



**LEAGUE OF WOMEN VOTERS**  
**of the Los Altos-Mountain View Area**  
**97 Hillview Avenue, Los Altos, CA 94022**

December 7, 2014

Mayor Chris Clark and Members of the City Council  
City of Mountain View  
500 Castro Street  
Mountain View 94041

Re: Council Meeting, December 9, 2014 – Agenda # 6.2 Affordable Housing Fees

Dear Mayor Clark and Members of the City Council:

The LWV would like to comment on the staff recommendations regarding changes to the current affordable housing fees. We agree with staff's recommendation to raise the Housing Impact Fee on office/high-tech/industrial development.

- We would support these fees being increased to at least \$25/sq.ft. Clearly, there is a strong nexus between office development and the need for housing affordable to those with lower incomes. With three potential all-affordable housing developments responding to the City's NOFA, there is a great need to generate City funds to finance these projects. Only through such developments can the City help to provide housing to those with incomes at 50% of AMI or less, where the greatest need exists.

The LWV has consistently supported inclusionary zoning or the requirement of below-market-rate units (BMRs) built as a percentage of new market-rate housing. The City's inclusionary ordinance for rental housing, now unenforceable due to the Palmer case, requires a developer to build 10% of a development's units as BMRs, for those with income levels at 65% of area median income (AMI). Mountain View's inclusionary ordinance is not nearly as stringent a requirement as in most other cities in the area. Palo Alto, Cupertino, Sunnyvale and Los Altos, for example, adopted inclusionary ordinances earlier than Mountain View that required a higher percentage of BMR units and units targeted to lower incomes. Under these ordinances, hundreds of BMR rental units were created before the Palmer case in 2009.

Since Palmer, many cities passed rental housing impact fees. San Jose, where it costs less to build than in Mountain View, recently passed such a fee, currently at \$17/sq.ft. This fee is equivalent to the requirement of the San Jose ordinance, unenforceable due to Palmer. It is also approximately 63% of the maximum supportable fee, according to San Jose's consultants. Moreover, San Jose's fee (and that of many other cities listed below) is not based on habitable square footage, so in comparison to Mountain View, the fees would be at least 15% higher if based on habitable square feet as in Mountain View's fee.

Rental housing impact fees are a growing trend. Other cities to adopt them are San Carlos with a fee of \$26.70, Fremont \$19.50 and Walnut Creek \$15, all before Mountain View adopted its fee in 2012. Emeryville and Berkeley recently adopted fees of \$20,000 per unit. Sunnyvale has completed a nexus study and will be considering a rental housing impact fee early in 2015. Also, cities in San

Mateo County, along with Palo Alto, have nearly completed a joint nexus study so that these cities can now consider a rental housing impact fee. The Silicon Valley Community Foundation is coordinating a joint study for cities in Santa Clara County that have not yet adopted a rental housing impact fee. Los Altos will be considering this issue in January. We commend Mountain View as one of the first cities to adopt such a fee, but also point out that its fee is clearly on the low end of the range.

- For these reasons, we urge the Council to adopt a fee of \$22 --the fee that the October staff report indicated would be approximately equal to the cost to the developer of providing 10% of the units as BMRs. We understand from Greystar that the assumption by the City that fees of \$10.26/sq.ft. are equivalent to 4.6% of the development being BMRs, is no longer valid. If true, this means that a fee equivalent to building 10% of the units as BMRs would actually be significantly higher than \$22/sq.ft. Without adequate analysis to know what that number should be, we encourage the Council to adopt a fee of at least \$22, based on the consultant's 2012 study. Such a fee, by the way, would be only about 43% of the maximum supportable fee, far less than the ratio of the San Jose fee at 63%.
- We definitely support Council policy of trying to have the units built rather than collecting the fees, as this disperses housing affordable to those with lower incomes throughout new developments, thus providing economic diversity to those complexes and at the same time getting affordable units built in a timely, efficient and cost-effective manner. Obviously, the higher the fees, the more units the City should see being built.

Some argue that raising the fee will raise the rents of other tenants. However, rents are based solely on what the landlord can charge; it's a market-based system. If the various City fees are too high, then developers will not build apartments, but this is why the consultants recommended fees that are far less than what could be justified by the nexus study. The fees can be revisited regularly; it is always easy to lower the fees. If at any time, the Council is concerned with the amount of any of the fees, the Council can direct staff to conduct a more in-depth economic feasibility study.

- We also support raising the in-lieu fee for ownership housing to 5% of the sales price. For example, if condos are selling for \$800,000, the fee for 10 units at 5% would be \$400,000. This is not enough to build a BMR condo; the concept of the in-lieu fee when the ordinance was adopted was that the fees would be equivalent to the cost of providing 10% of the units as BMRs. As the staff report points out, these fees are substantially lower than in most neighboring cities. These fees will not be added to the purchase price of the condo; again, the market determines the sales price.

Finally, we recommend an effective date of 60 days after adoption of the new fees, as this is the typical Council practice and there has been much discussion of increasing these fees for several months, so developers should have taken note. Thank you for considering our input.

Donna Yobs  
Co-Chair, Housing Committee  
LWV of the Los Altos/Mountain View Area

Cc: Dan Rich                      Melissa Stevenson Diaz                      Randy Tsuda  
    Linda Lauzze                  Jannie Quinn