



Memorandum

**TO: COMMUNITY AND ECONOMIC
DEVELOPMENT COMMITTEE**

FROM: Chris Burton

**SUBJECT: NORTH SAN JOSÉ AREA
DEVELOPMENT POLICY**

DATE: October 12, 2018

Approved

Date

10/15/18

COUNCIL DISTRICT: 3 & 4

RECOMMENDATION

Accept staff's report on potential changes the North San José Area Development Policy to advance residential development.

BACKGROUND

The North San José area plays a vital role in the achievement of the City's economic and fiscal goals. In 2005, the City adopted the North San José Area Development Policy (the Policy), which revised an established policy framework to guide ongoing intensified mixed use development in this critically important employment center and innovation district.

The current Policy provides for 26.7 million square feet of new office/R&D development, as well as 32,000 residential units, 2.7 million sq. ft. of retail development and 1,000 hotel rooms.

On April 12, 2016, Council directed staff to complete further analysis on the North San José Area Development Policy in order to:

- Analyze a framework to allow 1,500 residential units from Phase 2
- move forward in the near term prior to the full build out of the 10 million industrial capacity required by the Policy in order to move from Phase 1 to Phase 2,
- identify a comprehensive strategy for build out of retail, restaurants and other basic amenities that make North San José a more compelling place to work and live,
- present options for a reduced Traffic Impact Fee for Office/R&D development,
- assess utilities and other infrastructure needed to support the proposed 2030 jobs and remaining housing capacity allotted within the Plan, and
- evaluate the transportation implications of the proposed changes and the opening of BART at the Berryessa/North San José Station.

On August 30, 2016, staff returned to Council with a recommendation to defer any major Policy updates due to the complex nature of the work required and because of two extenuating circumstances:

1. The City filed a lawsuit on the City of Santa Clara "City Place" project, and
2. the VTA had placed a regional transportation sales tax funding measure on the November ballot that has the potential to provide significant regional transportation funding toward the build-out of infrastructure in North San José.

At that time, Council approved staff's recommendation but directed staff to return to Council to:

1. Assess whether to resume work on potential amendments to the Policy, and,
2. regardless of the progress of the potential amendments to the Policy, present Council with a list of recommendations that will spur development of much-needed amenities – retail, recreation, restaurants, and athletic facilities on or adjacent to corporate campuses in the area.

On May 9, 2017, staff brought forward the North San José Retail and Amenity Strategy Workplan, followed by accompanying General Plan and Zoning Code amendments to allow local-serving retail commercial uses in the IP Industrial Park Zoning District within the Policy Area, and facilitate greater flexibility to temporary retail and amenity uses within the Policy Area.

On October 17, 2017, Council placed the review of the North San José development policies, fees, and development capacity allocations at #11 on the City Council Priority list. This item included the direction to move 4,000 housing units into Phase 1 of the North San José Area Development Policy (from the Mayor's memorandum on 'Responding to the Housing Crisis' on September 28, 2017).

On June 12, 2018, Council directed staff to implement a Housing Crisis Workplan that prioritizes implementation and policy actions that facilitate the development of 15,000 market-rate and 10,000 affordable residential units by 2022. Item #4 on the workplan is the review and update of the North San José Development Policy to complete analysis and proposed policy amendments necessary to move 4,000 housing units, including 2,400 affordable units, in excess of the Phase 1 "cap" of 8,000 units.

This memorandum provides an update to the Committee on staff's analysis and direction on the strategy to advance residential development under the Policy.

ANALYSIS

The Bay Area region continues to suffer from a significant housing shortage. Through the approval and implementation of the Housing Crisis Workplan, San José is seeking to lead the

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region in providing housing opportunities for a wide range of residents. The areas of San José that have demonstrated the strongest market demand for housing in recent years have been Downtown, West San José, and North San José. While staff has undertaken planning efforts to facilitate new residential development in Downtown and West San José, development restrictions within the Policy that are intended to facilitate the growth of employment uses have metered the development of additional housing in North San José.

San José goals for balanced growth in North San José put housing and jobs close together and near existing and planned transportation infrastructure. The Policy attempts to accomplish this goal by grouping development into four phases. This phasing plan limits how much residential and commercial development can be entitled in each phase. To progress from one phase to the next, a minimum amount of housing, and commercial development needs to occur. Additionally, the planned supportive transportation infrastructure associated with each phase must be funded and within one year of beginning construction before the opening of the next development phase.

Most of the funding for transportation infrastructure was intended to come from Traffic Impact Fees imposed on residential and commercial development. While all the current Phase 1 residential capacity has been fully entitled and built, only about 20% of commercial Phase 1 capacity has been built. This has led to a lack of funding for traffic mitigation improvements planned within the Policy. Without building these improvements, the Policy will not allow for the entitlement of more housing in North San José.

Staff has analyzed opportunities to accelerate housing development within the context of the Policy and its environmental clearance. To accelerate housing development within the timeframe necessary to meet City's housing goals, staff is developing a focused proposal that takes the simplest path to accelerate housing entitlement and generate funding for supportive transportation infrastructure.

Staff proposes to amend the Policy by consolidating its four development phases into two, allowing a limited amount of residential development to move forward upon the adoption of a Policy Amendment by the City Council. These modifications would not change the Policy's total development capacity, committed traffic mitigations, land use allocation, or the analysis contained in the Environmental Impact Report.

Original Policy Phasing	Development Allowed	Built-to-Date	Proposed Phasing
Phase 1	Industrial: 7 MSF (+1.8 MSF credit from demolished buildings)	1.5 MSF built 6.9 MSF entitled (but not built)	Phase A
	Residential: 8,000 units (including 1,600 affordable)	7,937 units (including 390 affordable)	
Phase 2	Industrial: 7 MSF	-	
	Residential: 8,000 units (including 1,600 affordable)	-	
Phase 3	Industrial: 7 MSF	-	Phase B
	Residential: 8,000 units (including 1,600 affordable)	-	
Phase 4	Industrial: 5.7 MSF	-	
	Residential: 8,000 units (including 1,600 affordable)	-	

In addition to speeding up housing production, the proposal will accelerate investment in the area's transportation network to make it easier for residents and workers to move across the region. Staff's proposal modifies the phasing of already identified transportation improvements based on observed land development patterns, funding availability, and project readiness. This re-phased transportation plan will deliver projects faster and that are the most effective in supporting the transportation needs of North San José.

The City has already collected \$55 million for transportation improvements in the area. Of these funds, the City has spent more than \$10 million with the remaining funds already planned or programmed. Santa Clara County has completed improvements along Montague Expressway to improve road conditions throughout the area. In addition, in 2016, voters in Santa Clara County passed Measure B which invests approximately \$6.3 billion in the transportation network, including a number of improvements planned per the Policy.

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Of the 8,000 housing unit capacity that would be made available through the Policy amendments, 2,810 units are designated as affordable, with the remaining 5,190 units available for market rate development. This 2,810-unit capacity includes the 1,210 affordable unit capacity from Phase 1 that was not built and would be moved to Phase 2, and the 1,600 units that are required by the Policy in Phase 2. Staff will be proposing Policy amendments to ensure that the total 2,810-unit capacity of affordable housing is built and not delayed into a later phase. Staff will also propose criteria that market rate housing development will need to meet in order to qualify for a portion of the new 5,190 market rate unit capacity. These criteria could include minimum densities and the addition of place-making amenities and retail, as well as the inclusion of affordable housing units.

CONCLUSION

Staff anticipates that opening up more housing capacity in North San José is one of the most impactful work items that will move the City towards its goal of having 25,000 housing units built, under construction, or entitled by the year 2022. In early Spring 2019, staff intends to present to City Council a proposal for minor amendments to the North San José Development Policy that will allow 8,000 housing units to move forward in this growth area.

EVALUATION AND FOLLOW-UP

This work is anticipated to be completed over the winter with Council consideration of Development Policy amendments and appropriate CEQA clearance in early Spring 2019.

COORDINATION

This memorandum has been coordinated with the Department of Planning Building & Code Enforcement, Department of Public Works, Department of Transportation, and the City Attorney's Office.

/s/
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For questions, contact Chris Burton, Deputy Director, at (408) 535-8114.