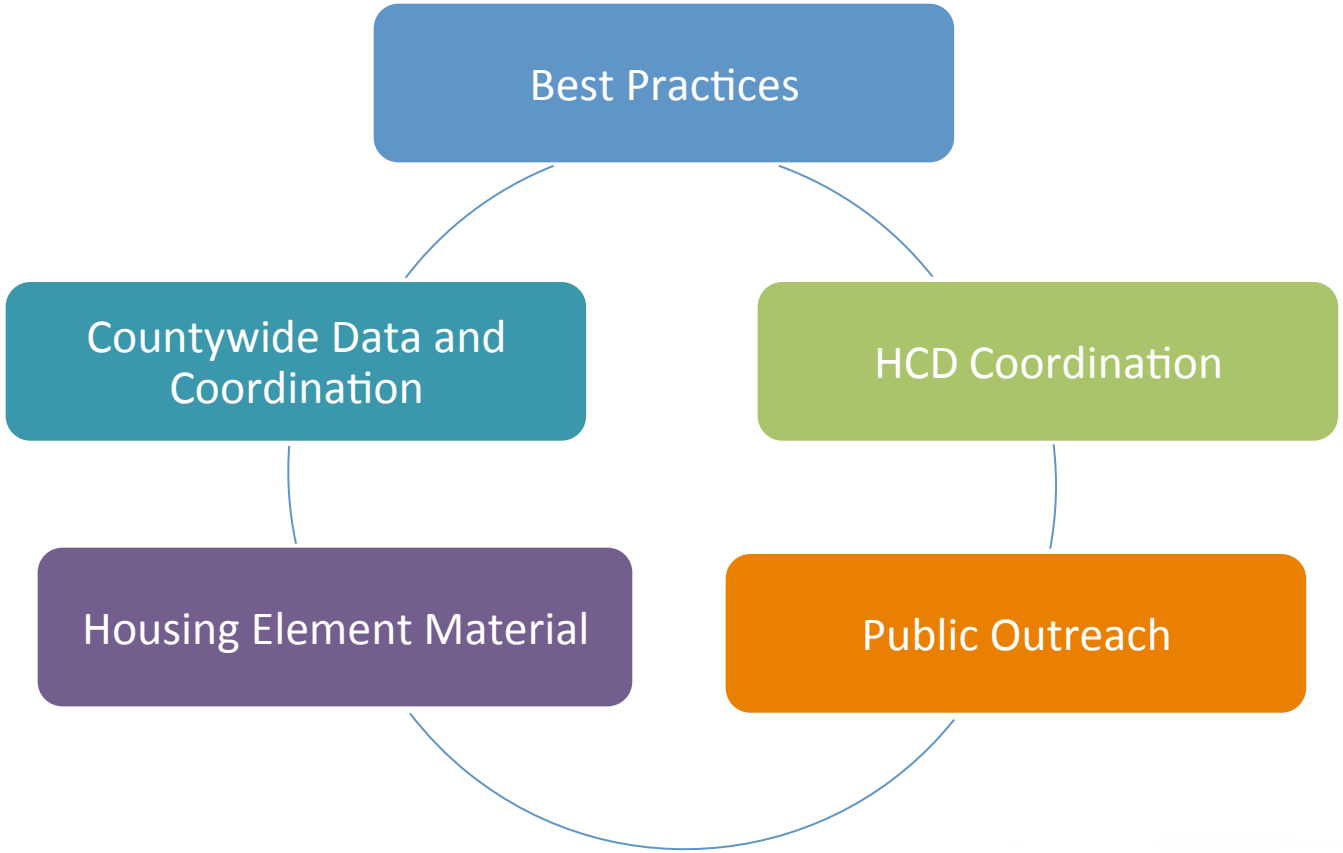
Feasibility

- Feasibility Studies
  - Appropriate fee levels
  - Goal is not to adversely impact development
  - Should be lower than the legal maximum
  - Not required, but recommended



21 Elements
San Mateo County



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Grand Nexus Study Details

- Cost is approx. $15,000 per jurisdiction
- 14 jurisdictions participating plus Palo Alto
- Residential and commercial studies
- Nexus and feasibility
- Strategic Economics/Vernazza Wolfe selected through RFP
- 21 Elements coordinating
- Funding from HUD/MTC and Enterprise Community Partners
- Final reports this summer

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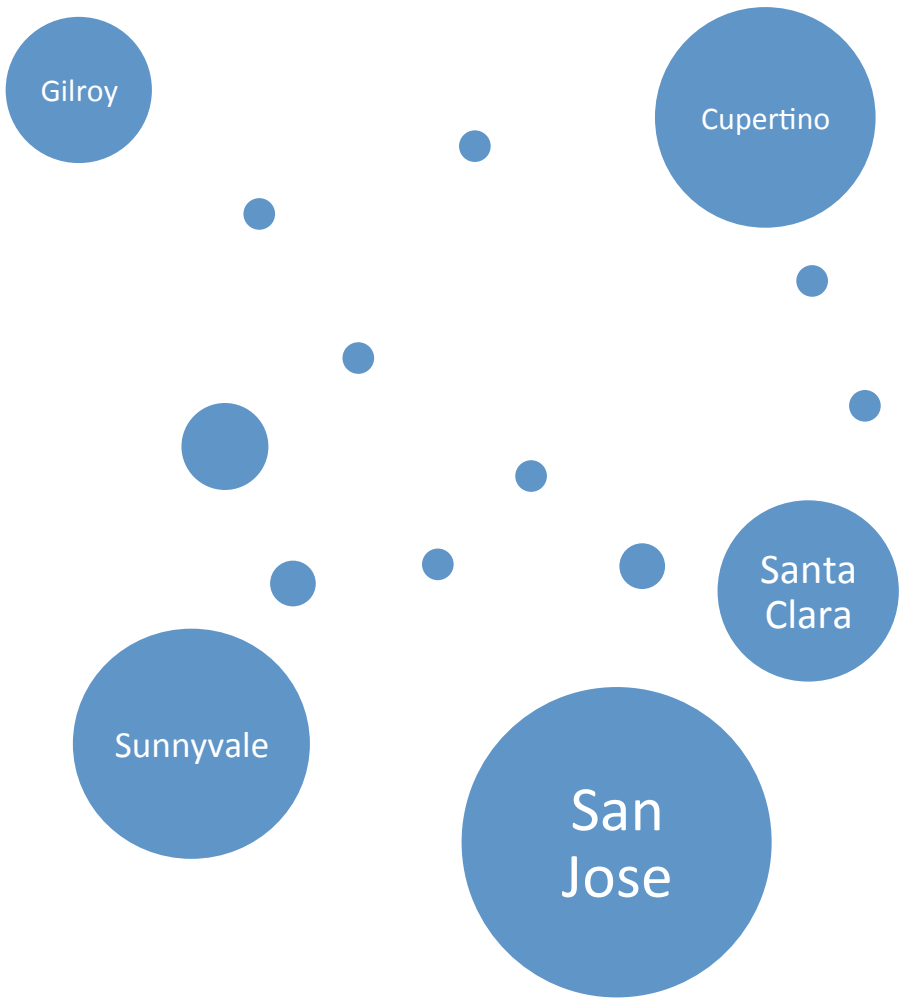
Lots of Cities



How do you get them all lined up?

Encouraging Coordination

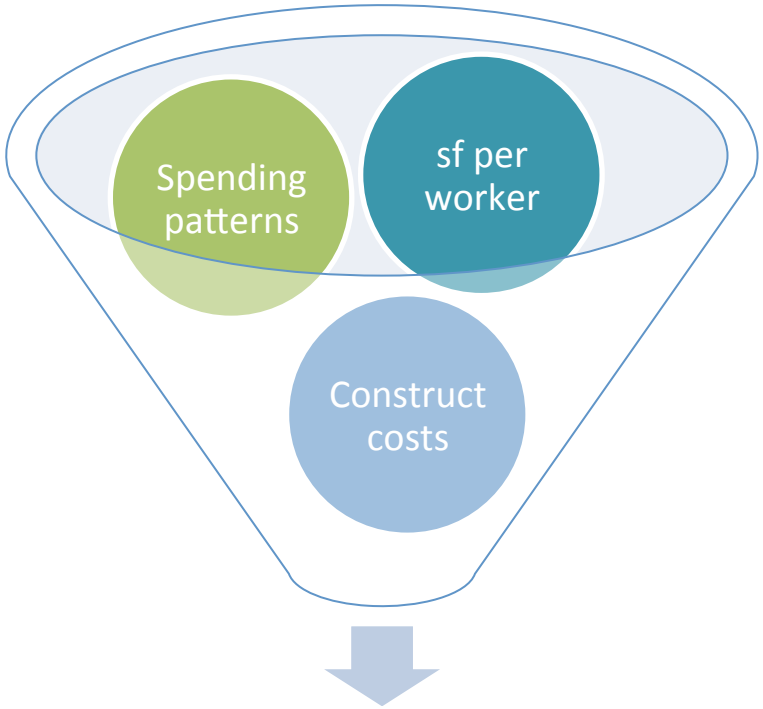
- Give them a deal they can't refuse
- Make it as apolitical as possible
- Provide lots of time

Many Similarities

Many similarities and some differences

- Land costs
- Strength of market

Any time there is jurisdiction specific data, we use it.



Nexus Study

Advantages of Coordination

- Less expensive
- Better policy
- Stronger legal grounds
- Level playing field
- Safety in numbers
- **More funding for affordable housing**
- **Predictability and consistency make for a better development climate**

Big Questions

- If there are multiple jurisdictions participating, is it accurate?
- Is it legally sound?

Yes Yes

small print small print small print small print small print small print small print small print small print small print

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Big Questions

- **If there are multiple jurisdictions participating, is it accurate?**
  - Any time there is local data, we use it
  - More robust outreach to developers
  - More data points
  - Every city gets their own study

Big Questions

- **Is it legally sound?**
  - Every city gets their own study with local data
  - Follow standard methodology
  - Barbara Kautz from Goldfarb and Lipman recommends a multicity approach and informally advised the process and hosted a conference call to answer questions
  - For cities – there are always legal risks

Santa Clara County Housing Impact and Commercial Linkage Fees

Jurisdiction	Housing Impact Fee	Commercial Linkage Fee	Impact Fee Nexus Study (C- Commercial, R-Residential, B-Both, N-None)
Campbell	N	N	N
Cupertino	Y	Y	B
Gilroy	Y	Y	N
Los Altos	N	N	N
Los Altos Hills	N	N	N
Los Gatos	N	N	N
Milpitas	N	N	N
Monte Sereno	N	N	N
Morgan Hill	N	N	N
Mountain View	Y	Y	B
Palo Alto	N	N	B (In progress)
San Jose	Y	N	R
Santa Clara	N	N	N
Saratoga	N	N	N
Sunnyvale	N	Y	B
Unincorporated SCC	N	N	N

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Conclusions

- Tremendous need for affordable housing
- Impact fees are an important strategy
- Many advantages of collaboration (Safety in numbers; Cheaper to participate; Better policy)
- Goal is to make it work for Santa Clara County

Questions?

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