



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Planning Commission

SUBJECT: SEE BELOW

DATE: December 7, 2018

SUBJECT: GPT18-007. GENERAL PLAN TEXT AMENDMENT TO THE “HOUSING GROWTH AREAS BY HORIZON” MAP IN CHAPTER 7 AND THE “PLANNED JOB CAPACITY AND HOUSING GROWTH AREAS BY HORIZON” TABLE IN APPENDIX 5 OF THE ENVISION SAN JOSE 2040 GENERAL PLAN TO SHIFT EIGHT HORIZON 2 AND 3 URBAN VILLAGES INTO HORIZON 1, AS DIRECTED BY THE HOUSING CRISIS WORKPLAN

RECOMMENDATION

The Planning Commission voted 5-0-1 (Ballard absent) to recommend that the City Council:

- a. Consider the Determination of Consistency with the Envision San José 2040 General Plan Final Program Environmental Impact Report (FEIR), for which findings were adopted by City Council through Resolution No. 76041 on November 1, 2011, and Supplemental EIR Resolution No. 77617, adopted by City Council on December 15, 2015, and Addenda thereto. Pursuant to Section 15168 of the CEQA Guidelines, the City of San José has determined that this activity is within the scope of the earlier approved programs, and the Final Program EIRs adequately describe the activity for purposes of CEQA. The project does not involve new significant effects beyond those analyzed in the Final Program EIRs; and
- b. Adopt a resolution amending the Envision San José 2040 General Plan to amend the “Housing Growth Areas By Horizon” map in Chapter 7 and the “Planned Job Capacity and Housing Growth Areas by Horizon” table in Appendix 5 to shift eight Horizon 2 and 3 Urban Villages into Horizon 1.

OUTCOME

Approval of the proposed General Plan Text Amendment will move the following eight Urban Villages from Horizons 2 and 3 into Horizon 1:

1. North 1st Street (Horizon 2)
2. Race Street Light Rail (Horizon 2)
3. Southwest Expressway (Horizon 2)
4. Alum Rock Avenue (East of 680) (Horizon 3)
5. Stevens Creek Boulevard (Horizon 3)
6. Santana Row/Valley Fair (Horizon 3)
7. Winchester Boulevard (Horizon 3)
8. South Bascom Avenue (North) (Horizon 3)

BACKGROUND

This item was on the General Plan Consent Calendar at the November 14, 2018 Planning Commission meeting. This item remained on the Consent Calendar and there was no discussion. The item was approved by a vote of 6-0-1 (Ballard absent).

ANALYSIS

A complete analysis of the issues regarding the General Plan Text Amendment is contained in the attached Planning Commission staff report.

EVALUATION AND FOLLOW-UP

If the proposed amendment is approved by Council, eight Urban Villages will be moved from Horizons 2 and 3 into Horizon 1. Moving these Villages into Horizon 1 does not automatically open these Villages for housing development. Unless built as part of a Signature Project, housing projects can only move forward when there is a City Council-approved Urban Village Plan with an implementation chapter referencing the adopted Urban Village Implementation and Amenities Framework. Moving Villages from Horizons 2 and 3 into Horizon 1 effectively establishes the Urban Village team's work plan for the next two to three years.

PUBLIC OUTREACH

Staff followed Council Policy 6-30: Public Outreach Policy. A notice of the public hearing was published in the San José Post Record and on the City's website. The Planning Commission agenda was posted on the City of San José website, which included a copy of the staff report, and staff has been available to discuss the project with members of the public.

COORDINATION

The preparation of the proposed resolution and this memorandum were coordinated with the City Attorney's Office.

CEQA

A Determination of Consistency with the Envision San José 2040 General Plan Final Program Environmental Impact Report (FEIR), for which findings were adopted by City Council through Resolution No. 76041 on November 1, 2011, and Supplemental EIR Resolution No. 77617, adopted by City Council on December 15, 2015, and Addenda thereto. Pursuant to Section 15168 of the CEQA Guidelines, the City of San José has determined that this activity is within the scope of the earlier approved programs and the Final Program EIRs adequately describe the activity for purposes of CEQA. The project does not involve new significant effects beyond those analyzed in the Final Program EIRs.

/s/
Rosalynn Hughey, Secretary
Planning Commission

For questions, please contact Lea Simvoulakis, Supervising Planner, at (408) 535-7837.

Attachment: Planning Commission Staff Report



PLANNING COMMISSION STAFF REPORT

File No.	GPT18-007
Applicant	City-Initiated
Location	Citywide
Council District	Citywide
CEQA	Determination of Consistency with the Envision San José 2040 General Plan Final Program Environmental Impact Report (Resolution No. 76041) and Supplemental Environmental Impact Report to the Envision San Jose General Plan Final Program Environmental Impact Report (Resolution No. 77617), and Addenda thereto.

APPLICATION SUMMARY:

A City-initiated General Plan Text Amendment to amend Appendix 5 of the *Envision San José 2040 General Plan* and the *Housing Growth Areas by Horizon Map* to shift certain Horizon 2 and 3 Urban Villages into Horizon 1 as directed by the Housing Crisis Workplan.

RECOMMENDATION:

Planning staff recommends that the Planning Commission recommend **approval** to the City Council of the General Plan Text Amendment as it would update Appendix 5 of the *Envision San José 2040 General Plan* and the *Housing Growth by Horizon Map* to reflect the shifts of eight Horizon 2 and 3 Urban Villages to Horizon 1.

PROJECT DESCRIPTION

The proposed Text Amendment to revise Appendix 5 and the Growth Areas by Horizon Map will reflect the shift of the following eight Urban Villages from Horizons 2 and 3 into Horizon 1:

1. North 1st Street (Horizon 2);
2. Race Street Light Rail (Horizon 2);
3. Southwest Expressway (Horizon 2);
4. Alum Rock Avenue (East of 680) (Horizon 3);
5. Stevens Creek Boulevard (Horizon 3);
6. Santana Row/Valley Fair (Horizon 3);
7. Winchester Boulevard (Horizon 3); and
8. South Bascom Avenue (North) (Horizon 3).

Appendix 5 identifies the amount of job and housing growth capacity planned for each of the General Plan Growth Areas. For Urban Village Areas, the Table also indicates the plan Horizon for which the General Plan supports redevelopment of commercial properties for mixed-use development. The changes to Appendix 5 are summarized below:

These changes are summarized below and shown in Attachment A (Planned Job Capacity and Housing Growth Areas by Horizon table):

1. Amending the total Planned Dwelling Unit Growth Capacity for Urban Villages by Horizon totals for Horizons 1, 2, and 3.
2. Amending the Local Transit Villages (Planned BRT/LRT) subtotals.
3. Amending the Local Transit Villages (Existing LRT) subtotals.

These changes are summarized below and shown in Attachment B (Housing Growth Areas by Horizon Map):

1. The transferred Horizons 2 and 3 Villages are shown in the Horizon 1 color (brown).

Text Reference

Envision San José 2040 General Plan, Appendix 5 and the Housing Growth by Horizon Map.

Site Location

Text Amendment applicable to Envision San José 2040 General Plan planned Growth Areas.

Project Background

In his September 27, 2017 memo, Mayor Liccardo established a goal of creating 25,000 housing units, with at least 10,000 of those units being for affordable housing, in the City of San Jose. This goal was meant to build upon existing efforts to intensify density in approved growth areas under the 2040 General Plan. The City Council approved the Mayor's memo and recommendations at the October 2017 Priority Setting session. This approval made the creation of 25,000 housing units a Council goal and priority. With the Council approval of this plan, staff was tasked with developing a Housing Crisis Workplan (Attachment B) to facilitate the construction of these units.

One of the items identified in the Mayor's memo was to realign the Urban Village Horizons and accelerate development of the Horizon 2 and 3 Villages that already have fixed-rail transit (rail) or bus rapid-transit (BRT) by moving these Villages into Horizon 1. Moving Villages along existing rail or BRT routes is a step towards facilitating housing that will support these transit investments. This work item was incorporated into the Housing Crisis Workplan (item 2.b), and was identified as having an anticipated completion date of fall 2018.

It is important to note that moving Villages into Horizon 1 in and of itself does not automatically open up these Villages for housing development. Unless built as part of a Signature Project, housing projects can only move forward when there is a City Council-approved Urban Village Plan with an implementation chapter referencing the adopted Urban Village Implementation and Amenities Framework. Moving Villages from Horizons 2 and 3 into Horizon 1 effectively establishes the Urban Village team's work plan for the next two to three years.

Staff proposes to move those Villages along light rail and BRT that have secured grant funding to complete a plan to Horizon 1. These Villages include:

- Race Street Light Rail (Horizon 2)
- Southwest Expressway (Horizon 2)
- Alum Rock Avenue - East of 680 (Horizon 3)
- North 1st Street (Horizon 2)

The planning process for the Race Street and Southwest Expressway Urban Village Plans are anticipated to begin in the summer 2019 with Council consideration in winter 2021. The planning process for the Alum Rock – East of 680 Urban Village is anticipated to begin in fall 2019 with Council consideration in Spring 2021. Staff will initiate the planning process for the North 1st Street Urban Village in January 2019, with the Plan anticipated to go to Council for its consideration in fall 2020.

This proposed text amendment also address work item No. 12 in the Housing Crises Workplan, which is to move Winchester, Santana Row/Valley Fair, and Stevens Creek Urban Village plans (the Tri-Villages) and the South Bascom Urban Village (North) from Horizon 3 into Horizon 1. As discussed in the May 21, 2018 “Housing Crises Workplan” memo from staff, moving these Villages into Horizon 1 was included as a work item due to the analysis conducted by Keyser Marston & Associates (KMA) for the Cost of Development Study Session presented to Council in May 2018. The KMA study indicated that West San Jose is where market rate housing development is most likely to break ground in the current market, given that rents are high enough to offset the high/increasing cost of construction.

ANALYSIS

The proposed Text Amendment would revise Appendix 5 to reflect the proposed shift of the eight Urban Villages listed above from Horizon 2 and 3 to Horizon 1.. Further analysis of the proposed changes is described below:

- The eight Villages that were moved into Horizon 1 will increase the Horizon 1 Planned Dwelling Unit Capacity from 11,350 units to 27,699 units, an increase of 16,349 units. This increase will lower the number of planned dwelling units in Horizon 2 from 24,191 to 18,098. This increase will also lower the planned dwelling units in Horizon 3 from 24,626 to 14,370 units.
- The transfer of the Horizons 2 and 3 Villages into Horizon 1 will relocate Villages in the Local Transit Villages (Existing Light Rail) category from Horizons 2 and 3 into Horizon 1. Six thousand ninety-three (6,093) units in this category will be moved to Horizon 1, decreasing the number of units along existing light rail in this category in Horizon 2 from 23,346 to 17,253. This transfer will also increase the number of units in the Local Transit Villages (Planned Bart and Light Rail) category in Horizon 1 from 3,573 to 8,600 units, and will reduce the number of units in this category in Horizon 3 from 6,427 to 1,400.
- The “Housing Growth Areas by Horizons” Map reflects the eight Villages moved into Horizon 1. These eight Villages are now brown on the map to reflect that they are located in Horizon 1.

Approved Urban Villages to be Moved into Horizon 1

As discussed above, during the Cost of Development Council Study Session, and as identified in the KMA report, West San Jose is the primary area of San Jose where housing is anticipated to be built under current market conditions. Moving the approved Tri-Villages (Stevens Creek, Winchester, Santana Row/Valley Fair) and the South Bascom Village (North) is anticipated to be one of the more effective strategies in the Housing Crisis Workplan to get the city toward its goal of achieving 25,000 housing units. Given the current market demand for both housing and commercial projects in this area of the city, it is anticipated that there will be balanced growth within these Villages. With the Village plans complete and approved, housing can move forward once the plan is amended to include a policy requiring conformance with the adopted implementation framework. The relocation of these Villages alone will add 5,229 units to the Horizon 1 total. This group of Villages could potentially account for 20% of the necessary 25,000 units and staff is supportive of moving these Villages to Horizon 1.

Funded Villages to be Moved into Horizon 1

In developing its recommendation on which fixed rail and BRT Villages to move into Horizon I, staff considered those Urban Villages for which grant funding has already been secured to conduct the necessary public outreach and policy work to complete a plan. As discussed above, the Villages that are funded and ready for staff to initiate the planning process are: 1) Southwest Expressway, 2) Race Street, 3) Alum Rock Avenue (East of 680), and 4) North 1st Street. The relocation of these Urban Villages to Horizon 1 will add 7,268 units to this Horizon. This housing capacity will be available for construction of market rate housing units once the Urban Village plans are completed and approved by City Council. It must be noted that, per the existing policies in the General Plan, 100% deed restricted affordable housing and Signature projects that include residential uses and meet the identified criteria, can currently move forward in these and all Horizon 2 and 3 Urban Villages.

Villages Not Recommended to Be Moved into Horizon 1

Staff evaluated moving the five Urban Villages along the North Capital Avenue Light Rail line from Horizon 2 to Horizon 1. These include Penitencia Creek Light Rail, N. Capitol Avenue/Hostetter Road, N. Capitol Avenue/Berryessa Road, N. Capitol Avenue/Mabury Road, and N. Capitol Avenue/McKee Road. Three of the Five Villages are relatively small and staff did not identify significant opportunities for new development in the near term. Two of the largest Villages, N. Capitol Avenue/Hostetter and N. Capitol Avenue/Berryessa Road contain thriving shopping centers that are either new or have had recent investment and are not anticipated to redevelop in the near term or even the next 10 years. Of the remaining three villages, there are few opportunity sites or the Village is made up of only one site (i.e., Penitencia Creek). Given the lack of viable sites and near term demand for new employment uses, staff is not recommending to move these Villages into Horizon 1 because it would not likely yield new housing units. However, should there be interest to develop a mixed-use residential project in these Villages, a property owner can use the Signature Project process. One hundred percent deed restricted affordable housing projects would also be allowed in these Villages.

Staff also collectively considered the Urban Villages in South San Jose near California State Route 85. These Villages (Oakridge Mall A and B, Blossom Hill Road/Cahalan Avenue, and Blossom Hill Road/Snell Avenue) are all part of an area of the city that has an imbalance of housing units relative to jobs. Despite the existence of Light Rail infrastructure, there is low ridership for this portion of the line, and heavy traffic congestion along the highways heading north in the morning and south in the evening. Given the current traffic patterns and highway congestion, this area exhibits high Vehicle Miles Traveled (VMT) and associated Green House Gas emissions. Staff does not anticipate the development of significant new employment uses in this area in the near future. As such, the increase in housing units without jobs would only exacerbate VMT issues in this area. For this reason, staff is not recommending moving any of these Villages into Horizon 1.

The last site under consideration is the Curtner Light Rail Village. Staff discussed moving this Village into Horizon 1 with VTA, given that they are the largest property owner in this Village. At the time of consideration, VTA had an open RFP to build housing via Signature Project on this site. VTA informed staff that they did not receive any bids on this site. This is likely due to the site's location and the current market for housing in this area. Beyond VTA's park-and-ride site, staff was unable to identify any other opportunity sites for housing. Given the low interest in housing at this time, and the lack of opportunity sites, staff does not feel moving this Village into Horizon 1 is imperative at this time.

The remaining Urban Villages in Horizon 2 and 3 along existing Light Rail are not positioned for growth at this time. Staff doesn't believe the market is ready for Urban Village-type development due to their location in more outlying areas in the City or lack of infrastructure. Additionally, per the General Plan, staff is not able to move all of the Villages from one Horizon into another outside of the Four Year Review process. Should the Council be interested in moving additional Horizons 2 and 3 Villages into Horizon 1, this can be considered next fall (Fall 2019) during the Annual Review cycle, or could be considered as part of the Four-Year Review of the General Plan, which will be initiated in the fall of 2019.

Envision San José 2040 General Plan Conformance

The revisions to Appendix 5 and the Housing Growth Areas by Horizon Map are consistent with the following General Plan policies:

1. General Plan Phasing/Planning Horizons/Major Review Policy IP-2.9: Focus new residential development into specified Growth Areas to foster the cohesive transformation of these areas into complete Urban Villages. Allow immediate development of all residential capacity planned for the Growth Areas included in the current Plan Horizons.
2. General plan Phasing/Planning Horizons/Major Review Policy IP-2.10: Open Horizons for development in planned phases to give priority for new residential growth to occur in areas proximate to Downtown, with access to existing and planned transit facilities, and adequate infrastructure to support intensification, and proximate to other Growth Area to contribute to the City's urban form.
3. Urban Village Planning Policy IP-5.13: Develop Urban Village plans for Village areas identified for housing growth in the current Horizon proactively, ahead of developer demand to begin residential development there. Actively pursue outside funding opportunities for the Village planning process.

Analysis: The proposed General Plan Text Amendment to Appendix 5 and the Horizon map will identify additional housing units being shifted from Horizons 2 and 3 into Horizon 1. These units are located in Urban Villages that either have a Council-approved plan, or there is funding secured to complete a plan. No units are being allocated to areas that are not already identified Urban Villages. Moving these units will foster a cohesive transformation of Horizon 1, as new residential units will be able to be constructed in conjunction with new and planned commercial and retail development.

The proposed eight Villages to be moved are all located along existing transit lines and there is adequate infrastructure in place or planned to support the intensification in these moved Villages. As staff continues to work on these Village plans, development of non-residential uses will be able to move forward, continuing to create a place that is prime for additional residential units.

CALIFORNIA ENVIRONMENTAL QUALITY ACT (CEQA)

A Determination of Consistency with the Envision San José 2040 General Plan Final Program Environmental Impact Report (Resolution No. 76041) and Supplemental Environmental Impact Report to the Envision San Jose General Plan Final Program Environmental Impact Report (Resolution No. 77517), in accordance with the California Environmental Quality Act as amended. The proposed General Plan Text Amendment does not include any construction, demolition, or other activity that has the potential to negatively impact the environment. Pursuant to Section 15168 of the CEQA Guidelines, the City of San José has determined that this activity is within the scope of the approved Envision San José 2040 General Plan, and the Final Program EIR for the Envision San José 2040 General Plan and Supplemental EIR to the Envision San Jose 2040 General Plan EIR, for which findings were adopted by City Council Resolution Nos. 76041 and 77517 respectively, that adequately describe the activity for the purposes of CEQA.

PUBLIC HEARING NOTIFICATION

Staff followed Council Policy 6-30: Public Outreach Policy. A notice of the public hearing was published in the San Jose Post Record and on the City's website. The staff report is also posted on the City's website and staff has been available to respond to questions from the public.

Staff met with the Office of Economic Development, VTA, and the Mayor's office to discuss which Villages to move to Horizon 1. The decision to move or not move each Villages was a discussed with each group and input from these stakeholders was reviewed to make an informed recommendation to the Planning Commission and City Council.

Project Manager: Lea G. Simvoulakis

Approved by: *M. J. Bell* for , Deputy Director for Rosalynn Hughey, Planning Director

Date:

Owner:
City of San José 200 East Santa Clara Street San José, CA 95113

Attachments
Attachment A – Draft Resolution Attachment A1- Housing Growth Areas By Horizon Map Attachment A2- Appendix 5 Attachment B – Housing Crisis Workplan

RESOLUTION NO. _____

**A RESOLUTION OF THE COUNCIL OF THE CITY OF SAN JOSE AMENDING THE ENVISION SAN JOSE 2040 GENERAL PLAN PURSUANT TO TITLE 18 OF THE SAN JOSE MUNICIPAL CODE TO AMEND THE “HOUSING GROWTH AREAS BY HORIZON” MAP IN CHAPTER 7 AND THE “PLANNED JOB CAPACITY AND HOUSING GROWTH AREAS BY HORIZON” TABLE IN APPENDIX 5
Fall 2018 General Plan Amendment Cycle (Cycle 4)**

GPT18-007

WHEREAS, the City Council is authorized by Title 18 of the San José Municipal Code and state law to adopt and, from time to time, amend the General Plan governing the physical development of the City of San José; and

WHEREAS, on November 1, 2011, the City Council adopted the General Plan entitled, "Envision San José 2040 General Plan, San José, California" by Resolution No. 76042, which General Plan has been amended from time to time (hereinafter the "General Plan"); and

WHEREAS, in accordance with Title 18 of the San José Municipal Code, all general and specific plan amendment proposals are referred to the Planning Commission of the City of San José for review and recommendation prior to City Council consideration of the amendments; and

WHEREAS, on November 14, 2018, the Planning Commission held a public hearing to consider the proposed text amendment to the General Plan pertaining to the amendment of Appendix 5 and the Housing Growth Areas by Horizon Map, File No. GPT18-007 specified in Exhibit “A” hereto (“General Plan Amendment”), at which hearing interested persons were given the opportunity to appear and present their views with respect to said proposed amendment; and

WHEREAS, at the conclusion of the public hearing, the Planning Commission transmitted its recommendations to the City Council on the proposed General Plan Amendment; and

WHEREAS, on December 18, 2018, the Council held a duly noticed public hearing; and

WHEREAS, a copy of the proposed General Plan Amendment is on file in the office of the Director of Planning, Building and Code Enforcement of the City of San José, with copies submitted to the City Council for its consideration; and

WHEREAS, pursuant to Title 18 of the San José Municipal Code, public notice was given that on December 18, 2018 at 6:00 p.m. in the Council Chambers at City Hall, 200 East Santa Clara Street, San José, California, the Council would hold a public hearing where interested persons could appear, be heard, and present their views with respect to the proposed General Plan Amendment (Exhibit "A"); and

WHEREAS, prior to making its determination on the General Plan Amendment, the Council reviewed and considered a Determination of Consistency with the Envision San José 2040 General Plan Final Program Environmental Impact Report (Resolution No. 76041) and Supplemental Environmental Impact Report to the Envision San José General Plan Final Program Environmental Impact Report (Resolution No. 77517), in accordance with the California Environmental Quality Act as amended; and

WHEREAS, the Council of the City of San José is the decision-making body for the proposed General Plan Amendment.

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SAN JOSE AS FOLLOWS:

SECTION 1. The Council's determinations regarding General Plan Amendment GPT18-007 is hereby specified and set forth in Exhibit "A," attached hereto and incorporated herein by reference.

SECTION 2. This Resolution shall take effect thirty (30) days following the adoption of this Resolution.

ADOPTED this _____ day of _____, 2018, by the following vote:

AYES:

NOES:

ABSENT:

DISQUALIFIED:

SAM LICCARDO
Mayor

ATTEST:

TONI J. TABER, CMC
City Clerk

STATE OF CALIFORNIA)
) ss
COUNTY OF SANTA CLARA)

I hereby certify that the text amendments to the San José General Plan specified in the attached Exhibit "A" were adopted by the City Council of the City of San José on _____, as stated in its Resolution No. _____.

Dated: _____

TONI J. TABER, CMC
City Clerk

DRAFT

EXHIBIT "A"

File No. GPT18-007. Amendments of the General Plan text related to Urban Village Horizon 1 as follows:

1. The "Housing Growth Areas By Horizon" map in Chapter 7 of the Envision San José 2040 General Plan is hereby amended as indicated in Exhibit A-1 attached hereto and incorporated herein by reference.
2. The "Planned Job Capacity and Housing Growth Areas by Horizon" table in Appendix 5 of the Envision San José 2040 General Plan is hereby amended as indicated in Exhibit A-2 attached hereto and incorporated herein by reference.

Council District: Citywide.

DRAFT

[insert **EXHIBIT A-1 MAP** here and
delete this placeholder sheet]

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[insert **EXHIBIT A-2 TABLE** here and
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HOUSING GROWTH AREAS BY HORIZON

Exhibit A-1

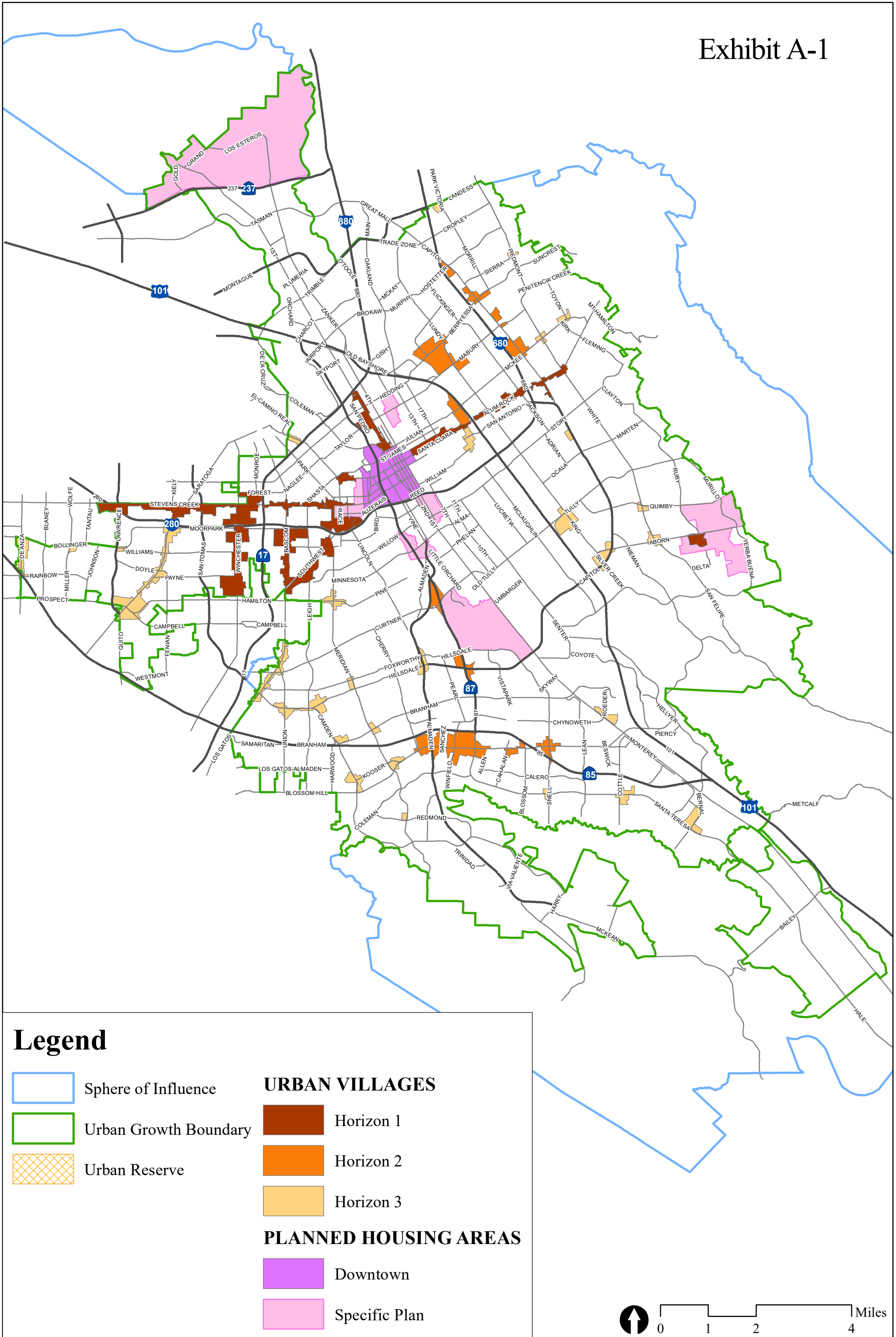


Exhibit A-2

Planned Job Capacity and Housing Growth Areas by Horizon (3 Horizons)

751,450 Jobs and 429,350 Dwelling Units; 1.1 J/ER

Existing 2008 Development: 369,450 Jobs & 309,350 DU

Growth Above Existing: 382,000 Jobs & 120,000 DU

	CAPACITY			TRACKING							
	Gross Acres	Planned Job Capacity	Planned Housing Yield (DU)	Base	Planned DU Growth Capacity for Urban Villages by Horizon (Timeframe)			NSJ ADP			
				Already Entitled	Horizon 1	Horizon 2	Horizon 3	Phases 2-4			
Total Plan Growth Capacity		382,000	120,000	36,287	27,699	41,350	18,098	24,194	14,370	24,626	23,546
Downtown											
Downtown (v)	688	25,816	8,450	7,554	896						
Diridon Station Area Urban Village*	250	22,843	2,710	1,433	1,277						
Downtown Sub-Total		48,659	11,160	8,987	2,173						
Downtown Core*		48,500	10,360								
Specific Plan Areas											
Communications Hill Specific Plan	942	1,700	2,775	2,775							
Jackson-Taylor Residential Strategy	109	100	1,190	656	534						
Martha Gardens Specific Plan	145	0	1,760		1,760						
Midtown Specific Plan	125	841	800	0	800						
Tamien Station Area Specific Plan	149	600	1,060	169	891						
Alviso Master Plan (v)	10,730	18,700	70		70						
Evergreen Specific Plan (not including V55)	879	0	25	25							
Specific Plan Sub-Total		21,941	7,680	3,625	4,055						
Employment Land Areas											
Monterey Business Corridor (v)	453	1,095	0								
New Edenvale	735	10,000	0								
Old Edenvale Area (Bernal)	474	15,000	780	780							
North Coyote Valley	1,722	45,000	0								
Evergreen Campus Industrial Area	368	10,000	0								
North San José (including Rincon South)	4,382	100,000	32,640	9,094							23,546
VT1 - Lundy / Milpitas BART	167	28,400	0								
Berryessa / International Business Park (v)	497	4,583	0								
Mabury (v)	290	2,265	0								
East Gish (v)	495	2,300	0								
Senter Road (v)	361	2,275	0								
VT5 - Santa Clara / Airport West (FMC)	94	1,600	0								
VT7 - Blossom Hill / Monterey Rd	24	1,940	0								
VT25 - W. Capitol Expy / Monterey Rd	35	100	0								
VR16 - S. Capitol Av / Capitol Expy	2	100	0								
VR24 - Monterey Hwy / Senter Rd	35	100	0								
VR26 - E. Capitol Expy / McLaughlin Dr	16	100	0								
VR27 - W. Capitol Expy / Vistapark Dr	15	100	0								
C42 - Story Rd (v)	223	1,823	0								
C45 - County Fairgrounds	184	100	0								
Employment Land Sub-Total		226,881	33,420	9,874							23,546
Regional Transit Urban Villages											
VT2 - Berryessa BART / Berryessa Rd / Lundy Av (v)	270	22,100	4,814	3,884	930						
VT3 - Five Wounds BART	74	4,050	845			845					
VT4 - The Alameda (East)	46	1,610	411	177	234						
VT6 - Blossom Hill / Hitachi	142	0	2,930	2,930							
Regional Transit Villages Sub-Total		27,760	9,000	6,991	1,164	845					
Local Transit Urban Villages (Existing LRT)											
VR8 - Curtner Light Rail / Caltrain (v)	69	500	1,440			1,440					
VR9 - Race Street Light Rail (v)	123										
A (west of Sunol)		2,000	1,937	532	1,405	1,405					
B (Reed & Graham Site)		1,200	675		675	675					
VR10 - Capitol / 87 Light Rail (v)	56	750	1,195			1,195					
VR11 - Penitencia Creek Light Rail	24	0	920			920					
VR12 - N. Capitol Av / Hostetter Rd (v)	25	500	1,230			1,230					
VR13 - N. Capitol Av / Berryessa Rd (v)	54	1,000	1,465			1,465					
VR14 - N. Capitol Ave / Mabury Rd	5	100	700			700					
VR15 - N. Capitol Av / McKee Rd (v)	92	1,000	1,930	188		1,742					
VR17 - Oakridge Mall and Vicinity (v)	380										
A (Cambrian / Pioneer)		3,375	2,712			2,712					
B (Edenvale)		5,715	4,487			4,487					
VR18 - Blossom Hill Rd / Cahalan Av	30	500	600			600					
VR19 - Blossom Hill Rd / Snell Av	64	500	770	8		762					
CR20 - N. 1st Street	132	2,520	1,678	333	1,345	1,345					
CR21 - Southwest Expressway (v)	170	750	3,007	339	2,668	2,668					
Local Transit Villages (Existing LRT) Sub-Total		20,410	24,746	1,400	6,093	17,253	23,346				
Local Transit Urban Villages (Planned BRT/LRT)											
VR22 - Arcadia / Eastridge (potential) Light Rail (v)	78	1,150	250	250							
VR23 - E. Capitol Expy / Silver Creek Rd	73	450	1,000							1,000	
CR28 - E. Santa Clara Street											
A (West of 17th Street)	64	795	850	86	764						
B (Roosevelt Park)	51	605	650		650						
CR29 - Alum Rock Avenue											
A (Little Portugal)	18	100	310		310						
B (Alum Rock)	72	870	1,010	93	917						
C (East of 680)	61	650	1,175		1,175					1,175	
CR30 - The Alameda (West)	21	200	400							400	
CR31 - W. San Carlos Street		980	1,245	313	932						
CR32 - Stevens Creek Boulevard	269	4,500	3,860	8	3,852					3,852	
Local Transit Villages (Planned BRT/LRT) Sub-Total		10,300	10,750	750	8,600	3,673			1,400	6,427	
Commercial Corridor & Center Urban Villages											
C34 - Tully Rd / S. King Rd	102	900	1,000								1,000
C35 - Santana Row/Valley Fair and Vicinity (v)	185	8,500	2,635	725	1,910					1,910	
C36 - Paseo de Saratoga and Vicinity	174	1,500	2,500							2,500	
C37 - Santa Teresa Bl / Bernal Rd	75	850	524							524	
C38 - Winchester Boulevard	300	2,000	2,200	441	1,759					1,759	
C39 - S. Bascom Avenue (North)	215	1,000	1,560							1,560	
C40 - S. Bascom Avenue (South) (v)	117	500	805	74						731	
C41 - Saratoga Avenue (v)	159	1,500	1,115	89						1,026	
C43 - S. De Anza Boulevard (v)	84	2,140	845	45						800	
C44 - Camden / Hillsdale Avenue	108	2,000	800							800	
Commercial Corridor & Center Villages Sub-Total		20,890	13,984	1,374	5,229				7,381	12,640	

Neighborhood Villages						
V47 - Landess Av / Morrill Av	16	100	270			270
V48 - Piedmont Rd / Sierra Rd	11	100	150			150
V49 - McKee Rd / Toyon Av	25	100	180			180
V50 - McKee Rd / White Rd (v)	19	100	168	7		161
V52 - E. Capitol Expy / Foxdale Dr	14	100	212			212
V53 - Quimby Rd / S. White Rd	19	100	225			225
V54 - Aborn Rd / San Felipe Rd	37	100	310			310
V55 - Evergreen Village	49	0	385		385	
V57 - S. 24th St / William Ct (v)	52	100	217	67		150
V58 - Monterey Rd / Chynoweth Rd	37	100	120			120
V59 - Santa Teresa Bl / Cottle Rd (v)	48	500	313			313
V60 - Santa Teresa Bl / Snell Av	11	100	140			140
V61 - Bollinger Rd / Miller Av	13	100	160			160
V62 - Bollinger Rd / Lawrence Expy	11	100	70			70
V63 - Hamilton Av / Meridian Av	53	500	710			710
V64 - Almaden Expy / Hillsdale Av	49	400	370			370
V65 - Foxworthy Av / Meridian Av	16	100	250	55		195
V67 - Branham Ln / Meridian Av	18	100	310			310
V68 - Camden Av / Branham Ln	21	200	450			450
V69 - Kooser Rd / Meridian Av	34	200	350			350
V70 - Camden Av / Kooser Rd (v)	49	100	623			623
V71 - Meridian Av / Redmond Av	10	100	120			120
Neighborhood Villages Sub-Total		3,400	6,103	129	385	5,589
Other Identified Growth Areas						
Vacant Lands	558	1,759	1,460	1,460		
Entitled & Not Built	513	0	1,697			
Other Identified Growth Areas Sub-Total		1,759	3,157	3,157		
Notes:						
* The Downtown Core includes the Downtown Growth Area, the Downtown Transit Employment Center, and the portion of the Diridon Station Area Urban Village east of Stockton Avenue and the Caltrain roadtracks south of West Santa Clara Street						
DU = Dwelling Units (Occupied and Vacant)						
Planned Housing Yield (DU) = The number of new dwelling units which would be produced within the identified growth area through redevelopment of the planned Mixed-Use Residential land areas at the anticipated density (DU/AC)						
Projected DU Growth by Horizon (Timeframe) = The planned number of new dwelling units within each growth area based upon the availability of Housing Growth Areas designated on the General Plan Land Use Diagram being made available in phases over time.						
Base - Existing entitled residential units (Citywide) plus the capacity for new residential units planned within Specific Plan areas.						
Vacant Lands = Potential development capacity based upon the current General Plan designation for sites identified as being currently vacant or significantly underutilized in respect to the current General Plan projected capacity. These lands are identified in the Vacant Land Inventory most recently updated by the City in 2007. Growth Areas that incorporate Vacant Land capacity are indicated with a (v).						



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Kim Welsh
Rosalynn Hughey
Jacky Morales-Ferrand

**SUBJECT: THE HOUSING CRISIS
WORKPLAN**

DATE: June 1, 2018

Approved

Date

6/1/18

RECOMMENDATION

Accept the staff report and approve the Housing Crisis Workplan.

OUTCOME

Implementation of the proposed workplan will enable staff to prioritize implementation and policy actions that facilitate the development of 15,000 market-rate and 10,000 affordable residential units by 2022.

BACKGROUND

On September 28, 2017 the Mayor issued a memorandum entitled "Responding to the Housing Crisis." This memo identified a large number of items to address the housing crisis and directed staff to identify which items could be implemented within an existing work program, which items required additional resources and prioritization at the October 17, 2017 Priority Setting Session, and which items would consume undue staff time, public cost or risk that would outweigh the likely benefit.

On October 12, 2017, Staff wrote a supplemental memo to City Council which identified 1) which items were "green light" items that staff would add to their department workplans; 2) which items were "yellow light" items that should be prioritized, and 3) which items would consume undue staff time, public cost or risk that would outweigh the likely benefit.

On October 17, 2017, City Council voted on those items that were considered "yellow" light as part of the Council Priority Setting Session. Of the seven "yellow" light items, two moved forward to prioritization and five did not receive sufficient votes to move forward (these items are detailed for reference in the *Items with No Work Currently Proposed* section below). The

June 1, 2018

Subject: Housing Crisis Workplan

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update to the Accessory Dwelling Unit and Garage Conversion ordinance was ranked in the Top Ten priority items.

On April 23, 2018, staff presented the Affordable Housing Investment Plan to the Community and Economic Development (CED) Committee. The Affordable Housing Investment Plan memorandum included potential strategies to help support the development of affordable housing.

ANALYSIS

This memorandum represents an analysis of the items included in the Mayor's September 28, 2017 memo, Council's October 17, 2017 Priority Setting Session, strategies identified in Housing staff's April 23, 2018 memo to the CED Committee, and other potential strategies to support and accelerate residential development in San José.

Housing Market Context

While the local economy is continuing to expand and create demand for high-skilled worker housing, San José's housing market has matured and slowed due to increases in the costs associated with new construction, and the flattening of rents relative to these increased costs. While speculative development remains challenging in many parts of San Jose, there are some developments already in the pipeline that could proceed in the near term. In addition, it is likely that some developers are exploring options and entitlements for development in the future. The Housing Crisis Workplan is intended to respond to these conditions by looking for opportunities to accelerate "shovel-ready" development projects to move forward during the current cycle, and ensure that development projects are poised to respond to any changes in economic conditions.

Between the years of 2009 and 2017, an average of 3,000 units were built per year. While San José's housing production may drop below this average over the next five years, the City can achieve its housing goal of 15,000 market rate units by 2022 through a combination of new construction and residential entitlements. This workplan focuses on work items that will move projects to construction in the near term, increase the number of housing entitlements approved by the City, and position development entitlements and permits to be able respond quickly to market conditions.

Housing Crisis Workplan

The following section describes the proposed work items presented in four categories:

1. Council Prioritized/Directed: Work Underway
2. Other High-Return Strategies: Initiate/Continue Work Next
 - a. Market Rate
 - b. Affordable
3. Lower Priority/Lower Return Items: To Be Initiated
4. Items with No Work Currently Proposed

I. Council Prioritized/Directed: Work Underway

Work in this category is considered High Return meaning “High Return on Units” (ROU) toward the 25,000-unit goal next five years. These items are underway and slated to be completed prior to the end of the calendar year.

Transition from Level of Service to a Vehicle Miles Traveled CEQA Threshold:

On February 27, 2018 the City Council adopted a new Transportation Analysis Policy 5-1 that established Vehicle Miles Traveled as the new CEQA threshold for transportation impacts, thereby eliminating Level of Service, or automotive delay, as a CEQA threshold in San José. The new Policy 5-1 will provide a more streamlined entitlement process for housing development that is consistent with and implements the Envision San José 2040 General Plan.

Urban Villages:

Horizon I Urban Villages collectively are a key growth area for new housing, providing near-term housing opportunities in Villages with City Council-approved Urban Village Plans. Given this, the City Council directed staff to move Horizon II or III Urban Villages locates along existing fixed rail or Bus Rapid Transit into Horizon 1 to accelerate residential development. As part of the annual General Plan review this fall, staff will bring for City Council consideration recommendations on Villages to move into Horizon I. Moving Villages into Horizon I will not, in and of itself, facilitate housing since Urban Village Plans also need to be approved by Council prior to the approval of new residential units that are not part of a larger Signature Project. Staff have recently initiated the preparation of Urban Village Plans for the Berryessa BART (Horizon 1) and the North First Street (Horizon 2) Urban Villages. In addition staff recently was awarded grants to complete Urban Village Plans for the Southwest Expressway (Horizon 2), Race Street (Horizon 2), and Alum Rock East (Horizon 3) Urban Villages, all of which include a light rail station. Staff will also be seeking funding through grants and/or a budget request to complete other light rail Urban Villages that the Council approves this fall to be moved into Horizon 1.

Another Urban Village item in this work plan was to complete the Urban Village Implementation and Amenities Framework. This Framework was approved by the City

Council on May 22. As directed by Council, staff will begin developing the Urban Village Zoning districts and framework this fall, with Council consideration of these zoning amendments in the spring of 2019.

Accessory Dwelling Units:

Accessory dwelling units (ADU) are number nine on the City Council Priority List. Staff will be bringing accessory dwelling units zoning code amendments for Council consideration on June 19th. These amendments will provide additional flexibility for the development of ADU's as a means to encourage their production and provide more housing opportunities in San José. Historically, few ADU's have been built in San José, in part because regulations limited their development. Between 2009 and 2016, 16 units were built each year, on average.

While ADUs will remain a relatively small portion of the City's housing production, their construction is anticipated to grow significantly and play an important role in achieving the City's housing goal. Following a significant relaxation in ADU zoning regulations by the City Council in December of 2016, the number of units produced in 2017 shot up to 92 units. In the first four months of 2018, 52 permits have been issued for ADU's, with a total of 22 in April alone. With Council approval of the proposed ADU zoning code amendments in June, the number of ADU's built is anticipated to increase further.

Staff are projecting that 1,000 new ADUs could be built between now and the year 2022, an average of 200 per year. Half of these units (500) are anticipated to be naturally affordable given their size, and per state guidelines could count towards the City's affordable housing production.

To encourage ADU production, the Housing Department and PBCE are planning to develop an ADU educational and promotional campaign. To develop and implement this campaign, staff will partner with the Housing Trust Silicon Valley, which recently received funding for a staff position to focus on ADU outreach, education, and potentially financing. The campaign may include an enhanced web site, educational handouts or "how to" manuals, and ADU educational and promotional events. The City has already received funding to develop an ADU educational video, similar to an award-winning video on single family additions.

North San José:

The review of the North San José Development Policy is Item Number 11 on the Council Priority list. This item includes the completion of environmental work and proposed policy amendments necessary to move 4,000 housing units, including 2,400 affordable units, in excess of the Phase I "cap" of 8,000 units. Opening up more housing capacity in North San José is anticipated to be one of the most significant and impactful work items that will move the City towards its goal of building or entitling 25,000 new housing units by the year 2022. Staff have identified a path forward to adjust the phasing in the North San José Development Policy to make all Phase II development capacity available for construction

now, including 8,000 new housing units. This work is anticipated to be completed over the summer with Council consideration of Development Policy amendments this fall.

Of the 8,000 housing unit capacity that would be made available through Policy amendments, 3,200 units will need to be affordable, with the remaining 4,800 units available for market rate development. This 3,200-unit capacity includes 1,600 affordable units from Phase I that were not built and moved to Phase II, and the 1,600 units that were originally planned in Phase II. Staff will be proposing Policy amendments to ensure that the total 3,200-unit capacity of affordable housing gets built and not pushed out to a later Phase. Staff will also propose criteria that market rate housing development will need to meet to be allocated a portion of the new 4,800 market rate unit capacity. These criteria could include minimum densities and the inclusion of place-making amenities and retail, as well as the inclusion of affordable housing units.

Downtown:

Downtown San José has and will continue to provide one of the City's primary opportunities for new housing. Recognizing this, the City Council directed staff to focus resources to enable the construction or approval of 12,500 new units Downtown by 2022, in part by completing an update to the Downtown Strategy and EIR. This Strategy update will add 4,000 housing units to the capacity Downtown, establishing a total residential capacity of 14,000 units, and provide a more streamlined permitting approval process. Completing the Downtown Strategy update is a primary focus of City staff and the Strategy update is anticipated to come to Council for its consideration in the fall of 2018.

In addition to completing the Downtown Strategy update, the Council directed staff to:

- Modifications to the downtown zoning code including establishing height minimums, minimum densities, and requirements for ground floor active uses, and eliminating parking requirements
- Expand the boundaries of Downtown

The above work items are not anticipated to significantly impact housing production; however, with the approval of the proposal for two Planners to focus on housing in Downtown, Berryessa BART and North San José, staff would complete these items by the spring of 2019, building off the work of the Downtown Strategy Update.

West San José EIR:

The City of San José received a \$1.39 million grant from the Metropolitan Transportation Commission to fund the preparation of Urban Village plans for the Stevens Creek, Santana Row/Valley Fair and the Winchester Urban Villages. This grant also funded the preparation of a West San José EIR that would analyze the environmental impacts of these three "Tri Village" plans and the West San Carlos and South Bascom Urban Village Plans collectively.

With the Council approval of the “Tri Village” plans on August 8, 2017, staff are preparing a West San José EIR. Related to this EIR, staff have also been preparing a West San José Multi-Modal Improvement Plan (MTIP), identifying needed multi-modal transportation improvements as well as a funding strategy. Both the West San José EIR and MTIP are anticipated to go to Council for consideration in the fall of this year.

PDO/PIO Fee Study:

A residential project’s “parkland obligation” is based on the requirements of two Municipal Code Chapters: 14.25 Park Impact ordinance (PIO) and 19.38 Parkland Dedication ordinance (PDO). These ordinances require new residential development to provide three acres of land for every 1,000 people added to the community by a project.

A project’s parkland obligation can be met through the dedication of land, or payment of park impact in-lieu fees equivalent to the acreage of land required, or construction of new or rehabilitation of existing public recreational amenities. PRNS highly prioritizes land dedication as the means for a project to meet its obligation because it is very difficult for the City to compete with developers to buy land when market values exceed assessed values. When land dedication or other recreational improvements are not feasible, PRNS provides a mechanism to allow the developers to pay an “in lieu” fee that is then used to build new or redevelop existing parkland, community centers, and trails.

PRNS is in the process of updating the Greenprint which is the long-term strategic plan that guides the future expansion of San José’s parks, recreation facilities and community services. Once the Greenprint update is complete (expected in 2018), PRNS will analyze how park impact fees are assessed under the Park Impact and Parkland Dedication ordinances (PIO/PDO).

Regional Housing Strategy: CASA – The Committee to House the Bay Area:

Leaders from across the Bay Area are working together to build an actionable housing plan that will increase housing production across the region targeting all levels of affordability, preserve existing affordable housing, and protect vulnerable populations from housing instability and displacement. The Mayor is a member of the CASA Steering Committee and the Director of Housing is a member of the Technical Committee. The CASA process began in June 2017 and it is anticipated that the process will be completed in Spring 2019. The final work product will include regional solutions in all three identified areas including production, preservation, and protection.

Anti-Displacement and Dispersion Strategies:

Urban growth may result in the displacement of existing residents who cannot afford the increased housing costs. For the last three years, the Housing Department has been working on strengthening tenant protections which have included lowering the annual rent increases in rent stabilized apartments, creating just cause eviction protections, and creating an Ellis Act Ordinance that provides relocation and other rights for tenants displaced due to redevelopment of their buildings. The City has also worked on mobilehome park closure

policies to increase transparency for park owners wishing to close and convert their parks, which are subject to mobilehome rent stabilization. However, the City needs to develop a more comprehensive set of tools to prevent and mitigate displacement as the community continues to densify.

San José was recently named part of a 10-city anti-displacement learning cohort sponsored by PolicyLink, a national equity and community development nonprofit based in Oakland. The San José team includes Vice Mayor Magdalena Carrasco, Director of Housing Jacky Morales-Ferrand, and Director of Planning, Building and Code Enforcement (PBCE) Rosalynn Hughey. It also includes three representatives from San José nonprofits – Derecka Mehrens from Working Partnerships, Nadia Aziz from the Silicon Valley Law Foundation, and Shiloh Ballard from the Silicon Valley Bike Coalition. The team will assess local challenges and will determine tools appropriate for San José. Part of that work will include significant community outreach to local organizations and residents to determine their concerns and desires. Staff expects this work to result in the creation of an Anti-displacement Plan for City Council consideration in 2019.

Advocate for State Legislation:

While many communities responded to the loss of redevelopment by passing local bond measures, State funds remain a vitally important financing layer needed to create affordable housing. During the last legislative session, the State Legislature passed SB 3, the Veterans and Affordable Housing Bond Act of 2018. SB 3 authorizes the issuance of \$4 billion in State General Obligation bonds. If approved by the voters in November 2018, it will fund a range of affordable housing preservation and construction activities, infill infrastructure, and transit-oriented development. Of the total, \$1 billion will be earmarked for a veteran's homeownership program, and \$3 billion will fund existing State affordable housing programs. This session's SB 1206 (De León) authorizes the State to put on a Statewide ballot the \$2 billion No Place Like Home Act, originally passed by the legislature in 2016, but delayed due to legal challenge.

City staff continue to actively track dozens of housing-related State bills, and are working with the City's lobbyists to give feedback on key legislation. Several active bills could create investments in affordable housing. Their current status is as follows.

Two bills, AB 3171 (Ting) and AB 912 (Beall, Skinner), seek to use a significant portion of the State's surplus for one-time funding of a variety of strategies to address homelessness, including creation of Permanent Supportive Housing. AB 3171 (Ting) would provide \$1.5 billion in one-time funding for matching grants to cities to address homelessness. AB 912 (Beall, Skinner) would authorize \$2 billion in one-time funding to State programs and to matching grants for local government to address homelessness. Given their large proposed sizes, these bills are currently being negotiated through the State budget process. As an alternative to the proposed bills, Governor Brown proposed \$359 million in his May Budget Revise for one-time stop gap funding for affordable housing, including \$250 million in emergency flexible spending block grants to Continuums of Care for

homelessness. On May 16, 2018, Senate leadership released a new Senate Housing budget proposal, which proposed the State invest \$5 billion over 5 years to State housing programs and to matching grants for cities and counties to address homelessness. Staff will be able to determine the amount of additional State resources allocated to housing and homelessness when the State Budget is adopted on June 15, 2018.

In addition, SB 918 (Weiner, Rubio) would establish a State Office of Homeless Youth and would provide \$60 million in annual grants to address youth homelessness.

Deferral of Payment of Fees to Certificate of Occupancy:

Under the City's current provisions for the collection of impact fees and taxes, payment occurs at the issuance of building permit upon completing the building permit review process. The purpose of this is to ensure that these fees are paid by the developer in a timely manner, using the issuance of the permit as a clear delineation. Some developers have provided feedback that deferring payment of these fees until issuance of the Certificate of Occupancy would help defer upfront costs and improve the chances of a project going forward. Currently the Inclusionary Housing Ordinance's (IHO) In-Lieu fee has provisions for payment at Certificate of Occupancy and several recent incentive programs have made use of this provision. In the case of IHO, the developer is entering into an agreement with the City which provides additional recourse for non-compliance. One concern with the deferral approach is that there is often significant pressure once a development is constructed to allow residents to move in, and the holding up of the Certificate of Occupancy becomes increasingly difficult. Staff will continue to work with the City Attorney's Office to refine an approach to resolving these challenges and will return to Council in the fall with appropriate actions.

II. Other High-Return Strategies: Initiate/Continue Work Next

In addition to analyzing the items prioritized and directed by Council, staff has explored other strategies to increase both market-rate and affordable housing development.

a. Market Rate Housing

Move the West San José Urban Villages into Horizon I:

As discussed at the April 26 and May 1 first Study Sessions, West San José is the location in San José where market rate housing development is most likely to break ground in the current market, given that rents are high enough to offset the high and increasing cost of construction. The Winchester, Santana Row/Valley Fair, and Stevens Creek Urban "Tri Villages" have a combined unbuilt and unentitled housing capacity of 7,521 units. The Villages are currently Horizon III however, and these plans include policies that make it challenging for housing projects to move forward using the General Plan's Residential Pool policy. To unlock the housing capacity of the Tri Villages staff, recommend that these Villages be moved from Horizon III to Horizon I one as part of the 2018 General Plan Annual Review.

While the economics of new residential development are likely not as strong as in the Tri-Villages, staff recommends that the South Bascom Urban Village also be moved to Horizon 1. This Urban Village is currently Horizon III, but is adjacent to a light rail station, and has a City Council-approved Urban Village Plan. The South Bascom Urban Village has a housing capacity of 1,560 housing units. Moving the South Bascom Urban Village, together with the Tri-Villages, into Horizon I would increase the City's immediately available market rate housing capacity by 9,081 units.

Downtown Highrise Construction Tax Reduction and Affordable Housing Exemption:

With approximately 4,000 residential units in the pipeline, Downtown is currently the nearest term opportunity to capture housing in this market cycle. The current Downtown Highrise Incentive requires projects to have pulled building permits by July 31, 2018, and scheduled final inspection for eighty percent of the residential units within the downtown highrise structure on or before December 31, 2020. There are a number of projects that are close to being ready to move forward but would likely not make this deadline.

The current incentive involves a 50% reduction in Parks fees (PDO/PIO) and Construction Taxes. On December 19, 2017, the City Council adopted a new permanent Downtown Core Highrise PDO/PIO Fee Category (Resolution no. 78474) for projects that are 12-stories (or more) located in the Downtown Core, to recognize the different occupancy patterns occurring in highrise development. The construction tax portion of the incentive is now the primary benefit for eligible projects.

Prior to the transition to the Inclusionary Housing Ordinance (IHO) in December, 2017, the Affordable Housing Impact Fee (AHIF) Program included an exemption for downtown highrise projects that received Certificate of Occupancy prior to June 30, 2021. On December 19, 2017 City Council directed staff to bring forward a resolution to authorize reducing fees to zero for Downtown Highrise projects to align the IHO provisions with those of the prior AHIF and to ensure that projects under development are not subject to changing circumstances. Staff will return to Council later this month to finalize this implementation action.

In conjunction with the work outlined in the previous section to defer payment of fees until Certificate of Occupancy, staff is proposing to extend the incentive on Construction Taxes (50% reduction) that requires building permits by July 31 to align with Council's direction on the IHO exemption—to receive a Certificate of Occupancy prior to June 30, 2021. This would likely give several projects on the verge of moving forward an additional year to pull building permits.

As a new policy consideration, an extension of the construction tax incentive would be subject to the new provisions for including workforce standards in projects receiving a public subsidy. Prior to bringing the extension forward to City Council, staff will need to complete an Infeasibility Analysis in conjunction with a third-party development consultant

to demonstrate that the subsidy is required for projects in the highrise subcategory to be viable.

Establish a Housing Concierge Service:

Staff propose to establish a “Housing Concierge” Service to facilitate and promote both market rate and affordable housing opportunities. This service would help housing developers with site selection, and help navigate the City’s policy and ordinance framework, and entitlement process. This service would also proactively market housing sites or opportunities to potential developers and investors, informing them of programs such as Opportunity Zones and the associated federal tax benefits, and locations within the City with potentially expedited CEQA due to low Vehicle Miles Traveled conditions.

The “Concierge Service” would comprise of a team of largely existing staff in the Office of Economic Development (OED), PBCE, and Housing. Ultimately, an effective Concierge Service will require a dedicated lead position, ideally in the City Manager’s Office. OED’s Business Development Program currently provides these types of concierge services to businesses and developers, including residential developers in key growth areas such as North San Jose and Downtown. Staff is exploring whether to reallocate a portion of a Business Development Officer position to lead efforts related to encouraging housing development, or recommend adding other resources in the City Manager’s Office to be the lead on the Housing Concierge Service. The Housing Department also recently received a grant from Destination:Home Silicon Valley to fund an Affordable Housing Planner position in PBCE for three years. This new position would be an integral part of the Concierge Service, but focus on affordable housing only.

In addition to providing services to housing developers and marketing housing opportunities, the team would oversee and coordinate the implementation of this work plan. As part of this effort, staff will develop a spatial data base of housing opportunity sites. Staff could also potentially identify and undertake other policy or ordinance work, or process improvements that would facilitate housing.

Permit Timelines:

Following the Great Recession, San José experienced several years of a relative housing boom as demand, market, and economics aligned to provide a fertile environment for new residential development. The City’s ability to respond to this opportunity quickly resulted from many projects located in key growth areas being entitled and receiving development clearances immediately prior to the recession. This meant that as the market returned many development projects in Downtown and North San José were poised to break ground as financing became available; they had a more favorable risk profile than projects that were just getting underway. To the extent that the current development cycle begins to slow and potentially stall, staff recommends being prepared to undertake amendments to significant development projects to allow the extension of permits beyond the typical two years, with two one-year extensions. This will provide developers that same opportunity to get ahead of the cycle and deliver more housing units within a shorter timeframe.

Cost of Residential Development Models:

During the recent City Council Cost of Development Study Sessions on April 26 and May 1, staff presented an average cost of development for multi-family residential development. Providing a clear, consistent, and transparent basis for understanding the City's fee requirements gives developers the opportunity to refine their pro-forma early in their process and reduces the risk of under estimating fees. Staff recommends continuing to refine and update the cost of development models created for the study session and make them readily available to the development community. In addition to providing a breakdown of cost per unit, this model would be used as the basis for analyzing future changes to fees and presenting information on upcoming increases.

b. Affordable Housing

Private, Public, and Nonprofit Investments:

It is essential for our regional economy that workers of all incomes be able to live near their jobs and pay reasonable housing prices. Major Silicon Valley firms have recently begun to increase their investments in affordable housing. The Housing Trust of Silicon Valley has created The Tech Fund (Tech + Equity + Community + Housing) to provide start-up capital to affordable housing developments. LinkedIn recently invested \$10 million into the fund, increasing the total amount of investment to \$30 million. Cisco announced last month a \$50 million commitment to Destination:Home to support the development of permanent supportive housing and ELI housing. And finally, the Chan Zuckerberg Initiative is planning a regional housing fund as a vehicle for private investments. This activity demonstrates that major employers are beginning to invest in affordable housing. Staff's recommendation expands the Mayor's proposal to leverage private dollars to finance not only housing for the "missing middle," but also to finance lower-income affordable housing developments.

In addition to a potential fund, staff is taking several actions to promote moderate-income housing, which cannot be funded with low-income housing tax credits and therefore are more infrequently produced. This includes: counting market-rate apartments with moderate-level rents towards Regional Housing Needs Allocation goals; examining different private financial products and partners for the creation of moderate-income rental housing in our market; collaborating with the Silicon Valley Housing Trust to promote use of its new ADU program; creating more City strategies to promote ADUs; and examining other tools such as federal Opportunity Zones as a potential incentive to create moderate-income housing. Finally, the Housing Department is engaging a consultant to develop a broad moderate-income housing strategy to address the needs of the missing middle. The Department will bring a moderate-income strategy to the Community and Economic Development Committee in late 2018.

Given the City's \$125,000 per unit funding cap, affordable housing developers will need to leverage other sources such as those from County Measure A. As the pipeline of

affordable housing developments continues to grow, the Housing Department will prioritize funding requests from developers that apply for the State's Affordable Housing and Sustainable Communities Program (AHSC). AHSC is one of the State's largest affordable housing funding programs that also can fund cities' much-needed nearby infrastructure improvements that reduce greenhouse gas emissions. For the City's AHSC strategy to work, it is important that the organization devote significant focus and ongoing staff resources to plan and execute AHSC projects.

Commercial Impact Fee:

The Housing Department has published a chart of potential funding sources for affordable housing that have been considered in the past. The Housing Department's April 23, 2018 memo to the Community and Economic Development Committee provides a brief description about the sources, some of which require a vote of the people to implement. Many of the sources identified are used to fund affordable housing in other communities. There are very limited options that do not require voter approval. The Commercial Impact Fee (CIF) is one option that the City Council previously reviewed. In March, 2017 City Council directed staff to explore regional partnerships and study how a regional fee structure or revenue-sharing might address the need. Staff was directed to postpone reconsideration of a potential CIF following completion of deliberations by other cities. On January 12, 2018, staff released an Information Memorandum on the progress of the regional grand nexus study for commercial impact fees. The Housing Department is waiting to find out what action, if any, the City of Milpitas is going to take and will return to the City Council with a final report for further direction.

Staff recommends the following sequence of steps:

- Set a September date for a City Council Study Session on "Cost of Development: Commercial and Industrial", with a similar development prototype- and geography-based approach taken for the Housing Cost of Development Study Session
- Continue to advocate for a regional approach to scaling CIF's, a regional jobs-housing linkage fee
- Initiate the Nexus Study for a Commercial Impact Fee for the Diridon Station Area, as part of a potential "Diridon Transit Area Infrastructure Fee Program"
- After the Study Session and Diridon Area Study, consider initiation of a citywide Nexus Study, which would document the linkage between types of development, the new workers employed in the space, the need for affordable housing, and maximum legally supportable CIF that could be imposed (offices, R&D facilities, manufacturing facilities, retail stores, hotels, warehouses)
- In the Fall, after the Study Session and Diridon Area Study, consider initiation of a Financial Feasibility Study to estimate what level of commercial impact fee could be absorbed by the market for different development types in different geographic locations, given current commercial rent levels and the cost of development in San

José. Also, assess potential impact on San José's competitiveness vis a vis other Santa Clara County cities and Fremont, and on the City's jobs to employed resident imbalance.

Mixed-Income Development:

Consider allowing mixed-income developments to proceed within an Urban Village ahead of a Growth Horizon. This change would benefit development of both affordable and market-rate apartments, and fits with other tools that help affordable housing production. State streamlining applies in San José for all developments that are at least 50% restricted affordable and meet other defined criteria, so it is possible that the City could already be required to approve some mixed-income developments in Urban Villages in a future horizon. Tax-exempt bond financing, a frequent financing tool for mixed-income affordable developments, requires at least 20% or 40% of units to be affordable, depending on depth of affordability. If the City Council wants to explore this strategy, staff recommends that it be considered during the next Four Year Review of the General Plan scheduled to be initiated in 2019.

Refine General Plan Policy H-2.9 (the "1.5-acre rule"):

Complete a comprehensive review of General Plan Policy H-2.9 and evaluate if SB 35 streamlining can be applied to affordable housing developments on these sites SB 35. Objective definitions should be adopted to define what "underutilized" and "viability of surrounding commercial properties" means so that developers can take advantage of existing streamlining law and the existing General Plan. Staff recommends that this review begin immediately.

100% Affordable Zoning Code Amendment:

Affordable housing development is essentially compatible with commercial areas. The zoning code could be amended to enable affordable developments to proceed by-right with a Site Development Permit. Development applications could be approved by the Planning Director and be appealed to the Planning Commission. This change would facilitate more efficient development timeframes, would reduce costs, and would increase development certainty.

Commercial Space Requirements:

Ground floor commercial and community uses bring jobs, amenities, and street activation to a neighborhood. However, many affordable housing developments are facing challenges filling traditional commercial space because affordable housing financing cannot be used to fund the commercial space. There are three issues that consistently arise with the ground floor commercial requirement for an affordable housing development: 1) Commercial interior spaces sometimes remain unimproved which adds additional risk to the affordable housing development; 2) ground floor commercial space is sometimes difficult to rent once it is completed, and rents derived are frequently low; and 3) ground floor commercial space reduces the number of affordable apartments that can be created which in turn increases per unit subsidy requirements. Housing Department staff would work with staff from both

PBCE and OED to consider potential changes to the commercial space requirements for affordable housing.

Affordable Housing Land Acquisition:

Finding a suitable site for an affordable housing development is a challenge in San José's real estate market. High land prices and competition for sites make it difficult for an affordable developer to acquire land. The lack of viable sites is often identified as a primary obstacle to affordable housing developments. Developing a pipeline of sites will ensure that available funds are deployed as quickly as possible and could help to accelerate the expenditure of Measure A funds. This recommendation builds on the Mayor's recommendation to better identifying housing sites. The City, could identify and map underutilized or surplus publicly-owned sites, and small sites that meet the 1.5-acre rule, to facilitate the development of affordable housing.

Land Acquisition Loan Fund:

The City provides limited funding for land acquisition; however, it is very difficult for City staff to get City Council approval and close land acquisition loans in less than 120 days. There is also a small degree of uncertainty in the City Council funding approval process. This lead time is too long for affordable housing developers to compete with market-rate developers, who can make cash offers and close in 30 days. City staff only has the authority to approve a predevelopment loan of up to \$100,000, \$90,000 of which must be secured, without going to the City Council for approval. The site must also have the appropriate zoning and the environmental review must be completed. Creating or investing in an Acquisition Fund that is nimble and flexible will allow affordable housing developers to compete quickly in today's real estate market. The Acquisition Fund would be used to acquire land and buildings for future affordable housing development.

Land Trust:

Community land trusts (CLTs) are an established long-term affordability tool employed across the country. A CLT is organized to hold land and buildings for the benefit of the community and/or individuals. The acquired land can be vacant, residential, or commercial, but the goal is to determine the best use of the land and develop it accordingly. The CLT could work in conjunction with the acquisition fund to acquire and hold land until an affordable housing developer is identified. This reduces the risk and cost of holding the land for the developer. The land trust could hold the land in perpetuity to protect the community investment, and could ensure that ongoing affordability is present in key locations throughout the City. Or, the City could evaluate its capacity to purchase and hold land as an alternative to developing an independent CLT. Staff is currently researching CLTs' appropriateness for San José.

III. Lower Priority/Lower Return Projects: To Be Initiated

This Housing Crisis Workplan includes a number of items that are not anticipated to contribute significantly to the City's housing production goal; the projected number of units to which an item would contribute is provided for each item. While not anticipated to have

a significant impact, staff will still address the items at a later date. They will be given lower priority than the items listed above in this workplan.

- Update Downtown Zoning requirements to establish a minimum height and density and eliminate parking requirements (Units: 0)
- Explore public/private parking opportunities (Units: 0)
- Expand the Downtown boundary (Units: 0-150)
- Explore CFDs for payment of fees (Units: 0)
- Reimagine underutilized business corridors to allow the integration of housing (Units: 100-200)
- Pursue amendments to the General Plan to allow infill on problem/nuisance properties (Units: 0-50)
- Allow infill housing on isolated employment lands (Units: 0-100)
- Identify non-viable commercial or office sites for housing (Units: 0-100)
- Explore opportunities to leverage private dollars to finance housing for the "Missing Middle" (Units: unknown)
- Require elevated affordable housing inclusionary requirements for housing conversions without City consent (Units: 0)
- Explore micro housing for the homeless on Caltrans Sites (Units: 0 - 25)

IV. **Items with No Work Currently Proposed**

The items below were given a yellow light, because they could not be addressed with existing resources, and were sent to City Council Priority Setting Session for prioritization on October 17, 2017. At this Priority Setting Session, these items did not get enough votes to be added to the Council Priority list. Given this, no work is proposed on these items at this time and they will not be included in the Housing Crisis Workplan.

Student Housing:

Working with the Planning Department of San José State University, identify additional opportunities (without DC zoning) to accommodate more housing for students, University staff, and the community.

Regional Fee Study:

Solicit private sector developer partners to fund a regional fee study that fairly assesses the aggregate cost of impact, regulatory, and processing fees in jurisdictions throughout the Valley, and enables comparisons of those fees for apples-to-apples projects.

Teacher Housing:

Report to Council regarding the response of school districts to the City's efforts to offer City help in funding affordable housing development on school district land for teachers and school staff, and enlist Mayor and Council in identifying and advocating with supportive districts to launch pilot efforts.

One Color on the Map:

Align the zoning districts of properties with those General Plan land use designations to reduce processing time and staff work, and make land use decisions more transparent.

Empty Home/Empty Parcel Fee:

Evaluate legal and policy justification for an “empty home” fee, similar to the city of Vancouver, British Columbia, to incentivize expansion of rental housing supply, and to generate dollars for affordable housing.

Proposed Housing Crisis Workplan

#	Item	Lead Department	Status
<i>I. Council Prioritized/Directed+ High Return+ Work Underway</i>			
1	Transition Traffic Analysis from LOS to VMT:	DOT/PBCE	Complete
2	Continue to implement Urban Villages: a. Implementation Framework: b. Move Horizon II Light Rail Villages into Horizon I	PBCE/OED PBCE	Complete Fall 2018
3	Update the Accessory Dwelling Unit and Garage Conversion ordinance	PBCE	Council June 19, 2018
4	Make addition residential units available in North San José	OED/Housing	Fall 2018
5	Complete the Downtown Vision and EIR	PBCE	Fall 2018
6	Complete the West San José Urban Village EIR	PBCE/DOT	Fall 2018
7	Complete the PDO/PIO Fee Study	PRNS	Initiate Spring 2019
8	Engage CASA on regional housing production	Housing	Spring 2019
9	Develop Anti-Displacement and Dispersion Strategies	Housing	Summer 2019
10	Advocate for State legislation that supports housing development	CMO/Housing	Ongoing
11	Explore deferral of payment of fees to Certificate of Occupancy	OED/PBCE	Fall 2018
<i>II. Other High Return Strategies: Initiate/Continue Work Next</i>			
12	Move-up Tri-Village Urban Villages to Horizon I	PBCE	Fall 2018
13	Extend the Downtown Highrise Incentive	OED	August 2018
14	Create a Housing Concierge Service	OED/PBCE/Housing	Summer 2018
15	Explore extending permit timelines	PBCE	Spring 2019
16	Publish cost of residential development models	OED	Fall 2018
17	Encourage private, public, and nonprofit investments	Housing	Ongoing

#	Item	Lead Department	Status
18	Explore options for a Commercial Impact Fee	OED/Housing	Spring 2019
19	Explore allowing mixed-income development ahead of Urban Village Plans through the four-year review	PBCE	Initiate Fall 2019 (GP Four Year Review)
20	Refine General Plan Policy H-2.9 (the "1.5-acre rule")	PBCE/Housing	Fall 2018
21	Amend the Zoning Ordinance to allow for 100% Affordable	PBCE	Spring 2019
22	Explore changes to Commercial Space Requirements for Affordable	OED/PBCE/Housing	Winter 18/19
23	Affordable Housing Land Acquisition Sites	Public Works/PBCE/Housing/OED	Spring 2019
24	Explore the creation of a Land Acquisition Loan Fund	Housing	Feasibility assessment Fall 2018
25	Explore the creation of a Land Trust	Housing	Research late 2018
26	Hire an Affordable Housing Planner	PBCE	Summer 2018
III. Lower Priority/Lower Return Projects: To Be Initiated			
27	Update Downtown Zoning requirements to establish minimum height and density and eliminate parking requirements	PBCE	Spring 2019
28	Explore Public/Private Parking opportunities	OED	To Be Initiated
29	Expand the Downtown boundary	PBCE	Spring 2019
30	Explore CFDs for payment of fees	OED	To Be Initiated
31	Reimagine Underutilized Business Corridors to allow the integration of housing	PBCE	Spring 2019
32	Pursue changes to the GP to allow infill on problem properties	PBCE	Fall 2019
33	Allow infill housing on isolated employment lands	PBCE	Fall 2019
34	Identify non-viable commercial or office sites for housing	OED	Fall 2019
35	Leverage private dollars	Housing	To Be Initiated
36	Housing conversions without City Consent	PBCE	Fall 2019
37	Explore interim housing solutions on Caltrans Sites	Housing	In process

EVALUATION AND FOLLOW-UP

Items requiring Council approval will be brought forward for consideration per the proposed workplan. Staff will also provide annual progress reports on the Housing Crisis Workplan to the Community and Economic Development Committee.

PUBLIC OUTREACH

This memorandum will be posted on the City's Council Agenda website for the June 12, 2018 City Council meeting.

COORDINATION

The memorandum has been coordinated with the City Attorney's Office, Department of Transportation, Department of Public Works and the Department of Parks, Recreation, and Neighborhood Services.

COMMISSION RECOMMENDATION/INPUT

There is no Commission action associated with this item.

CEQA

Not a Project, File No PP17-009 (a), Staff Report, Assessment, Annual Reports and Informational memos that involve no approval of City action.

/s/
KIM WALESH
Deputy City Manager
Director of Economic Development

/s/
ROSALYNN HUGHEY
Director
Planning, Building and Code Enforcement

/s/
JACKY MORALES-FERRAND
Director
Housing Department

For questions please contact Chris Burton, Deputy Director at (408) 535-8114; Michael Brilliot, Division Manager at (408) 535-7831; or Kristen Clements, Division Manager at (408) 535-8236.

The following
items were
received after
packets were
distributed.



November 14, 2018

Ms. Rosalynn Hughey
City of San José
Director of Department Planning, Building & Code Enforcement
200 E. Santa Clara St.
San Jose, CA 95113

Dear Ms. Rosalynn Hughey,

RE: City-Initiated General Plan Text Amendment GPT18-007


VTA respectfully submits this letter regarding our support of the proposed movement of eight Urban Village Plans to Horizon 1, as part of the City-initiated General Plan Text Amendment, GPT18-007 (Item 7.b.), scheduled to be heard at the November 14, 2018 meeting of the Planning Commission. VTA and the City share common goals to facilitate housing and mixed-use opportunities in areas that are well-served by frequent transit. Within this context VTA prefers that the General Plan Text Amendment bring all Urban Village Plans along fixed rail and VTA Frequent Network corridors (comparable to BRT) to Horizon 1 in order to support the creation of Transit Oriented Communities (TOCs) throughout the transit network.

As noted in the Planning Commission Staff Report for Item 7.b., Mayor Liccardo's September 27, 2017 memo established the goal of creating 25,000 housing units (of which, 10,000 would be affordable) to address the housing crisis. One of the Mayor's memo suggestions was to accelerate Urban Village Plans located along "fixed rail transit or Bus Rapid Transit (BRT)" from Horizons 2 and 3 to Horizon 1. The staff report clarifies that horizon changes do not accelerate housing production in itself because an Urban Village plan would still require Council approval prior to approving new housing units.

VTA encourages City staff to continue evaluating land use designations that will unlock and streamline opportunities for developing TOCs citywide. TOCs will also benefit from regional connectivity improvements to BART and other VTA services over the next several years. VTA is planning how best to achieve a shared citywide TOC initiative through the 2020 Envision San Jose Four-Year Review. VTA offers both a strategic partnership and planning resources to achieve common transit supportive land use goals.

We look forward to our continued partnership and engagement through this General Plan Text Amendment in addition to the 2020 Envision San Jose Four-Year Review, anticipated to begin in 2019.

Sincerely,


Chris Augenstein
Director of Planning & Programming