



# Memorandum

**TO:** HONORABLE MAYOR  
AND CITY COUNCIL

**FROM:** Rosalynn Hughey  
Kim Walesh

**SUBJECT: REPORT ON THE URBAN VILLAGE IMPLEMENTATION FRAMEWORK**      **DATE:** November 20, 2017

Approved

Date

11/21/17

## SUPPLEMENTAL

### REASON FOR THE SUPPLEMENTAL

This supplemental memorandum provides updated information on staff's proposed approach to the implementation of Urban Village Plans with respect to the provision of amenities and area improvements. This item was originally scheduled for Council discussion on June 6, 2017; however, it has been deferred twice to allow staff time to further refine the approach and conduct additional outreach to the development and Urban Village stakeholder communities. The overall Urban Village Implementation Framework discussed below will further the General Plan's Urban Village Strategy by facilitating private development that implements the individual Urban Village Plans, including mixed-use projects with housing.

### BACKGROUND

The Envision San José 2040 General Plan provides capacity for 120,000 residential units throughout San José. 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 José'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.

As highlighted by the Mayor's September 28 memorandum to the Rules and Open Government Committee on *Responding to the Housing Crisis*, Urban Villages represent one of the City's best opportunities for several thousand more housing units in market-ready areas of San José, but effective implementation of the Urban Village concept requires a straightforward and predictable means for developers to understand the requirements. Based on City Council's direction in April of this year, staff is returning with a proposed approach to Urban Village implementation through the development of an Urban Village Implementation Framework Policy (Framework). 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. Staff is requesting that City Council provide direction to staff on the proposed approach prior to proceeding with additional technical analyses and returning to Council for approval of the Framework.

## **ANALYSIS**

### **Approach to Investment in Urban Villages**

The creation of vibrant mixed-use centers through the redevelopment of auto-oriented commercial corridors requires more than individual development projects. Attention must be paid to the public realm to ensure that the mix of uses and users integrates to create a denser, livelier, quality urban environment. With the end of Redevelopment in California, San José lost one of the tools that would previously have been used to invest in these areas. With this in mind, as part of the 2013 General Plan annual review, the City Council gave direction to staff that, "Urban Village Plans presented to the City Council for adoption in the future include an Implementation Financing Strategy for each area that describes and proposed infrastructure improvements and funding mechanisms." The two other mechanisms previously used to enhance the public realm in redeveloping areas have been Impact Fees, which require an infrastructure investment plan and nexus study per California law, or individually negotiated Development Agreements with individual development projects to ensure investment in an area above and beyond what is otherwise required by the City.

In creating the proposed Framework, staff has developed an alternate approach to achieve the desired outcomes of the Urban Village strategy building on recent best practices in other California cities. This approach would establish an Urban Village Enhancement Implementation Framework Policy, adopted by resolution by the City Council, that identifies an appropriate monetary contribution to be provided by new mixed-use development within Urban Villages, and that can be subsequently offset through the inclusion of on- or off-site improvements. The Policy would be controlled by the rezoning of individual properties and through the development permit process, and is intended to supplement and enhance the individual Urban Village Plans adopted in each area. The Policy would work in tandem with amendments to the Zoning Code that would establish the entitlement process for development in Urban Villages and would work in tandem to establish mechanisms for the development and maintenance of urban village

amenities identified by the individual Urban Village Plans. The proposed Zoning Code framework, entitlement processes, and process to select urban village enhancements, which would be included in this Policy, are discussed below.

Through the developer outreach process, staff received feedback that this approach is likely to encourage development by providing developers and property owners an appropriate monetary contribution by the development that can then be offset by the inclusion of improvements on or off-site. The proposed Framework is designed with this approach in mind.

As discussed above, residential mixed-use projects would be required to provide defined urban village amenities as a condition of their site development permit. The amount of urban village amenities that would need to be provided would be established by the value of a proposed project. An example, for illustrative purposes, could use 2% of the estimated total value of the proposed project. The amount required, or value of the proposed enhancement to be provided, would need to equal 2% of the estimated total value of the proposed project, where the value of the amenities would be defined as the cost to provide those amenities. To encourage developers to include or build the amenities as part of their project, a developer would receive more credit for building a given enhancement than the actual cost to construct that enhancement. A developer could, however, choose to pay the full contribution amount required to the City instead of building the amenities.

As part of the permit process, developers would propose which of the amenities their project would provide. Ultimately, the amenities included in the approved development would be a result of developer input and enhancement feasibility, identified community priorities in each Urban Village Plan, and input from the community provided as part of the community outreach process.

#### Process for Including Urban Village Amenities

Under the new Urban Village Enhancement Implementation Policy, residential mixed-use projects would be required to provide additional urban village amenities as a condition of their development permit approval. The amount of urban village amenities that would need to be provided would be established by the value of a proposed project. Staff intends to fully analyze the financial feasibility of this approach on future development projects once the City Council has provided feedback on the overall approach; however, initial analysis conducted with the support of a real estate advisory consultant suggests that the value of the proposed enhancement could equal 2% of estimated value of the proposed project. Staff is also proposing the creation of a formulaic approach to defining the value associated with projects based on geographical areas of the City.

As part of the permit process, developers would propose which of the amenities their project would provide. Ultimately, the amenities included in the approved development would be a result of developer input and enhancement feasibility, identified community priorities in a given Urban Village Plan, and input from the community provided as part of the community outreach process. To encourage developers to include or build the amenities as part of their project, a

developer would receive credit by building a given enhancement than the actual cost to construct that enhancement. A developer could, however, choose to pay the full amount to the City for the contribution required, should they not wish to build amenities.

To illustrate how the process to include amenities would work, an example is included as an attachment to this memo. The example is a hypothetical project in an Urban Village in West San José that proposed 400 residential units on 4.6 acres. For the purposes of the attached example, staff has estimated the estimated project value by using an average price per unit of \$600,000, resulting in an overall project value of \$240 million. At 2% of total value, the project would be required to provide the equivalent of \$4.8 million in Urban Village amenities. As noted above, the developer of the project could elect to pay the \$4.8 million which would be used by the City to invest in public projects within the Urban Village. Alternatively, the developer could work with staff to identify appropriate amenities to be included in the project, or constructed off-site simultaneously, to offset this cost.

Staff has developed a list of the types of amenities that could be sought from market rate residential mixed-use development as a condition of development approval (provided below). Additionally, staff has developed a preliminary methodology for assigning credit to the construction of Village Amenities by the developer, that results in equal or greater value than the monetary contribution by itself. Staff prefers that the developer would elect to build the amenities thereby getting more credit than the cost of the amenities, and ensuring that they are built synchronously with the addition of new residents to the area. In the example provided, the effective cost to the developer of including the amenities was \$2.5 million, but the developer received credit for the full \$4.8 million in enhancement value required.

*Examples of Urban Village Amenities to be Provided*

This list of amenities was discussed with the development community and other Urban Village community stakeholders as part of staff's recent outreach efforts. As discussed in the May 26, 2017 staff report, it is not proposed that development would have to provide all the amenities included in the list, but would instead select a limited number based on the guidance of the Urban Village Plan, the feasibility in the context of the development proposal, and feedback from staff and the community through the development permit process.

- a. Privately Owned Public Open Space (POPOS). Privately Owned Public Open Space (POPOS) are spaces such as plazas, parks, and paseos that are privately maintained and publicly accessible, and which are consistent with the design guidelines of the applicable Urban Village Plan. Other municipalities have created minimum size requirements such as 2,000 square feet of POPOS with a recorded public access easement required. This amenity should be included as part of the design and construction of a mixed-use residential project to not only enhance the quality and value of a project, but also benefit the Urban Village.

- b. Commercial Space Above and Beyond Required – Development proposals could provide increased commercial space above the base amount required by a given Urban Village Plan. Different thresholds could be established that credits development for amenities relative to the amount of commercial space provided.
- c. Deed Restricted Space for “Non-Formula” Commercial or Community Uses. Some cities have requirements to provide space (conditioned and deed restricted for the life of the project) for uses that might not otherwise be able to afford new ground floor commercial spaces. These cities often provide such opportunities by restricting spaces to occupancy by business or uses that are non-formula or franchise business. Providing such space within new development has been identified as a need in a number of Urban Village Plan areas. The type of uses for which a developer could provide space include:
  - i. Production, Distribution and Repair uses (including maker type users)
  - ii. Non-profits
  - iii. Community spaces, potentially including amenities such as bridge libraries or cultural spaces
  - iv. Independently owned (mom and pop, or non-franchise) small businesses
- d. Placemaking Art Installation. New development could integrate public art into a project to create a sense of place, enhance aesthetics, and reinforce urban design principles. Alternatively, they could make appropriate contributions towards the City’s Public Art Program to develop installations in the Urban Village.
- e. Off-Site Street Improvements. In certain cases, streetscape and circulation improvements may qualify as Urban Village amenities. These improvements would have been identified in the Urban Village Plan and may include, but are not limited to, roadways and/or intersection reconfiguration; enhanced connections to transit, sidewalks, and/or bikeways; streetscape improvements (enhanced lighting, landscaping, street furniture, wayfinding, etc.); and neighborhood transportation improvements. To qualify as an Urban Village amenity, the improvements would need to be beyond the standard right-of-way improvements required of development and beyond improvements required to mitigate any transportation impacts identified as a part of a development's environmental clearance.
- f. Unfunded Identified Projects or Programs. Development could contribute toward, or fund the construction of, unfunded planned projects, improvements, studies, or programs identified in an Urban Village Plan.
- g. Public Open Space Amenities. Some development may be positioned to provide additional public open space amenities and park facilities above and beyond the requirements of the City’s Park Dedication and Park Impact Ordinances. Amenities could include, but are not limited to, off-site trail connections, public open space, park amenities or community center enhancements.
- h. Affordable Housing. Development proposals could contribute toward affordable housing “above and beyond” the current City requirements. This could include producing more or more deeply affordable homes than required by inclusionary housing requirements, paying commensurately higher inclusionary in-lieu fees, or electing to build inclusionary units instead of paying in-lieu fees.

### Proposed Entitlement Process for Urban Village Development

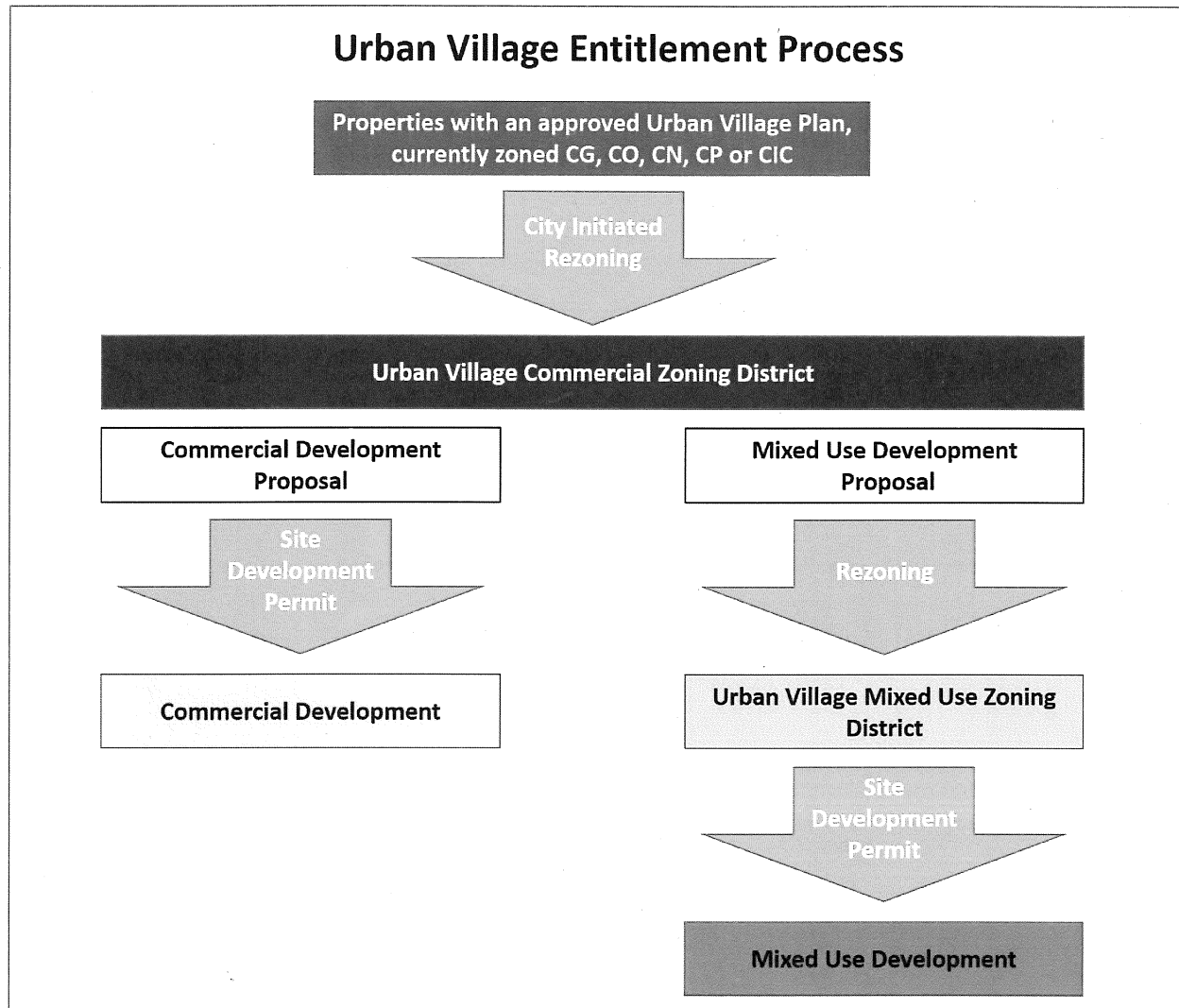
The current zoning districts included in Title 20 of the Municipal Code were developed under the prior General Plan and, in addition to being based in more suburban principles, often do not allow denser urban types of development planned for in the Envision San José 2040 General Plan. As a result, the vast majority of high density residential and mixed-use projects are currently approved using Planned Development (PD) Zonings, which are customized site-specific zoning districts. The PD zoning process is a much longer process than a conventional rezoning to a zoning district consistent with the General Plan, typically taking 6 to 12 months from submittal to approval. The conventional rezoning process typically takes 3 to 4 months.

To accelerate the development of new housing in San José, staff is proposing the creation of two new Urban Village Zoning Districts: Urban Village Commercial, and Urban Village Mixed-Use. These would lay a foundation for development in a more urban and intense form, while providing for existing and future commercial uses, and creating a path for the inclusion of residential uses.

The majority of properties within Urban Villages are currently zoned with one of the existing Commercial Zoning Districts: General Commercial, Commercial Office, Neighborhood Commercial or Pedestrian Commercial. These districts allow for a variety of uses and redevelopment projects to occur by right, at times inconsistent with the intent of the underlying Urban Village designation. The creation of a single Urban Village Commercial zoning district will eliminate these inconsistencies while continuing to promote new commercial uses and development projects. This will align the development standards and allowed uses within these existing commercial centers with the future vision of an urbanizing Village, and to the extent possible, staff will work to actively initiate rezonings in existing commercial properties within Urban Villages. Staff is not proposing that commercial development be subject to the Urban Village Enhancement Implementation Policy.

In instances where a developer is considering developing residential mixed-use development on one of these commercial properties, consistent with an appropriate land use designation and policies and as outlined within the given Urban Village Plan and the General Plan, they would be required to rezone the identified property to the Urban Village Mixed-Use Zoning District. Because such a zoning district would be a district that conforms to the General Plan, the proposed rezoning would not go to the Planning Commission, but would go directly to the City Council for consideration.

A conforming zoning district that includes residential mixed-use as a permitted use also means that projects within approved Urban Village Plans can move forward through a Site Development Permit issued by the Director of Planning, Building and Code Enforcement. As part of the Site Development Permit process, the developer would conform to the required development standards, including the provisions of the Urban Village Enhancement Implementation Policy.



As with any project currently utilizing the Site Development Permit process, a community meeting consistent with the City's Public Outreach Policy (City Council Policy 6-30) will be required to ensure public participation and comment on the proposal, and to ensure that expectations set through the Urban Village planning process are being met, including input on the specific amenities that should be provided by a development project. The final package of amenities would be included as a permit condition in the Site Development Permit, upon reaching agreement with the developer. Site Development Permits are appealed to the Planning Commission.

The use of the Site Development Permit Process as a means of implementation is fundamental in the success of Urban Villages. When compared to the Planned Development Zoning and Permit process currently utilized to allow Signature Projects to move forward ahead of a Village Plan or General Plan Horizon, this process allows the City to significantly expedite development approvals. It also provides transparent expectations to the developer, outlined as development

standards in the zoning district and within the Urban Village Implementation Framework Policy, that can be considered much earlier in their development of a proposal, while also safeguarding the community's interests and access to a public process. Furthermore, a site development process will streamline the approval of residential development in Urban Villages, consistent with the Mayor's 15 point plan to accelerate housing production in San José.

The other important element that stems from the rezoning of properties from Urban Village Commercial to Urban Village Mixed-use, is that it allows the City to require the first proposed mixed-use development within an Urban Village to establish a Community Facilities District (CFD). If a CFD has already been established, future mixed use development projects would be required to join the existing CFD.

#### Community Facilities District

The establishment of a Community Facilities District (CFD) for each Urban Village or closely related group of Urban Villages is proposed to be one of the elements of the Urban Village Implementation Framework where appropriate. The goal of the CFD and the associated special tax would be to support off-site Village amenities such as enhanced streetscape improvements, pedestrian amenities, and public placemaking needs by providing for long term maintenance funding and some modest additional improvements where feasible. CFD's are not anticipated to be the primary source of funding for significant off-site capital improvements in Urban Villages. Based on staff's analysis, the potential of a CFD to generate sufficient revenues that would support off-site capital improvements is severely limited. The challenges of using a CFD model as the primary mechanism for delivering amenities in Urban Villages was also shared by the development community at the outreach meetings detailed below.

As part of the rezoning process to an Urban Village Mixed-Use Zoning District, the first approved mixed-use project approved would have to pay for the process of forming the CFD, or some other source of funding would need to offset this cost fully or partially. Future mixed-use residential development would then be required to annex into the District as part of its rezoning and bundled permit application process. Commercial development projects would not be required to participate in the CFD. Staff is exploring ways that the first mixed-use development, which would bear the cost of CFD formation, could get partial credit toward the required contribution under the Urban Village Implementation Framework Policy.

#### Proposed Modifications to the Urban Village Implementation Framework proposed in the May 26, 2017 City Council Memo

The additional detail and clarification included above remains generally consistent with the proposed Urban Village Implementation Framework that was presented in the May 26, 2017 staff memorandum to Council. However, staff has amended the proposed Framework to no longer include the requirement that mixed-use development be required to pay a surcharge on base impact fees.



Over the past several years, the City has undertaken work to implement or modify a number of development fees and taxes including the Affordable Housing Impact Fee, updates to the Parks Impact Ordinance (PIO) and Parks Dedication Ordinance (PDO), development services fees, construction taxes, and the current modifications to the way development impacts and contributes towards transportation infrastructure through the implementation of SB743 and new CEQA standards for Vehicle Miles Travelled. The consideration of these fees has generally occurred on an individual subject matter basis and has resulted in feedback from the development community that the layering of these fees and taxes represents a significant challenge for development feasibility. Over the next two years, staff anticipates additional work in aligning the total cost of development as more of these projects come forward. As these fees are generally applied on a city or area-wide basis, and as a significant proportion of all future development conceived under this General Plan will occur within Urban Villages, it is redundant to overly burden residential development in Urban Villages with an enhanced or surcharged fee at this time.

#### Development Community Outreach and Feedback

Staff held an Urban Village Implementation workshop with the development community on August 16, 2017. Approximately 20 to 25 people participated in this meeting. Staff also participated at the Building Industry Association (BIA) South Bay meeting on July 27, 2017, where staff engaged in very robust conversation with members of the BIA for over two hours. In addition, staff presented the proposed Urban Village Framework at Planning, Building and Code Enforcement's Developer Roundtable Meeting on August 4, 2017.

A detailed account of feedback received at this outreach meetings is attached to this memorandum. The themes that staff received as feedback included the following:

- The Framework should acknowledge the different market conditions of different areas in San José. The zoning code and/or policy framework should not require the same level of amenities in areas with relatively weak real estate markets as would be required in areas with stronger markets.
- The Framework should establish an expectation of the per square foot dollar value that would be provided by a development with the provision of amenities; the developer would not write a check to the City for this amount but would provide amenities equivalent to this dollar amount. Such an approach would provide more clarity for the developer on understanding the financial feasibility of their proposed project and how much they could pay for the land.
- Having developers include amenities as part of their project is preferable to having the developer contribute money towards amenities that would be implemented by the City.

#### Urban Village Community Stakeholders Outreach and Feedback

On March 17, 2017, staff held a community meeting for community leaders within The Alameda, Little Portugal, Roosevelt Park, West San Carlos, South Bascom, Winchester Boulevard, Santana Row/Valley Fair, Stevens Creek Boulevards, and East Santa Clara Street

Urban Village plan areas. This meeting was attended by about 12 community leaders and one member of the development community.

A detailed account of feedback received at this outreach meetings is attached to this memorandum. The themes that staff received as feedback included the following:

- The community must be included in the entitlement process for each development proposal to select which amenities would be provided by that development. Staff and/or the developer should not be selecting which amenities would be provided without the community's input.
- A process needs to be established to revisit a Village plan on a periodic basis to allow the community to update the list of amenities and potentially modify which are priorities.
- General support was expressed with the approach whereby the City would establish a per square foot expectation of value that a developer would need to achieve through the provision of amenities.

#### Response to Input Received

Much of the input received has shaped the proposed Framework. As the Framework is further refined with Council direction, staff will continue to consider the feedback received at the four outreach meetings above and will conduct additional stakeholder outreach to solicit input. Staff's response to some of some key points made by multiple stakeholders at one or more meetings is discussed below.

***The level of amenities required should vary by Urban Village*** - Regarding the comment that the number and/or value of amenities provided by a development should reflect the different market conditions of different areas of San José, the Framework proposed would take into account different project or real estate values in different parts of the City. While the details of this are still to be developed, staff believe that the Parks Impact and Dedication Ordinances (PIO/PDO) approach to establishing varying impact fee levels by geographic area could be an approach used to establish Village enhancement contribution amounts that vary by geographic area; the (PIO/PDO) impact fees vary by Multiple Service Listing (MLS) areas in the City are updated annually.

***Establish monetary expectations of amenity value to be provided*** -As suggested by participants of the both the developer and community outreach meeting, the Framework could establish a monetary expectation of the value of the amenities that a developer would need to provide. The proposed Framework does establish value that a mixed-use residential project would need to provide with Urban Village Amenities. This proposed approach was shaped by feedback received by developers and the community.

***Community engagement in amenity selection process*** - Regarding the community's input that the community should be included in the process to select amenities provided by a development, the current Site Development Permit process provides this opportunity. As part of this process, a community meeting would be held to allow for this input. Regarding a process to update amenity

priorities in a given Village Plan, such an update could occur on an as needed basis per Council direction; however, staff has concerns with establishing a regular process (or an expectation of a regular process) to update plans given the amount of resources that would be needed. As an alternative, the list of Village Enhancement priorities for each urban village could be included within the City Council adopted Urban Village Implementation Framework Policy. Since this Policy is proposed to be adopted by resolution, the Council and the community would have greater flexibility of updating an urban village's enhancement priorities as needed; Council consideration of amendments to an Urban Village plan is currently limited to one of the four General Plan hearing cycles annually and such amendments require a Planning Commission Hearing in addition to a City Council Hearing.

### Next Steps

The intended outcome of the proposed Framework is to provide a clear, transparent, and predictable process that will successfully result in the investment in amenities that will help transform Urban Villages, while at the same time facilitating development that is consistent with the General Plan and the individual Urban Village Plans. The proposed Framework will achieve this outcome.

If Council is supportive of the proposed Framework, staff will continue to engage development professionals and the community to develop a detailed Urban Village Implementation Framework Policy and complete associated technical analyses, that would be brought back to Council for its consideration in April 2018. This Framework, which would be a standalone Planning Department policy similar to the *Framework for the Preservation of Employment Lands* that was adopted in 2005 before becoming an integral part of the current General Plan, would be developed in coordination with complimentary zoning code amendments. It would also provide direction on the implementation strategies for the individual Urban Village Plans, and a pathway for pipeline projects to move forward.

Staff would subsequently bring forward for City Council consideration implementation chapters that include this Framework for already completed Urban Village Plans and all future plans as they move forward through the process.

The development of zoning code amendments that would embed the Framework within Title 20 of the Municipal Code, including the creation of two new Zoning Districts, is a larger body of work that will require additional time and resources to complete. If Council directs staff to move forward with the proposed Framework, staff will identify additional resources that will be needed and submit a FY2018-2019 budget request for these resources. If needed resources are secured, staff anticipates that it could bring the zoning framework to Council for its consideration in the fall of 2018. The proactive rezoning of property within Urban Villages would take significantly more time. Staff anticipates that this work could be completed in the winter to fall 2019 timeframe.

HONORABLE MAYOR AND CITY COUNCIL

November 20, 2017

**Subject: Report on the Urban Village Implementation Framework**

Page 12

### **COORDINATION**

The preparation of this supplementation memo was coordinated with the City Attorney's Office, The Office of Cultural Affairs, and the Departments of Housing, Transportation, Public Works, and Parks, Recreation and Neighborhood Services.

/s/

KIM WALES

Deputy City Manager

Director, Office of Economic Development

/s/

ROSALYNN HUGHEY

Interim Director

Planning, Building and Code Enforcement

For questions please contact Michael Brilliot, Division Manager, at 408-535-7831, or Chris Burton, Assistant to the City Manager, at 408-535-8114.

#### **Attachments:**

Urban Village Implementation Framework, Hypothetical Development Example  
Detailed Summary of Development Community and Urban Village Stakeholder Input

## **Attachment**

### **Detailed Summary of Development Community and Urban Village Stakeholder Input**

#### Development Community Input

Staff held an Urban Village Implementation workshop with the development community on August 16, 2017. Approximately 20 to 25 people participated in this meeting. Staff also participated at the Building Industry Association (BIA) South Bay meeting on July 27, 2017, where staff engaged in very robust conversation with members of the BIA for over two hours. In addition, staff presented the proposed Urban Village Framework at Planning, Building and Code Enforcement's Developer Roundtable Meeting on August 4, 2017.

At these outreach meetings, development community members stated that there are very different real estate market conditions in different area of San José and said that the Implementation Framework should acknowledge these market conditions. The zoning code and/or policy framework should not require the same level of amenities in areas with relatively weak real estate markets as would be required in areas with stronger markets. A number of participants also said that the Framework should acknowledge that the value of the amenities provided needs to be commensurate with the size of a development proposal; larger projects could provide more significant amenities in terms of the amount/size of art, amount of additional commercial space for independent businesses, size of POPOS, additional streetscape improvements etc., than smaller projects.

There was discussion on having an Urban Village Amenity Fee. When staff explained the legal limitations and requirements of establishing such a fee, it was suggested that the Framework should establish an expectation of the per square foot dollar value that would be provided by a development with the provision of amenities; the developer would not write a check to the City for this amount but the total value of all the amenities provided would be equivalent to this dollar amount. Such an approach, it was said, would provide more clarity for the developer on understanding the financial feasibility of their proposed project and how much they could pay for the land. Establishing such a dollars per square foot expectation could also vary by Urban Village, to reflect the varying market conditions of the different villages. Another participant said, that despite the legal challenges, it would still be easier for developers to just pay an amenity fee based on project's square footage.

One participant agreed with the staff's approach that having developers include amenities as part of their project is preferable to having the developer contribute money towards amenities that would be implemented by the City. Examples were provided where developers contributed money towards some identified improvement, and those monies sat in a City's account for many years, decreasing in value, and the intended improvement was never constructed.

Regarding the inclusion of Urban Village amenities within the zoning code, a few participants said that code language should be general and allow for flexibility as real estate markets and other conditions change and the City has shown that it does not have the resources to amend the code to respond to changing conditions quickly.

## **Attachment**

### **Detailed Summary of Development Community and Urban Village Stakeholder Input**

Staff received many questions about how specific amenities would be implemented as part of a project's entitlement process. In regards to the placemaking art amenity, how would the art pieces be selected and how would you determine the monetary value of art that a development would need to provide? There was concern with having the City staff administering the Art process and the Public Arts Commission selecting the art pieces, since it was believed these processes would be lengthy and bureaucratic.

Regarding the provision of commercial space for small independent businesses and non-profits, participants said that requiring a deed restriction for the life of a development project could impact project financing. If a developer were to select this amenity, there needs to be process where by a developer could convert such space to another use should market or other circumstances change.

At the BIA meeting there was feedback that, for condominium projects, Freddie Mac/Fannie Mae financing rules preclude the inclusion of significant commercial space within a residential project. It was suggested that developers should be allowed to reduce the amount of commercial space their project provides, below minimum requirements, in exchange for providing additional Urban Village amenities.

Other comments received at the three outreach meetings included:

- Even after adoption of an Urban Village Plan, the community engagement process needs to be retained, where conversations about amenities desired by the community would occur early in the entitlement process.
- The Council should fund the planning work that needs to be done to fully develop and implement the proposed Urban Village Implementation Framework.
- When the City considers increasing or creating new impact fees for housing, transportation, and/or parks etc., the Framework should be reevaluated to understand how it, in combination with new or increased impact fees, could impact the financial feasibility of development.
- Given the size of most Urban Village and the number of properties that one could expect to redevelop with mixed-use residential projects, a CFD would not likely generate significant funding for village improvements.

While not directly related to the proposed Framework, staff received a number of comments that the location of Horizon I Urban Villages do not reflect current market conditions, and should be changed to reflect these conditions. For example, the Stevens Creek, Santana Row/Valley Fair, and Winchester Urban Villages (the Tri-Villages) have a strong housing market, yet these Villages are in Horizon III. In contrast, the housing market is not as strong on Alum Rock Avenue, yet the Villages along Alum Rock Avenue are in Horizon I. Staff also received comments that the next Four-Year Review of the General Plans should consider dissolving the entire Horizon structure in the General Plan, letting the market decide in which Urban Villages housing should be built.

## **Attachment**

### **Detailed Summary of Development Community and Urban Village Stakeholder Input**

#### Urban Village Community Stakeholders Input

On March 17, 2017, staff held a community meeting for community leaders within The Alameda, Little Portugal, Roosevelt Park, West San Carlos, South Bascom, Winchester Boulevard, Santana Row/Valley Fair, Stevens Creek Boulevards, and East Santa Clara Street Urban Village plan areas. This meeting was attended by about 12 community leaders and one member of the development community.

At this meeting staff presented the Urban Village Implementation Framework and answered many clarifying questions. Participants said that the community must be included in the entitlement process for each development proposal to select which amenities would be provided by that development. Staff and/or the developer should not be selecting which amenities would be provided without the community's input. There was also a discussion on how each Village plan's list of desired amenities would be updated over time. Participants said that a process needs to be established to revisit a Village plan on a periodic basis to allow the community to update the list of amenities and potentially modify which are priorities. One participant commented that the Framework should not limit the amenities that could be provided to those that are listed in the zoning code and/or a given Urban Village Plan.

A community member who participated in the developer outreach meeting on August 16, 2017, discussed the approach discussed at that meeting (and above) whereby the City would establish a per square foot expectation of value that a developer would need to achieve through the provision of amenities. The group as a whole agreed that this approach would be preferred because it gave more clarity to both developers and the community of what would be expected.

One participant recommended modifying an existing proposed amenity such that a developer could agree to relocate a mom and pop businesses displaced by their development, and then offer them space to move back, at rent comparable to their existing rent, when the development is completed. There was also discussion on how a CFD would be administered. One community member said since the City does not have a good reputation for how it administers money, CFD's should, after certain size threshold is reached, be administered by a third party.

# Attachment

## Urban Village Implementation Framework, Hypothetical Development Example

URBAN VILLAGE IMPLEMENTATION FRAMEWORK				
Hypothetical Development Example				
	<u>Property Location:</u>			
	West San Jose Urban Village			
	<u>Land Area</u>			
		Acres		4.623
		Sq.Ft.		201,378
	<u>Commercial:</u>			
		Existing SF		40,000
		Proposed SF		45,000
	<u>Residential Proposed:</u>			
		Units		400
		Density (dwelling units per acre)		87
	<u>Required Village Enhancement Contribution (VEC)</u>			
		<i>Before Credits</i>		
		Value of each Unit		\$600,000
		Total Value of all residential units		\$240,000,000
		<b>Total required Village Enhancement Contribution @ 2% of total value</b>		<b>\$4,800,000</b>
			<i>Contribution per Unit</i>	\$12,000
			<i>Contribution per SF with 850 SF Avg. Unit Size</i>	\$14



**Attachment**  
**Urban Village Implementation Framework, Hypothetical Development Example**

		<b>Village</b>	<b>Village</b>	
		<b>Enhancement</b>	<b>Enhancement</b>	<b>Credit as</b>
<b>EXAMPLES FOR ILLUSTRATION PURPOSES ONLY</b>		<b>Cost</b>	<b>Credit</b>	<b>% of VEC</b>
	On-Site Plaza/Open Space provided: 8,000 SF land area	\$1,000,000	\$2,000,000	41.7%
	Place Making Art Installation			
	Managed by Applicant	\$488,000	\$488,000	10.2%
	Add'l Contribution Street Enhancements & Improvements	\$1,525,000	\$2,287,500	41.1%
	Sub Totals	\$3,013,000	\$4,775,500	99.5%
	Balance to be paid in Cash to be put towards Village Improvements by the City	\$24,500	\$24,500	0.5%
	Totals	\$3,037,500	\$4,800,000	100.0%
		<i>Effect cost Per Unit</i>	\$7,594	
		<i>Effective cost per SF with 850 SF Avg. Unit Size</i>	\$8.93	