



CHARITIES HOUSING

January 29, 2020

City of San Jose General Plan Task Force
c/o Department of Planning, Building & Code Enforcement
200 E. Santa Clara Street
San Jose, CA 95113

Re: General Plan 4-Year Review - Commercial Space Requirements for 100% Affordable Housing Developments (Task Force Meeting #3 - Item 3: Changes to Policy IP-5.12)

Dear General Plan Task Force Members,

We are pleased to see that the Task Force will consider changes to the commercial space requirements that are placed on affordable housing developments. While the current rules were created with the well-placed intention to create active street fronts, they are serving as a serious impediment to new affordable housing development.

Requiring affordable housing developments to integrate commercial space, as well as the parking needed to serve this use, adds millions of dollars to the total development cost of a project. Furthermore, public sources of affordable housing funds cannot be used to cover these types of costs - creating an added financial burden that can threaten the financial feasibility of new developments. **That's why we urge the task force to eliminate the commercial space requirements for all new 100% affordable housing developments.**

Take the following examples from our non-profit, affordable housing developers:

- Charities Housing's Blossom Hill Senior Housing Development (BHSB) is a perfect example of an affordable development saddled with an unrealistic and burdensome commercial requirement. This 147-unit affordable senior and special needs development is being required to build 16,000 square feet (SF) of commercial space - the cost of which has been estimated at \$5.5 million and a separate source for these funds has not yet been identified. The commercial space also required 44 additional parking spaces, adding another ~\$1.5 million to the cost since a partial garage had to be built for the parking spaces that could not be surface parked.

Using the 16,000 SF for residential units would have resulted in an additional 40+ apartments, a 30% increase, without increasing the building height. In addition, because of the perceived business risk from locating in an affordable housing development, and the fact that BHSB is located in an area with high commercial vacancy, the space may face challenges generating the rent needed to recoup the commercial development costs, creating a serious financial risk for the non-profit developer.

- First Community Housing's Roosevelt Park Apartments is an 80-unit project serving homeless families, the intellectually and developmentally disabled, transition age youth, and working lower-income households. It is located in the Roosevelt Park Urban Village and is

subject to a requirement to provide just over 10,000 SF of commercial space. To satisfy this requirement, FCH is dedicating one floor of the building to office space and 35 required parking spaces - which comes with a cost of \$6.4 million or 12% of the total estimated cost of the development. If FCH were not required to provide commercial space, it could turn the floor with office space into 14 additional residential units and potentially eliminate one of the two floors of parking, thus allowing FCH to deliver even more units of affordable housing at a lower per unit cost.

- PATH Ventures' proposed community at 1020 N. 4th Street, which is currently in its predevelopment phase, could have incorporated 7 to 9 additional apartments if it weren't required to include commercial space. In addition, current market conditions make it far from certain that the commercial use will generate sufficient income to cover the debt that must be taken out to pay for this space - creating another source of financial risk that can affect the long-term success of the development.
- In addition, Abode Services' interest in redeveloping The Casa de Novo (formerly the Santa Clara Inn) into permanent supportive housing has been stalled over this exact issue. It is a great location that is near transit, amenities, and other uses that are conducive to being next to supportive housing. However, under the current requirements, the development would have to substantially replace approximately 20,000 SF of commercial space (as 51% of the site is currently utilized as a motel, which is considered a commercial use). Such a requirement makes the project completely unfeasible - and so Abode has been forced to propose a general plan amendment which will take at least a year, require a lengthy and expensive environmental review process, and is subject to a planning commission and city council vote.

Ironically, the original intention for this site was to redevelop it and only have the interim homeless motel for a couple of years while working through land use approvals and the securing of funding. But they have now owned this site for 4 years and have not been able to redevelop it largely because of the commercial requirement.

Put simply, the current commercial space requirements are preventing more affordable housing projects from moving forward. Making this small, but critical, change will eliminate a major barrier to new affordable housing developments and bring us another step closer to meeting the dire need for more affordable housing in our community.

Sincerely,

Jennifer Loving, CEO of Destination: Home
Geoffrey Morgan, President & CEO of First Community Housing
Joel John Roberts, CEO of PATH Ventures
Dan Wu, Executive Director of Charities Housing
Louis Chicoine, CEO of Abode Services