



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Mayor Mahan
Vice Mayor Foley
Councilmember Salas
Councilmember Cohen
Councilmember Candelas

SUBJECT: SEE BELOW

DATE: 04/04/2025

Approved:

Date: 04/04/2025

SUBJECT: San José Innovative Project Pathway Program Early Consideration Review Process for a Project Located at 323 Terraine Street

RECOMMENDATION:

Accept the San José Innovative Project Pathway Program (Pathway Program) application and direct staff to:

1. Prioritize the Terraine Pathway Program application to move through the city's planning and permitting processes as quickly as possible.
2. Ensure that vertical residential construction begins before allowing the Terraine data center to operate.
3. Explore allocating a small percentage (5%, 10%, or 15%) of net new revenue from all downtown data centers to arts, entertainment, and cultural programming initiatives.
 - a. Return to Council through the budget process before the data centers become operational with a plan to invest some of the net new data center revenue into arts, entertainment, and cultural programming efforts.

4. Require the data center's ground floor to include street-level activation beyond just public art, such as inviting landscaping, open space, retail, office space, or other appropriate uses that create a dynamic and welcoming environment.
 - a. The applicant must consider designing additional ways to engage pedestrians into the project, such as incorporating micro-commercial spaces, pet-friendly areas, or public gathering spaces, and consider using setbacks, sidewalks, or parklets for these purposes outside of the building envelope.

BACKGROUND

We're excited to see Westbank lead the way as the first applicant in the San José Innovative Project Pathway Program (Pathway Program). San José should embrace bold, forward-thinking land-use developments like this one. We can't let red tape or perfectionism stall projects that fuel economic growth, housing, environmental sustainability, and cultural vibrancy.

If the Terraine data center helps Westbank secure construction financing for residential construction, it can unlock hundreds of new homes, support sustainability goals by redirecting heat from the data center toward residential uses, generate tax revenue to invest in core city services for our residents, and drive greater density in our downtown.

A 49 MW data center could generate \$1.75M to \$3.25M in new annual revenue for San José within just five years. We acknowledge that data centers don't fully align with downtown's goals, but the community benefits of this project outweigh our concerns. To ensure data centers contribute to the overall vibrancy in our downtown, we're encouraging ground-floor activation and asking staff to explore reinvesting net new revenue from the data center into arts and cultural programming.

To capture that value, we must act now — prioritizing progress over delay. Staff should move swiftly while holding the project to a high standard. Downtown data center use must be tied to the delivery of new housing. And while security is essential for any data center, Westbank must also ensure ground-floor activation, which could include ground-floor offices or micro-commercial uses that engage the street outside of the data center.

The signers of this memorandum have not had, and will not have, any private conversation with any other member of the City Council, or that member's staff, concerning any action discussed in the memorandum, and that each signer's staff members have not had, and have been instructed not to have, any such conversation with any other member of the City Council or that member's staff.