

From: Dennis Martin

Sent: Thursday, May 17, 2018 10:04 AM

To: City Clerk; The Office of Mayor Sam Liccardo; District1; District2; District3; District4; District5; District 6; District7; District8; District9; District 10

Cc: Weerakoon, Ru; Hughey, Rosalynn

Subject: City Council May 22, 2018 Agenda Item 10.1 Urban Villages

Please accept the attached correspondence to the San Jose City Council regarding the May 22, 2018 Agenda Item 10.1, Urban Village Implementation. You may contact me with any questions. Confirmation of receipt and inclusion with the hearing materials would be appreciated.

Yours truly,

Dennis Martin

BIA Government Affairs



May 17, 2018

Transmitted via EMAIL

Mayor Sam Liccardo
San Jose City Council
200 E. Santa Clara St.
San José, CA 95113

RE: May 22, 2018 Agenda Item 10.2, Urban Village Implementation Framework

Dear Mayor and Councilmembers,

BIA Bay Area appreciates the opportunity to comment on the Urban Village Implementation Framework. As the staff report for this item makes clear, the Urban Villages represent an essential strategy for the City—and indeed the region—to begin to address the crippling housing supply shortfall:

The Envision San Jose 2040 General Plan provides capacity for 120,000 residential units throughout San Jose. The General Plan creates capacity for approximately two-thirds of these units through the intentional intensification of existing commercial centers and corridors through the introduction of high density residential mixed-use projects. Through Major Strategy #5, the General Plan introduced the Urban Villages concept as one of the primary strategies to accommodate projected job and population growth.

Through the introduction of mixed-use residential development into many of San Jose's auto oriented commercial corridors and nodes, the Strategy aims to transform them into more urban, walkable mixed-use communities. The integration of significant high-density and mixed-use residential development is intended to complement significant employment growth planned for these areas in order to achieve the General Plan's Major Strategies including: Regional Employment Center, Measurable Sustainability/Environmental Stewardship, and Fiscally Strong City.

For Envision 2040 Major Strategy #5 to be successful, BIA urges you to not be placated with current Staff proposals regarding Urban Village implementation but instead to continue to push progressive, resourceful policy solutions that allow residential development to quickly move forward in relief of the grimmest housing emergency in Bay Area history. Our recommendations address two principal concerns that stand in the way of realizing the goals of Envision 2040:

- Entitlements: Further streamline the entitlement process in the urban village framework by incorporating proactive Village Plan-wide rezonings to the two newly envisioned zoning districts thereby fast-tracking housing while preserving vital legal protections for housing developments;
- Fees: Adapt Village Plan Amenity fees and city-wide impact fees to the feasible development potential of individual Village Plans based on economic feasibility studies of residential mixed-use development thereby incentivizing housing development in more Village Plan areas of the City.

In December 2017, the Council weighed in on Village Plan zoning entitlement process, directing Staff to return with a two-step rezoning process. Council direction does not go nearly far enough to relieve significant delay problems and legal protection shortcomings that afflict housing development in the City. The staff reports represent that the fundamental goals of the framework include providing streamlining and certainty to the developers in Urban Villages. From the November 2017 Staff Report:

“This Framework is intended to provide a mechanism for the integration of public enhancements and amenities in Urban Villages, and for implementing Urban Village Plans, that is simplified, transparent, and predictable for the development community, that provides meaningful impact to the community, and that streamlines the application process and minimizes the need for complex negotiation.”

That is essential because the city is contemplating imposing extremely costly extraction and amenity burdens on new housing development. In exchange, the city must provide as much streamlining and efficiency as possible consistent with its other articulated goals, including community involvement.

The proposed applicant rezoning process falls far short. The recommendation calls for retaining the worst element of San Jose’s status quo entitlement process: the requirement that housing developers obtain project-by-project rezonings where the general plan already allows the dense urban housing development called for within the Village Plan.

While the recommendation includes creation of a new mixed-use zoning district for residential development in the Urban Village plans, it inexplicably rules out proactively rezoning housing sites on a Village Plan -wide basis and instead calls for residential mixed-use projects to have to obtain a rezoning on a project-by-project basis. The fact that these project-specific rezonings would now go directly to the City Council rather than first to the Planning Commission does not go nearly far enough in improving the flaws of the status quo.

There is no legitimate planning or policy reason to continue this burdensome aspect of the status quo. Whatever community amenities, extractions, or conditions of approval the city desires to

impose on housing projects in the Village Plans (including CFD participation) can be effected through the terms of a village-wide rezoning.

The only consequences of retaining project-by-project rezonings are blatantly anti-reform. Because even project-specific rezonings undertaken to conform to the newly adopted general plan are considered “legislative” in nature, the recommended process would remove vital legal protections from every housing development in the Village plans including the protections of the Permit Streamlining Act and the Housing Accountability Act. The rezonings would also be vulnerable to referenda at the end of the lengthy and expensive entitlement process.

It is for precisely these reasons that BIA enthusiastically endorses one of SPUR’s top recommendations to improve the entitlement process in San Jose by adopting Village Plan-wide rezonings for housing projects:

SPUR Recommendation 2: As new Urban Villages are approved, adopt the zoning needed to implement those plans.

"Developers of new housing need to apply to change the zoning on their parcels in order to conform to the land use designations called out in the Urban Village plan. This dynamic creates a number of problems. It has the potential to politicize the approval of every new development, since each development requires legislative action to move forward."

“Adopting zoning for an entire Urban Village during the approval process would also have the benefit of creating certain legal protections for new housing. Projects that conform to zoning are more likely to successfully fend off referendums. They are also protected by the Permit Streamlining Act and the Housing Accountability Act.”

So again, BIA recommends that Council focus their policy aim on trying to ensure that once the Framework is in place that projects are not required to secure a project specific rezoning. At minimum, a project that pencils and follows all the rules should be able to proceed protected by the Housing Accountability Act and the Permit Streamlining Act and not be subject to referendum.

Any suggestion that project-by-project rezoning is necessary to protect the City’s legitimate planning goals related to securing amenities or CFD participation is simply not true. Those conditions and requirements can be written into the zoning ordinance itself so that any individual project that is proposed will have those conditions already applicable by the underlying zoning and a Site Permit will not be approved without adherence.

With respect to the related issue of housing project feasibility, at the April 26th and May 1st City Council meetings, the Council studied the economic feasibility of housing production throughout the City. The findings of these study sessions are bleak. Housing construction is not feasible, according to Staff and Consultant studies, in most of the City and is currently likely in only one

area, that is West San Jose/Stevens Creek. A significant contributing factor to infeasibility is the cost of City imposed impact fees and taxes, including affordable housing fees, parks fees, and construction taxes.

The City now proposes to add a 2% of development value Urban Village Amenity fee to an identified unsustainable impact fee/tax burden. According to the Staff Reports:

“Pursuant to the proposed Framework, the amenities required of a development ultimately would need to be consistent with the applicable Urban Village Plan, incorporate community input, and be appropriate and feasible for the given development.”

“...the market analysis conducted by staff and its consultants, with input from developers, concluded that the proposed amenity requirements would not be a deciding factor in development moving forward. High Density mixed-use projects in West San Jose could proceed with or without amenity contributions, and most speculative development in the other Urban Villages would not proceed at this time, with or without this requirement.”

Why would Council be willing to accept this plan of action when the creation of more housing is at a critical juncture? BIA recommends that the City conduct Village Plan by Plan studies to determine a feasible fee structure that allows development to proceed if likely, particularly in North and West Central San Jose (West San Carlos and North First St.) where initial consultant studies have shown that development is “possible”. In these areas impact fees are higher than in Steven’s Creek, and rents are nearly equivalent. A scenario may be envisioned wherein the City sets fees aside in order to jump start development and then gradually brings fees up, much like the incentive program that has invigorated Downtown San Jose.

In closing, BIA Bay Area builders welcome the opportunity to achieve San Jose’s Urban Village housing objectives as outlined in Envision 2040. Adopting proactive Village Plan-wide rezonings and adaptive Village Plan amenity and city-wide impact fees are the critical policy solutions to achieve our mutual goals.

Yours truly,

Dennis Martin
BIA Bay Area

Cc: Rosalynn Hughey
Ru Weerakoon
Michael Brilliot
Chris Burton

From: Teresa Alvarado

Sent: Monday, May 21, 2018 4:28 PM

To: The Office of Mayor Sam Liccardo; District1; District2; District3; District4; District5; District 6; District7; District8; District9; District 10

Cc: City Clerk; Jaclyn Tidwell; Kristy Wang

Subject: SPUR comments on Urban Village Implementation Framework (Item 10.2)

Please find attached SPUR's letter regarding the UV implementation framework.

Thank you, Teresa

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Teresa Alvarado

San Jose Director

SPUR • Ideas + Action for a Better city



SPUR

San Francisco | San Jose | Oakland

May 21, 2018

San Jose Mayor and City Council
San Jose City Hall
200 E. Santa Clara Street
San Jose, CA 95113

Re: Urban Village Implementation Framework (Item 10.2)

Dear Honorable Mayor and Councilmembers,

Thank you for the opportunity to weigh in on the Urban Village Implementation Framework. We appreciate the work that the council, staff and others have done to bring the urban village plans and this framework to this point. San Jose has taken the ambitious step of choosing to focus its future growth in existing infill locations, and the urban village strategy is a critical component of that vision.

SPUR strongly supports the urban village strategy. We want to help implement the city's vision of growing within walkable mixed-use communities that are connected by transit. In addition, the urban villages are key to creating the 25,000 units desired by 2022. However, retrofitting suburbia is not an easy or inexpensive proposition — it will require a comprehensive redesign and construction of streetscapes and public spaces that are designed around people and better ways for people to get around. The transformation of existing commercial centers and corridors will require good planning and significant investment by both the public and private sectors.

As we have reviewed the evolving implementation framework, the key questions for SPUR revolve around the question of whether the framework will be effective. What is the best framework to bring the urban village plans to life? How do we realistically plan for desired mixed-use projects, shape new development and transform the public realm?

1. Will the right amenities be prioritized and created? Will development provide neighborhood improvements that flow from the plan?

We appreciate that staff has clarified that urban village plans will have detailed priority lists that will guide what public amenities will be built by new developments. This is critical. We have had some concerns that there is not a strong enough connection between the plan's goals and what amenities will ultimately be provided, but the specifics outlined in the proposed West San Carlos urban village plan are moving in the right direction. While it makes sense for the developer to make the initial proposal, we would like to see stronger language emphasizing that the developer should be looking to the

adopted community-informed urban village plan for options and priorities. Flexibility is important, but we suggest that the city aim to minimize one-off negotiations between city and developers to create certainty for all stakeholders.

2. Will development move forward? Can amenities be created under current market conditions? Do we need to change fees or other requirements? What can be done besides waiving/reducing fees?

We are interested in understanding the methodology for using 2 percent of project value to size the urban village amenity contribution. In the spirit of reducing one-off negotiations, we are in agreement that a simple calculation is better than individual appraisals, but it looks like 2 percent may be arbitrary. In addition, we have concerns about using a citywide average value per square foot (\$555). It results in a one-size-fits-all value across the city, rendering development in some areas even more infeasible. As we have suggested before, we recommend setting up zones with different values pegged to market conditions. Oakland is divided into three impact fee zones to try and enable development feasibility in all types of markets. This may result in some areas not being able to capture as many dollars for improvements, but developments may be more likely to move ahead in those areas.

The recent city council study sessions have illuminated the real challenges of development feasibility at this moment in time. The cost of development is a widespread challenge throughout the region and is not a San Jose-specific issue. We think it would be a mistake to set up the urban village implementation framework without a mechanism in place to capture value and reinvest it in the urban villages. San Jose will leave money on the table in the long-run if we treat development as permanently infeasible, rather than thinking of the current conditions as a moment in time but rather a condition of this moment in time. In our *Room for More* report, we suggested that the city allow the deferral of fees to the completion of construction rather than the collecting them at the start of construction. This would allow for some temporary relief without forgoing needed investment. In summary, we recommend building a mechanism that works long-term for urban villages to get needed amenities and creating a temporary fee deferral in response to current conditions.

3. Will enough value be captured to implement an urban village plan vision? How else can city generate funding for urban villages?

As mentioned above, retrofitting suburbia will not come cheap. Creating great places is going to require serious financial investment from both the public and private sectors. Appropriately, the current framework requires some investment from private development. Those requirements should be based on financial feasibility — set at a

level that does not inhibit new development but that also generates sufficient benefit for the public.

However, private development's contributions (whether built in-kind or funded through payment of fees) will not be enough to fully realize the urban village plans. If the city is serious about retrofitting suburbia and delivering a great public realm in the urban villages, we need to identify more financing tools. In addition to private sector contributions, we suggest the city consider all EIFD, CFD, BID and potential future redevelopment tools that exist or may exist in the future as well as city resources. Some of these tools will only work in certain urban village markets. We acknowledge that finding new financing is not an easy task, but it is worthy of further attention.

SPUR believes that the urban village strategy is critical for the future of San Jose and the region. Figuring out how to plan these neighborhoods and implement the plans could show many other cities in the region and elsewhere how to create great infill mixed-use neighborhoods.

With more jobs coming to downtown San Jose in the next decade, urban villages are more important than ever, forming the key housing strategy for the city's growing workforce as well as an important strategy to grow transit-supportive places that build ridership for the future. Additionally, Mayor Liccardo's leadership toward building 25,000 new housing units can, in a large part, be realized in urban villages if the city is able to implement an effective framework.

Thank you for the opportunity to provide comments on the urban village planning process and implementation framework. Please do not hesitate to reach out to us at _____ or _____ with any questions or concerns.

Sincerely,

Teresa Alvarado
San Jose Director