PUBLIC COMMENTS ON

POTENTIAL INCREASES IN AFFORDABLE HOUSING FEES

SUMMARY OF NOVEMBER 7, 2014 COMMUNITY INPUT MEETING

Potential Increases to the BMR in-lieu fee and Rental Housing Impact Fee

There were seven participants at this meeting, including four local property owners and residential housing developers, one affordable housing advocate, one representative from an affordable housing non-profit agency, and one resident.

The following are comments from participants concerning the proposed increases in the BMR in-lieu fee from three percent to four percent of the sales price for new ownership units and the Rental Housing Impact Fee from $10.26 to $15.00 per habitable square foot for new apartment developments. These comments are presented in chronological order.

- A parcel tax or transfer tax would be a fairer approach to supporting affordable housing because everyone in the community would pay his or her fair share.

- The cost of the impact fee is actually borne by the property owner not the developer because the cost of the fee is included in the total cost for the property.

- A rental housing impact fee should apply to all rental properties, not just those with five or more units.

- The City of Mountain View has done a good job of administering its BMR Program, but the BMR fee already increases without making any changes because it is tied to current market prices that are increasing.

- The original BMR fee set by the City was lower than the fee set by other cities, and it is still very low. This fee should be increased along with the Rental Housing Impact Fee.

- The BMR program was originally sold to the voters as a mechanism to help public safety employees find housing in the City, but these employees are no longer the primary beneficiaries of the program.

- The BMR program was changed to base eligibility on income levels instead of specific occupations such as public safety. As a result, a wide range of lower income employees, such as retail employees, are now eligible. The Nexus Study for the Rental Housing Impact Fee demonstrated that the range of eligibility is justified.

- The Rental Housing Impact Fee should be raised to $15. At this level, the fee would help address the low wage jobs generated by residential development and remain a small percentage of the total cost of rental housing development, which can be easily absorbed by the project. By comparison, the City of San Jose is currently considering a $17 fee.

- Why should the Rental Housing Impact Fee be considered for an increase only two years after it was initially established? It is too early to determine the long term impact of this fee.

- If the rental housing market collapses, I am skeptical that the fee would be decreased accordingly.

- The conceptual and scientific bases for the connections between jobs and housing upon which nexus studies are based were questioned by a participant, along with their consistency with established economic theory.

- There is a scientific study, sponsored by the Homebuilder Association, which proves there is a valid connection in the case of both rental and ownership housing. The study also indicates that there is an underlying economic formula.

- Lenders that finance development base their financing calculations solely on the end product, which is annual rental income. They do not take fees into account when making their "pro forma" calculations.

- Fees are driving the small business property owners out of the rental housing development business. Even if one fee is small, the combined impact amounts to a "death of 1,000 cuts."

- There are other factors driving up the cost of development which have a much greater impact, such as the increasing cost of land.

- Fees, including affordable housing fees, are high in almostall cities.

- Large developers can afford to absorb initial costs such as fees because they can plan for long-term appreciation in the value of the property. Small developers cannot afford to wait for the long-term results.

- The City did hire a firm to conduct a survey in 2012 asking residents if they would pass an affordable housing parcel tax. The results indicated that, although a majority supports an affordable housing tax, there would not be the required two-thirds approval needed.

- Using these impact fees to support affordable housing means that the income from them will decline when the housing market declines, even though the need for affordable housing will remain. A more constant funding source not subject to market conditions would be better.

- Under this impact fee approach, the final developer bears the burden of the impact of the fee. The entire community should bear the burden of the cost of providing affordable housing. Since there has not been outreach to the entire community to ask everyone to take responsibility, it is too soon to consider an increase in the Rental Housing Impact Fee. The City should instead wait and "do this better."

- A parcel tax can work if the benefits of the tax are made clear to the surveyed community and the promised benefits actually occur.

- Nexus studies have generally rendered similar results even with different methodologies. The San Jose nexus study independently came to a conclusion similar to that reached by the Mountain View study, as did studies for other jurisdictions. The suggested fee based on the San Jose study would be 60% of the level supported by the study, while the proposed $15 per square foot fee for Mountain View would still only be 40% of the level supported by its nexus study.

- All of these nexus studies reach the same conclusion because they are prepared by the same group of activists.

- Keep the fees where they are currently set.

- The City is already 95% built out, which means that building new housing is likely to displace current tenants, and we need to retain our current tenant population. Small landlords should receive incentives to maintain existing units, some of which provide affordable housing.

- All increases in fees will result in increased rental rates.

- Regarding the office development housing impact fee, it may conflict with the desire for smaller office spaces.

- The Housing Impact fee for office development is already lower for smaller spaces.

- Affordable units provided by developers in lieu of paying the impact fee amount to 4.5% of the total new units, instead of the 10% required by the BMR ordinance.

- There are currently 35 Below Market Rate rental units in pipeline and applicants will be selected from a lottery/wait-list process.

SUMMARY OF NOVEMBER 7 COMMUNITY INPUT MEETING –

Potential Increases to Housing Impact Fees for Office/Industrial Development

There were three participants at this meeting, including an office developer, an affordable housing advocate, and one resident.

The following are comments from participants concerning the proposed increase in the Housing Impact Fee for office/high tech/industrial development from $10.26 per net square foot to between $20.00 and $25.000 per net square foot. These comments are presented in chronological order.

- The nexus study justifies a higher potential fee for retail/hotel properties, which employ more low income staff. However, the office impact fee is actually higher, even though employees in these buildings are higher paid tech workers.
- There are already a number of burdens and requirements imposed on new office development under the precise plan in the North Bayshore, especially for "edge" properties, for example landscaping and parking structure requirements. The new Office Housing Impact Fee may seem like a small addition to the overall costs, but if this new fee is implemented, the resulting cost of all fees and requirements would be $124 per square foot.
- The proposed housing impact fees are below the maximum fees supported by the nexus studies.
- The impact fee for retail and hotel properties are lower because we need to encourage this type of development, which the City is currently losing. Also these properties pay other taxes such as the transient and sales tax. Actually, despite the difference in the amount of the fee, the percentage of the supportable fee for these properties is about the same as the percentage for office development.
- The cost pressure on office and retail property is due to zoning impacts and the high cost of land.
- There is still a need for all types of development in Mountain View, including office and retail and housing.
- If the office impact fee is fair, why do we need a lower fee for small size office space?

- Trying to incorporate the impact justified by the nexus study just distorts the working of the market, especially over the long term.
- Since 2000, many regulations and requirements have driven up the cost of development, for example the renewable energy requirement. We should wait and be more careful before adding to these costs.
- We should trust the market to respond to issues such as affordable housing.
- There should be one standard and one formula that apply across-the-board to every city.
- The justification for the impact fee in Mountain View is the nexus study for Mountain View, not what other cities are doing.
- The reason more regulations are implemented is to justify the existence of city staff. An example of needless regulations is the fire regulations applied after the Santana Row fire. However, San Jose staff did change that regulation when it was explained to them that it should not apply to concrete tilt-up structures.

Summary of "Open City Hall" Comments
"Should the City Increase Affordable Housing Fees"

Public Comments

44 people responded:

- 29 were generally in favor of increasing fees (66%)
- 7 were opposed to any increases (16%)
- 8 people were not clearly for or against (18%)

Options Supported

- **13 respondents supported Option 1**: to increase Below Market Rate (BMR) in-lieu fees for ownership housing development to 4% of the sales price on new homes.
- **19 respondents supported Option 2**: to increase Rental Housing Impact fees for new apartment development to $15 per square foot.
- **25 respondents supported Option 3**: to increase Housing Impact Fees on office/high tech/industrial development to between $20.00 and $25.00 per square foot.

Additional themes

- 12 respondents mentioned the city should just build more housing
- 6 respondents mentioned the importance of diversity
- 3 respondents mentioned the City should slow or stop all development
- 2 respondents mentioned we should eliminate ALL fees

Affordable Housing Fees

Should the City of Mountain View increase affordable housing fees on new development?

All On Forum Statements sorted chronologically

As of December 3, 2014, 9:29 PM

As with any public comment process, participation in Mountain View Open City Hall is voluntary. The statements in this record are not necessarily representative of the whole population, nor do they reflect the opinions of any government agency or elected officials.

Affordable Housing Fees

Should the City of Mountain View increase affordable housing fees on new development?

Introduction

Currently, nearly all new developments in Mountain View are charged a fee that is used for affordable housing projects and programs. City Council will be considering increases in affordable housing fees for new developments at a public hearing on December 9, 2014, and would like your input.

The fee options under consideration include the following:

• Make no change to the current Below Market Rate (BMR) in-lieu fee or increase the BMR in-lieu fee from 3 percent of the sales price on new ownership housing units to 4 percent of the sales price.

• Increase the Rental Housing Impact Fee on new apartment developments from $10.26 per habitable square foot to $15.00 per habitable square foot.

• Increase the Housing Impact Fee on office, high-tech, and industrial developments from $10.26 per net square foot to between $20.00 - $25.00 per net square foot on building area more than 10,000 square feet and half of that fee on building area up to 10,000 square feet.

FREQUENTLY ASKED QUESTIONS (FAQs)

1. What are the City's current affordable housing fees?

The City has three types of affordable housing fees:

- Below-Market-Rate (BMR) In-Lieu fees on new ownership housing development, which are 3 percent of the contract sales price for each new market rate home.

- Rental Housing Impact Fees on new apartment development, which is $10.26 per habitable square foot.

- Housing Impact fees on new nonresidential development, which range from $5.13 to $10.26 per square foot for office, high-tech or industrial development and $1.30 to $2.60 for hotel, retail, commercial or entertainment development.

BMR fees were adopted in January 1999, followed by Housing Impact fees in January 2002. Rental Housing Impact fees were adopted in December 2012 in response to the Palmer/Sixth Street Properties, L.P., et al., v. City of Los Angeles, court decision (need a case hyperlink) that prohibits cities from requiring BMR rental units. Both the Rental Housing Impact Fee and the Housing Impact Fee are adjusted annually based on increases in the Consumer Price Index (CPI) for our area. The BMR In-Lieu Fees naturally adjust as the price of new ownership housing changes, since it is a percentage of the new home price.

2. What options are under consideration to increase these fees?

The City Council held a study session on October 14 to discuss affordable housing fees when they directed staff to gather input and return for consideration of:

- Make no change to the current BMR in-lieu fee or increase the BMR in-lieu fee from 3 percent of the sales price on new ownership housing units to 4 percent of the sales price.

- Increase the Rental Housing Impact Fee on new apartment developments from $10.26 per habitable square foot to $15.00 per habitable square foot.

- Increase the Housing Impact Fee on office, high-tech, and industrial developments from $10.26 per net square foot to between $20.00 - $25.00 per net square foot on building area more than 10,000 square feet and half of that fee on building area up to 10,000 square feet.

3. What is the basis for determining the fee levels?

Studies were performed to evaluate the impact of new development on affordable housing and to determine the fees required to mitigate that impact. An Affordable Housing Fee Analysis was prepared by Economic and Planning Systems in September 2011 for the City's BMR in-lieu fee and the Rental Housing Impact Fee. A Jobs Housing Nexus Study was prepared by Keyser Marston Associates in November 2012 when Council considered an increase to the Housing Impact Fee.

For office and commercial development, a nexus study evaluates the number of jobs produced by new development, the percentage of those jobs that would be filled by lower-income workers, and the fees required to produce housing affordable for those lower-income workers. For ownership and rental housing development, the nexus study determines the goods and services needed by new residential households, the jobs created by that demand, the number of lower-income workers in those jobs, and the fees required to produce affordable housing for those lower-income workers.

The potential fee increases under consideration are well below the maximum fees supported by the nexus studies. Impact fees are rarely set at the maximum levels.

4. When will the City Council consider the potential fee increase?

The City Council will hold a public hearing in the evening on December 9, 2014 to receive public testimony and make decisions on the possible fee increases. An agenda and Council Report will be available on December 4 after 5:00 p.m. on the City's website.

5. When would the fee increases go into effect?

The fees would typically go into effect 60 days after approval by the City Council. The Council has the option to set a later effective date.

6. How do Mountain View's fees compare with other cities?

Palo Alto, Sunnyvale and Cupertino all have BMR in-lieu fees and Housing Impact fees. Mountain View was the first city in Santa Clara County to adopt a Rental Housing Impact fee, although this fee is currently under consideration in two other cities. Mountain View's BMR in-lieu fee of 3 percent of sales price is the lowest of our neighboring cities, with the highest being 12.5 percent of the sales price. The City's $10.26 per square foot Housing Impact fee for office/industrial development is in the middle of the $6.00 to $19.31 per square foot range for neighboring cities. A handful of cities in the region have rental housing impact fees that range from $15.00 to $26.70 per habitable square foot, with Mountain View's fee of $10.26 per square foot being the lowest fee.

7. What types of development pay affordable housing fees?

Nearly all new development in Mountain View must either pay an affordable housing fee or include affordable units in new residential projects instead.

8. How are affordable housing fees used?

Affordable housing fees are primarily used to provide loans for new residential development that serves households earning less than 50 percent of the Area Median Income (AMI). In 2014, a family of four earning 50 percent AMI equates to a $50,950 annual household income. The City provides loans to affordable housing developers in order to reduce rents to affordable levels for lower income households.

The City loans also make it possible for affordable housing developers to secure outside funding sources that complete the financing for their projects. Between 2005 and 2015, the City funded five new affordable housing projects that produced 351 units for lower income families, seniors, workforce and special needs households. The City made $35.0 million in loans to these five projects, which resulted in securing $61.0 million in additional outside funding.

Affordable housing fees also are used for first time homebuyer assistance programs administered through the Silicon Valley Housing Trust and for emergency rental assistance administered through the Mountain View-Los Altos-Los Altos Hills Community Services Agency.

9. What is the definition of an affordable housing project in Mountain View?

Affordable housing is also known as subsidized housing, since all of the rents are made affordable to lower income households through local, state and/or federal subsidies. The City's 13 subsidized housing developments are owned and operated by five different affordable housing agencies. These agencies specialize in building and managing affordable housing. They have high standards for maintenance and stringent screening requirements for tenants. Affordable housing projects in Mountain View are well-designed and indistinguishable from market rate development. The Franklin Street Family Apartments located at 135 Franklin Street recently earned a national award of excellence for project design. For more information on the subsidized projects in Mountain View, visit http://mountainview.gov/depts/comdev/preservation/homebuying/subsidizedrental/default.asp.

10. How can I let the City Council know my opinion?

To learn more about the potential fee increases, you may view the Council Report available after 5:00 p.m. on December 4, 2014 on the City website under City Council Agendas. A mailed copy may also be provided by calling the City Clerk's Office at (650) 903-6304. You can also submit your opinion to the City Council by:

- Entering comments through the Mountain View Open City Hall forum at http://www.mountainview.gov/council/open_city_hall.asp

- Sending an email to citycouncil@mountainview.gov or

- Attending the City Council meeting on December 9, 2014, to address the City Council.

Affordable Housing Fees

Should the City of Mountain View increase affordable housing fees on new development?

As of December 3, 2014, 9:29 PM, this forum had:

Attendees:	190
On Forum Statements:	44
Hours of Public Comment:	3.5

This topic started on November 12, 2014, 12:53 PM.

Name not shown inside Santa Clara County — December 1, 2014, 10:39 PM

I support the three proposed fee increases to finance more affordable housing -- increasing the BMR in lieu fee to 4%, raising the fee on office developers to between $20-25/square foot, and raising the fee on housing developers to $15/square foot. Our middle- and low-income residents and neighbors are being rapidly priced out of Mountain View. We need more affordable housing to help these key community members remain in our community. Mountain View's current fees are lower than those of nearby cities, so we can afford to raise them.

I would also like to see the city council discuss rent control as another possible way to address the housing crisis.

Gail Nyhan inside Santa Clara County — December 1, 2014, 10:28 PM

I support options two and three. The City needs to increase fees for both housing and office development in order to support as much affordable housing as possible. We need to preserve the economic and social diversity of our community.

Gail Nyhan

Jeff Segall inside Santa Clara County — December 1, 2014, 9:10 PM

I favor increasing the $10.26 per square foot Housing Impact fee for office/industrial development to at least the $20 level, as Mountain View’s office/industrial development is the key driver of rapid increases in local housing costs. According to the provided FAQ, a neighboring city has a $19 per square foot fee, so $20 is not out of line, in my view, especially given the seemingly unstoppable office/industrial development boom.

I also favor an increase in the 3% BMR in-lieu fee, as it is the lowest among our neighbors. The proposed 4% seems if anything too modest. The rental housing impact fee increase also seems likely warranted as well, but the case for increasing it seems the weakest, given that none of Mountain View’s nearby cities currently levy this fee.

Mountain View’s diversity is important to me, and the affordable housing crisis is a serious problem for a great many fine people in our community. I understand why so much office/industrial development has been green-lighted in Mountain View. Historically it’s been less controversial than increasing housing density, and even better, it funds improved city services. However, it has distorted the city. The proposed increases in affordable housing impact fees are a modest, yet specific and tangible measure the city can and should take.

Thank you!

Jeff Segall
655 California St.

Pat Showalter inside Santa Clara County — December 1, 2014, 9:04 PM

The affordable housing fees should be raised as was shown reasonable in the nexus study. Our fees should be in-line with neighboring communities or slightly higher. They should also be indexed so that they increase with inflation.
Thanks for asking.....

1 Supporter

David Carlton inside Santa Clara County December 1, 2014, 8:11 PM

Increasing the fees, especially the office/industrial development one, sounds like a good idea. But still, it sets up a scenario where the only people who can afford to live here are either people with tech salaries and other similarly high paying jobs or people who get very lucky. So if the city council really wants to have a larger spread of people being able to live in Mountain View, it should make it easier to build more housing, especially denser housing, so that the free market will have a chance to lower prices on its own at least somewhat.

Lori Abrahamsohn inside Santa Clara County December 1, 2014, 5:19 PM

I am strongly in favor of increasing affordable house fees that are linked to new development. The lack of affordable housing is not good for the City of Mountain View and is causing a lot of suffering as so many people struggle to pay the rent and have no chance of owning a home. It is important that the fees are spent efficiently and soon before more people have to move away from Mountain View because they cannot afford to live here.

Shari Collondrez inside Santa Clara County December 1, 2014, 3:14 PM

To charge fees or not charge fees, that is the question? Plain and simple, I have lived in Mountain View for 7 years and I love it here. Myself and my neighbors are being zoned out of where we live soon by a large "Row Home" Corporation and we aren't happy with the situation. We have nothing we can do about it obviously. I live in a affordable apartment and will not have any options come the beginning of the year. There just aren't enough options in Mountain View for low to middle class income levels. One or Two waiting lists for a few new apartments are just not enough for the thousands that will apply.

Saanvi Promspora inside Santa Clara County December 1, 2014, 3:03 PM

Why are we looking to make it more difficult to bring quality housing to Mountain View? If I'm not mistaken, an impact fee already exists. I am supportive of a fee that is paid by other homeowners like myself. Am I not part of the demand for housing? My living in Mountain View only adds to demand for the limited amount of housing.

The cost of a home or rental has always been high. When I moved to the area in 1999, I was shocked at the cost of a 1 bedroom apartment. The price of housing has only gone up since then.

By applying a fee to ourselves, then we are making a statement that diversity is important to our community, not just taking the easy way out and passing along the cost to residents that don't have a voice yet. We have all benefitted by the strong economy, lets not treat a new renter or homeowner like a second class citizen.

Who is with me for looking at a way to do our part?

1 Supporter

Dave Offen inside Santa Clara County — December 1, 2014, 12:34 PM

I believe option 3 is the best (increase Housing Impact Fee on office, high-tech, and industrial developments) because it is the jobs/housing imbalance that is driving up the cost of housing in Mountain View. In addition, option 2 (increasing the Rental Housing Impact Fee) should also be considered, as long as it isn't so high, compared with neighboring communities, that it drives away new apartment construction in Mountain View. We need to do more to address the skyrocketing cost of housing for our low-to-moderate-income residents. Mountain View's diversity will be destroyed if only rich people can afford to live here.

Name not shown — December 1, 2014, 12:32 PM

I must oppose any effort by government mandate, to take from those who have to give to those who don't, however well intended. The government may launder the BMR money thereby having it appear that it is doing all this on its own, but the government runs on our tax dollars. When you pay your taxes, you are in some small way paying the mortgage or rent for some lucky BMR lottery winner. I would prefer to see the government out of the Robinhood business altogether. Everyone has a right to live but they do not have the right to demand to live anywhere they choose. If that were the case, we would all be living in Atherton, Los Altos Hills or Carmel. The big problem is with the elected officials who really enjoy spending other peoples money on their do gooder projects. The jobs/ housing imbalance will eventually collapse of its own weight if left alone.

1 Supporter

Paul Rand inside Santa Clara County — December 1, 2014, 11:38 AM

I do not support the increasing of fees on residential development, ownership or rental. New jobs in the area are responsible for the current pressure on the housing market. Adding additional fees will only serve to increase the cost of building. While some may say that developers can absorb the fees, I think this is shortsighted. We are in the midst of another 'dot com'' type bubble and as a community. We should be supporting policy decisions that would encourage a healthy balance of development in both the boom and bust cycles that seem to be prevalent in our area.

Don't increase the residential fees.

1 Supporter

Diane Thomson inside Santa Clara County — December 1, 2014, 9:02 AM

Increase the fee on new office development and luxury apartments but not on new housing or regular apartments.

Nancy Morimoto inside Santa Clara County November 30, 2014, 8:48 PM

I'm in favor of increasing the fees on both residential and office developments to the highest reasonable amount in order to make a dent in the huge need for affordable housing in Mountain View. There is so much money to be made with new developments in this boom time that the fees will not dampen construction. Allowing workers of all types to afford to live here not only helps those individuals and families but is wise policy for keeping our community diverse, interesting and thus attractive, and helping to curb far flung urban sprawl and the traffic and pollution that goes with it.

Martha Cutcomb inside Santa Clara County November 30, 2014, 7:21 PM

Yes, the city should impose higher fees, to go towards affordable housing, on both rental and office developments. Ideally, to avoid stigma, the money should be used to set aside a percentage of rental units at all new developments that are earmarked as affordable units. These units should not be consistently particular units, but rather, the unit that is subsidized should change when a renter of affordable housing moves out. This would protect the privacy of renters of affordable housing. This would also avoid the "NIMBY" issue.

Martha Cutcomb, 1331 Ernestine Lane

1 Supporter

Gerald Kixmoeller inside Santa Clara County November 30, 2014, 3:50 PM

Yes, Mountain View needs to increase it's Affordable Housing Fees. Particularly on the developers of industrial developements.
Additionally, the developers should be required to create affordable housing not just pay fees.
There is already a shortage of housing in our town and we desparately need housing not more industrial developements.

1 Supporter

Wayne Hamer inside Santa Clara County November 30, 2014, 2:01 PM

I believe the fees should be raised for commercial and industrial building projects, but not residential. Increases applied to residential projects will merely serve to increase the cost to residents who wish to purchase / rent residential space.

1 Supporter

Name not shown November 30, 2014, 12:35 PM

Yes!!! We have a special needs teenager who has grown up in Mountain View and will need his own housing in the next 5 years. He is blind with multiple impairments and needs 24/7 care. We really need him to live near us and finding affordable housing in this city is VERY difficult. Mountain View needs to address this issue and this is a start.

1 Supporter

Lisa Rogan inside Santa Clara County November 30, 2014, 10:21 AM

I favor raising the developer fees now to $20 per square foot, putting Mountain View in the middle of other neighboring cities. We clearly need housing options for the many citizens in the service sectors, who should be able to live near where they work, contributing to our vibrant city culture.

1 Supporter

Name not shown inside Santa Clara County November 29, 2014, 6:40 PM

The city should increase the fees on all categories, but especially on office space. The explosive growth in office space and the employees in these offices has lead to the housing crisis we face. We need to figure out more ways to get "affordable" housing built as soon as possible.

Name not shown inside Santa Clara County November 29, 2014, 4:46 PM

As residents of Mountain View for over 40 years, we support the increase of fees in all categories under consideration by the City Council. We especially think the fee for office, high-tech, and industrial space should be increased.

Name not shown inside Santa Clara County November 29, 2014, 3:26 PM

Given the current imbalance between jobs and affordable housing, I strongly support raising all fees under consideration. Specifically, developers of office & industrial space should pay at least $20-$25/sq. ft. and residential developers should pay a fee that is high enough to strongly motivate them to include affordable housing in the plans instead of just blithely paying the current "in lieu" fee as a part of their regular cost of doing business.

Name not shown inside Santa Clara County November 29, 2014, 2:11 PM

1. Increase BMR fee to 4%;
2. Increase rental housing impact fee on new apartment developments to $14/sf and to $18/sf for high density developments; building developments to the highest density should be discouraged.
3. Increase Housing Impact Fee on new office or high tech developments to $25/sf.

1 Supporter

Karen Keefer inside Santa Clara County November 29, 2014, 2:10 PM

I support all three increases. However, I feel the most important increase to implement is the one on nonresidential development. Mountain View's recent development has been skewed towards office buildings, etc. and I believe that higher BMR fees in this sector are needed to help balance the picture.

1 Supporter

Name not shown inside Santa Clara County November 28, 2014, 11:57 PM

All three options should be taken and the fees should be raised. It's not realistic to hope that an increase of housing supply can make housing affordable for teachers and others who provide a useful service to the community while earning a modest wage. So therefore they need help, and BMR is the existing program for that.
I feel it hasn't been adequately discussed that the BMR program as described here ...
http://www.mountainview.gov/depts/comdev/preservation/homebuying/bmrhousing/default.asp
... is not a lottery - it tries to prioritize - please check out the link if you're not aware. Going forward perhaps this system of prioritization should be refined further so that it's based on maximal merit and benefit to to Mountain View.
Without question, new developments put a strain on Mountain View's infrastructure and resources, so it's fair to have them pay for this valuable benefit as proposed, for all three points. Thanks much for considering!

1 Supporter

Name not shown inside Santa Clara County November 28, 2014, 5:56 PM

Mountain View and the other cities in the region have made poor land use decisions over last half century resulting in the current severe regional housing shortage. While Mountain View has done better than most cities, the region has consistently underachieved in building adequate housing while approving office parks and commercial development. Unfortunately, I don't see any radical changes to this policy of underachievement in the near future. There is little hope that the severely constrained market will be able to produce anywhere near the housing needed for an economically diverse society in the region.
So in order to avoid the complete "Athertonization" of the Peninsula, we should strive to build some BMR housing. Therefore I think we should approve Options 2 and 3. The better long term solution is to build a considerably more urbanized region along with the concomitant infrastructure (schools, transit, etc.). This will take many decades to achieve so in the short term we should strive to build some BMR housing and try to retain some of the middle class, the working class, young families, and the elderly in Mountain View. We won't be able to satisfy all needs but we should try to provide for some.

Name not shown inside Santa Clara County November 27, 2014, 8:16 PM

Yes.

Name not shown inside Santa Clara County — November 27, 2014, 7:48 PM

I moved to Mountain View in 2014, working as a software engineer, currently renting and commuting to work by bike. I'm trying to save for retirement and live frugally. The problem with housing prices in Mountain View is driven by lack of availability; there is currently 1 (!) 1000 sq ft condo listed on Zillow for all of Mountain View, at $600k. If Mountain View wants housing to become more affordable, it needs to increase supply, i.e., make it much easier for developers to build condominiums and townhouses. Politically, that is obviously a non-starter because an increase in the housing supply is not in the interest of current property owners. The upshot is that Mountain View is already a city primarily for the wealthy and an increasingly unattractive place for middle class professionals like me to settle down. I am looking elsewhere in the Bay Area to purchase.

1 Supporter

Stuart Eichert inside Santa Clara County — November 27, 2014, 11:43 AM

Council should consider eliminating the fees completely. It isn't the government's job to meddle in the housing market.

3 Supporters

Bruce Karney — November 27, 2014, 9:58 AM

I would like to see a fee on new commercial and office space, not new residential space. I would like the council to study a fee that rises during years when office construction booms and reduces during recessions. The fee should be assessed when permits are issued to maximize the chance that housing will be built before the office buildings are occupied.

2 Supporters

Marc Roddin inside Santa Clara County — November 27, 2014, 8:08 AM

This idea is pure Robin Hood in the Sherwood Forest and should be totally rejected. If I remember correctly, Robin Hood along with his friends (perhaps Little John and some others) lived in the forest and stole from the rich so they could give the proceeds (probably after skimming some off of the top for themselves) to the poor. Sounds like a good plan, unless you want to encourage anyone from the middle class to live in Mountain View. With higher fees on development, this will have to be passed along to the tenants, thereby increasing their rents. Pretty soon only very rich people would be able to rent here, except for a few lucky souls who win the affordable housing lottery. City Council, stay away from this plan, and ideally, cut or eliminate the existing affordable housing fees.

4 Supporters

SC Parent — November 26, 2014, 3:49 PM

1) Make no change to the current Below Market Rate (BMR) in-lieu fee on new ownership housing units. We need to encourage greater development of ownership housing units. MV has too large a proportion of rental properties as it is!
2) Increase the Rental Housing Impact Fee on new apartment developments from $10.26 per habitable square foot to $15.00 per habitable square foot. Perhaps this would actually begin to incentivize developers building affordable units within their developments rather than just paying a piddly in-lieu. It's much more effective (from a cost and a community standpoint) for developers to set-aside a some units within a larger development than for the city to build them itself.
3) Increase the Housing Impact Fee on office, high-tech, and industrial developments. We have lots of office space and tons more in the works. This is much more volatile than housing. While both currently have a supply-demand mismatch, housing is where the true long-term shortage is. As a city, we need to encourage more residential development.

Not listed in this forum question is another option that would be just as effective but not cost the city or developers ANYTHING. City Council should enforce existing zoning and development standards instead of bending over backward to accommodate deviations and exceptions that benefit the developer without providing any compensating benefit to the city.

Jeremy Hoffman inside Santa Clara County November 21, 2014, 12:13 PM

I oppose options 1 and 2 that increase fees on new housing and support option 3: "Increase the Housing Impact Fee on office, high-tech, and industrial developments."

Two points:
1. We should encourage housing development, not discourage it with fees.
2. BMR is a useful tool, but it can't be our primary tool, as it does not fix the fundamental supply-demand gap.

BMR represents a redistribution of wealth. Policy makers have the right and duty to enact such redistribution for the benefit of the community. So how should we do it?

Any economist will tell you that if policy makers wants to encourage something that has beneficial effects on the community ("positive externalities"), they should subsidize it, and if they want to discourage something that has adverse effects on the community ("negative externalities"), they should add fees to it.

Mountain View has a housing crisis caused by the jobs-housing imbalance. The gap between demand and supply has caused skyrocketing increases in housing costs and creates "winners" and "losers." It reduces the diversity of our community, displaces established members of the community, robs the younger generations of opportunities to join the community, and increases traffic and greenhouse gas emissions from forcing people to have long commutes.

BMR units can help with the income diversity problem and they are great for the lucky few who are granted that huge housing subsidy, but they cannot solve the fundamental problem. If 20,000 people want to live in 5,000 housing units, 15,000 people are left out in the cold, whether those 5,000 people are paying market rates or below market rates!

So it seems that housing development that will increase supply has positive externalities on our community, and commercial development that will increase demand has negative externalities.

Therefore, we SHOULD increase the affordable housing fees on commercial development. We should NOT be increasing the fees on housing development (ownership or rental).

BMR is an useful tool for policy makers, and I really like the idea of Mountain View extracting gain from the huge demand for Mountain View land right now, but I caution against relying on BMR too strongly as a housing solution. It is fundamentally a lottery, not a rising tide that lifts all boats.

Also, I have concerns about how BMR units are sometimes implemented. In New York City they are currently having controversies over "fitness center apartheid" and "poor doors" where people justifiably feel that property managers are engaging in dehumanizing behavior. When government regulations distort the free market, actors will inevitably attempt to circumvent them, just as water flows downhill, and we may not always like the consequences. With that in mind, I don't think it is necessarily a bad thing if developers accept the "in lieu" fees rather than including BMR units, as we can use those funds more flexibly to support affordable housing, rather than requiring that each individual development in Mountain View have an exact percent of each type of unit.

Let's not put all our eggs in the BMR basket; let's create a diverse, adequate housing supply, so that the actual market rate is less unaffordable for a wide range of residents.

5 Supporters

Susan Shepard November 20, 2014, 12:18 PM

I'm strongly in favor of making Mountain View affordable (or at least more affordable) for a diverse set of income levels; it takes all sort of jobs to make a good community. Everyone should be able to live close to where they work if they desire that.

I'm in favor of raising the fees enough to strongly encourage developers to include units in their current projects so that most projects are for mixed income levels rather than just choosing the in lieu option.

3 Supporters

Name not shown November 17, 2014, 10:48 AM

Our rights as citizens do not extend to the right to an "affordable" place to live. Arguments that include "must retain the economic diversity of the city" are stated without any reasoning. The city of Mountain View has growth opportunity that doesn't exist anywhere else in America: to disable that opportunity to maintain affordable housing just does not make sense. These taxes and fees are nothing more than re-distribution of wealth, which is enacted entirely based on envy rather than an economic basis. As one of the posters pointed out, the economics of affordable housing plans are flawed: the disparity between the value of housing and what a lower income person can pay are too great for government to bridge, and it is not local government's mandate to do so. Economics/supply/demand are the only knobs which should be in place in a dialog on limited resources. To try to disable the economics of housing in a growing area like Mountain View is futile. There will always be more people who want/need cheaper housing in an urban area than can be provided. Sorry to be harsh, but no one has a right to live in a particular place unless you own it. We are not a socialist state, and for that I am grateful.

2 Supporters

Lea Hallert inside Santa Clara County November 15, 2014, 8:56 PM

MV has been selling itself cheap for far too long - and the developments are huge and out of control. All fees should be raised - not just affordable housing fees - how about school fees too?

Tom Means inside Santa Clara County November 15, 2014, 5:24 PM

Attached is a note I submitted to the City of San Jose regarding this issue. A similar comment was submitted to the County Supervisors of Sacramento. As I note most nexus studies are flawed and fail to show any serious economic analysis.

November 7, 2013

To: Pete Constant, San Jose City Council Member

From: Tom Means, Professor of Economics, SJSU
Mayor 2008, City Of Mountain View

Re: Comments on Keyser Marston Residential Nexus Study & Supplement

Pete Constant asked me to provide some comments from an economist's perspective on the Residential Nexus Study performed by Keyser Marston (KM) Associates. I am uniquely qualified with a background as a Professor of Economics at SJSU and I am a former Mayor and City Council member for the City of Mountain View. I have published research studying the impact of inclusionary zoning and also conducted research on Fiscal Impact Analysis. My comments will deal more with process and modeling from an economics perspective and very little on assumptions. I have read similar reports on housing nexus studies performed by other consulting firms while serving on the Mountain View City Council.

First, most consulting firms have few economics experts with graduate degrees in economics who have performed economic research. At best some have Masters degrees in economics. Most consultants have a background in urban planning with very little training in economics. As a result, the studies on housing nexus reflect a lack of clear economic thinking using established economics models. Most studies use the IMPLAN model incorrectly to forecast economic output and growth. Second, the studies fail to understand how fees impact the new housing market in terms of supply and demand.

Several planners use IMPLAN and fiscal impact analysis programs to predict the impact of development on the demand for government services. Most of the research is conducted by urban planners and published in urban planning journals. None of this research has appeared in quality, refereed economic journals or was vetted by serious academic economists. In fact, the KM study makes a lot of predictions about growth but does not verify if they actually occur.

The IMPLAN model is loosely based on the standard circular flow diagram that appears in all introductory economic textbooks. The diagram shows the connection between spending and income flows for a simple economy consisting of households, firms, and the government sector. Income and spending are intertwined and neither causes each other. Spending creates income to those that sell goods and services. The standard model shows the impact of growth by assuming exogenous shocks to the system. Many textbooks initially assume the government sector is exogenous and show the impact of new spending and its multiplier impact. This assumption is merely to show the impact of an exogenous shock, but is made for convenience and not because its true. Government must obtain revenue through taxes, which reduces income from households and firms, and then the money is spent, but no new income is created. The bottom line is that the real exogenous factors are things like technology or an increase in the supply of resources that create exogenous shocks and increase income.

The KM study uses an arbitrary starting and stopping point of the income flow to create the illusion of a nexus between new housing and subsidized housing.   The starting point is the building and selling of a new housing unit. What caused this initial shock? KM doesn't tell us but its clear that that buying and selling of a new housing unit has to have been induced by some previous market exchanges that created the jobs and income to purchase a new home. Similarly, the KM study arbitrarily stops the income-spending flow with the increase in demand for low-income housing.

The KM study concerns itself only with the demand side of the market and fails to include the supply side. For example, KM fails to tell us where these new buyers come from. If they sold homes and are moving up to nicer homes, there must be an increase in the supply of used homes. As I note below, they may not have as much new income as projected by KM. Similarly if the increase in demand for new housing increases the demand for low-income labor, shouldn't this increase wages and income for these workers if there is no corresponding increase in the supply of labor? An increase in income for low-skilled workers would lead to an increase in spending on housing services and make current housing more affordable. The problem of the KM study using the IMPLAN model is that it doesn't account for supply changes. It is demand driven and any increase in income automatically leads to an increase in total income.

If we drop the arbitrary starting and stopping point of the KM study, one can show the absurdity of their approach because the circular flow diagram has no starting or ending point when looking at income and spending. For example, suppose there is an increase in the supply of low skilled labor into the city of San Jose, which lowers wages, construction costs and the prices of other goods and services. Lower prices lead to more exchanges and more income. More income leads to more spending on housing, which eventually leads to an increase in housing demand. In this example the KM approach would suggest taxing low-skilled labor as the alleged culprit to increasing the demand for low-skilled labor and low-income housing. The bottom line is that because the KM approach fails to understand the model it is using, one could just as easily use the KM approach to rationalize a tax on any sector of the economy to support an increase in the demand for low-skilled labor. It is worth repeating that the circular flow diagram has no starting or ending point when looking at income and spending.   The fundamental econometric model flaw is that the KM approach uses an arbitrary starting and stopping point to suggest a connection between new housing purchases and the demand for low-skilled workers.

The KM study confuses the distinction between market rate housing and subsidized housing. There is no requirement by the state to build subsidized housing, only a requirement to build affordable housing. Technically a city could allow a developer to build smaller cheaper units and price them at market rate. The alleged shortage is created by the city requiring new expensive units to be priced below market prices. This city imposed price ceiling creates an artificial shortage of units. One could arbitrarily increase the shortage by requiring all low price controlled units be provided for free. An analogous policy would be if the city required subsidized clothing, cars, and food from all new firms producing these goods. In other words, if this housing policy makes sense why not make new firms provide below market prices for cars, clothing and food purchases?

While I don't like to quibble about assumptions when a faulty model is employed, I would note the following assumptions that are flawed. KM backs out the gross income of a homebuyer by showing several examples of home purchases and assumes an 80% mortgage and 35% of income spent on housing. In other words INCOME = HOUSING/0.35. This may work for first time buyers that barely qualify and borrow 80% but will not yield correct information for people buying up and using equity from selling their home to rollover as part of the down payment for the purchase of a new home. In this case the new buyer will not need an 80% mortgage and hence the calculation of the 35% spent on housing overstates the borrowing costs and hence overstates the gross income of the buyer. A second assumption is that low-income people cannot afford markets rates even though they somehow live in the area. If low-income people are living in San Jose, how is it possible if they supposedly cannot afford to live in this area? This should suggest something is wrong with the approach and the statistical information using averages. Finally, while I agree with the assumption that developers use the land residual value (LRV) approach, KM fails to understand the implications of this assumption and its affect on home prices and output. Developers are like middle-persons, they will only build on a parcel if it makes economic sense. Any taxes on the parcel will result in a reduced LRV and hence a lower offer to purchase the land. KM falsely concludes that this will have little or no impact on the marketplace. What they ignore is that if most of the projects are in-fill projects (as they state in their report), the owner of the land has alternative uses. The owner could reject an offer to build housing if the offer is below an alternative use of the land. This will reduce the supply of new homes being built in San Jose and will impact San Jose and nearby cities. Homebuyers will sort themselves out between cities and prices will rise due to the supply restriction from the city of San Jose and will provide fewer new homes in the area. Once again KM misapplies a model of taxing land that assumes all parcels are taxed when it is only parcels that build new houses that are taxed.

I realize reports like the KM study produce a lot of information in order to overwhelm the reader. Unfortunately the report relies on faulty economic thinking to arrive at its conclusions. Furthermore, consulting firms are rarely independent in providing information. My experience is that they are biased because they want to please the firm that is hiring them. It is unlike a civil matter, where both sides can present their experts to a judge or jury and independence is important. I would be more impressed with a study performed by academic research economists who have reputations for doing good economic research and employ good economic thinking.

5 Supporters

Name not shown inside Santa Clara County — November 15, 2014, 9:31 AM

A lucky few win the lottery at everyone else's expense. Housing Impact Fees are a tax on the property owner because it's a pass-through for the developer and eventually society pays. That is why there is not a big outcry against this unjust tax because so few are initially effected. If it's a Community Problem, it's a Community

Expense. Some Council Members have it right - it should be a parcel tax, voted on by everyone. To those who advocate for these fees, put your money into the transaction and stop with the consulting study rhetoric because we all know someone has to pay - you're just looking for someone else to pay for your housing costs.

3 Supporters

Serge Bonte inside Santa Clara County November 14, 2014, 3:19 PM

I am in favor of all 3 proposed increases. For residential, increasing the in-lieu fees will hopefully make providing affordable units more advantageous than paying the fees.
For non-residential, the City should also increase the fees on non office commercial (Hotels, Retail...) as their employees are typically the most in need of affordable housing. Existing exemption based on retail size should avoid impacts on small business. The WalMarts of the world should pay their fair share.
Also, the City should aggressively prioritize housing over offices. The San Antonio Precise Plan had the right idea by not allowing new offices until enough housing was built. ....

1 Supporter

Anneke Floor inside Santa Clara County November 14, 2014, 2:17 PM

I think the fees should definitely be increased, at the very least for luxury apartment development and for office space, because we need to keep more of our lowest-income residents from all being pushed out. The companies will still come, and the developers make money either way. That's got to be clear from seeing the neighboring cities with higher BMR fees do fine, right? Mountain View should be a financially diverse city, for all our benefit.

2 Supporters

Xochi Martinez inside Santa Clara County November 14, 2014, 10:38 AM

Our neighborhood around Stierlin Rd. and Jackson Street are being swallowed up by the Prometheus project. What did you do there? ALLOW THEM TO DO IT. Mountain View looks uglier and uglier, everyday, to boot. I just heard that Harv's Car Wash, near Castro and El Camino is going to be torn down for a new development???

"Increase" and "affordable" are grossly and oxymoronically offensive. Many families have left Mountain View, the people that BUILT THIS CITY! Just stop!

(This is not the Mountain View I grew up in, knew and loved.)

Danielle Petrovic inside Santa Clara County November 13, 2014, 8:20 PM

The in-lieu fees created the Franklin Street Affordable Housing complex. Personally, I do not think it is a responsible thing to "place/concentrate" low income people in one building. If the City would create a "mixed" use building, then that's another story.

Paul Carufel inside Santa Clara County November 13, 2014, 7:16 PM

Hello,
I am pretty confused about 'In Lieu fees' but they sound like a carbon trade-off system? I am in favor of slow growth in order to maintain a quality of life AND creating more affordable housing for renters. I can not afford a 1.5 million dollar home nor a 2000 plus apt. and stay in Mt. View. If the fees actually assure this - then it would make sense to keep them and, in needed, increase those fees.

Frank Zajac inside Santa Clara County November 13, 2014, 1:57 PM

Look, our city has certain leverage over commercial developers that it should utilize. Create development contracts with corporate business companies that include affordable housing.
For example: If a large enterprise wants to build an office complex, have our city's army of lawyers craft contracts that favor developments that include a like sized affordable residential complex. Developments that have that in their submitted scope... win!
Oh yes... the other problem is that our dear city has one lawyer on staff. Do city officials think that is sufficent legal staffing to go againts corporations that assemble large teams of lawyers to plan out how they will manipulate our antique Plan E governmental process?
Our city should have vast legal support to go head-to-head on equal terms with corporations.

2 Supporters

Name not shown November 13, 2014, 12:00 PM

I would like to see growth slowed down rather than increased. We are already feeling the pinch of traffic and parking from Levi's stadium and Shoreline. We are seeing our schools become more and more crowded with no real plan for new schools. We need to balance growth with quality of life and not turn into a mega-city with overtaxed infrastructure. Why does Mountain View need to grow more quickly than the surrounding communities such as Los Altos, Sunnyvale, etc?

1 Supporter
