



Memorandum

TO: Honorable Mayor and City Council

FROM: Councilmember Jimenez

SUBJECT: Actions Related to the Agreement with Google for the Diridon Station Area.

DATE: November 30, 2018

Approved

Date: 11/30/18

RECOMMENDATION

1. Approve the staff recommendation with the following modifications to the MOU:
 - a. Incorporate language in Section III (D) identifying a goal – not a requirement – of four (4) square feet of new residential space created for everyone (1) net new square foot of commercial space. New housing in the Diridon Station area would be preferred and prioritized, but partnerships that would create housing elsewhere in San Jose would also help achieve this goal.
 - b. Incorporate language in Section III (D) identifying a goal – not a requirement – of 25% affordable housing, with an affordability mix to be negotiated and established in a potential Development Agreement.
 - c. Incorporate language in Section III (E) identifying a goal -- not a requirement -- of 35% local hiring. Additionally, incorporate language encouraging the hiring of individuals with identified barriers to job entry.
 - d. Add the following goal under Section III:

Q. Ensure No Direct or Indirect Displacement of Existing Lower-Income Residents. Identify, implement, and fund strategies and programs that protect and support renters at risk of displacement and homelessness. Evaluate options including tenant relocation assistance, emergency rental assistance, legal assistance for tenants, and temporary and permanent shelter for unhoused people.
 - e. Add the following goal under Section III:

R. Support and Collaborate with Local Schools. Develop partnerships with local schools, including San Jose State University, that increase access to quality education, enrichment opportunities, internships, and pathways to careers in STEM fields.
 - f. Include language in Section IV (E) The Parties will create a mutually acceptable process that would allow for direct participation of key stakeholders and the community in the amount and purpose of the anticipated Google Community Benefits Fund.

2. Direct the City Manager to coordinate the development of a work plan to achieve the goals listed in the MOU. As part of the work plan, include the following:
 - a. A financing plan that evaluates the mechanisms and strategies identified in Section IV (F) and (G) of the MOU, as well as exploration of other sources of funding in connection with the Diridon Station development.
 - b. A study of the feasibility of increased affordable housing inclusionary standards and incentives enabled by the increase in allowable heights and density of future residential and commercial developments downtown if the City increases allowable heights as a result of study of the One Engine Inoperative (OEI) and Downtown Height study.
 - c. Time table for periodic review of the work plan, including metrics gauging progress in achieving the goals in the MOU, by the Council and relevant Council committees.
3. Create a framework that allows the Diridon Station Area Advisory Group (SAAG) to make recommendations to council on the amount and purpose of a Google Community Benefits fund.
4. Place an item on a future Council agenda to discuss allocation of a portion of the sale proceeds from the SARA properties for the Housing Department to establish a navigation center for unhoused people.
5. Staff should be prepared to present on the December 4th meeting an Estimated Development Remediation Costs associated with the Fire Training Facility.
6. Modify the Appendix under the *Purchase and Sale Agreement for the Fire Training Center Site* language to strike the following sentence: *"If the testing reflects more than \$1,000,000 in additional remediation costs, and Google elects to complete the transaction and incur the additional remediation costs, the difference between the purchase price paid and the decreased value of the land (price minus remediation costs) **will be acknowledged as a community benefit.**"*

ANALYSIS

The proposed MOU identifies broad, high-level goals and guiding principles for the development of the Diridon Station area and for the potential Google development specifically. The MOU makes clear that, although it will serve as the "basis for negotiations of a future development agreement," it "creates no legal obligations" on either the City or Google.

We have heard from the community repeatedly and loudly that the housing crisis, displacement, and homelessness are top concerns and priorities. **The recommendations in this memorandum are intended to give assurance to the community that the City and Google are committed to working together to address these concerns.**

The first recommendation suggests modifications to the MOU that 1) provide clear metrics the Council can use to gauge progress in achieving the ambitious goals listed in the MOU; 2) add goals to highlight the importance of local schools and efforts to stop displacement; and 3) ensure continued community engagement in the determination and use of the anticipated Google Community Benefits Fund.

With a conservative estimate of one employee for every 250 square feet of office space, we can project roughly 24,000 to 32,000 jobs created from the redevelopment of the Diridon Station

area, based on the 6-8 million square feet of commercial space Google has publicly expressed interest in building. Four square feet of residential for every square foot of commercial space, with a generous average of 1,000 square feet per housing unit, would yield a target of 24,000 to 32,000 units citywide, including 25% below market rate, emphasizing housing affordable to extremely low, very low, and low income people. This would be a goal, not a requirement.

Anticipating the increased demand for housing that would be generated from the job growth we hope to see in the Diridon Station area, recommendations 1(a) and 1(b) suggest creation of a partnership with Google to help mitigate this impact and an achievable goal that would serve as a metric for success. The terms and responsibilities of the partnership with Google would be negotiated in the Development Agreement.

Additionally, the recommendation contemplates an appropriate and mutually acceptable process that would allow the community to weigh in on the selection of the required Community Benefits. Given the community's high level of interest in the Community Benefits Plan, it is crucial for the MOU to highlight the importance of defining a process for selecting specific Community Benefits.

The second recommendation directs the creation of a work plan to help achieve the ambitious goals in the MOU, including consideration of funding sources, strategies, and implementation mechanisms.

In light of the failure of Measure V in the most recent election, new sources of funding for affordable housing are desperately needed. In the spirit of Section III (M) in the MOU - "Be Open to Innovation" - the first and second recommendations allow for a new and creative means to partner with developers and major employers in our efforts to address the housing crisis.

Outside of the MOU, the third recommendation authorizes the SAAG to play a key role in the deliberation and selection of Community Benefits. The SAAG represents a variety of key stakeholders, has established rapport, possesses useful institutional knowledge, and benefits from an organizational structure that incorporates community input in an open and public setting. It is a logical body to take on the task of determining the Community Benefits that the Google development should provide.

The fourth recommendation requests that the Council consider using a portion of the sale proceeds from the SARA properties to establish a navigation center for unhoused people. Given insufficient funding available to provide services for the homeless, this is an opportunity to provide significant investment to meet the urgent needs of our most vulnerable population, today.

Finally, the fifth recommendation addresses an inconsistency between the PSA for the Fire Training Facility Property and the language in the Appendix stipulating that mitigation measures and costs necessary for the development of the project will not be considered Community Benefits.

CONCLUSION

Google's interest in redeveloping the Diridon Station Area presents a tremendous opportunity for the City to achieve significant goals established in the General Plan. At the same time, the Council and the Administration must respect and address the concerns and trepidation we have heard from the community. The recommendations in this memo accomplish the following objectives:

1. Provide assurance to the community that Google and the City are committed to partnering to address concerns about housing and displacement;
2. Develop a work plan to achieve the ambitious goals listed in the MOU; and
3. Begin to define an appropriate and mutually acceptable process for selecting Community Benefits.

I am grateful for the considerable work that City staff and the SAAG have done in advance of this meeting, and I look forward to working with Google as we reimagine and redesign the Diridon Station Area and our Downtown.