



Memorandum

TO: City Council
FROM: Mayor Chuck Reed
SUBJECT: ITEM 9.1 ON NOVEMBER 2,
2010 CITY COUNCIL AGENDA
DATE: October 29, 2010

APPROVE *Chuck Reed* DATE: 10/29/10

RECOMMENDATIONS

- a. Approve staff recommendations on Inclusionary Housing Requirements for New Rental Developments Meeting Certain Development Timelines to advance \$1 billion in private development investments, generate over 8,000 construction jobs, stimulate growth of tax revenues by nearly \$10 million dollars per year, and generate development fees that will help keep City employees working.
- b. Direct staff to return to the City Council/Agency Board with an amendment to the Inclusionary Policy that would provide a notice period prior to re-implementation of the rental inclusionary requirement if the Palmer decision is overturned.

BACKGROUND

On September 2, 2010, I invited 15 Silicon Valley developers and brokers to meet with me at City Hall for what I called a pre-Redevelopment Agency Budget "reality check." During that meeting, I learned that several self-financed developers were willing to commence projects immediately, even under risky financial conditions, if the City could provide certainty in the development permit process and payment of fees.

A Jobs and Revenue Generation Team consisting of some of City Hall's best legal and development services professionals was assembled to immediately respond to potential development opportunities. On September 16 and 29, the team met with five residential developers to jointly work towards advancing and facilitating housing projects. Developers were highly encouraged with the leadership and approach of our professional staff and are highly motivated to "invest into the recovery" as is evidenced in the work they are already engaged in with our planners. They have repeatedly expressed their appreciation of the team that performed at an extraordinary pace over the last two months to create a more certain development environment and provide the assurances needed. As long as there is substantial evidence of work

toward achieving building permits and start of construction, staff should have some discretion to grant flexibility in certain cases where the deadlines cannot be achieved due to events outside the developers' control that prevent them from meeting the deadlines in the Amended Policy. A notice period as recommended in Part B of the above recommendation will provide incentive and certainty for proposed future development projects under 200 units.

I want to congratulate the following professionals for responding at the speed of business and a job well done:

- City Managers Office: Deb Figone and Paul Krutko
- Redevelopment Agency: Harry Mavrogenes and Richard Keit
- City Attorney's Office: Rick Doyle, Ed Moran and Tom Murtha
- Housing Department: Leslye Krutko, Jacky Morales-Ferrand and Tom Macrostie
- Office of Economic Development: Nanci Klein
- Planning, Building and Code Enforcement Department: Joe Horwedel, Ed Tolentino and Kathryn Sedwick

Developers are eager to do business in San José, where the underlying market conditions remain strong relative to other locations throughout the State and country. They expressed that they like to do business in locales like San José where they find great municipal partners that see the big picture.

The pipeline of development projects is relatively healthy. Irvine Apartment Company, Equity Residential, Fairfield Residential, and Essex Property Trust have committed to commencing market-rate rental housing projects between the end of this year and Fall 2011. Staff is also in communication with other developers including Sobrato Development Companies and LCOR to advance plans to construct more than 500 units that could inject another \$150 million into housing projects.

We received some good news last week. For the first time in nearly two years, Silicon Valley posted job gains on a year-over-year basis. Janice Shriver, State Employment Development Department's Research Analyst for the San Jose Metro Area, was quoted in a San José Mercury News article on October 22, 2010 as saying "the new state numbers suggest the city of San José's economic development efforts, aimed at attracting information technology and clean tech employers that sell their products elsewhere with the profits coming back here, may be starting to bear fruit."

I am proud of the staff efforts to encourage, facilitate and capture our share of the Silicon Valley recovery. I urge City Council/Agency Board approval of the staff recommendation.