



MAYOR STEVEN SCHARF
sscharf@cupertino.org

CITY HALL
10300 TORRE AVENUE • CUPERTINO, CA 95014-3255
TELEPHONE: (408) 777-3191 • FAX: (408) 777-3366
CUPERTINO.ORG



September 3, 2019

The Honorable David Chiu
California State Assembly
State Capitol, Room 4112
Sacramento, CA 95814

**Re: AB 1487 (Chiu) – San Francisco Bay Area: Housing Development Financing –
SUPPORT IF AMENDED**

Dear Assembly Member Chiu:

On behalf of the City of Cupertino, I am writing to inform you of our support if amended position on AB 1487 (Chiu), your measure which would establish the Bay Area Housing Finance Authority for the purpose of raising, administering, and allocating funding for affordable housing in the San Francisco Bay Area.

I would like to start by letting you know that the City agrees that new funding is critical to the development of affordable housing, especially with the dissolution of redevelopment agencies. This measure may help relieve the Bay Area's housing crisis by establishing a regional entity that can ask voters to consider a number of potential revenue options. AB 1487 may result in substantial resources that can be used to help protect existing residents from displacement, preserve affordable housing, and build new affordable housing units.

While we believe that AB 1487 is well intended and moving in a positive direction, there additional amendments needed before the City can move to a Support position. Specifically,

- Return to Source for Cities – AB 1487 currently requires at least 80% of the revenue received through an approved parcel tax or gross receipts tax to be allocated to the county of origin. While we appreciate the increase in the overall level of funding that returns to the source, we believe that this funding should be returned to the city of origin, not the county.

With funding returning to counties for distribution, there is no guarantee provided to cities that they will receive any level of funding to address the critical affordable housing issues in their communities. With a return to source to cities, local municipalities would be able to engage in long-term planning and utilize additional means of financing for local projects.

Under the provisions of AB 1487, smaller cities such as Cupertino will find ourselves competing for funding against neighboring cities in Santa Clara County, while the bulk of the county funding will be directed to the largest city in the county. Without a guaranteed return to cities, the residents and businesses of Cupertino, as well as the other cities in the Bay Area, will have no assurance that additional property or gross receipts taxes will be used to address the needs within the City.

- Commercial Linkage Fee Level – AB 1487 currently requires that “before establishing, increasing or imposing a commercial linkage fee, the executive board shall prepare a regional jobs and housing nexus study in order to support the necessity and amount of the fee.” However, before any such nexus study has been carried out, the bill limits the commercial linkage fee to no more than \$10 per square foot. We feel that if a nexus study is to be conducted to determine the appropriate level of the commercial linkage fee, then the Legislature should establish a maximum percentage that can be charged, as opposed to a flat dollar amount. Since a new study would be required prior to any increase in the fee, we believe that a percentage of the identified nexus fee will result in a fee that generates an appropriate level of funding, while taking into consideration how such a fee might impact the business community.
- Local Input for Expenditure Plan – AB 1487 requires each county to adopt an expenditure plan and send the approved plan to the executive board by July 1st every year. The plan is to specify the proposed allocation of a county’s funds. We believe cities within each county need to have an official role in the development of the expenditure plan.

AB 1487 currently directs funding to counties and does not provide a process by which cities can provide input to how funds are allocated within the county. In Cupertino, we believe that the bill should specify a percentage of the regional funding to be dedicated for housing for extremely-low, very-low, and low income households; additionally, we believe that a percentage of funding should be for units suitable for low-income families, not just low-income individuals or couples.

Recently the City of Cupertino participated in the ribbon cutting for The Veranda, which contains 19 units of affordable housing, including an on-site manager unit. The project was widely supported by the community and

reflected regional collaboration among the City, non-profit developer, County, and Housing Authority. The City would like to ensure that affordable housing projects, with dedicated units for on-site assistance, are eligible for funding and receive consideration through any local expenditure plan. This project was also made possible due to the fact that the City was able fund the land acquisition for the development. The City would like to ensure that funds could be used to purchase land for future affordable housing projects.

By providing cities with an official role in the development of local expenditure plans, AB 1487 can ensure that individual community needs are given consideration during the deliberations of how funding will be allocated.

Again, I would like to thank you for many of the changes that have been made to AB 1487, including the removal of the ability to impose a sales tax, the requirement for ABAG to serve as the lead agency related to revenue and expenditure of funds, and the inclusion of a local government grant program for technical assistance, infrastructure needs, and to help address homelessness.

I would encourage you to consider the above recommended amendments, as the City of Cupertino believes that they would improve the measure and result in a bill that can go a long way to addressing both the regional housing needs of the Bay Area while meeting the needs of individual communities. It is for these reasons that the City of Cupertino has adopted a Support if Amended position on AB 1487. If you have any questions, please contact Alex Gibbs at 916-447-4086.

Sincerely,

A handwritten signature in black ink, appearing to read 'Steven Scharf', with a long horizontal flourish extending to the right.

Steven Scharf
Mayor, City of Cupertino

cc: Senator Jim Beall
Assembly Member Marc Berman
Assembly Member Evan Low

