



Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL **FROM:** Councilmember Don Rocha

SUBJECT: GOOGLE PROJECT GUIDING PRINCIPLES **DATE:** November 30, 2018

Approved Don Rocha ^{SH} Date 11-30-18

RECOMMENDATION

1. That the Mayor and City Council include the below items under the ‘Shared Goals’ subsection found in Pg. 3 of the draft MOU document. These items should inform any future negotiations between the City of San Jose and Google regarding community benefits and development impact mitigations:
 - A. **Google should directly and indirectly fund development of housing options.** The City of San Jose will further maintain that 25% of housing funded by Google should be reserved for extremely low income and low income families.
 - B. **The developer, contractors, and subcontractors should pay construction workers a prevailing hourly wage and benefit rate.** Further, progressive hiring practices that reflect the values of San Jose, such as hiring of apprentices from local vulnerable areas, should be advocated.
 - C. **Google and its partners should establish a First-Source Hiring policy.** With this policy in place, San Jose residents would enjoy first consideration in the hiring process for both tech and non-tech jobs once the Downtown San Jose Google Campus is operational.
 - D. **Community engagement should be prioritized in the drafting of a Community Benefits Agreement.** As the project matures, reconvening the SAAG and conducting meaningful engagement with advocates may be appropriate.
2. Edit the MOU ‘Vision’ under the section titled ‘Scope of Agreement’ (Pg. 3 on draft MOU document) to read as below:

The Parties’ shared vision is to create a vibrant, welcoming, and accessible urban destination consisting of a mix of land uses and that are well-integrated with the intermodal transit station, adjacent neighborhoods, and Downtown. This shared vision embodies a commitment to place making, social equity *through mitigation of*

displacement and providing affordable housing for families at risk, economic development, environmental sustainability, and financially-viable private development.

The Parties intend to collaborate and innovate in the development of this urban destination to bring opportunity to the local community and create new models for urban and workplace design and development.

3. Edit entry found on Pg. 2 on the draft MOU document under section 'Recitals' to read as follows:

Whereas, the City and Google ~~contemplate~~ *affirm* that the ideas and concepts expressed in this MOU will be a basis for negotiating a future Development Agreement to identify elements of future development that are intended to be vested and to memorialize community benefits, the terms and details of which will be determined and refined during the negotiation process;

4. Edit entry D titled 'Grow and Preserve Housing' under 'Shared Goals' section found on Pg. 4 of the draft MOU document to read as follows:

~~Grow~~ *Fund, develop* and preserve housing in the City to help address rising housing costs and displacement. Housing in the Diridon Station Area should include on-site units affordable to low-income, *and extremely low income* households and ~~"missing middle"~~ households, and in combination with market rate homes ~~in a combination that is financially viable for residential developers to ensure that planned housing is built~~. Affordable units can be built both integrated into market-rate developments and as stand-alone affordable housing projects.

5. Edit entry E titled 'Create Broad Job Opportunities' under 'Shared Goals' section found on Pg. 4 of the draft MOU document to read as follows:

Promote opportunities for San José residents of all skill and educational levels and diverse backgrounds to prepare for and secure *living wage* jobs in the Diridon Station Area. Provide opportunities for existing and new small, local businesses to benefit from and/or integrate into the new development.

6. Direct staff to provide City Council a full accounting of funds to be received by the City of San Jose resulting from the sale of SARA and city-owned properties to Google if these transactions were to be approved. These funds should also be clearly marked in documents guiding future budget discussions in 2019. Lastly, staff should be prepared to respond to questions as to how they would recommend the City of San Jose use these funds for the community's benefit.

BACKGROUND

San Jose is amid an economic renaissance the likes of which we have not seen before. It seems that every day a new startup or industry mainstay chooses San Jose as their next home. Indeed, after years of being Silicon Valley's bedroom community, San Jose has

become an attractive destination dynamic enough for small startups to evolve in, and established enough for industry giants to thrive in.

As our airport continues to swell with activity, companies like Roku, 8X8, HPE, Bloom, Micron Technology, and Adobe are moving to San Jose, expanding their existing San Jose footprint, or showing strong interest in doing both. Companies like WeWork have expanded their office space, catering to a growing gig economy comprised of independent contractors highly skilled in technology and other sought-after areas. Cranes can be seen all over downtown as new residential high rises come up to capitalize on this growth. These trends are a great sign of success we have longed to see and for which credit is due to the leadership of the Mayor and City Council as well as capable city staff dedicated to changing the way San Jose is portrayed to the region, nation, and world.

With all this in context, nothing comes close to the success it would be to bring 20,000 new jobs to San Jose by way of a world-class Google campus Downtown.

On June 2017, Google expressed interest in making San Jose the home of the company's most accessible and iconic campus in Silicon Valley. This was and continues to be a significant opportunity to put San Jose on the map and alleviate our jobs to housing imbalance which has led to chronic underfunding of crucial community services and programs. The development of a Google Campus in the Diridon Station Area would be immediately adjacent to transit connections with the VTA network, BART, Caltrain, AMTRAK, and others.

In the year since the public announcement, the Google effect has been in full gear. What economic activity San Jose had experienced up to this point magnified to a dizzying clip. As it has been well documented, when a tech giant expands to a new city, the economic value of this city increases exponentially to developers and smaller tech companies. We can expect this trend to continue and intensify as the Google development moves along.

While our business community enjoys much success, another trend dampens the forecast of an inclusive San Jose open for businesses *and* working families. On any given night, well over 4,000 individuals sleep unsheltered along creeks, parks, streets, and trails – nearly 2,000 of these are unaccompanied homeless children and youth. The crisis only magnifies when considering thousands more are on the edge homelessness.

The Google effect has impacted the housing market as home prices, already among the highest in the nation, inched even further from the reach of San Jose's middle and working class families. Rents and evictions continue to increase at a rate which presents a real and present danger to vulnerable communities surrounding the Diridon area, reaching east to the foothills and south beyond Communications Hill. This trend is also expected to continue and intensify as the Google development moves along.

We should not expect Google to fix this crisis alone, but we should expect that we as a city do not make matters worse as a result of this action.

ANALYSIS

I believe this type of development at this site is good for Downtown and all of San Jose. That said, ahead I delve into various concerns that should be part of this conversation:

Community Engagement and MOU

The proposed MOU is a step in the right direction toward establishing the appropriate guiding principles for an effective community benefits bargaining process. It is with this in mind I made my recommendations in this memo. Those most affected by this deal have made one thing clear: *The MOU to be considered on December 4th is not legally binding, but words and tone matter. In lieu of a legally binding agreement with the community, the MOU between the City of San Jose and Google should be a strong and unequivocal show of commitment from both parties to the residents of San Jose.*

That we should expect Google to be helpful in a way commensurate to their size and impact on our community is not a radical idea. For example, it should be acceptable to expect Google will not just provide jobs, but jobs that can sustain our communities running the gamut on skill level and economic class. While tech workers in our region have among the nation's highest disposable income, our city is among the most challenging places to be a service worker, as skyrocketing rents outpace stubbornly low, stagnant wages. Some estimate that the Google project could require between 8,000 and 10,000 low wage subcontracted service workers, including janitors, cafeteria workers, security officers and shuttle drivers, many of whom face enormous struggles to keep up with rising costs of living. In response to these challenges, the Station Area Advisory Group recommended that Google commit to responsible contracting standards. I strongly encourage Google to work with community and labor groups here in San Jose to collaborate in developing standards for quality jobs, including for subcontracted service workers, to ensure this project creates more economic opportunity and more family-supporting jobs for more people.

It is unfortunate not all stakeholders have truly been provided the chance to meaningfully affect what is being proposed as the final land sale agreement. Indeed, the Law Foundation of Silicon Valley, in an October 8th letter to city staff and City Council (attached), laid out several valid concerns regarding the stakeholder engagement process thus far. Salient in this letter is the assertion that the SAAG report and process was 'too high level and did not give the community an opportunity to discuss specific asks of Google'. I urge my colleagues to consider how this concern could be addressed as community engagement continues throughout this process.

Diridon Land Purchase Agreement and Recent Mountain View Transaction

On November 26, The Mercury News and various national news sources called attention to a massive land deal involving Google in Mountain View. As The Mercury News reports, Google paid Irvine-based HCP (a realty investment firm) \$1 billion for a 51-acre Mountain View business park. This transaction nets out to \$19 million per acre in North Bayshore. The Mercury News article on this development is attached.

With the arrival of BART, HSR, and pending rezoning, the Diridon Station Area land implicated in this deal could one day be among the most expensive values in the nation.

This is a fact we should keep in mind not just today but also during future conversations about community benefits.

Funds Available to San Jose if Land Deal is Finalized

If my colleagues choose to authorize the finalization of the proposed deal with Google for the sale of the Diridon Station Area land, mentioned concerns notwithstanding, it is at least appropriate that we prioritize how any forthcoming proceeds would be spent.

The City of San Jose will be directly receiving approximately \$162 million from the sale of all 21 acres of land in the Diridon Station Area. A breakdown of this revenue can be found in the chart directly below (actuals as we have calculated them may differ based on conditional disbursements and other contract intricacies):

CSJ REVENUE FROM PROPERTY SALE	
SARA Properties – CSJ Share	\$9,472,337
SJFD Training Center – CSJ Owned	\$42,872,075
697 W San Carlos – CSJ Owned	\$1,609,300
A/B/C Lots – CSJ Owned	\$111,475,613*

*Funds conditional and not immediately available

I find it would be appropriate if we had a conversation prioritizing what this money should be spent on. To let this money land in the general fund would be a mistake. As an example of what we think the best use of these funds would be, below I have included a list of what I consider to be the five greatest needs to be addressed:

1. Housing and displacement
2. Jobs, education, and economic development
3. Transportation and transit
4. Environmental sustainability
5. Public space, creeks, and trails

Conclusion

I would like to thank city staff and specially the Office of Economic Development for their tireless work. I would also like to thank my colleagues for their careful consideration and dedication to the advancement of our community.

The decision we make on Tuesday starts us on a path to a different San Jose. I know we all want what is best for this community and are committed to inclusivity and equity. I for one am honored to be part of this decision which will affect the people we represent for the next century and beyond.



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October 8, 2018

Lori Severino
Diridon Station Area Advisory Group (SAAG)
San José City Hall
200 East Santa Clara Street
San José, CA 95112

Via Electronic Mail Only

Re: Comments on the San José Diridon Station Area Community Engagement Report

Dear Ms. Severino, City Staff, and Members of the SAAG:

On behalf the Law Foundation of Silicon Valley, we submit the following comments in response to the Draft San José Diridon Station Area Community Engagement Report. While we appreciate Staff's work on the report and throughout the community engagement process, we have been frustrated by the restrictions in the process and the corresponding report. As discussed below, the SAAG process and the report failed to set clear expectations of what the community will expect from Google prior to and after valuable public land is sold to Google, public land that traditionally should be prioritized for affordable housing, schools, or parks.¹

1. The SAAG Report and Process is Too High Level and Did Not Give the Community an Opportunity to Discuss Specific Asks of Google

Both the Law Foundation and other members of the SAAG expressed concern that what was being discussed at the SAAG was too general and too high-level. Indeed, the report is so high-level that it is unclear what from the report will eventually be part of a Memorandum of Understanding or Community Benefits Agreement. Additionally, as the issues discussed are at such a high-level, it is unclear as to whether, if any of the issues, are City obligations and what are things the community seeks from Google. For example, affordable housing and funding for affordable housing are clearly stated goals. However, nowhere in the report is there any indication that the City will require Google to set aside funding for affordable housing, how much, or in what manner.

¹ California's Surplus Lands Act requires that when government agencies dispose of land, they must first offer the land for affordable housing, schools, or parks. See California Government Code § 54220-54232.

The City's response to this concern has been that it is too early to clarify these requirements. However, the City is selling some of its most valuable land to Google. Once the land is sold, the City is much more limited in requiring Google to commit to specific benefits. Additionally, there is no clarity as to when in the process there will be discussion about community benefits, and whether the SAAG or the community in general will have any opportunity to provide feedback. Therefore, we recommend that the SAAG report include more details about what the City is actually seeking from Google (as documented throughout the SAAG process), and how the community will continue to be engaged to provide feedback as community benefits are determined.

2. The Report Has Generated No Prioritized Expectations of what the City will Request that Google Commit to as Community Benefits

While there has been a lot of discussion about what opportunities, concerns, and fears community members see in this proposed development, the SAAG process did not facilitate a means to prioritize what is most important and pressing to the community. There was a ranking of priorities within a solution group, but at no point did the SAAG members have the opportunity to narrow priorities among all five solution groups. Since there is no clarity as to what community engagement will occur later, there is no accountability structure for ensuring that what was discussed in the SAAG is actually required as community benefits from Google.

It seems, at this point, there is a buffet list of community benefits that Google can seemingly choose to commit to when the time comes. The lack of specifics in the report allows Google to pick and choose from the long list in the report which community benefits it wishes to offer. Google may choose benefits that may not address the issues prioritized during SAAG meetings and during public comment. There is no indication in the report that housing will be prioritized within Google's plan or that the City will demand housing be included in Google's development even though housing and displacement were the number one issue raised both by SAAG members and the general community. Therefore, we recommend that prior to the report being finalized, that SAAG report clarifies that community benefits should prioritize housing and displacement.

3. Neither the SAAG Process Nor the Report Leave Any Opportunity to Discuss the Possibility of Community Benefit Agreements with Community-Based Organizations

Throughout the SAAG process, our organization and others have advocated for the City to ask Google to commit to a Community Benefits Agreement. A Community Benefits Agreement traditionally is an enforceable contract between the developer, community organizations, and the City that is becoming more and more commonplace. Indeed, more and more communities are using Community Benefits Agreements in conjunction with large-scale development projects, including recently in Nashville as related to the development of a stadium and the Obama library in Chicago.

We are dismayed that the SAAG process did not lead to a discussion of a Community Benefits Agreement. A Community Benefits Agreement would be an important tool to address community concerns about the creation of affordable housing, tools to address displacement, and other issues related to the development. Importantly, a Community Benefits Agreement would help to establish clarity regarding Google's commitments to the San José community. Therefore, we strongly recommend that one of the recommendations of the SAAG report is to ask Google to agree to a Community Benefits Agreement with community groups as part of its engagement process.


Thank you for the opportunity to provide this feedback.

Sincerely,

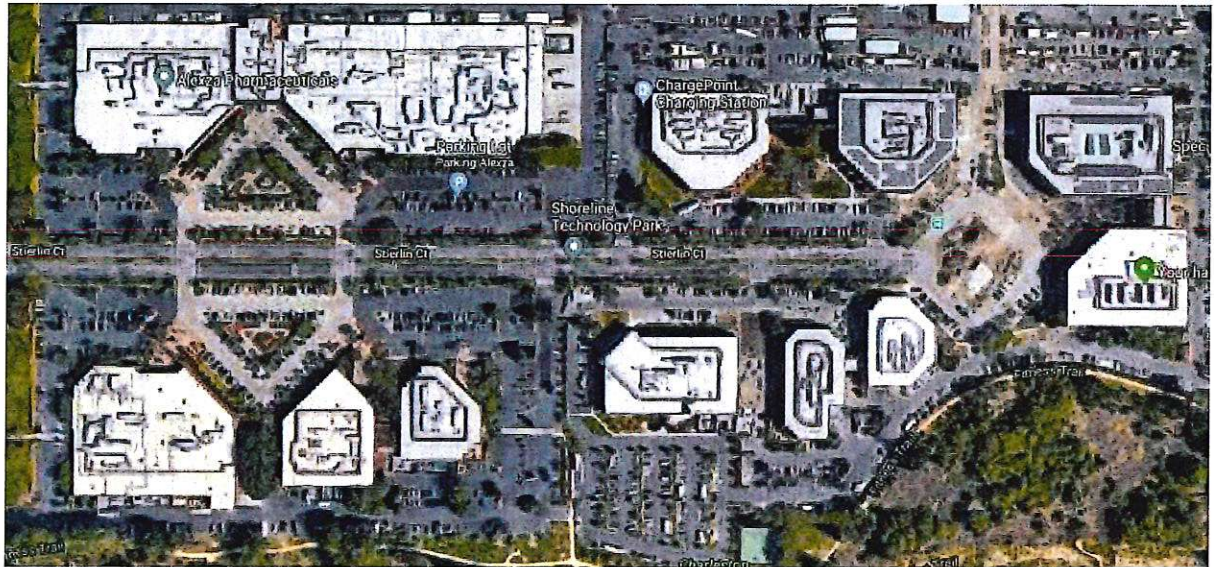
A handwritten signature in black ink, appearing to read 'NA' with a stylized flourish.

Nadia Aziz
Matthew Warren
Law Foundation of Silicon Valley

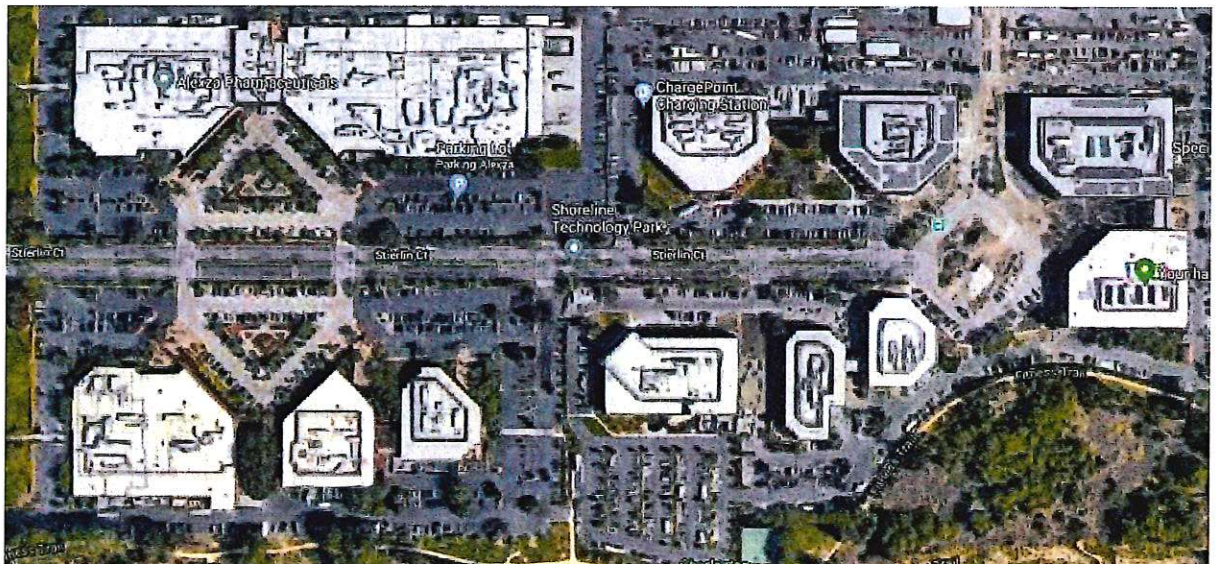
Billion-dollar deal: Google pays \$1 billion for huge Mountain View business park

 [mercurynews.com/2018/11/26/billion-dollar-deal-google-pays-1-billion-for-huge-mountain-view-business-park](https://www.mercurynews.com/2018/11/26/billion-dollar-deal-google-pays-1-billion-for-huge-mountain-view-business-park)

November 26, 2018



• Sound



Shoreline Technology Park in Mountain View, now owned by Google, aerial view. In an unexpected mega-deal, Google has paid \$1 billion for a huge Mountain View business park, a head-spinning acquisition that is deemed to be the Bay Area's largest real estate purchase so far in 2018.

By [George Avalos](https://www.mercurynews.com/author/george-avalos/) | gavalos@bayareanewsgroup.com | Bay Area News Group

PUBLISHED: November 26, 2018 at 6:00 am | UPDATED: November 27, 2018 at 11:06 am

MOUNTAIN VIEW — In a head-spinning mega-deal, Google has paid \$1 billion for a huge Mountain View business park, the Bay Area's largest real estate purchase this year.

It is also the second-largest property purchase in the United States this year, eclipsed only by another Google acquisition, the \$2.4 billion the company paid for Chelsea Market in Manhattan.

The newly acquired site in Mountain View, where Google has been the primary tenant, is larger than the property that accommodates the company's Googleplex headquarters a few blocks to the west and also exceeds the size of the parcel across the street where Google is building an iconic "dome" campus that features canopies and tents.

"Wow. What a deal," said Chad Leiker, a first vice president with Kidder Mathews, a commercial real estate firm. "This is an opportunity for Google to own more office space very close to their headquarters. That office space is becoming very rare in Mountain View."

Google's Mountain View purchase means that in the two years since the search giant began to collect properties in downtown San Jose for a proposed transit village, the company has spent at least \$2.83 billion in property acquisitions in Mountain View, Sunnyvale, downtown San Jose and north San Jose alone.

Adding to the eye-popping numbers: Google's spending activity in those four markets reaches \$3 billion when including the company's pending purchase in downtown San Jose of several government-owned parcels, along with the minimum value of a big set of surface parking lots that Google intends to buy from Trammell Crow, also downtown near its proposed transit village.

Buying Mountain View's Shoreline Technology Park gives Google a 51.8-acre site with 12 buildings. The big parcel, which is dominated by one and two-story buildings with ample surface parking, has addresses ranging from 2011 to 2091 Stierlin Court. Aside from Google, a survey of the site indicates that the only other tenant in the complex besides Google is Alexza Pharmaceuticals.

"This is in Google's core campus area, and they would certainly want to own it and control it rather than continue to lease it," said Philip Mahoney, executive vice chairman with Newmark Knight Frank, a commercial real estate firm.

"The property begs for redevelopment with higher densities," Mahoney said. "But that would be a much longer discussion and process" in connection with Mountain View's development plan for the areas north of U.S. 101.

Since its December 2016 purchase nearly two years ago of an old Pacific Bell building near the Diridon Station in San Jose, Google, directly or through affiliates, has spent at least \$1.32 billion buying sites in Sunnyvale, \$1 billion acquiring properties in Mountain View, \$271.8 million in north San Jose and \$234 million obtaining parcels in downtown San Jose.

Google's agreement to pay \$109.9 million for government-owned properties in downtown San Jose, as well as the minimum value of \$58.5 million for a nearby Trammell Crow-owned site, brings the company's buying surge in those four markets to \$3 billion.

A Google representative confirmed the \$1 billion purchase price for the office park but didn't comment beyond that.

Irvine-based HCP, a realty investment firm, sold Google the Mountain View property on Nov. 20, Santa Clara County records show. HCP stated in a regulatory filing that it realized a \$700 million gain from the sale. The property's assessed value in mid-2018 was \$367.3 million.

"This latest deal in Mountain View could be a case, as they have done in other areas, of Google land-banking properties for higher-density uses later," Leiker said. "They have bought a huge tranche of properties."

The deal also appears to be the Bay Area's largest real estate transaction — by far — in 2018. Prior to Google's purchase, the highest price paid in Silicon Valley was a \$284 million acquisition by developer Jay Paul of the Cityview Plaza office, retail and restaurant complex in downtown San Jose in July. That was topped by the October deal for San Francisco's iconic Ferry Building complex, a \$291 million transaction.