

Downtown Neighborhood News

District 3

November 2007

Why More Affordable Housing?

The lack of affordable housing in San Jose forces parents to work additional jobs, drives companies to lower-cost regions, and impairs our ability to attract quality workers in such fields as education, health care, and child care. In a poll by the Silicon Valley Leadership Group, 97% of our technology company CEO's cite housing costs as a primary impediment to expanding or keeping their businesses here. The problem will worsen before it improves; San Jose will need to build an estimated 19,000 affordable homes to satisfy the growing need over the next seven years.

I recently introduced a measure, and joined by several colleagues, to explore the implementation of an "inclusionary" housing policy. Such policies typically require developers to construct a percentage of new affordable homes—typically 10% to 20%-- at below-market-rates or prices (or developers can pay a fee or contribute land instead). On December 11th, Council will consider a process to communicate with developers, businesses, and neighborhoods as we shape this proposal.

I've introduced this measure for several reasons. Beyond the most obvious—i.e., we need more affordable housing--here are a few more:

Your tax dollars shouldn't be the primary source for funding affordable housing. In recent years, San Jose has produced affordable homes largely by relying on dollars from the Redevelopment Agency (RDA), a funding source with an uncertain future because of a ceiling on RDA bonded indebtedness. Use of these funds beyond the state-required contribution for affordable housing comes at the expense of other priorities, such as "Strong Neighborhoods" projects and economic development.

We should encourage housing affordability throughout San Jose— not simply in our neighborhoods. San Jose's current policy mandates affordability for 20% of new units only in RDA project neighborhoods, concentrated largely in the downtown and east side. Only with mixed-income housing citywide can we avoid the economically segregated neighborhoods that we often see in other large cities.

"Affordable" isn't "substandard." Too often, affordable housing conjures images of large, crime-ridden projects in Chicago. In San Jose, we have the benefit of several high-quality, mixed-income developments indistinguishable in appearance from market-rate housing. For proof, look at the "Art Ark" development at South 6th near Keyes, or at the Delmas apartments on Bird and

San Carlos, both created by local developer The Core Companies. By leveraging multiple funding sources, Core and others have proven that “affordable” doesn’t mean “cheap.”

Inclusionary housing policies don’t drive up prices of market-rate housing. Contrary to the claims of opponents, the overwhelming evidence from studies and real-world experience of inclusionary programs shows little or no impact on market-rate unit costs. Economists cite high price elasticities of housing demand, meaning that consumer demand--not developer costs--drives rents and prices.

With a flexible, sensible policy, we can do this without hampering good development. Inclusionary mandates can offer developers substantial flexibility and incentives, including subsidies, density bonuses, in-lieu fees, and breaks on high-rise development downtown. Our recent experience in North San Jose and Edenvale has proven that developers will continue to eagerly seek permits to build thousands of affordable homes in areas despite inclusionary mandates in those areas, so we’re not deterring development by extending these policies city-wide.

Sincerely,

Sam Liccardo