

May 2, 2006

The Honorable Mayor and City Council  
200 East Santa Clara Street  
San Jose, CA 95113

**RE: CONSTRUCTION TAX SUSPENSION FOR VERY-LOW INCOME HOUSING**

Dear Honorable Mayor and City Council:

On April 13, 2006, the Housing Advisory Commission (HAC) discussed the recommendation of the Housing Department to suspend the following taxes to newly-constructed housing restricted to occupancy by low-income households:

1. Building and Structure Construction Tax;
2. Construction Portion of the Construction and Conveyance Tax;
3. Commercial-Residential Mobilehome Park Building Tax (CRMP); and
4. Residential Construction Tax.

The Housing Advisory Commission agreed with Alternative 2 as discussed in the Council Report, which proposed extending the construction tax suspension to low-income housing. The Council Report submitted by City staff discussed the benefits of the suspensions as a means of demonstrating the City's efforts to remove barriers to affordable housing. In addition, it also discussed the projected fiscal impact of continuing the suspension through June 30, 2011.

The Housing Advisory Commission unanimously voted to recommend to the Mayor and City Council that the aforementioned construction taxes be extended through June 30, 2011. The HAC believes that the construction tax suspensions further encourage the development of affordable housing. In addition, despite the City's commendable efforts in producing affordable units, there is still a great need among San José's very low-income population for affordable housing.

We appreciate your attention to our recommendation. Please do not hesitate to contact me if you have any questions.



TOM FINK  
Housing Advisory Commission, Chair