

## TRANSMITTED VIA EMAIL

January 29, 2020

2040 General Plan Four-Year Review Task Force  
City of San Jose

Dear Task Force Chairs, Members, and City Staff.

**Re: Commercial Requirements in 100% Affordable Developments**

We are pleased that the commercial/retail requirements for 100% affordable developments is a part of the scope of work for the Task Force. The City Council made this a priority in the Housing Crisis Workplan (#22), and staff proposed to include it in the Four-Year Review process.

This is an important issue—requirements for commercial space in affordable developments pose significant challenges, **largely because affordable housing funds cannot be used to finish the commercial space and prepare it for occupancy.**

First, we must express our concern that the policy solution proposed by staff applies only to affordable housing developed in Urban Villages and not citywide. The original staff proposal, adopted by the City Council through the Housing Crisis Workplan in January, 2018, was not limited to Urban Villages. Nor was this item listed as an Urban Village Policy item in the Scope of Work, or the initial agenda provided to the Task Force ahead of the November meeting. This is a broader policy discussion that both staff and the Council intended to apply to the city as a whole.

Secondly, we do not believe that the staff recommendation adequately addresses the challenges faced by affordable housing developers. The examples included in the letter signed by Destination: Home and developers of Permanent Supportive Housing in the City clearly illustrate the challenges.

We are not the only ones expressing concern. The City staff itself raised concerns in the Housing Crisis Workplan – “There are three issues that consistently arise with the ground floor commercial requirement for an affordable housing development: 1) Commercial interior spaces sometimes remain unimproved which adds additional risk to the affordable housing development; 2) ground floor commercial space is sometimes difficult to rent once it is completed, and rents derived are frequently low; and 3) ground floor commercial space reduces the number of affordable apartments that can be created which in turn increases per unit subsidy requirements.”

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**Staff**

Leslye Corsiglia  
*Executive Director*

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In response, we offer the following policy recommendations:

- Ground floor retail/commercial requirements should be eliminated
- In cases where nonprofit developers and city staff have agreed that integrating ground floor retail/commercial is both desirable and feasible, the city should:
  - Identify a fund to pay for the construction and build out of the space
  - Support ground floor uses for service and programming needs of the new residents
  - Actively promote these spaces for use by nonprofit community, childcare and arts organizations

While we know that the issue of commercial space and market-rate housing is not on the list of Task Force topics, we also believe there is a need to adopt best practices guidelines for ground floor commercial development in market-rate residential buildings. The nature of retail is changing, and this should be acknowledged and creative solutions should be embraced.

We ask that the City consider the following policy recommendations for market-rate residential development:

- Incentives should be in place that allow developers to reduce the amount of retail/commercial required when additional on-site affordable units are proposed.
- Community uses should be allowed to fill ground floor sites until the local market can support retail/commercial.
- Commercial FAR requirements should not result in the need for a development to add retail/commercial space to a second or mezzanine level.
- Conduct an analysis of current best practices to determine where retail is successful, including the viability of retail/commercial based on its distance from major intersections.

Thank you for the opportunity to express our concerns and provide our policy solutions.

Sincerely,



Leslye Corsiglia  
Executive Director