



COUNCIL AGENDA: 5/17/22

FILE#: 22-707

ITEM: 10.2

Memorandum

TO: CITY COUNCIL

FROM: Mayor Sam Liccardo
Councilmember David Cohen
Councilmember Raul Perez

SUBJECT: SEE BELOW

DATE: May 12, 2022

Approved

Date: 5/12/22

SUBJECT: NORTH SAN JOSÉ STRATEGY

RECOMMENDATION

1. Accept the recommendations outlined in the staff memorandum.
2. Direct staff to return to Council as part of the Report on the Cost of Development with recommendations for increasing minimum density for the Transit Employment Residential Overlay (TERO) General Plan land use designation, including but not limited to:
 - a. Identifying areas that can sustain minimum densities of up to 100 dwelling units per acre net
 - b. Creating incentives to build beyond the minimum density requirements
3. Direct the City Manager to implement prior Council direction that 20% of all housing built in North San José must be rent-restricted affordable housing and return to Council by Fall 2022 with recommended strategies for meeting this goal. Recommendations should incorporate policies and North San José sites identified in the City's submitted Housing Element Draft. The scope of consideration should include:
 - a. Studying the feasibility of modifications to the Inclusionary Housing Ordinance to provide flexibility and incentivize on-site development of affordable units
 - b. Increasing the per-unit affordable housing subsidy in North San José where construction costs necessitate a need for a larger subsidy
 - c. Identification of sites in North San José that are best suited for an affordable housing overlay, with emphasis on site proximity to amenities and input from staff to ensure preservation/balance of key employment sites
 - d. Evaluating and reconsidering fee levels in North San José that may negatively impact housing development

BACKGROUND

We want to express our thanks to staff for their years of diligent work on this item. Ever since the initial North San José Area Development Policy (NSJADP) was first adopted in 2005, its

implementation has been a long and arduous process, with multiple revisions and changes in direction. That work has been crucial in setting us up to create unprecedented commercial and residential development opportunities in North San José.

The earlier NSJADP was built to address San José's chronically weak jobs-to-housing ratio by promoting jobs-generating uses in conjunction with residential development—and the plan saw early success, with some 8,000 housing units created in the years following its adoption. The structure of the plan, however, reshaped as a consequence of litigation with surrounding jurisdictions in 2005, impeded further development. Following the rapid development of the first tranche of 8,000 homes, not a single housing unit has been built in North San José in nearly a decade.

Nowhere has this shortfall been felt more keenly than in our city's efforts to meet our affordable housing goals—efforts in which North San José has the potential to play a leading role. Thus, we want to be explicit in recommitting the City to the ambitious goal we set when we approved the most recent version of the NSJADP in 2015: that at least 20% of all housing development in North San José be affordable to those who have been hardest hit by our housing crisis. By committing ourselves to this goal and implementing clear, specific strategies to achieve it, the Council can take an important step forward in getting the City across the finish line on its affordable housing goals. At the same time, we must also be thoughtful in our approach to identifying housing sites to not inadvertently inhibit our ability to position North San José as the city's lead employment center.

It is also imperative that we find ways to maximize the number of residential units of all kinds in each development. Staff's recommendation to increase the minimum density within TERO zones from 55 to 75 dwelling units per acre is a good start, and it would be worthwhile to build on that foundation by considering where and when we can go further. TERO zoned parcels convert previously zoned/designated commercial land for residential use; it is essential that we appropriately maximize densities at these sites. This need not be a one-size-fits-all approach; rather, we should accept staff's recommendation while continuing to thoughtfully identify areas in North San José that can sustain greater minimum densities or seeking to create incentives for developers to build more densely where possible.

Today's discussion presents us with a critical opportunity. San José is grappling with a housing crisis that continues to displace our most vulnerable residents and families and undermine the quality of life for those who remain. North San José, one of the few places in Silicon Valley that still has land to build out, is a critical part of the solution to this crisis. We must take this opportunity to create a strategy that opens this crucial area to residential and commercial development, and lays the foundation for a thriving, vibrant North San José community.