



COUNCIL AGENDA: 12/6/2022

ITEM: 2.18

FILE NO: 22-1804

Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Toni J. Taber, CMC
City Clerk

SUBJECT: SEE BELOW

DATE: December 6, 2022

SUBJECT: Signature Project Requirements Status Report

Recommendation

As recommended by the Community and Economic Development Committee on October 24, 2022, accept staff's analysis of the effects of changing the minimum size criteria for interior parcels within the General Plan's Signature Project Policy, pursuant to City Council direction on December 7, 2021, as part of the Four-Year Review of the General Plan hearings.

CEQA: Not a Project, File No. PP17-009, Staff Reports, Assessments, Annual Reports, and Informational Memos that involve no approvals of any City action. (Planning, Building, and Code Enforcement)

[Community and Economic Development Committee referral 10/24/2022 - Item (d)2]



Memorandum

TO: COMMUNITY AND ECONOMIC
DEVELOPMENT COMMITTEE

FROM: Chris Burton

SUBJECT: SEE BELOW

DATE: October 12, 2022

Approved

Date

10/12/22

SUBJECT: MINIMUM PARCEL SIZE CRITERIA FOR SIGNATURE PROJECTS

RECOMMENDATION

Accept staff's analysis of the effects of changing the minimum size criteria for interior parcels within the General Plan's Signature Project Policy, pursuant to City Council direction on December 7, 2021, as part of the Four-Year Review of the General Plan hearings.

BACKGROUND

The Envision San José 2040 General Plan (General Plan) is a comprehensive policy document that guides the physical and economic development of the City. The General Plan directs planned growth in areas designated as Urban Villages and other specified growth areas. Each Urban Village will have an approved plan, which will direct the nature of development within that specific area. The General Plan identifies 60 Urban Villages out of which 14 currently have an adopted plan. In the absence of an approved Urban Village Plan, only non-residential development may proceed within a designated Urban Village, with three exceptions: 1) 100% affordable housing, 2) properties within Urban Villages with an existing residential land use designation, and 3) a Signature Project.

Signature Projects are development proposals for market-rate mixed-use developments with specific criteria that are intended to serve as a catalyst project ahead of an Urban Village plan. General Plan Implementation Policy IP-5.10, known as the Signature Project Policy, includes standards for Signature Projects. As originally crafted, these standards were subjective, making the policy's implementation unclear and unpredictable. The standards were also difficult to implement under Senate Bill 330 (Housing Crisis Act of 2019) and amendments to the Housing Accountability Act, which requires cities to review housing developments based on objective standards.

The General Plan policies require a review of the Plan every four years to evaluate significant changes in the planning context and achievement of key General Plan goals. On June 11, 2019, as part of the scope of the second Four-Year Review process, the City Council directed the General Plan Four-Year Review Task Force to modify the Signature Project Policy IP-5.10 to establish transparent and more predictable criteria for Signature Projects.

Based on experience implementing Policy IP-5.10, and feedback from applicants, Planning staff analyzed ways to modify the policy to establish transparent, and predictable criteria, such as minimum residential densities and minimum commercial requirements, specific to a General Plan Urban Village typology. In January 2020, Planning staff presented their recommendations to the Task Force, which refined each of the requirements in the original policy. The original policy included the following location criterion: *Is located at a visible, prominent location within the Village so that it can be an example for, but not impose obstacles to, subsequent other development within the Village area.* Staff's proposal to transform a subjective definition of "prominent location" into an objective definition was to define such locations as corner properties, regardless of size and frontage, and interior properties with a minimum parcel size of 3 acres and a frontage of 150 feet, thereby contributing to the viability of the commercial component required in a Signature Project. To aid the Task Force and City Council in determining the appropriate site size for interior parcels, staff presented an estimate of the number of parcels potentially eligible for Signature Projects in each of these specific site size categories: 0.5 acres, 1 acre, 1.5 acres, and 3 acres and above.

The Task Force disagreed with staff's recommendation and voted to recommend that the size of eligible interior parcels be reduced to a minimum of 1.5 acres with a minimum of 100-foot street frontage. This reduced parcel size criteria were approved by the City Council on December 7, 2021, and was incorporated in the updated policy IP-5.10. The updated IP-5.10 Signature project policy is provided in Attachment A of this memorandum for reference. At the December 7, 2021, meeting, the City Council also directed staff to do the following:

As part of the Housing Crisis Workplan, return to Community and Economic Development Committee, cross-referenced to Council, with the following:

1. The additional number of parcels that would become available if the minimum parcel size for Signature Projects were set at 1.25 acres, and
2. Explore additional requirements that could allow the minimum parcel size for Signature Projects to be reduced to 0.5 acres.

For more information on the relevant meeting details, see the links below:

[Task force Meeting #1 \(November 2019\)](#)

[Task force Meeting #2 \(December 2019\)](#)

[Task force Meeting #3 \(January 2020\)](#)

[Planning Commission Staff Report for November 2021](#)

[City council Memorandum from the Planning Commission for December 7, 2021](#)

ANALYSIS

Planning staff conducted a new GIS analysis of the assessor's parcels in all 46 Urban Villages that do not have approved Urban Village plans. During the four-year major review in 2020-2021, several policy changes regarding Urban Villages took place and the number of Urban Villages was also reduced. Additionally, due to staff departures, the data, methodology, and parameters used for the previous analysis were unavailable for re-running the old analysis. Therefore, a new methodology needed to be developed for the purposes of this analysis.

In this new analysis, staff identified the interior parcels using assessor's parcel numbers and meeting the following criteria (1) Parcel sizes: 0.5-1 acre, 1-1.25 acres, 1.25-1.5 acres, 1.5 acres and above (2) with a minimum of 100 feet frontage, and (3) a commercial General Plan land use designation. Since residential uses are allowed in parcels with residential General Plan land use designations, those parcels were excluded from this analysis.

Reduction of Parcel Size Threshold to 1.25 Acres

Staff first analyzed the increase in the number of parcels that could be eligible for a Signature Project if the City Council changed the minimum size threshold for interior parcels from 1.5 acres to 1.25 acres. The result of the analysis is shown in the table below. Column 2 shows that there are 175 interior parcels that meet the basic locational criteria laid out in the current Policy IP-5.10 (minimum 1.5 acres in size and 100 feet frontage). If the parcel size criterion is reduced to 1.25 acres, another 30 parcels would become eligible, which is a 17% increase in the available parcels.

Parcel Size (1)	No. of Interior Parcels (base data) (2)	Estimated No. of Interior Parcels (filtered through subjective factors) (3)
1.5 Acres*and above	175	57
1.25 Acres* and above	205	74
1 Acre* and above	246	93
0.5 Acres* and above	393	194
*Parcels with minimum 100-foot frontage		

The numbers in Column 3 reflect an additional level of analysis to remove parcels which, given specific factors, would not likely redevelop with a Signature Project. While there could be many factors that could reduce the number of realistic Signature Project sites, staff focused on two. First was removing parcels that were part of a larger shopping center. Such parcels often contain a portion of a larger building that occupied multiple parcels, or a large portion of the parking lot used by the overall shopping center. It was anticipated that these properties would not redevelop, given that such redevelopment could impact the viability of the shopping center. If the shopping

center were to redevelop, it is more likely that the whole or a large portion of the center would redevelop rather than just a small portion with a Signature Project.

The second factor used by staff was whether a commercial designated parcel contained existing residential uses. Parcels that have existing residential uses are not anticipated to redevelop into a Signature Project. While theoretically, such redevelopment could occur, the replacement and relocation requirements of the City's Ellis Act and the relocation requirements of Senate Bill 330 are anticipated to discourage the redevelopment of existing residential properties.

Removing parcels with either of the above two factors would result in an increase of 17 properties, or a 30% increase if the size threshold was reduced to 1.25 acres, as shown in Column 3 in the table above.

Reduction of Parcel Size Threshold to 0.5 Acres

As shown in the table above, a reduction of the parcel size threshold from 1.5 acres to 0.5 acres would make another 218 parcels eligible to meet the Policy IP 5.10, which is a 125% increase over the currently eligible parcels. Removing parcels with either of the two factors would result in an increase of 101 properties or a 240% increase. Planning staff then analyzed the impact of reducing the parcel size for Signature Projects to 0.5 acres and explored potential new policy language to address any unintended consequence of this action.

Challenges with Developing Signature Projects on Smaller Parcels

Planning staff explored whether smaller sites are suitable for accommodating all features required of a Signature Project. Based on Planning staff's experience reviewing entitlement applications, projects on smaller sites will face greater challenges meeting the criteria of a Signature Project. According to Policy IP-5.10, Signature Projects shall include publicly accessible open space areas such as a public park or privately maintained plaza ranging in size from 2,000 square feet to 10,000 square feet, depending on the type of Village. In addition, the project site needs to accommodate ground floor commercial space with appropriate frontage and depth that will generate the required number of jobs for the given Urban Village. The site also has to accommodate the minimum densities prescribed in the policy. Depending on the type of Urban Village, meeting all these requirements would be challenging on smaller parcels, and the smaller the parcel the greater the challenge.

In addition to meeting the Signature Project requirements, developers are likely to provide parking spaces, even if there are no mandatory parking requirements, to ensure the marketability of their projects and to secure financing. Because underground parking is typically not financially feasible on small-size parcels, parking would likely be provided at or above grade, further contributing to the challenges of meeting Signature Project requirements on small properties.

Finally, smaller sites attempting to achieve all the above could have further challenges accommodating the setback and stepback standards within the Citywide Design Standards and Guideline document. In summary, most Signature Projects on smaller properties are not anticipated to be able to meet both the project needs of the developer and the requirement of Signature Project policy.

Effects Upon Affordable Housing

A key component of the City's affordable housing strategy is Policy 5.12, which allows 100% deed-restricted affordable housing to be built in an Urban Village prior to the Council's approval of an Urban Village Plan. This Policy provides an opportunity for affordable housing developers to redevelop commercial properties without potentially having to compete with market-rate housing developers for the purchase of the property. In San José, the vast majority of deed-restricted 100% affordable housing projects are developed on sites smaller than 1.5 acres, including projects proposed and approved within Urban Villages; an analysis of Planning entitlements in the past five years for residential projects demonstrates that approximately 85% of affordable housing projects were on sites smaller than 1.5 acres in size. As part of the Four-Year Review of the General Plan process, affordable housing developers also said that they generally build on sites that are 1.5 acres or less, given the parameters and requirements of affordable housing projects. Consistent with this housing data and developer feedback, the draft Housing Element site inventory includes 55 affordable housing sites in Urban Villages with unapproved plans, 85% of which are on parcels that are less than 1.5 acres.

Given the above, reducing the minimum size threshold, and allowing market-rate housing within a Signature Project on parcels that are less than 1.5 acres, could impact the development of affordable housing in Urban Villages with unapproved plans. Under the current policy framework, affordable housing developers can access properties of less than 1.5 acres at a slightly lower cost because these properties are not available for market-rate housing developments. Relatively lower land cost assists in keeping the cost of these projects down. In turn, this also means the subsidy the City and other agencies provide for affordable housing is lower. Reducing the site size for Signature Projects to less than the currently-allowed 1.5-acres could result in competition for the same site for both market-rate and affordable housing projects. New market-rate housing built on nearby sites could also increase land costs.

An analysis of the Planning permit applications for residential developments in the past five years shows a significant increase in 100% affordable housing projects. Keeping these smaller sites within easy reach of affordable housing developers is one way of encouraging this trend. For these reasons, the Planning staff does not recommend reducing the site size to less than 1.5-acres.

Additional Requirements for Projects on Parcels Between 0.5 and 1.5 Acres

Council direction to staff was to “explore additional requirements that could allow the minimum parcel size for Signature Projects to be reduced to 0.5 acres.” Staff considered additional requirements but concluded that there were none feasible that would realistically further the objective of the Signature Project Policy or the Urban Village Strategy. One considered was a requirement that all Signature Projects developed on parcels less than 1.5 acres must meet their Inclusionary Housing requirement by including affordable housing units on site. Such a requirement could further the goal of creating more affordable housing in an Urban Village; however, under density bonus law, a Signature Project that includes affordable housing could “concession away” all commercial and open space requirements, which would be contrary to the commercial, mixed-use and other objectives of the Signature Project Policy.

If the City Council decided that Signature Projects should be allowed on sites as small as 0.5 acres, staff would need to re-evaluate the open space requirements of the Signature Project to determine if these requirements could still be met. Based on the analysis conducted above, staff anticipates that these requirements would need to be reduced to ensure that Signature Projects on smaller parcels would be economically feasible.

Senate Bill 6 and Assembly Bill 2011

Governor Gavin Newsom signed Senate Bill (SB) 6 and Assembly Bill (AB) 2011 into law on September 28, 2022. These laws are effective July 1, 2023. Both laws are anticipated to have impacts on our General Plan land use policy framework, potentially allowing the conversion of employment lands for housing beyond what is currently supported by our General Plan. More specifically, these laws may impact the implementation of the Signature Project Policy. As a next step, staff will be analyzing the potential impacts of SB 6 and AB 2011 and will provide the Council with an information memo on the effects of these two bills in early 2023.

CONCLUSION

Reducing the threshold from 1.5 acres to 0.5 acres would increase the number of eligible properties by 218 parcels, or 125%. While reducing the threshold to 0.5 acres for interior parcels could provide significantly more opportunities for Signature Projects, staff do not recommend lowering the threshold to 0.5 acres. As discussed in the analysis section above, it would be difficult to achieve the open space and commercial requirements of the Signature Project Policy on such small properties. Furthermore, such a threshold reduction could detract from affordable housing development in Urban Villages without a Council approved plan, by allowing mixed-use market-rate housing developers the opportunity to compete for the development of sites currently reserved for affordable housing.

Reducing the threshold for interior Signature Projects from 1.5 acres to 1.25 acres is estimated to increase the number of eligible parcels by 17%, or 30 parcels. This would provide a slight increase in the number of available sites for the Signature Project, and parcels greater than 1.25 acres would have less challenges meeting the Signature Project Criteria than smaller parcels between 0.5 and 1.25 acres. Nevertheless, staff still recommends retaining the existing threshold for interior parcels at 1.5 acres to preserve additional opportunities reserved for affordable housing developers in Urban Villages. Preserving these opportunities to further the City's affordable housing goals outweighs the potential benefit of increasing the number of eligible Signature Project parcels by 30.

EVALUATION AND FOLLOW-UP

This item is cross-referenced to City Council on December 6, 2022. Staff would not take any additional action on this item unless so directed by the City Council. In early 2023, staff will provide the City Council with an information memo on the effects of SB 6 and AB 2011 on the General Plan land use policy framework, including the effects upon the General Plan's Signature Project Policy.

COORDINATION

This memorandum was coordinated with the Housing Department, the Office of Economic Development and Cultural Affairs, and the City Attorney's Office.

/s/

CHRIS BURTON

Director of Planning, Building and
Code Enforcement

For questions, please contact Michael Brilliot, Deputy Director, Citywide Planning at Michael.Brilliot@sanjoseca.gov.

Attachment:

A. Policy IP-5.10 (Signature Project Policy)