



COUNCIL AGENDA: 12/12/17
FILE: 17-414
ITEM: 10.6

Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

SUBJECT: SEE BELOW

FROM: Planning Commission

DATE: December 1, 2017

COUNCIL DISTRICT: 3 & 4

SUBJECT: GPT17-007/PP17-051. CITY-INITIATED GENERAL PLAN TEXT AMENDMENT, AMENDMENTS TO THE NORTH SAN JOSÉ AREA DEVELOPMENT POLICY, AND ADDITIONS TO TITLE 20 (ZONING CODE) OF THE SAN JOSÉ MUNICIPAL CODE RELATED TO IMPLEMENTATION OF THE NORTH SAN JOSÉ RETAIL AND AMENITY STRATEGY.

RECOMMENDATION

The Planning Commission voted 6-0-1 (Commissioner Ballard absent) to recommend to the City Council to adopt a resolution approving the General Plan text amendment and amendments to the North San Jose Area Development Policy; and to adopt an ordinance amending Section 20.50.110 of Title 20 of the San José Municipal Code (Zoning Code), as described in the attached staff report.

OUTCOME

Should the City Council approve the proposed project, the Envision San José 2040 General Plan, North San Jose Area Development Policy, and the Zoning Code will be modified as detailed in the Planning Commission staff report (attached).

BACKGROUND

On November 15, 2017, the Planning Commission held a public hearing to consider the proposed project. The Planning Commission made a recommendation to the City Council to adopt a resolution approving the General Plan text amendment and amendments to the North San Jose Area Development Policy; and to adopt an ordinance amending the Zoning Code.

Staff Presentation

Staff presented a summary of the proposed policy actions related to the North San Jose Retail and Amenity Strategy, including background and purpose, prior City Council direction, and details of the proposed General Plan text amendments, amendments to the North San Jose Area Development Policy, and revisions to the Zoning Code. The proposed actions include:

- 1) General Plan text amendment to revise the Industrial Park and Transit Employment Center land use designations to allow additional flexibility for retail and service commercial uses within the North San José Development Policy area;
- 2) Amendments to the North San José Area Development Policy to establish criteria for commercial support uses in single-use buildings proposed on parcels in the IP Industrial Park Zoning District; and
- 3) Amendments to Section 20.50.110 of Title 20 of the San José Municipal Code (Zoning Code) adding specified criteria to allow commercial support uses in single-use buildings in the IP Industrial Park Zoning District within the North San José Development Policy area when consistent with the North San José Area Development Policy.

Planning Commission Discussion

Commissioner Yesney stated that the structure of the proposal between the amendments to the General Plan, North San Jose Area Development Policy, and Zoning Code is a good approach to addressing retail leakage to Santa Clara. Commissioner Bit-Badel mentioned that there is a strong demand for amenities related to the recent construction of new residential units in North San Jose. Commissioner Vora also stated that tenants in North San Jose feel that there are not enough amenities in the area, and that the proposed actions could help reduce commercial and industrial vacancy rates.

The Planning Commission voted 6-0-1 (Commissioner Ballard absent) to recommend to the City Council to adopt a resolution approving the General Plan text amendment and amendments to the North San Jose Area Development Policy; and to adopt an ordinance amending Section 20.50.110 of Title 20 of the San José Municipal Code (Zoning Code), as described in the attached Staff Report. There were no public comments on the proposed changes.

ANALYSIS

A complete analysis regarding the proposed actions related to the North San Jose Retail and Amenity Strategy is contained in the attached Planning Commission staff report.

EVALUATION AND FOLLOW UP

If the proposed actions related to the North San Jose Retail and Amenity Strategy are approved, the Envision San José 2040 General Plan, North San Jose Area Development

Policy, and the Zoning Code will be modified as detailed in the Planning Commission staff report.

PUBLIC OUTREACH

Staff followed Council Policy 6-30: Public Outreach Policy. A notice of the public hearing was also 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

Preparation of this memorandum has been coordinated with the City Attorney's Office.

CEQA

Pursuant to Section 15168(c) of the CEQA Guidelines, the City of San José has made a Determination of Consistency, as this activity is within the scope of the Final Program EIR for the North San José Development Policies Update (Resolution No. 72768) and Addenda thereto, and the Envision San José 2040 General Plan EIR (Resolution No. 76041) and Supplemental EIR to Envision San José General Plan EIR (Resolution No. 77617), and Addenda thereto. The complete Determination of Consistency is attached to the Planning Commission staff report.

/s/
ROSALYN HUGHEY, SECRETARY
Planning Commission

For questions please contact Michael Brilliot, Division Manager, at 408-535-7831.

Attachments: Planning Commission Staff Report



PLANNING COMMISSION STAFF REPORT

File No.	GPT17-007/PP17-051
Location	North San José Development Policy Area (generally the area north and west of Interstate 880 or the Coyote Creek, east of the Guadalupe River and south of State Route 237, and east of Interstate 880 along Murphey Avenue to Lundy Avenue (see Figure 1 below)
Council District	3 and 4
CEQA:	Determination of Consistency with the Final Program EIR for the North San José Development Policies Update, Resolution No. 72768 and Addenda thereto, the Envision San José 2040 General Plan EIR, Resolution No. 76041 and the Supplemental EIR to Envision San José General Plan EIR, Resolution No. 77617, and Addenda thereto.

APPLICATION SUMMARY:

City-initiated General Plan text amendment, amendments to the North San José Area Development Policy, and additions to Title 20 (Zoning Code) of the San José Municipal Code related to implementation of the North San José Retail and Amenity Strategy.

RECOMMENDATION:

Recommend that the City Council take all of the following actions:

1. Consider the Determination of Consistency with the Final Program EIR for the North San José Development Policies Update, Resolution No. 72768 and Addenda thereto, the Envision San José 2040 General Plan EIR, Resolution No. 76041 and the Supplemental EIR to Envision San José General Plan EIR, Resolution No. 77617 and Addenda thereto.
2. Adopt a resolution approving all of the following actions:
 - a. City-initiated General Plan text amendment to revise the Industrial Park and Transit Employment Center land use designations to allow additional flexibility for retail and service commercial uses within the North San José Development Policy area; and
 - b. Amendments to the North San José Area Development Policy to establish criteria for commercial support uses in single-use buildings proposed on parcels in the IP Industrial Park Zoning District as defined in the City's Zoning Ordinance.

3. Adopt an ordinance amending Section 20.50.110 of Title 20 of the San José Municipal Code (Zoning Code) adding specified criteria to allow commercial support uses in single-use buildings in the IP Industrial Park Zoning District within the North San José Development Policy area when consistent with the North San José Area Development Policy.

PROJECT DATA

RELATED APPROVALS	
Date	Action
6/8/2010	Amendment to the North San José Area Development Policy to add capacity within the Policy to allow for up to one million square feet of regional retail distributed throughout the Policy area, and 1,000 hotel rooms outside the Core Area with no more than 250 rooms being developed in any given hotel except those sites designated as preferred hotel sites by the Rincon South Specific Plan. Resolution No. 75398.
6/21/2005	Amendment to the North San José Area Development Policy and revision to the North San José Deficiency Plan (File No. GPT04-04-06a, GPT04-04-06b, GP04-04-06a and GP04-04-06b) to allow intensification of development within the North San José Policy area for the development of up to 26.7 million square feet of new industrial office/R&D space, up to 1.7 million square feet of new commercial space and up to 32,000 new residential units.

PROJECT DESCRIPTION

Background

The North San José area plays a vital role in the achievement of San José's economic and fiscal goals. In 2005, the City adopted the North San José Area Development Policy (the Policy), which revised an established policy framework to guide the ongoing intensification of mixed use development in this important employment center and innovation district.

The Policy identifies a specified amount of new development, including an additional 26.7 million square feet of new office/R&D development, as well as 32,000 residential units, 2.7 million square feet of retail development and 1,000 hotel rooms. In August 2016, Council directed staff to present Council with a list of recommendations that will spur development of much needed amenities, including retail, recreation, restaurants, and athletic facilities on or adjacent to corporate campuses in the area.

Since August 2016, staff hired an economics and land use consulting firm, Strategic Economics, to conduct a data driven analysis about existing demographics, retail trends, and potential next steps to further enhance amenities in North San José. The resulting report, *North San José Retail Strategy*, includes short-term (1 – 2 years), mid-term (3 – 4 years), and long-term (5 – 6 years) strategies for attracting more retail to North San José; physical improvements that could be made to the area to enhance its identity as a place to work and live; and ways to amend the Policy to better respond to new market and development realities (see Attachment A).

In addition, the City was asked by the Urban Land Institute (ULI) and the National League of Cities (NLC) to participate in the Rose Fellowship which focuses on a particular opportunity in participating cities. The Rose Fellowship collects outstanding leaders in city building to assist participating cities reach positive solutions. San José's selected land use opportunity is to develop a strategy to infuse amenities into North San José that will further the City's goals in this key employment area. During the week of Rose Fellowship Panel Study Visit, the Mayor and Councilmember Diep held a roundtable of property owners, tenants, and brokers to share their

thoughts, needs and visions for North San José. The input and feedback from these activities were considered in staff's development of the North San José Retail and Amenity Strategy report and recommendations presented to City Council on May 9, 2017 (see Attachment A).

Staff's recommended strategy takes advantage of near-term interest and opportunities, builds on existing assets in the mid-term, and looks to influence future development patterns in the long term. The strategy includes the following five short, medium, and long-term approaches to encouraging retail and commercial development in North San José:

1. Remove regulatory barriers to additional retail in North San José;
2. Promote North San José retail opportunities, locally and externally;
3. Engage local employers and property owners to support development of amenities and physical improvements to North San José;
4. Improve mobility within North San José between retail nodes, employers, residents and other amenities by walking, biking, and transit; and
5. Over time, refine the North San José Area Development Policy to support development that provides or attracts retail and amenity uses.

These five strategies encouraging retail and commercial development are focused on what are defined as "commercial support uses", which are retail or service uses intended to support residential or non-residential uses onsite or nearby, as defined by "local serving" commercial uses in the Policy, and as specified in San José Municipal Code section 20.50.110. Based on staff's recommendations, the City Council directed staff to return to Council in August 2017 to amend Title 20 of the San José Municipal Code (Zoning Code) to allow commercial support uses in stand-alone buildings in the IP Industrial Park Zoning District within a campus, rather than requiring all commercial uses be located entirely within the primary building. City Council also stipulated that flexibility in the IP Zoning District should be focused in those areas where proposed amenities are:

- Clustered in proximity to one another;
- Visible and readily accessible to the public;
- Promote walkability and bicycle access by their design, and/or by their proximity to parks, trails, transit, and plazas, other amenities; and/or
- Promote or support the use of public gathering spaces.

Proposed Actions

To promote new retail development that supports the build-out of the Policy area and attract employers and workers to the area, as well as further General Plan economic development goals and policies, and implement City Council direction, staff is proposing the following actions:

1) General Plan Text Amendments

The proposed General Plan text amendments would modify the Industrial Park and Transit Employment Center land use designation to allow additional flexibility for retail uses. The proposed revisions are as follows in strikethrough/underline format:

Industrial Park

Density: FAR Up to 10.0 (2 to 15 stories)

The Industrial Park designation is an industrial designation intended for a wide variety of industrial users such as research and development, manufacturing, assembly, testing and offices. This designation is differentiated from the Light Industrial and Heavy Industrial designations in that Industrial Park uses are limited to those for which the functional or operational characteristics of a hazardous or nuisance nature can be mitigated through design controls. Hospitals may be appropriate within this designation, if it can be demonstrated that they will not be incompatible with Industrial Park uses or other nearby activities. Areas identified exclusively for Industrial Park uses may contain a very limited number of supportive and compatible commercial uses, when those uses are of a scale and design providing support only to the needs of businesses and their employees in the immediate industrial area. These commercial uses should typically be located within a larger industrial building to protect the character of the area and maintain land use compatibility. Additional flexibility may be provided for retail and service commercial uses within the North San José Development Policy area through the City's discretionary review and permitting process. One primary difference between this use category and the "Light Industrial" category is that, through the Zoning Ordinance, performance and design standards are more stringently applied to Industrial Park uses.

Text Reference:

Envision San José 2040 General Plan, Chapter 5 "Interconnected City," Page 10, Industrial Park.

Transit Employment Center

Density: FAR Up to 12.0 (4 to 25 stories)

This designation is applied to areas planned for intensive job growth because of their importance as employment districts to the City and high degree of access to transit and other facilities and services. To support San Jose's growth as a Regional Employment Center, it is useful to designate such key Employment Centers along the light rail corridor in North San José, in proximity to the BART and light rail facilities in the Berryessa/Milpitas area, and in proximity to light rail in the Old Edenvale area. All of these areas fall within identified Growth Areas and have access to transit and other important infrastructure to support their intensification. Uses allowed in the Industrial Park designation are appropriate in the Transit Employment Center designation, as are supportive commercial uses. The North San José Transit Employment Center also allows limited residential uses, while other Employment Centers should only be developed with industrial and commercial uses.

An important difference between this designation and the Industrial Park designation is that the development intensity and site design elements in Transit Employment Center areas should reflect a more intense, transit-oriented land use pattern than that typically found in Industrial Park areas. This designation permits development with retail and service commercial uses on the first two floors; with office, research and development or industrial use on upper floors; as well as wholly office, research and development, or industrial projects. Additional flexibility may be provided for retail and service commercial uses within the North San José Development Policy area through the City's discretionary review and permitting process. The development of large hotels of at least 200 rooms and four or more stories in height is also supported within Transit Employment Centers. New development should orient buildings

toward public streets and transit facilities and include features to provide an enhanced pedestrian environment.

Text Reference:

Envision San José 2040 General Plan, Chapter 5 “Interconnected City,” Page 8, Transit Employment Center.

2) *North San José Area Development Policy Amendments*

Proposed amendments to the land use policies in the North San José Area Development Policy would establish criteria for commercial support uses within a single-use building or buildings in the IP Industrial Park Zoning District as defined in the City’s Zoning Ordinance, and described below. The proposed revisions are as follows in strikethrough/underline format:

Commercial support uses within a single-use building or buildings proposed on parcels in the IP Industrial Park Zoning District as defined in the City’s Zoning Ordinance, are allowed when the proposed amenities meet all of the following criteria:

1. Clustered on site or in proximity to other nearby commercial uses;
2. Visible and readily accessible to the public;
3. Promote walkability and bicycle access by their design, and/or by their proximity to parks, trails, transit, plazas, and other similar amenities;
4. Promote or support the use of public gathering spaces;
5. Support existing uses or serves as a catalyst for future industrial development;
6. Does not impair the continuing viability of surrounding existing and future industrial uses; and
7. Commercial/indoor recreational uses support nearby industrial businesses and their employees.

“Single-use building” and “Single use buildings” means building or buildings limited to the uses enumerated in Section 20.50.110B.6 of the City’s Zoning Ordinance.

Text Reference:

Section 3 “Land Use,” Page 17, Land Use Policies – Commercial Uses, Local Serving Commercial Uses.

3) *Zoning Code Amendments*

The proposed Zoning Code changes would add provisions to allow commercial support uses in single-use buildings the IP Industrial Park Zoning District within the North San José Development Policy area and are consistent with the Policy. The proposed ordinance would revise Section 20.50.110 of the Zoning Code and is attached hereto in strikethrough/underline format as Attachment C.

Site Location

The proposed amendments are applicable within the North San José Development Policy area, which is generally located north and west of Interstate 880 or the Coyote Creek, east of the Guadalupe River and south of State Route 237, and east of Interstate 880 along Murphy Avenue to Lundy Avenue.



Figure 1: North San José Development Policy area

ANALYSIS

North San José is the City's premier employment center and represents a significant opportunity for growth under the General Plan. Over the past 10 years, the area has experienced extensive residential development as part of the buildout of Phase 1 of the North San José Area Development Policy, with the construction of almost all of the 8,000 new residential units in Phase I. Yet the area remains relatively underserved by retail amenities to serve the residential and workforce population. Attracting a wide range of retail amenities that support a diverse population of residents and workers will help North San Jose realize its full potential as a vital mixed use employment district that continues to attract leading edge innovation businesses.

The Policy currently identifies development of up to 2.7 million square feet of new commercial uses and 1,000 hotel rooms. This capacity is split between 1.7 million square feet of "local serving" retail as defined in the Policy, which is categorized as smaller retail or service establishments that are intended to support the industrial and residential uses within the policy area. The remaining 1 million square feet is for the development of large-scale regional retail establishments of over 100,000 square feet that draw from a regional customer base. The Policy does not limit the amount of commercial retail development that can occur in any particular phase.

New retail development in the Policy area has come in the form of large-format retailers (Target and Lowes), largely auto-oriented retail centers (located at North 1st Street at 237 and Brokaw Road at 880), and smaller retail spaces integrated into new residential development; these spaces are generally between 5,000 and 10,000 square feet. While these developments have contributed approximately 500,000 square feet of new commercial development, the large size of the area means that retail and restaurant amenities remain dispersed. The absence of critical mass around key intersections or nodes creates a lack of amenity destinations or "places" in North San José.

As described above, staff has worked with a number of stakeholders and subject matter experts to develop a strategy that addresses these challenges and opportunities and lays out actions over the short- mid- and long-term to direct activity and investment to support the attraction and retention of employees, who consider an amenity-rich environment critical to their choice of where to work. Short-term actions identified by staff and directed by City Council include the development of the proposed General Plan and Policy and zoning changes to encourage retail and commercial development in North San José.

General Plan Text Amendments

At the time of Policy adoption in 2005, the Core Area and Transit Employment Residential Overlay General Plan designations supported the integration of commercial support uses into residential and industrial projects. The Policy also allows limited opportunities for mixed-use commercial development in other locations within the Policy area, but these are limited to retail and service activities that support nearby industrial and residential uses, consistent with the General Retail, Food Service and General Service uses, as defined in the City's Zoning Ordinance.

The emphasis for commercial support in North San José was further strengthened by the adoption of the Envision San José 2040 General Plan in November 2011, which converted the Industrial Core Area land use designation to Transit Employment Center. The Transit Employment Center General Plan designation supports intensive job growth and supportive retail and service commercial uses, but specifies that these uses should be located on the first two floors; with office, research and development or industrial use on upper floors. The General Plan's Industrial Park land use designation also identifies a limited number of supportive and compatible commercial uses, when those uses are of a scale and design providing support only to the needs of businesses and their employees in the immediate industrial area. The Industrial Park designation also states that commercial support uses should typically be located within a larger industrial building to protect the character of the area and maintain land use compatibility.

As part of the North San José Retail and Amenity strategy, and as directed by City Council, staff is proposing to allow retail in single-use buildings on properties zoned IP Industrial Park, with a Transit Employment Center, Industrial Park, or a Combined Industrial Commercial General Plan land use designation. The Combined Industrial Commercial land use designation currently supports single-use retail development. To ensure consistency between the General Plan and the proposed amendments to the Policy and Zoning Code, staff recommends adding clarifying text to the Industrial Park and Transit Employment Center General Plan land use designations that would add flexibility, including retail in single-use buildings, for commercial support uses when consistent with area plans or policies. This would support implementation of the retail and amenity strategy, while maintaining current limits for commercial support uses on properties zoned IP Industrial Park outside the North San José Development Policy area.

North San José Area Development Policy Amendment

Staff also recommends that the Policy be amended to help guide the development of new commercial development, especially in those cases where the proposed project would operate similar to a stand-alone development. Similar to the Policy criteria for prioritizing residential development, and as directed by City Council, staff recommends that proposed commercial support uses in single-use buildings in the IP Industrial Park Zoning District as defined in the City's Zoning Ordinance meet all the following criteria:

1. Clustered on site or in proximity to other nearby commercial uses;
2. Visible and readily accessible to the public;
3. Promote walkability and bicycle access by their design, and/or by their proximity to parks, trails, transit, plazas, and other similar amenities;
4. Promote or support the use of public gathering spaces;
5. Support existing uses or serves as a catalyst for future industrial development;
6. Does not impair the continuing viability of surrounding existing and future industrial uses; and
7. Commercial/indoor recreational uses support nearby industrial businesses and their employees.

Zoning Code Amendment

Currently, the Industrial Park Zoning District only allows retail uses through the Commercial Support Provision (SJMC sec. 20.50.110). This allows limited commercial support uses, including:

- Retail;
- Indoor recreation;
- Personal services;
- Public eating establishments;
- Financial institutions;
- Medical clinics; and
- Medical offices.

These uses may be included when they are located entirely within the buildings occupied by the primary use permitted in the IP Zoning District, and limits these uses to no more than ten percent of the gross floor area of the building or no more than 20,000 square feet, whichever is less.

The current provisions included in Title 20 (Zoning Code) limits the ability of property owners and developers to create a retail environment that supports the surrounding area. As described in the Strategic Economics' report, retail development, even that which has been integrated into residential development, is either auto-oriented or lacks the critical mass sufficient to create an amenity destination. As industrial development has largely occurred outside of the Core Area, the limiting nature of the Commercial Support provision in the IP Industrial Park Zoning District will only add to the diffused nature of new integrated retail development. To promote the type of new retail development that supports the build-out of the Policy Area and attracts employers and workers to the area, staff is recommending amendments to the Zoning Ordinance that facilitate

near-term interest in developing and/or integrating these uses into the broader area where appropriate and in a manner that is consistent with existing and future industrial uses.

The proposed amendment provides greater flexibility in allowing retail development to occur in the IP Industrial Park Zoning District by allowing appropriate uses to occur in the primary industrial park building(s) or single-use buildings on industrial properties with up to 20 percent of the gross floor area of all the buildings on the site or no more than 40,000 square feet, whichever is less. Consistent with the goals of the Retail and Amenity Strategy, commercial support uses would be limited to retail, recreation, personal services, and public eating and outdoor dining. The proposed flexibility for commercial uses would support local-serving retail uses targeted for the area, and would be required to meet criteria outlined in the Zoning Code and the Policy to promote accessibility and access, ensure the viability of existing industrial users, and promote future industrial development.

Staff recommends that the proposed Zoning Code changes only apply within the Policy Area and not citywide because the proposed provisions are consistent with local serving commercial land uses specified in the North San José Area Development Policy; and the need for retail and service support uses is most prevalent in North San José in relation to other employment areas of the City. Currently, approximately 2,200 acres in North San José are zoned IP Industrial Park. Of the 2,200 acres, approximately 1,600 acres have a General Plan land use designation of Industrial Park, Transit Employment Center, or Combined Industrial Commercial (see Figure 2 below). Local-serving retail development would still be limited to the 1.7 million square feet total of new commercial development, including the development that has already occurred under the Policy. The following table shows where retail in single-use buildings in North San José, subject to the proposed Zoning Code and Policy criteria, would be allowed on sites zoned IP Industrial Park given their General Plan designations.

GP Designation	Additional Flexibility for Retail on Sites Zoned IP (subject to proposed Zoning Code and Policy criteria)
Transit Employment Center	Yes
Industrial Park	Yes
Combined Industrial Commercial	Yes
Light Industrial	No
Heavy Industrial	No



Figure 2: Properties zoned IP with a Transit Employment Center, Industrial Park, or Combined Industrial Commercial General Plan land use designation

The proposed amendments to the Zoning Code, Policy, and General Plan will support implementation of the short-term North San José retail strategy to remove regulatory barriers and encourage retail and commercial development in North San José.

Envision San José 2040 General Plan Conformance

The proposed amendments to the Zoning Code, Policy, and General Plan are consistent with the following General Plan major strategies, goals, and policies:

1. **Major Strategy #2 – Innovation/Regional Employment Center:** The Innovation/Regional Employment Center major strategy emphasizes economic development within the City to support San José's growth as center of innovation and regional employment, increase utilization of the regional transit systems, and support the City's fiscal health.

Major Strategy #8 – Fiscally Strong City: The Fiscally Strong City major strategy aims to establish a land use planning framework that promotes the right fiscal balance of revenue and costs to allow the City to deliver high quality municipal services. This includes providing adequate land for uses that generate revenue for the City and by focusing new growth in developed areas where existing infrastructure (e.g., sewers, water lines, and transportation facilities), and City facilities and services (e.g., libraries, parks and public safety) are already available.

Analysis: The Innovation/Regional Employment Center and Fiscally Strong City major strategies support economic development and fiscal health through appropriate land use planning and policies. The proposed amendments support these major strategies by removing barriers for retail and commercial development in North San José, with the goal of retaining employees and attracting businesses to the City's premier employment center.

2. **Land Use and Employment Goal IE-1:** Proactively manage land uses to provide and enhance economic development and job growth in San José.

Land Use and Employment Policy IE-1.2: Plan for the retention and expansion of a strategic mix of employment activities at appropriate locations throughout the City to support a balanced economic base, including industrial suppliers and services, commercial/retail support services, clean technologies, life sciences, as well as high technology manufacturers and other related industries.

Land Use and Employment Policy IE-1.3: As part of the intensification of commercial, Village, Industrial Park and Employment Center job Growth Areas, create complete, mixed-employment areas that include business support uses, public and private amenities, child care, restaurants and retail goods and services that serve employees of these businesses and nearby businesses.

Land Use and Employment Policy IE-1.5: Promote the intensification of employment activities on sites in close proximity to transit facilities and other existing infrastructure, in particular within the Downtown, North San José, the Berryessa International Business Park and Edenvale.

Business Growth and Retention Policy IE-2.6: Promote retail development to the maximum extent feasible, consistent with other General Plan goals and policies, in order to generate City revenue, create jobs, improve customer convenience, and enhance neighborhood livability.

Business Growth and Retention Policy IE-2.7: Encourage business and property development that will provide jobs and generate revenue to support city services and infrastructure.

Business Growth and Retention Action IE-2.8: Evaluate and periodically update the City's policies, regulations and ordinances to maintain San José's competitive ability to attract and grow businesses, including small businesses and home occupations.

Analysis: Retail amenities remain dispersed in North San José. The North San José Area Development Policy is a key component of creating the type of vibrant "great places" sought by many employers and employees. The proposed General Plan, Zoning Code, and Policy amendments directly align with Action IE-2.8 by updating regulations with the underlying goal of attracting and growing business in North San José. Consistent with policies listed above, the proposed regulatory changes could contribute to the success of the City's economic base by promoting support services in North San José. Allowing flexibility for retail in the Policy area would also contribute to creating a complete, mixed-employment area that serves to attract and retain businesses and their employees.

3. **Neighborhood Serving Commercial Goal LU-5:** Locate viable neighborhood-serving commercial uses throughout the City in order to stimulate economic development, create complete neighborhoods, and minimize vehicle miles traveled.

General Land Use Policy LU-1.1: Foster development patterns that will achieve a complete community in San José, particularly with respect to increasing jobs and economic development and increasing the City's jobs-to-employed resident ratio while recognizing the importance of housing and a resident workforce.

Neighborhood Serving Commercial Policy LU-5.2: Require new commercial development to facilitate pedestrian and bicycle access through techniques such as minimizing building separation from public sidewalks; providing safe, accessible, convenient, and pleasant pedestrian connections; and including secure and convenient bike storage.

Neighborhood Serving Commercial Policy LU-5.4: To facilitate pedestrian access to a variety of commercial establishments and services that meet the daily needs of residents and employees, locate neighborhood-serving commercial uses throughout the city, including identified growth areas and areas where there is existing or future demand for such uses.

Neighborhood Serving Commercial Policy LU-5.8: Encourage outdoor cafes and other outdoor uses in appropriate commercial areas to create a vibrant public realm, maximize pedestrian activity, and capitalize on San José's temperate climate.

Analysis: The proposed General Plan, Zoning Code, and Policy amendments would advance the goals and policies listed above by creating opportunities for development of neighborhood-serving commercial uses for employees and residents in North San José. Additionally, proposed Policy criteria for local-serving commercial development would promote walkability and bicycle access, and support the creation of public gathering spaces. Allowing flexibility for commercial support uses in North San José would also support the development of a more mixed-use community and contribute to meeting the daily needs of employees and residents.

CALIFORNIA ENVIRONMENTAL QUALITY ACT (CEQA)

The proposed amendments (project) to the General Plan, Zoning Code, and North San José Area Development Policy does not directly include any construction, demolition, or other activity that has the potential to negatively impact the environment. While the proposed project would allow increased flexibility for retail and service uses in the Policy area on sites zoned Industrial Park by allowing commercial support in single-use buildings that meet certain criteria, the overall development capacity of new commercial uses would not exceed that already allowed in the Envision San José 2040 General Plan and the North San José Area Development Policy. The proposed Zoning Code changes are consistent with local-serving commercial land uses specified in the Policy, and new commercial development would be limited to the 1.7 million square feet of new local-serving commercial use already allowed under the Policy.

Pursuant to Section 15168(c) of the CEQA Guidelines, the City of San José has made a Determination of Consistency, as this activity is within the scope of the Final Program EIR for the North San José Development Policies Update (Resolution No. 72768) and Addenda thereto, and the Envision San José 2040 General Plan EIR (Resolution No. 76041) and Supplemental EIR to Envision San José General Plan EIR (Resolution No. 77617), and Addenda thereto. The complete Determination of Consistency is attached to this staff report.

PUBLIC HEARING NOTIFICATION

- ☐ **Criterion 1:** Requires Council action on the use of public funds equal to \$1 million or greater.
(Required: Website Posting)
- ☐ **Criterion 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City.
(Required: E-mail and Website Posting)
- ☐ **Criterion 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach.
(Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)

Although this item does not meet any of the criteria above, 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 staff report is also posted on the City's website and staff has been available to respond to questions from the public.

In addition, a variety of stakeholders, experts, developers, and employers were engaged to gain their understanding of the retail and amenity dynamic in the area. The result of this outreach and the support of subject matter experts were incorporated into staff's recommended retail and amenity strategy, including the proposed General Plan, Policy, and Zoning Code amendments. This stakeholder outreach occurred as part of the following three efforts:

Strategic Economics North San José Retail Analysis - In September 2016, the Office of Economic Development and Planning, Building and Code Enforcement engaged Strategic Economics to perform a retail analysis in North San José. Strategic Economics' scope of work included 1) providing a summary of the existing retail market conditions in the North San José Area; 2) identifying "missing" retailers; 3) identifying future retail sites, and 4) completing an analysis of the North San José Area Development Policy to identify any opportunities or barriers for future retail and amenity development. The results of Strategic Economics analysis provided

important insights into the existing conditions and opportunities facing North San José, and is attached for reference. (See Attachment A)

Rose Center for Public Leadership in Land Use - The Rose Center for Public Leadership in Land Use selected San José to participate in its fellowship program for 2017. The program provided San José with technical assistance on transforming North San José into a vibrant, urban, mixed-use employment district. During the week of February 14, 2017, a delegation of relevant subject matter experts toured the area, received briefings from City staff, and met with various stakeholders including developers, business representatives, community groups, and the Valley Transportation Authority. The panel developed opportunities existing in North San José, and then gave recommendations for follow-up actions that the City should consider.

North San José Representatives Roundtable - To support Council direction to staff to develop a retail strategy, the Mayor and Councilmember Diep hosted a roundtable on February 15, 2017 of representatives from North San José corporations, development and investor communities and other stakeholders. The meeting included representatives from companies including Cisco, Samsung, PayPal, BenteK, Bestronics, and CalWater; and developers including Boston Properties, South Bay Development, and Irvine Company.

Project Manager: Jared Hart

Approved by:

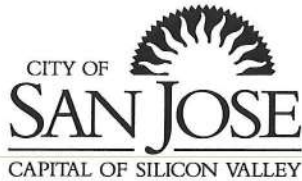


, Planning Official for Rosalynn Hughey,
Interim Director of Planning

Date:

11/6/17

Attachments:
A) April 26, 2017 Memorandum from Kim Walesh and Strategic Economics North San José Retail Strategy Report
B) Draft Resolution
C) Draft Ordinance
D) CEQA Determination of Consistency



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Kim Walesh

SUBJECT: NORTH SAN JOSE RETAIL
AND AMENITY STRATEGY

DATE: April 26, 2017

Approved

Date

4/27/17

COUNCIL DISTRICT: 3 & 4

RECOMMENDATION

Accept staff's report on retail and amenity development in North San Jose and direct staff to:

1. Implement the North San Jose Retail and Amenity Strategy
2. Return to Council to amend Title 20 of the San José Municipal Code and the North San Jose Area Development Policy to:
 - a. Allow local-serving retail commercial uses in the IP Industrial Park Zoning District within the North San Jose Area Development Policy Area; and
 - b. Allow greater flexibility to temporary retail and amenity uses within the North San Jose Area Development Policy Area.

BACKGROUND

The North San Jose area plays a vital role in the achievement of San Jose's General Plan goals. In 2005, the City adopted the North San Jose Area Development Policy (the Policy), which revised an established policy framework to guide the ongoing intensification of mixed-use development in this important employment center and innovation district.

The Policy provides for a specified amount of new development, including an additional 26.7 million square feet of new office/R&D development, as well as 32,000 residential units, 2.7 million square feet of retail development and 1,000 hotel rooms over four phases. The full amount of development authorized under Phase 1 is not yet complete. Almost all of the 8,000 units of residential development in Phase 1 have been constructed, but there is still approximately 8 million square feet of industrial that remains to be developed.

On August 30, 2016, Council directed staff to develop a list of recommendations to spur development of much-needed amenities, such as retail, recreation, restaurants, and athletic facilities, on or adjacent to corporate campuses in the area.

This memorandum presents staff's recommended strategy to enable more retail and amenity development in the area. To support the creation of this workplan, staff hired Strategic Economics, a well-respected economics and land-use firm, for data-driven analysis about existing demographics, retail trends, and potential next steps to further enhance amenities in North San Jose. Staff worked closely with Strategic Economics on the development of a final written report outlining the findings; the report is attached to this memorandum.

In addition to this consultant contract, staff has received insights from Urban Land Institute (ULI), property owners, corporate tenants, and commercial real estate brokers throughout the process, which includes their thoughts, needs and visions for North San Jose. The input and feedback from these activities have been considered in the production of this report and the development of the staff recommendation.

ANALYSIS

The goal of this retail and amenity strategy is to support the attraction and retention of young tech talent, who consider an amenity-rich environment critical to their choice of where to work. Employee preferences continue to change over time, impacting corporate location decisions, and in turn where developers are interested in investing. Millennial tech workers continue to demonstrate a growing preference for food, personal services, and entertainment close to their place of work. These amenities include fitness centers, bike repair, dry cleaning, banking, small-scale medical office, cafes and juice bars, restaurants, and coffee bars.

To meet some of this demand, employers and property developers have been redeveloping traditional industrial spaces into creative office environments that include the types of amenities that attract a young dynamic workforce: shared workspaces, "third" (or collaborative) spaces, gourmet cafeterias, and other outdoor amenities such as fire pits and bocce ball courts.

North San Jose is the City's premier employment center and represents a significant opportunity for growth under the General Plan. Over the past 10 years, the area has experienced extensive residential development as part of the buildout of Phase 1 of the North San Jose Area Development Policy, with the construction of almost 8,000 new residential units. Yet the area remains relatively underserved by retail amenities to serve the residential and workforce population. To realize its full potential, North San Jose must transition into a place that attracts top talent and employers, and brings together a wide range of amenities, including recreation, retail, and restaurants, that support its diverse population of residents and workers. Staff has worked with a number of stakeholders and subject matter experts to develop a strategy that addresses these challenges and opportunities and lays out actions over the short- mid- and long-term to direct activity and investment to support these goals.

Staff's proposed five-part strategy involves short medium and long term activities that include:

1. Remove regulatory barriers to additional retail in North San Jose.
2. Promote North San Jose retail opportunities, locally and externally.
3. Engage local employers and property owners to support development of amenities and physical improvements to North San Jose.
4. Improve mobility within North San Jose between retail nodes, employers, residents and other amenities by walking, biking, and transit.
5. Refine the North San Jose Area Development Policy to support development that provides for or attracts retail and amenity uses.

Existing Conditions

The Policy includes capacity for 1.7 million square feet of local-serving, smaller-format retail, and up to 1 million square feet of large-format (over 100,000 square feet) regional retail. The Policy does not limit the amount of commercial retail development that can occur in any particular phase. New retail development has come in the form of large-format retailers (Target and Lowes), largely auto-oriented retail centers (North 1st Street at 237 and Brokaw Road at 880), and smaller retail spaces integrated into new residential development (generally between 5,000 and 10,000 square feet). While these developments have contributed approximately 500,000 square feet of new commercial development, the large size of the area means that retail and restaurant amenities remain dispersed. The absence of critical mass around key intersections or nodes creates a lack of amenity destinations or "places" throughout the area.

The area already has a significant number of assets that can support the development of new destinations or places. In addition to the nearly 8,000 new residential units, the area is home to more than 90,000 daytime workers in driving industries. Major employers include Cisco, Samsung Semiconductor, Maxim Integrated, PayPal and Brocade. The area boasts good freeway visibility from US 101, and Highways 880 and 237. Transit is well represented: VTA's light rail system offers 11 stations and headways of 10 minutes throughout the workday, which provide good access to Downtown San Jose, Caltrain, Amtrak's Capitol Corridor and the Altamont Corridor Express, as well as BART later this year. The development of new apartment communities has created over 17 acres of new neighborhood parks have been developed since 2012, with over 37 acres planned in the future. New retail and food service has been integrated into these residential communities. Examples include Lalla Grill, Pokeworks, Ichin's Bamboo Garden, Curry Up Now, Paxti's Pizza, Juerga's Tapas, Honeyberry, SAJJ Mediterranean, Rok Steakhouse and Faz.

At the same time, North San Jose also has some challenges that will need to be considered in creating an amenity-rich environment attractive to new development. North San Jose is a large area still characterized by low-density industrial development and major arterial streets, which does not create the type of vibrant walkable "great place" sought by many employers and employees. Due to the existing land-use pattern, new residential development has been inwardly focused away from the street, moving activation towards private open space and interior

courtyards. Retail uses that have developed along with new residential development are in smaller disparate pockets, which - due to the large land area - creates the perception that there is little or no retail in North San Jose. Recent renovations to older buildings have focused on creating innovative workspaces that include private indoor/outdoor amenity spaces, encouraging workers to stay on site and not patronize surrounding retail. Larger employers provide onsite dining options that serve only their employees (with the exception of Samsung), which also keeps their workers on site. New standalone retail development has focused on auto-oriented centers on the periphery (close to freeways). This typology attracts national credit-tenant retailers, but it has detracted from the development of more centralized retail opportunities. It's hard to walk in North San Jose as existing sidewalks are generally narrow, unshaded, and frequently meandering, block and parcel sizes are large, and land uses are spread out, combining to create a barrier to comfortable pedestrian movement.

Outreach and Engagement

In addition to staff's own analysis of the existing conditions in North San Jose, a variety of stakeholders, experts, developers, and employers were engaged to gain their understanding of the retail and amenity dynamic in the area. The result of this outreach and the support of subject matter experts has been incorporated into staff's recommended workplan.

Strategic Economics - In September of 2016, OED and PBCE engaged Strategic Economics to perform a retail analysis in North San Jose. Strategic Economics' scope of work included 1) providing a summary of the existing retail market conditions in the North San Jose Area; 2) identifying "missing" retailers; 3) identifying future retail sites, and 4) completing an analysis of the North San Jose Area Development Policy to identify any opportunities or barriers for future retail and amenity development. The results of Strategic Economics analysis provide important insights into the existing conditions and opportunities facing North San Jose, and is attached for reference.

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Employer and Developer Outreach - To support Council direction to staff to develop a retail strategy, the Mayor and Councilmember Diep hosted a roundtable of representatives from North San Jose corporations, development and investor communities and other stakeholders. The meeting included representatives from companies including Cisco, Samsung, PayPal, Bentek, Bestronics, and CalWater; and developers including Boston Properties, South Bay Development, and Irvine Company.

Key Research Insights: North San Jose Retail

Based on the analysis by staff and contributions through the outreach and engagements outlined above, the retail and amenity strategy has taken into account several key considerations that affect the future build out of new commercial uses throughout the area.

- North San Jose has a considerable supply of retail space and services; however, because the retail is dispersed over a large geographic area and is mostly auto-oriented, employers do not perceive the existing retail as a sufficient amenity.
- Consistent with national trends, North San Jose employers—especially those dependent on young talent—seek workspace locations that offer opportunities for employees to socialize and interact in restaurants, cafes, outdoor public spaces, and other commercial settings like health/fitness venues and varied entertainment. Ideally, these are within walking distance from work—reached quickly mid-day or after work.
- Although large employers typically provide amenities inside their facility, even large NSJ employers want more vibrancy and services within walking distance. And, NSJ currently has and can accommodate many more mid-size and start-up companies who will be dependent on the district for services.
- Given the large regional-service retail centers in Milpitas and Santa Clara (current and proposed), the opportunity for North San Jose is the kind of smaller-scale retail and amenity centers that support the local workers and residents—rather than large lifestyle centers. This means food and beverage, lifestyle services (fitness, personal services), and active outdoor gathering spaces.
- Retail will work best at ‘node’ locations that have proximity to employers and residents within walking distance and the strongest traffic volumes. Retail can happen in a variety of ways, including single-story retail buildings, semi-permanent shipping container facilities in underused parking lots or development sites, and retail space integrated in new office developments. The study identified four to seven opportunity sites that could develop as attractive retail and services destinations for locals.
- No Policy or Ordinance barriers exist for development of additional retail in the Core Area and Transit Employment Residential Areas.
- However, retail development in Industrial Park Areas is limited by the General Plan and Zoning Code and this should be changed. If the City allows more retail that is compatible with industrial uses (e.g., not child care), several office developers may include public-serving retail in their plans.

- Better mobility and circulation inside North San Jose—via transit, biking, and walking—would help connect employers and residents to existing and future retail nodes and amenities. The northern portion of the area currently has the highest capacity to support new retail and community amenities, due to its high concentration of day-time workers and proximity to dense residential projects. The City could look for opportunities to build a robust-bike share program and work with VTA to improve speed and use of light rail to move within the NSJ area.
- In addition to new incremental retail activity, civic investments can contribute to the overall quality of life experienced by workers and residents. This includes improved pedestrian experience, better bike facilities, activated parks and public spaces, and ultimately public facilities like school and libraries. The former Agnews Hospital site is a major opportunity to add school, civic, and public space amenities.
- In contrast to Downtown with its Downtown Association and PBID (Property Business Improvement District), North San Jose does not yet have a mechanism for employers and property owners to pool their voice and resources to invest in physical improvements and amenities development.

Allow Retail Uses in Industrial Districts

The Policy currently allows for the development of up to 2.7 million square feet of new commercial uses and 1,000 hotel rooms. This capacity is split between 1.7 million square feet of “local serving” retail, which is categorized as smaller retail or service establishments that are intended to support the industrial and residential uses within the policy area. The remaining 1 million square feet is for the development of large-scale regional retail establishments of over 100,000 square feet, that draw from a regional customer base.

General Plan Conformance for Commercial Development

When initially developed, the Policy was designed to internalize as many vehicle trips as possible to support build out of the industrial capacity. This resulted in the inclusion of the 32,000 units of residential development, and retail commercial components that would serve those other intensifying land uses, such as food service, retail, financial services, gymnasiums, and child care. The Policy strongly encourages these uses to be integrated as a part of all new residential development and also for industrial development within the Core Area. At the time of Policy adoption, the Core Area and Transit Employment Residential Overlay General Plan designations supported such mixed-use development. This emphasis is further strengthened by the adoption of the Envision 2040 General Plan, which converted the Core Area designation to Transit Employment Center. This designation supports intensive job growth and supportive commercial uses including development with retail and service commercial uses on the first two

floors; with office, research and development or industrial use on upper floors; as well as wholly office, research and development, or industrial projects.

The Policy allows for limited opportunities for mixed-use commercial development in areas designated as Industrial Park within the Policy area, but these are limited to retail and services activities that support nearby industrial and residential uses, consistent with the “General Retail, Food Service and General Service uses,” as defined in the City’s Zoning Ordinance at the time. Much of the remaining Policy area that is appropriate for these type of uses is designated Industrial Park in the General Plan, which allows for a wide variety of industrial users such as research and development, manufacturing, assembly, testing and offices. The Industrial Park designation provides for a limited number of supportive and compatible commercial uses, when those uses are of a scale and design providing support only to the needs of businesses and their employees in the immediate industrial area.

Zoning Conformance for Commercial Development

In addition to more traditional industrial and quasi-industrial uses found in North San Jose, Title 20 of the San Jose Municipal Code currently allows a broad range of commercial uses (similar to those uses found in the General Commercial Zoning District) in the Transit Employment Center and Combined Industrial Commercial Zoning Districts. For those properties that have an underlying General Plan designation that aligns with these Zoning Districts, a conforming rezoning would allow a broad range of commercial uses in either new development or existing buildings.

Currently, the Industrial Park Zoning District only allows similar commercial uses through the Commercial Support Provision (SJMC 20.50.110). This allows for limited commercial support uses, including:

- Retail
- Indoor recreation
- Personal services
- Public eating establishments
- Financial institutions
- Medical clinics
- Medical offices

These uses may be included when they are located entirely within the buildings occupied by the primary use permitted in the IP district, and limits these uses no more than ten percent of the gross floor area of the building or no more than 20,000 square feet, whichever is less.

Amend Title 20 and the NSJADP to Promote Retail and Amenities in IP

The current provisions included in Title 20 place limits on the ability of property owners and developers to create a retail environment that supports the surrounding area. As described in the

attached report, retail development, even that which has been integrated into residential development, is either auto oriented or lacks the “critical mass” sufficient to create an amenity destination. As industrial development has largely occurred outside of the Core Area, the limiting nature of the Commercial Support provision in the IP Industrial Park Zoning District will only add to the diffused nature of new integrated retail development. To promote the type of new retail development that supports the build out of the Policy Area and attracts employers and workers to the area, staff is recommending the City Council provide direction to return with amendments to the Zoning Ordinance that facilitates near-term interest in developing and/or integrating these uses into the broader area where appropriate and in a manner that is consistent with existing and future industrial uses.

The proposed amendment would provide greater flexibility in allowing retail development to occur in the IP Industrial Park Zoning District by allowing appropriate uses to occur in standalone buildings on industrial properties, removing the square-foot limit in the current provisions, and ensuring that the commercial uses do not endanger the viability of the industrial uses. Consistent with the Policy, uses would be limited to those included in the Additional Uses, Food Service, and General Service sections of Table 20-110, which describes the Industrial Districts Land Use Regulations. As these provisions are consistent with the Policy, staff recommends that the changes for North San Jose only apply within that Policy area and not to the Zoning District citywide. This means that local-serving retail development would still be limited to the 1.7 million square feet total of new commercial development, including the development that has already occurred under the Policy.

Staff also recommends that the Policy be amended to help guide the development of new commercial development, especially in those cases where the proposed project would operate similar to a standalone development. Similar to the criteria for prioritizing residential development, staff proposes developing criteria for the prioritization of proposed commercial development to be included in the Policy:

1. The proposed project is being developed proximate or adjacent to complementary commercial uses.
2. The proposed project will directly facilitate or enable the construction of a specific, related industrial development.
3. The proposed project is designed to encourage pedestrian and bicycle connectivity to surrounding uses.
4. The proposed project reflects and incorporates strong transit-oriented design elements.
5. The proposed project incorporates privately owned and maintained public open space.
6. The proposed project does not impair the continuing viability of surrounding existing and future industrial uses.

As staff prepares to bring back these changes for consideration by the City Council, additional analysis will be performed to understand the need for any additional or complimentary General Plan or Zoning Code amendments that may be necessary. These may include ensuring clarity in

the Industrial Park General Plan Designation, and ensuring that the development standards in the Industrial Park Zoning District don't inadvertently impact new retail development.

Recommended Strategy

Drawing on the input from the various experts and stakeholders that have focused on North San Jose throughout this analysis, staff is considering a strategy that takes advantage of near term interest and opportunities, builds on existing assets in the mid-term, looks to influence future development patterns in the long term, and protects the viability of industrial uses. The following strategy represents staff's proposal for encouraging retail and commercial development in North San Jose.

Strategy

1. Remove regulatory barriers to additional retail in NSJ.

- Bring forward an ordinance amending Title 20 to provide flexibility to construct more retail space, consistent with the 1.7 million square feet of local serving retail development contained within the NSJADP, including appropriate CEQA clearance for any proposed zoning amendment.
- Bring forward an ordinance amending Title 20 to provide greater flexibility for temporary retail and amenity uses within the North San Jose Area Development Policy Area, including appropriate CEQA clearance for any proposed zoning amendment.
- Encourage planned office developments to include public-serving retail, including as interim use on the development site.

2. Promote NSJ retail opportunities, locally and externally.

- Proactively reach out to local retailers and restaurateurs.
- Encourage small retail projects at key locations with available development sites, proximity to employers and residents, and high traffic counts.
- Encourage development of retail pods in underutilized parking lots.
- Through a future budget process, consider creating a dedicated North San Jose Manager position in OED to promote retail, facilitate private/public space activation, organize employers/property owners for collaborative actions, and coordinate inter-departmental activities.

3. Engage local employers and property owners to support development of amenities and physical improvements to NSJ.

- Convene employers throughout North San Jose to create a forum for collaboration and coordination of efforts around amenity attraction.

- Create a communications or social media portal that highlights events, services, and opportunities to employers in the area.
- 4. Improve mobility within North San Jose between retail nodes, employers, residents and other amenities by walking, biking, and transit.**
- Engage with VTA to assess opportunities to improve the speed of light rail service.
 - Study robust bike and other shared transportation programs (shuttles and van pools).
 - Ensure new development projects include high quality pedestrian and bike access and transit-orientation (if applicable) in addition to vehicular access.
 - Continue to expand the multi-modal street network to include emerging retail nodes in central subarea.
 - Explore opportunities to connect the Coyote Creek and the Guadalupe River Trails through a “green corridor” along River Oaks.
- 5. Over time, refine the NSJ Area Development Policy to support development that provides or attracts retail and amenity uses.**
- Consider modifications to the distribution of land uses included in the Policy to focus development into key nodes and reflect how the area has developed since Policy adoption in 2005.
 - Explore how key assets, such as the River Oaks connection between the Guadalupe River and Coyote Creek trails, could best be enhanced by new development and ensure that the Policy supports it.

EVALUATION AND FOLLOW-UP

Should City Council approve the proposed recommendation, staff will return in June or August with appropriate amendments to the North San Jose Area Development Policy and Title 20 to facilitate the proposed modifications, and appropriate CEQA clearance. Staff will provide updates on progress implementing this strategy through the Community and Economic Development Committee.

COORDINATION

The memorandum has been coordinated with the City Attorney’s Office, City Manager’s Budget Office, the Department of Planning Building & Code Enforcement, the Department of Transportation, and the Department of Parks, Recreation, and Neighborhood Services.

COMMISSION RECOMMENDATION/INPUT

No commission recommendation or input is associated with this action.

CEQA

Not a Project, File No. PP10-069(a), City Organizational & Administrative Activities, Staff Reports.

/s/
KIM WALES
Deputy City Manager
Director, Office of Economic Development

For questions please contact Chris Burton, Sr. Business Development Manager, at (408) 535-8114.

Attachment: North San Jose Retail Strategy Memorandum, Strategic Economics

North San Jose Retail Strategy

April 26, 2017

prepared for:
The City of San Jose



STRATEGICECONOMICS

TABLE OF CONTENTS

TABLE OF CONTENTS	2
TABLE OF FIGURES	2
TABLE OF TABLES	3
I. INTRODUCTION	4
II. NORTH SAN JOSE'S EXISTING CONTEXT	5
Geographic and Policy Setting	5
North San Jose Subareas.....	6
National Trends Impacting North San Jose.....	10
National Retail Trends	10
National Trends in Office Space	10
III. SOURCES OF RETAIL DEMAND IN NORTH SAN JOSE	11
Population and Employment.....	11
Other Demographic Demand indicators	15
Traffic Volumes.....	16
IV. RETAIL SUPPLY IN NORTH SAN JOSE AND THE LARGER TRADE AREA.....	18
Current Retail Inventory.....	18
Retail Real Estate Performance	23
Planned and Proposed Retail Projects and Potential Opportunity Sites for Future Retail Development	25
V. FINDINGS AND RECOMMENDED STRATEGIES	27
Summary Market Findings and Implications.....	27
Existing Market Conditions.....	27
Market Implications for the North San Jose Retail Strategy	27
Recommended North San Jose Retail Strategies	28
Short-Term Strategies (1-2 years)	28
Mid-Term Strategies (3-4 years)	29
Long-Term Strategies (5-6 years).....	30
VI. APPENDIX A.....	31

TABLE OF FIGURES

Figure II-1. North San Jose Policy Area Boundaries, within the City of San Jose	7
Figure II-2. Land Use in North San Jose, 2015	8
Figure II-3. Four North San Jose Study Subareas	9
Figure III-1. Population and Jobs in North San Jose Subareas, 2014	12
Figure III-2. Population Growth in North San Jose Subareas North, Central, and South*, 1990-2014.....	13
Figure III-3. New Housing Units in North San Jose Subareas, by Year Built*, 2014	13
Figure III-4. Employment Density in North San Jose, 2014	14
Figure III-5. Median Household Income in North San Jose and Surrounding Areas, 2014	15
Figure III-6. Educational Attainment in North San Jose and Surrounding Areas, 2014	16
Figure III-7. Average Daily Traffic Counts in North San Jose, 2005-2015	17
Figure IV-1. Existing Retail Supply in North San Jose and Surrounding Competitive Supply, 2016	20
Figure IV-2. Population and Rentable Building Area (RBA) in North San Jose Subareas as a Share of North San Jose Totals, 2014 and 2016	21

Figure IV-3. Retail Inventory by Retail Type and Subarea in North San Jose, 201622

Figure IV-4. Retail Inventory by Year Built and Subareas in North San Jose, 201622

Figure IV-5. Monthly Average Asking Retail Rent (NNN) in North San Jose Subareas, 2008-201624

Figure IV-6. Potential Opportunity Sites for Future Retail Supply in North San Jose26

TABLE OF TABLES

Table III-1. Population, Households, and Employment in North San Jose Subareas, 201412

Table IV-1. Retail Rentable Building Area (RBA) in North San Jose, by Subarea, 201621

Table IV-2. Shopping Centers by Subarea and by Year Built in the North San Jose Study Area, 201623

Table IV-3. Vacancy Rates (Percentage) in North San Jose Subareas, 2009-201624

I. INTRODUCTION

As part of the 4-year review process for the City of San Jose's General Plan, the Mayor and City Council members have directed staff to evaluate, among other topics, whether it would be possible to add more retail development in the North San Jose area, which had been characterized by the Mayor as "retail starved" in 2015. Adding more retail activity in North San Jose would serve multiple functions, including increasing the opportunity for area workers and residents to shop, eat, and engage in other entertainment related activities, as well as increasing the City's sale tax base. North San Jose is of particular significance for the General Plan, with its "jobs first" focus, because this area is the City's largest employment concentration – it is home to 90,000 jobs and some of Silicon Valley's most important technology companies.

In addition to the General Plan, development activity in North San Jose is regulated by the North San Jose Area Development Policy (NSJADP), which was adopted in its current form in 2015. The North San Jose Area Development Policy allows for a net total 26.7 million square feet of industrial development; up to 32,000 new housing units, which could be built on 285 acres of land converted from industrial to residential zoning; up to 1.7 million square feet of new local serving retail or service establishments to support the industrial and residential uses within the area; and one new regional serving retail center that would draw from a trade area beyond North San Jose. Another key function of the NSJADP is to establish the transportation improvements necessary to support this future development, including establishing funding mechanisms to pay for these improvements.

However, in the two years since the General Plan 4-year review started and the revised NSJADP was adopted, market conditions have shifted. The types of businesses that had been driving demand for space in the area are now looking for different kinds of locations, and although businesses continue to invest in North San Jose, they are becoming more concerned with workforce recruitment and retention. This concern is driving an interest in transforming North San Jose into something more than just a dense business park – instead, North San Jose could become a place with a range of amenities that could support not just a workforce, but also a life style.

Therefore, this report (1) provides a strategy for attracting more retail development to North San Jose, as is consistent with the policy objectives in the General Plan and the NSJADP, (2) suggests additional physical improvements that could be made to the area to enhance its identity as place to both work and live, and (3) identifies ways to amend the NSJADP to better respond to new market and development realities.

In addition to this introduction, the report has four additional sections. Section II provides the existing context in North San Jose that sets the stage for future development opportunities. This is followed by Section III, which identifies the sources of existing demand for future retail development in North San Jose, and by Section IV, which characterizes the existing, planned, and proposed competitive retail supply both in North San Jose and in the general trade area. Section V concludes the report with the overall findings and recommended strategies for short, mid, and long-term horizons.

II. NORTH SAN JOSE'S EXISTING CONTEXT

GEOGRAPHIC AND POLICY SETTING

North San Jose is a 4,850-acre area bordered by Highway 237 to the North, Coyote Creek to the East, the Guadalupe River to the West, and Highway I-880 to the South. The area also includes a smaller section east of Interstate 880 along Murphy Avenue, extending to Lundy Avenue. Figure II-1 shows the area's exact boundaries. This figure also shows the boundaries for other subareas within the City which will be part of a broader Citywide retail strategy to be completed in the fall of 2017.

One of North San Jose's greatest strengths is its connection to the regional transportation infrastructure. The area is located adjacent to the Norman Y. Mineta San José International Airport and is bounded by multiple major highways that provide direct access to the rest of Silicon Valley, San Francisco, and East Bay communities. Multiple VTA light-rail stations also connect area residents and workers directly to Downtown San Jose. Furthermore, the area has relatively easy access to two existing Caltrain stations and two future BART stations (Berryessa and Alumn Rock), all of which provide even greater regional connectivity.

North San Jose is a regionally significant employment district specializing in high tech manufacturing, as well as software/information, technical, and creative professional services. The area includes a wide range of building types including industrial, office, and R&D product types and is home to large employers like Cisco, Samsung, Brocade, and Ericsson. As such, North San Jose was designated as one of San Jose's key employment areas in the City's General Plan, *Envision San Jose 2040*¹. Over the last two decades, North San Jose has also had significant new mid to high-density residential development projects, particularly along N 1st St between Highway 237 and River Oaks Parkway, along Tasman Drive, and along River Oaks Parkway. Figure II-2 shows current land use in North San Jose.

Given North San Jose's strategic position as a major employment cluster and the pressure to allow properties to convert from employment to residential uses, in 2005 the City adopted the North San Jose Area Development Policy (NSJADP) to establish and implement a "unique vision for the area". The NSJADP "governs new development and mitigation, establishing a specific procedure for the allocation and timing of development capacity within the policy area"². In brief, the policy permits development incrementally in four phases, with specific construction thresholds by use type that must be met before a subsequent phase is permitted to begin. In total, the policy accommodates 26.7 million square feet of new office/ R&D development (7 million sq. ft per phase), 32,000 residential units (8,000 units per phase), 2.7 million square feet of retail, and 1,000 hotel rooms.

Given that one key goal of the NSJADP is to "add new housing and new retail development in close proximity to new jobs, amenities, and transit", the policy apportions more than half of the total retail allotment (1.7 million sq. ft.) to "local serving" commercial uses. These are defined as retail and services activities of 100,000 square feet or less intended to support the industrial and residential development. The remaining 1 million sq. ft. of retail is envisioned for regional / "large-scale" establishments, defined as retail with a single-occupant greater than 100,000 sq. ft., or hotels. Per the phasing rational/framework for the policy, a minimum of 100,000 sq. ft. of new retail is required per phase.

¹ The Rose Center for Public Leadership (2017). San Jose's Land Use Challenge Problem Statement.

² Ibid

To keep up with the pace of proposed development, infrastructure improvements are also required, by phase. A traffic impact fee (TIF) was adopted in 2011 to fund these improvements, following the dissolution of California's redevelopment agencies.

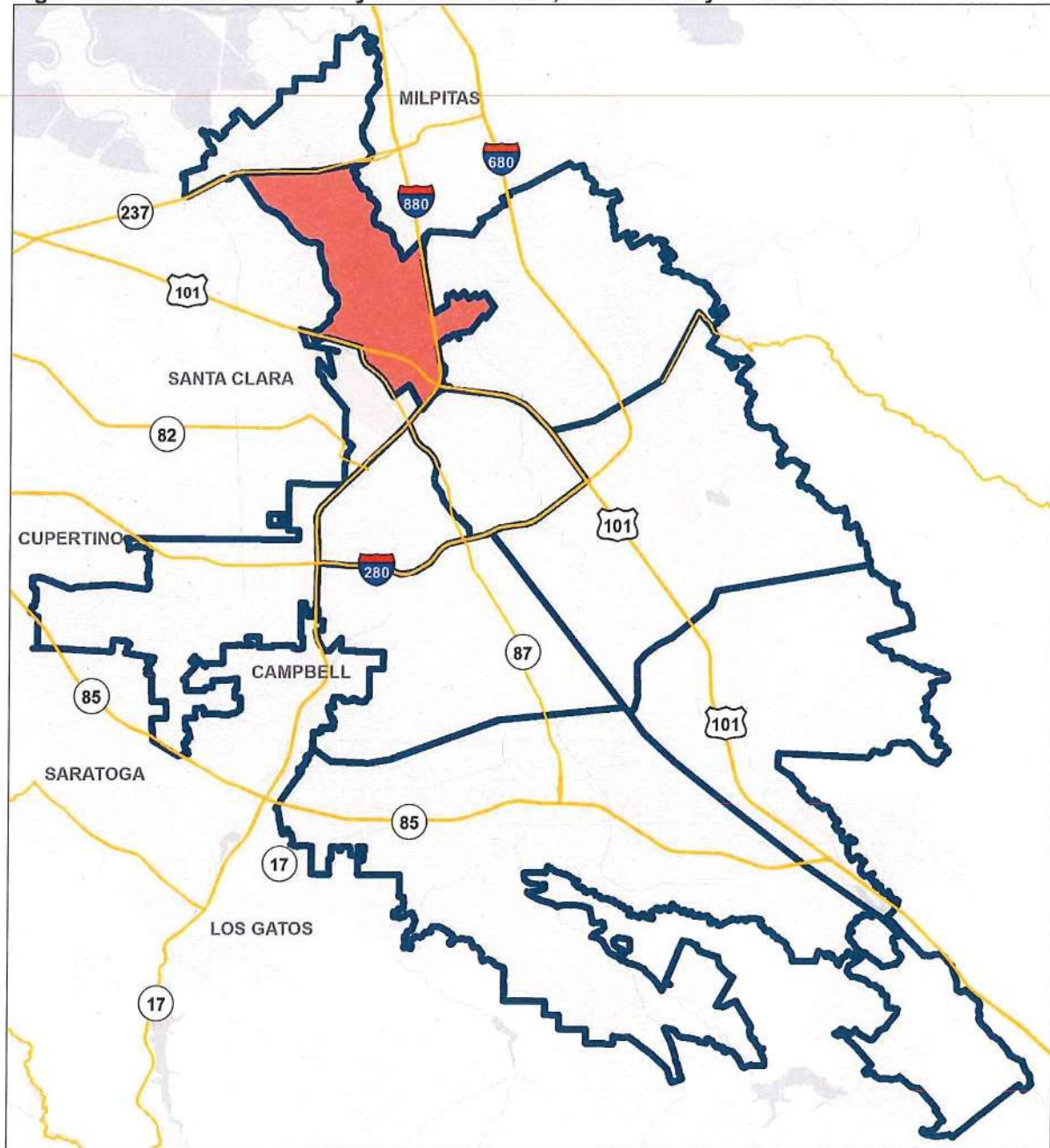
Today, North San Jose is still in Phase 1. While the number of residential units from Phase 1 have been fully met (8,000 housing units), only 15% of the commercial/industrial development Phase 1 goals has been reached³. Thus, per the policy, all further residential development is theoretically "blocked" until the other uses achieve their own phasing thresholds.

NORTH SAN JOSE SUBAREAS

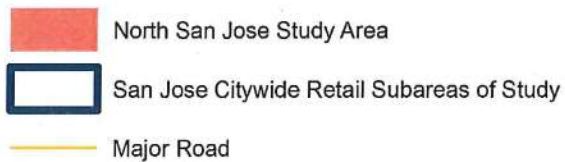
As described above, North San Jose is a non-homogeneous area, made up of very different types and concentrations of land use. The four subareas of analysis defined in Figure II-3 aim to incorporate these differences. These subareas are not of equal sizes based on acres or jobs/population, but rather they are defined based on existing land use patterns, development density, and physical barriers (e.g. highways). These subareas also approximately match the zones defined in the NSJADP – such as the Industrial Core Area located in Subarea Central, and the residential zones mostly located in Subarea North. Subarea East and Subarea South are somewhat unique entities, as they are both completely separated from Subarea Central by highways. Subarea South has developed accordingly to its proximity to the airport, and Subarea East is also closely related to the larger Berryessa area, which is undergoing a land use transition in part driven by the new Berryessa BART station, expected to open sometime in 2018.

³ The Rose Center for Public Leadership (2017). San Jose's Land Use Challenge Problem Statement.

Figure II-1. North San Jose Policy Area Boundaries, within the City of San Jose



North San Jose Study Area in Context of the City of San Jose

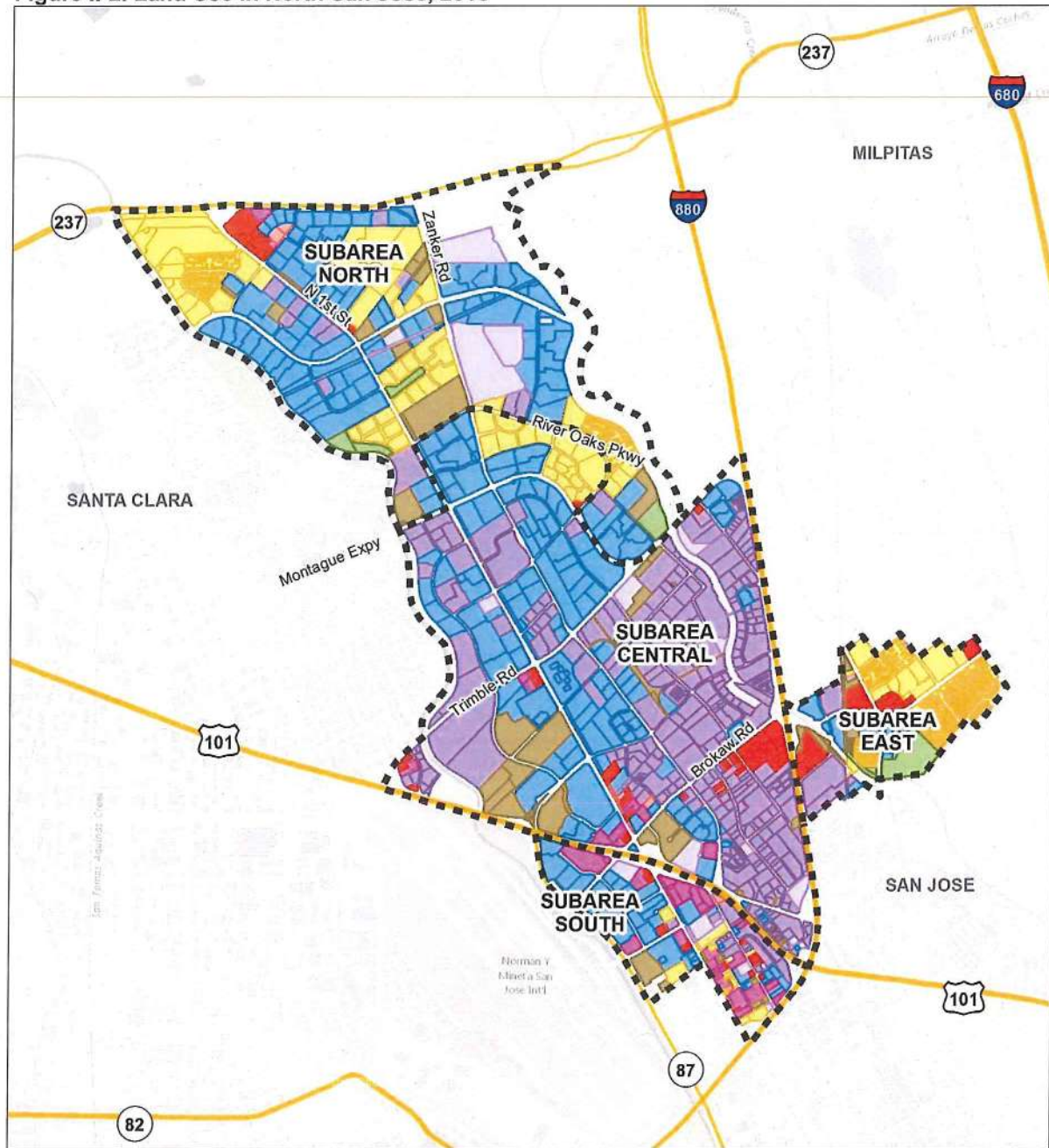


Sources: City of San Jose, 2016; Strategic Economics, 2017.

0 1.5 3 Miles



Figure II-2. Land Use in North San Jose, 2015



North San Jose Study Area: Land Use



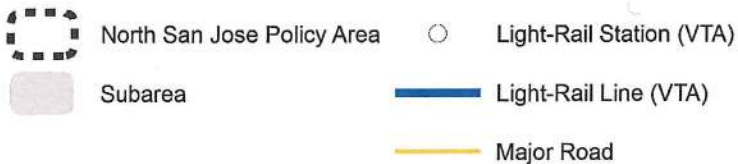
Sources: City of San Jose, 2016; Santa Clara VTA, 2016; Santa Clara County Assessor, 2016; Strategic Economics, 2017.



Figure II-3. Four North San Jose Study Subareas



North San Jose Study Area and Subareas



Sources: City of San Jose, 2016; Santa Clara VTA, 2016; Strategic Economics, 2017.



NATIONAL TRENDS IMPACTING NORTH SAN JOSE

NATIONAL RETAIL TRENDS

Demand for retail in North San Jose is affected by broader changes in the entire retail industry. As summarized in a recent market report, “the retail marketplace continues to undergo a period of retrenchment and reinvention”⁴. Major trends affecting demand for and supply of retail space are described below.

- **Demand for new retail space is shifting due to competition from online sales.** Much of the growth in retail demand is currently in categories like grocery stores, food and beverage, personal services, entertainment, and health/fitness because these establishments do not compete as much with online retailers.
- **New retail centers are being designed with a greater “experiential” component.** This includes well designed common areas and more experimental retail concept stores, as well as a much higher proportion of eating and drinking establishments than traditional malls. Conventional shopping centers are not being built like they were, and options are often more limited for retailers.
- **Nationally, luxury retailers and discount chains are driving new store expansions.** Luxury retailers are looking for space in upscale, landscaped, pedestrian-friendly shopping districts and renovated shopping malls (e.g., San Mateo’s Hillsdale Shopping Center and San Jose’s Westfield Valley Fair). Discount retailers, including low-cost apparel and dollar stores, are filling much of the big box space that became vacant during the recession.

NATIONAL TRENDS IN OFFICE SPACE

The preferences of the employees of suburban office parks are also changing, which impacts retail demand. Workers in these business parks are demonstrating a growing preference for walkability and fast-casual dining. This is pushing certain property owners to rethink their suburban office parks to emulate more urban, green, or walkable environments⁵.

In the case of North San Jose, the relative absence of easily accessible food and beverage options, pedestrian/bicycle path, and quick transit access, have also been mentioned as a barrier to attracting more businesses, as well as to attracting and retaining workforce for businesses already located in the area.

⁴ Cushman and Wakefield (2016, Q3). MarketBeat U.S. Shopping Center.

⁵ Newark Grubb Knight Frank (2015). Suburban Office Obsolescence: Quantifying Challenges and Opportunities. Accessed: <http://www.ngkf.com/Uploads/FileManager/NGKF-White-Paper-Suburban-Office-Obsolescence.pdf>

III. SOURCES OF RETAIL DEMAND IN NORTH SAN JOSE

This section provides an overview of key demand metrics that retailers typically consider in making their locational decisions. At the same time, these characteristics can provide guidance to the City as to where to prioritize place-making initiatives and new amenities to either amplify or strengthen any given existing or potential retail location within the area.

POPULATION AND EMPLOYMENT

Population, households, and day time population are three of the key variables retailers consider when evaluating a potential location.

- **North San Jose has a modest population, with nearly 10,000 households and 23,000 people.** This represents a significant change from a few decades ago: North San Jose's population more than doubled between 1990 and 2010⁶, and nearly three-quarters of the housing units present today have been built since 1990 (see Table III-1 and Figure III-1, 2, and 3).
- **North San Jose has a large employment base**, serving as home to 90,500 jobs. This area is one of the largest employment centers in the City of San Jose (see Table III-1). However, most of these workers commute into the area from surrounding communities. North San Jose workers are generally well-educated employees of high-tech manufacturing and/or software/information/technical professional service firms.
- **The jobs and housing units are not distributed evenly throughout North San Jose:**
 - Subarea North has the most households, the most high-density residential development, and the most high-density employment nodes in North San Jose (see Figure III-4).
 - Subarea North also experienced the strongest population growth: from 1990 to 2010, Subarea North's population grew threefold, from about 4,200 to 13,500 people.
 - This significant population growth in Subarea North is also exemplified by the construction of many new high-density residential developments in this area. Nearly half of the housing units in Subarea North were built since 2000.
 - Although Subarea Central also has jobs and housing, it holds less than 2,000 households, located mostly towards the north. Furthermore, the jobs are distributed at a lower density pattern and there are fewer high-density employment nodes than in Subarea North.
 - Subarea East is an older neighborhood built primarily between 1970 and 2000 and is functionally isolated from the rest of the North San Jose area.
 - Subarea South has seen some new high-density residential development since the 2000s, but this subarea tends to be functionally separated from North San Jose, and more strongly connected to the airport in its form of development (e.g. multiple large hotels).
- **North San Jose has only a modest share of residents who both work and live in the area.** Of all employed residents living in North San Jose, about 16% also work in the area.
 - In Subarea North, which has the largest population, only 7% of employed residents living in the area also work in the subarea⁷.

⁶ A ten-year comparison is not included due to changing census block group boundaries. Furthermore, the analysis of population growth over time is shown only for Subareas North, Central and South because the boundaries for Subarea East changed so drastically over the different time periods.

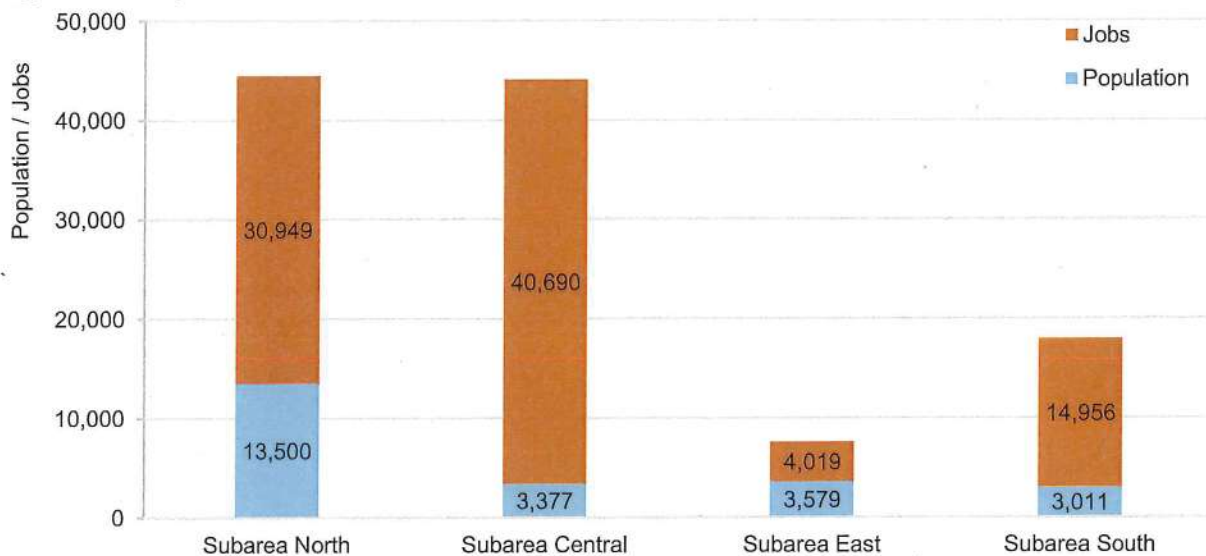
⁷ This data was obtained from the 2014 U.S. Census Longitudinal Employment Household Dynamics (LEHD).

Table III-1. Population, Households, and Employment in North San Jose Subareas, 2014

	2014 Households	2014 Population	2014 Jobs	2014 Population + Jobs
Total North San Jose	9,648	23,467	90,614	114,081
Subarea North	5,221	13,500	30,949	44,449
Subarea Central	1,753	3,377	40,690	44,067
Subarea East	1,209	3,579	4,019	7,598
Subarea South	1,465	3,011	14,956	17,967
City of San Jose	310,584	986,320	382,266	1,368,586
Santa Clara County	614,714	1,841,569	963,099	2,804,668

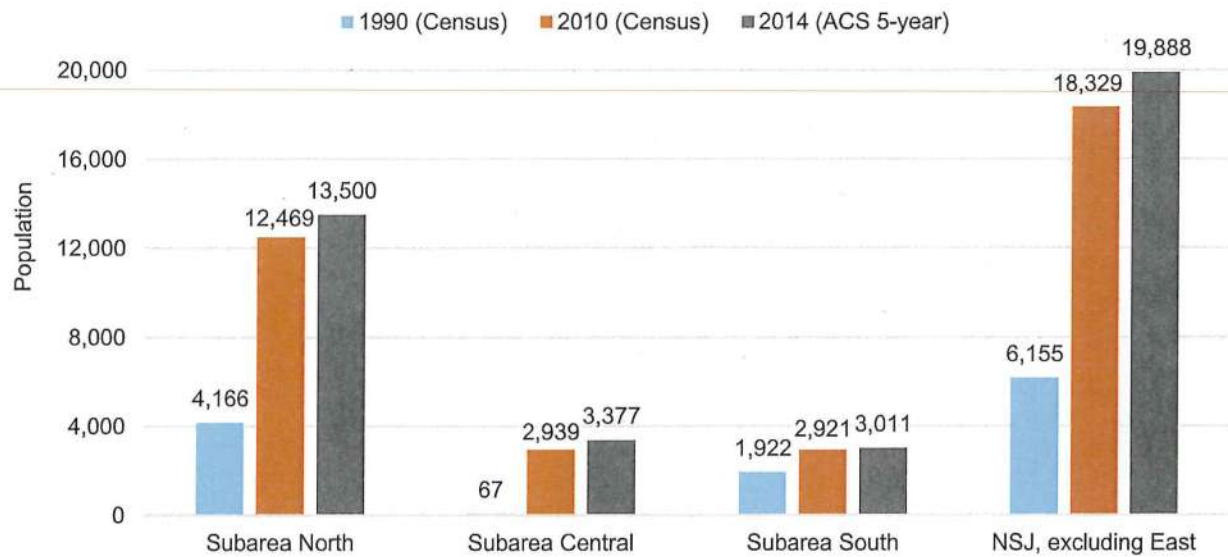
Source: ACS 5-year estimates 2010-2014; EDD 2014 City of San Jose; County Business Patterns, 2015; Strategic Economics, 2017.

Figure III-1. Population and Jobs in North San Jose Subareas, 2014



Source: ACS 5-year estimates 2010-2014; U.S. Census 1990, 2000; Strategic Economics, 2017.

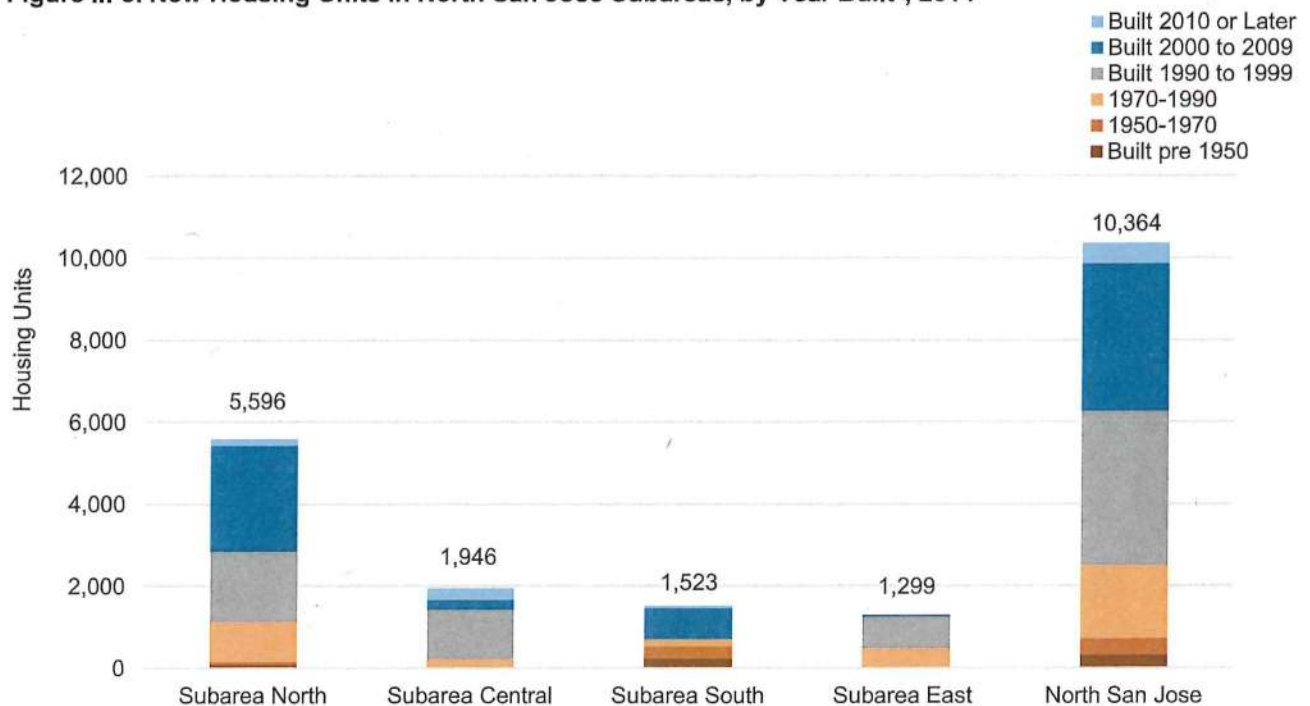
Figure III-2. Population Growth in North San Jose Subareas North, Central, and South*, 1990-2014



*A ten-year comparison is not included due to changing census block group boundaries. Furthermore, the analysis of population growth over time is shown only for Subareas North, Central and South because the boundaries for Subarea East changed so drastically over the different time periods.

Source: ACS 5-year estimates 2010-2014; U.S. Census 1990, 2000; Strategic Economics, 2017.

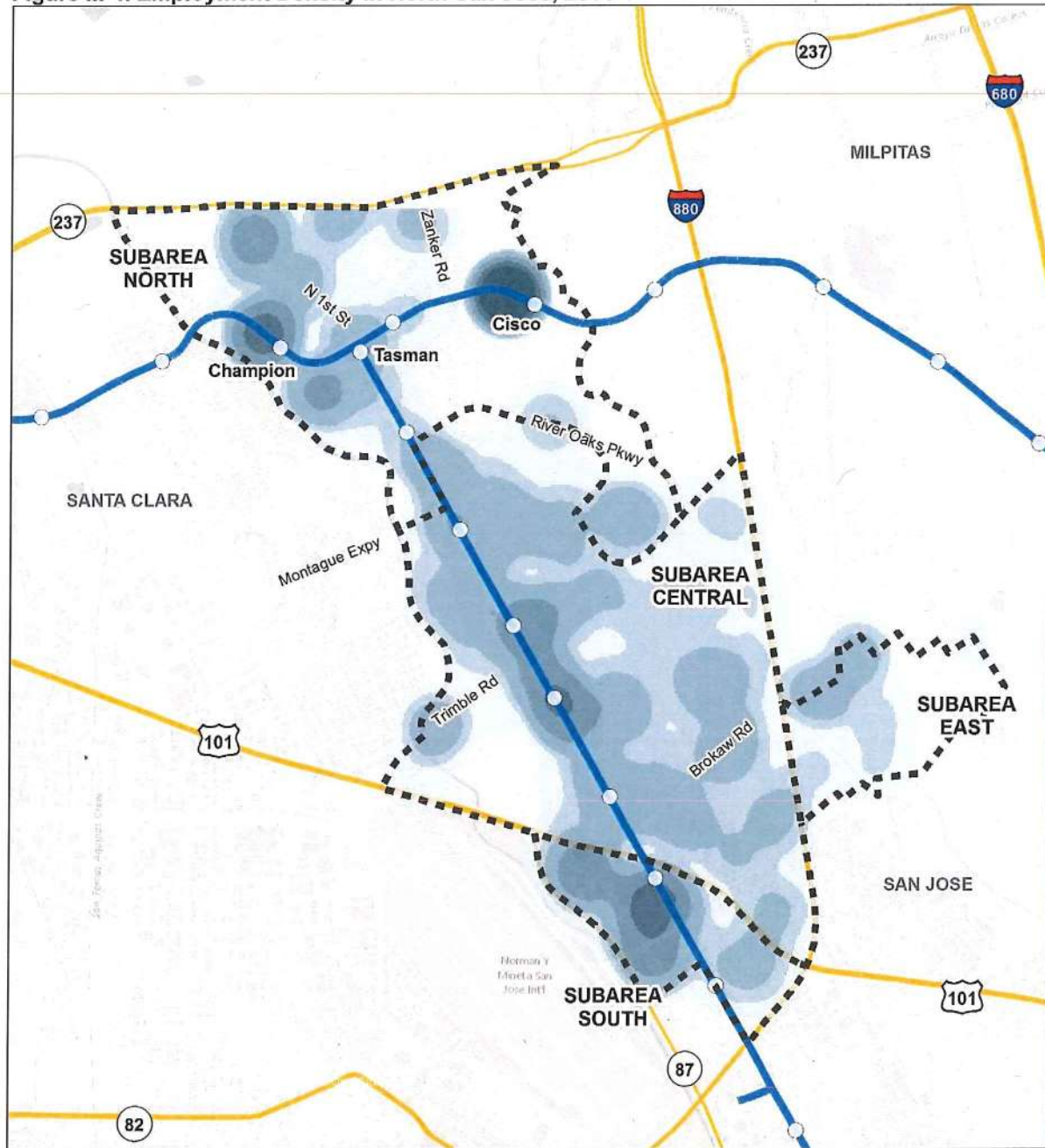
Figure III-3. New Housing Units in North San Jose Subareas, by Year Built*, 2014



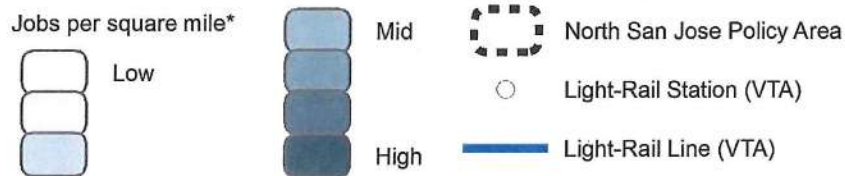
* The data shows the number of units built during the specified periods that were still in existence at the time of interview.

Source: ACS 5-year estimates 2010-2014; Strategic Economics, 2017.

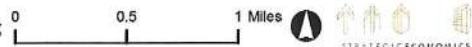
Figure III-4. Employment Density in North San Jose, 2014



North San Jose Study Area: Employment Density, 2014



*Kernel Density Search radius: 1/4 mile. EDD data was manually modified to account for (1) Cisco's buildings at Tasman Dr and Cisco Way, and (2) Samsung's increased employment at Tasman Dr and N1st. Source: City of San Jose, 2016; California EDD 2014; Strategic Economics, 2017.



OTHER DEMOGRAPHIC DEMAND INDICATORS

In addition to overall numbers of people, households, and jobs, retailers consider other demographic characteristics – educational levels, household income, ownership status, and family type –when making location decisions. North San Jose has a distinctive demographic composition:

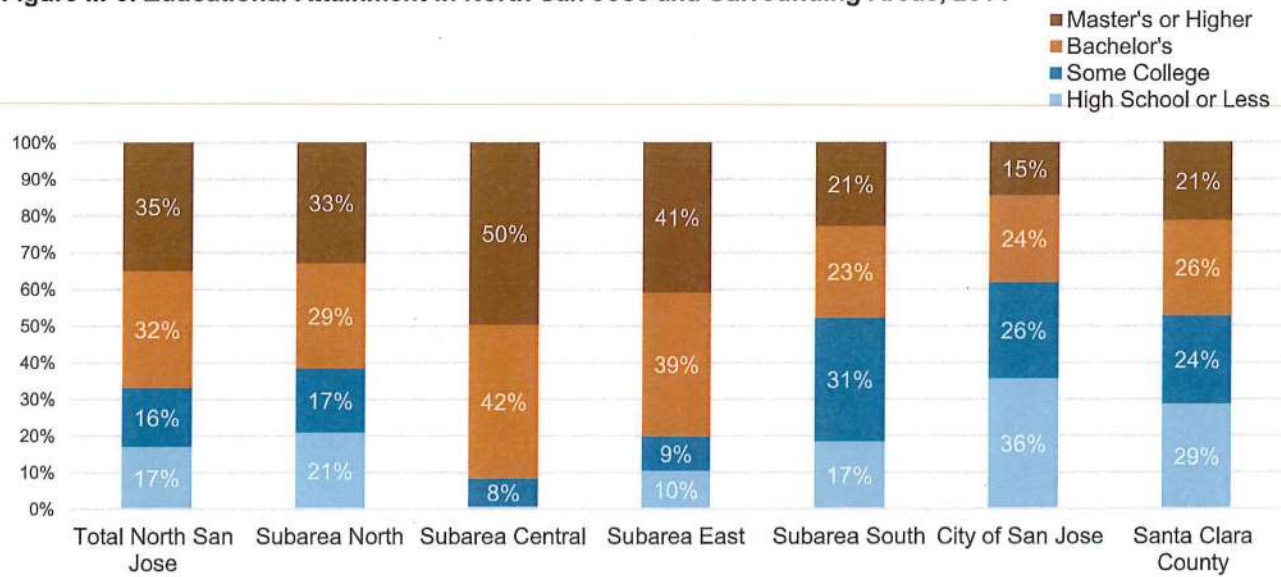
- **Residents in all subareas of North San Jose have high median incomes and high levels of educational attainment**, in most cases higher than the citywide and countywide averages (see Figures III-5, 6). In particular, Subareas North, Central, and East show particularly high household income levels reaching above \$100,000 and more than 60% of persons with a Bachelor's degree or higher. Still, there are also pockets of older housing in Subarea North and Subarea South may that represent more modest income households.
- **North San Jose has a relatively large renter population**: in North San Jose overall, 69% of occupied housing units are renter-occupied, which is considerably higher than the citywide and countywide share (both 43% renter-occupied). In particular, Subarea North and Central have high shares of renter populations, with 72% and 82% renter-occupied, respectively. Anecdotal information suggests that many of these units are rented by Silicon Valley companies to house employees who are working in Silicon Valley, although not necessarily San Jose, on a relatively short-term basis.
- **North San Jose has a large population of 18-36-year old's** (41%) – which is considerably higher than the City of San Jose overall and Santa Clara County overall (both have about 25%). Along the same lines, North San Jose also has a relatively high share of 1- and 2-person households (66%), comparatively to the City of San Jose (47%) or the County of Santa Clara (51%).
- **Nonetheless, a quarter of North San Jose's residents are families with children**, which accounts for about 2,600 households.

Figure III-5. Median Household Income in North San Jose and Surrounding Areas, 2014



Source: ACS 5-year estimates 2010-2014; Strategic Economics, 2017.

Figure III-6. Educational Attainment in North San Jose and Surrounding Areas, 2014



Source: ACS 5-year estimates 2010-2014; Strategic Economics, 2017.

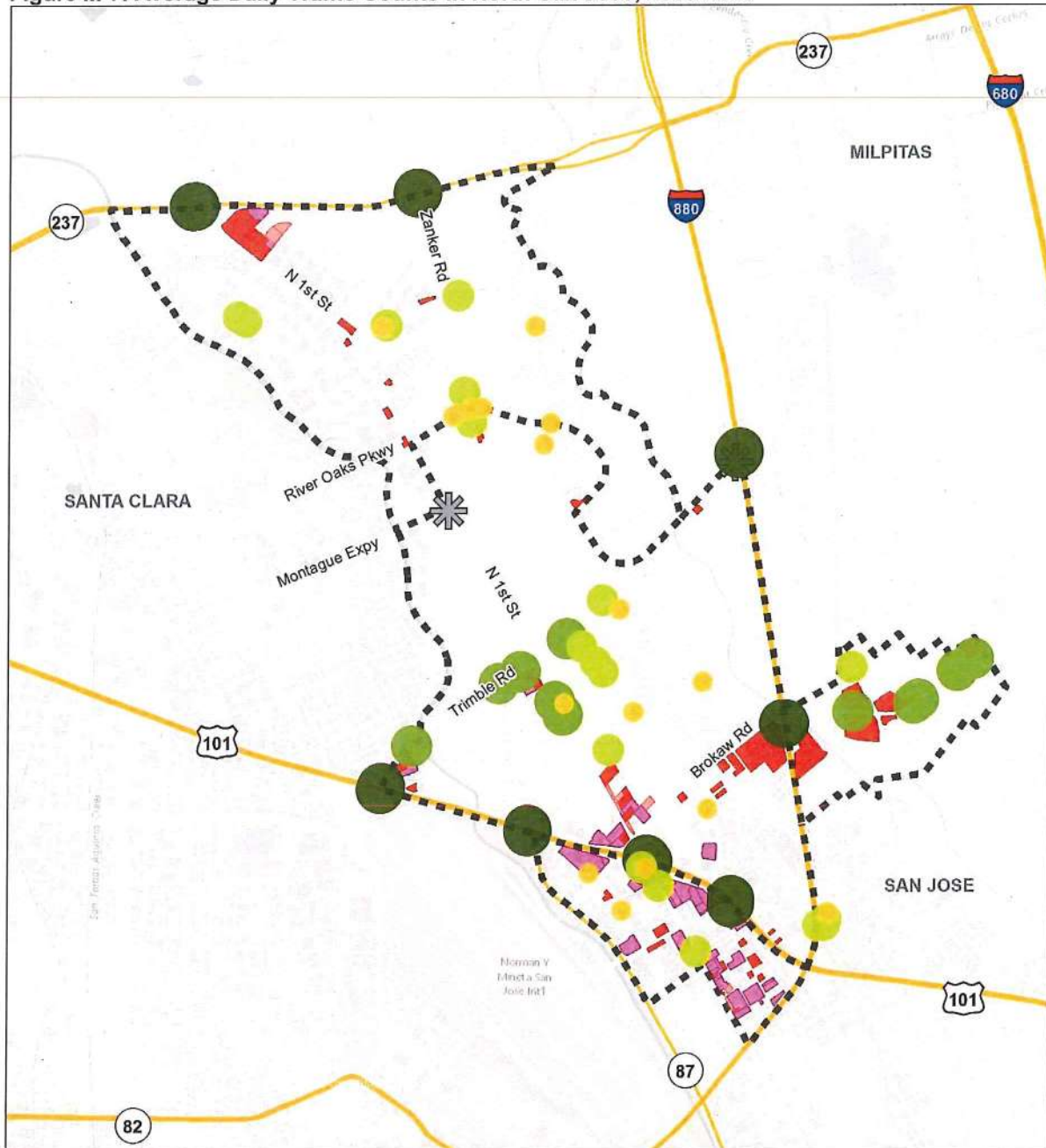
TRAFFIC VOLUMES

Traffic volume is another key demand metric: retailers are typically interested in locating near high-visibility corridors and/or at freeway interchanges. Intersections with through-traffic of at least 25,000 cars/day are usually the most appealing to large/regionally-serving retailers. Traffic counts obtained from the City of San Jose and Caltrans⁸ were used to classify North San Jose's intersections by traffic volume (see Figure III-7).

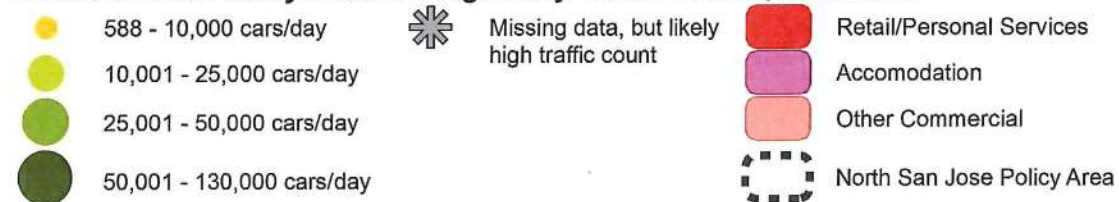
- Traffic volumes are highest at highway on- and off-ramps, such as the 237 ramps to N 1st and Zanker; the US 101 ramps to Subarea South and Central, and the I-880 ramps to Montague Express Way and Brokaw Rd.
- Other than highway ramp intersections, other key junctions carry relatively large flows of traffic within North San Jose and are in closer proximity to existing employment and residential concentrations. These junctions could be optimal for locating new retail. These include:
 - N 1st and Trimble Road
 - Intersections along Brokaw Road in Subarea East.
 - Zanker Road and Tasman Drive
 - Zanker Road and River Oaks Parkway
 - N 1st and Tasman Drive
- Trimble and Brokaw Roads provide fast direct connections between I-880 and I-101, accounting for very high traffic volumes. Montague Expressway also offers an east/west connection across North San Jose, but the connection is less direct than Trimble Road, and both utilize the same off-ramp from I-880. As will be shown later, existing retail development illustrates that these factors make Trimble Road a much more desirable retail location than Montague Expressway.

⁸Although traffic counts were not available for all intersections and were pulled from various points in time (2005 to 2016), these sources were the best data available to the research team. These counts provide a broad-picture sense for zones of higher car volumes and is useful for relative ranking of intersections. It is also acknowledged that this a car-oriented measure, which does not consider pedestrian or transit-user visibility and accessibility.

Figure III-7. Average Daily Traffic Counts in North San Jose, 2005-2015



North San Jose Study Area: Average Daily Traffic Counts, 2005-2015



Sources: City of San Jose, 2016; Santa Clara VTA, 2016; Santa Clara County Assessor, 2016; Strategic Economics, 2017.

0 0.5 1 Miles



IV. RETAIL SUPPLY IN NORTH SAN JOSE AND THE LARGER TRADE AREA

The discussion below provides an overview of the existing, planned, and proposed competitive retail supply in North San Jose, as well as key competitive retail developments in the immediate trade area that draws customers from North San Jose.

CURRENT RETAIL INVENTORY

North San Jose's current retail supply is illustrated in Figure IV-1 and summarized in Table IV-1. The following discussion describes the amount, location type, and quality of this retail inventory both for North San Jose overall and by subarea.

North San Jose Overall:

- **In aggregate, North San Jose has a significant retail supply relative to its total population.** Excluding mixed-use retail, North San Jose currently has 1.2 million sq. ft. of retail RBA (Rentable Building Area). This represents about 3.5% of the City of San Jose's total retail inventory; however as of 2014, North San Jose represented only 2.4 percent of the City's population. On a per capita basis, North San Jose has 52 sq. ft. of retail per resident, which is considerably higher than both the citywide and countywide square footage per capita. Day time employment does drive retail activity, but since people do significantly less shopping during the work day than they do on weekends and evenings, most retailers tend to focus on residential population and households.
- In terms of RBA, North San Jose's retail consists of 1/3rd General Retail, 1/3rd Community Center retail, and 1/3rd Neighborhood Center retail (see Figure IV-3). There are no Lifestyle, Power, Outlet Centers, or Regional/Super-regional malls in North San Jose. The full list of shopping centers and their year of construction is included in Table IV-2. Definitions for each retail category are provided in Appendix A.
- Larger shopping centers in North San Jose have located in close proximity to freeway off-ramps and high traffic volume streets, and to a lesser extent, residential and employment concentrations.
- **North San Jose is also surrounded by significant competitive supply in nearby cities.** To the West is the City of Santa Clara – a regionally significant employment and retail/entertainment hub – and to the East is the City of Milpitas – which has a large supply of retail centers. Most notably, the Great Mall (in Milpitas), 99 Ranch (in Milpitas) and City Place (proposed project in Santa Clara) are all located within a 2 to 3-mile radius from the center of Subarea North.
- Not accounted in these totals is the small amount of retail that has developed on the ground-floor of mixed-use housing developments. Several large (50 units or more) housing projects developed recently have incorporated ground floor retail. These are typically small food and beverage or personal services retail. However, they are often quite isolated and not walking-distance from each other. A few examples of such developments and their ground floor retail include:
 - Elan at River Oaks (1992) – Starbucks, Subway, bank
 - North Park Housing Development (2002) – food and beverage (Starbucks, Quiznos)
 - Crescent Village Apartments (2012) – food and beverage (Curry Up Now, Mod Pizza)
 - Riverview Apartments (2014) – Bamboo Garden, Pokeworks, Salad Farm
 - The Verdant (2014) – Faz Mediterranean Restaurant, Capriotti's Sandwich Shop, UPS store

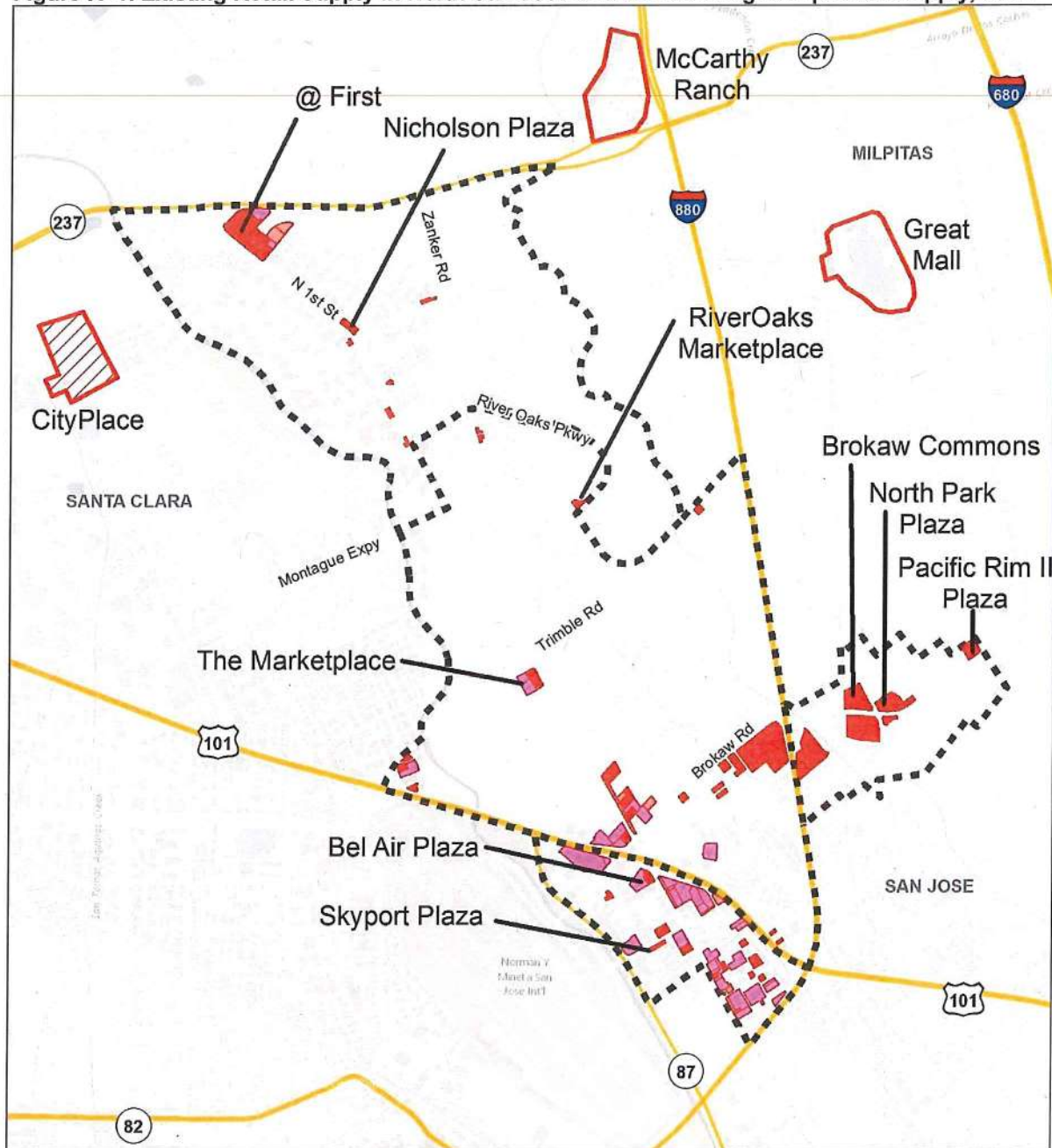
By Subarea:

- Even if North San Jose appears well-served by retail in aggregate, the distribution of retail across different subareas is uneven and is not well matched with the highest concentrations of households (see Figure IV-2). Subarea East has the highest retail RBA (~600,000 sq. ft.), followed by Subarea North (~250,000 sq. ft.), Central (~230,000 sq. ft.), and South (~160,000 sq. ft.).
- Subarea North shows the largest mismatch between its population share (58 percent of North San Jose's population) and its retail RBA share (20 percent of North San Jose's RBA). Subarea North also has the smallest RBA per capita, at about half the citywide and countywide value. It is, however, the subarea with the most mixed-use ground floor retail (described above). In turn, Subarea East has an extraordinarily high RBA, indicating that this retail serves a very large trade area, rather than the population within the Subarea itself. Finally, Subareas Central and South also have relatively high per capita RBA numbers reflecting the fact that these areas both have high traffic volume corridors and/or good locations at freeway interchanges, rather than having retail offerings that focus on a local population, as shown in Table IV-1.

By Year Built and Quality:

- Most of the in-center retail is located in Subarea North and East. Subarea East and North also have the newest retail stock and highest-rated retail quality (3- and 4-star; mainly Neighborhood and Community Center retail). Subarea South and Central, in turn, have older, lower-quality stock that consists mainly of scattered general retail, with the exceptions of a few small strip centers (see Figure IV-3).
- Nearly 80 percent of North San Jose's retail RBA was built since 1990, which matches the area's population growth over this time period (see Figure IV-4 and Table IV-2). Two new large centers - @First in Subarea North and Brokaw Commons in Subarea East - were built since 2010 and account for all of North San Jose's post-2010 RBA. This seems to confirm to some extent the hypothesis that (1) retail follows rooftops and (2) retail follows highway intersections.
- A large portion of the recently added retail supply is food and beverage-oriented. For instance, the @First Shopping Center has multiple fast-casual dining options and coffee shops with spacious outdoor seating options. Brokaw Commons has also opened similar establishments. Most of the ground-floor retail coming up also consists of food and beverage shops, as mentioned above.

Figure IV-1. Existing Retail Supply in North San Jose and Surrounding Competitive Supply, 2016



North San Jose Study Area: Existing Supply and Surrounding Competitive Supply

- | | | | |
|---|----------------------------|---|---|
|  | North San Jose Policy Area |  | Proposed Retail/Personal Services (CityPlace) |
|  | Retail/Personal Services |  | Existing Regional Competitive Supply outside San Jose |
|  | Accommodation | | |
|  | Other Commercial | | |

Sources: City of San Jose, 2016; Santa Clara VTA, 2016; Santa Clara County Assessor, 2016; Strategic Economics, 2017.



Table IV-1. Retail Rentable Building Area (RBA) in North San Jose, by Subarea, 2016

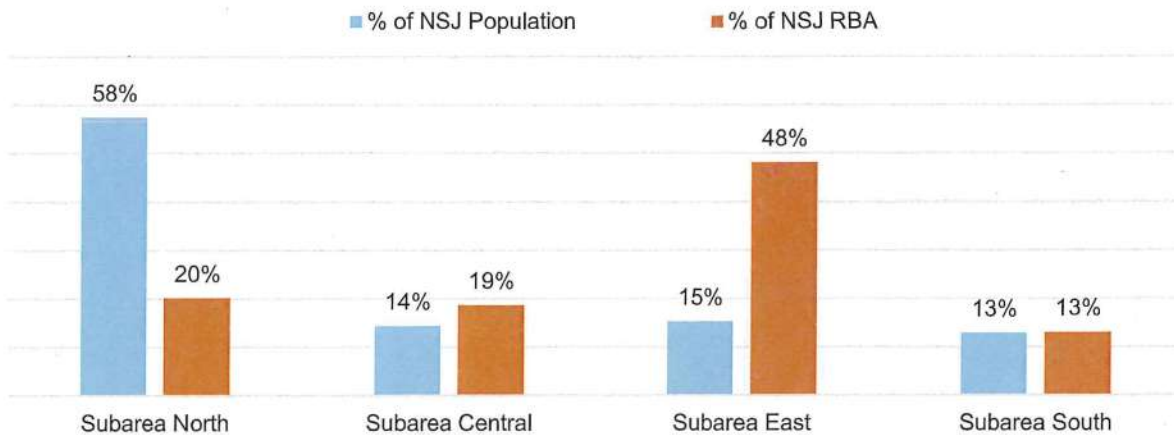
	Population 2014*	% of NSJ Population	% of San Jose Population	Rentable Building Area (RBA) (sq. ft.)	% of NSJ RBA	% of San Jose RBA	RBA per capita*	RBA per sq mi
Total North San Jose	23,467	100%	2.4%	1,224,547	100%	3.5%	52	163,273
Subarea North	13,500	58%	1.4%	246,933	20%	0.7%	18	95,710
Subarea Central	3,377	14%	0.3%	228,544	19%	0.6%	68	62,615
Subarea East	3,579	15%	0.4%	589,368	48%	1.7%	165	983,920
Subarea South	3,011	13%	0.3%	159,702	13%	0.5%	53	263,970
City of San Jose	986,320	/	100%	35,191,096	/	100%	36	194,857
Santa Clara County**	1,841,569	/	/	72,372,109	/	/	39	55,500

*The block groups and the subarea boundaries do not line up perfectly - but in fact, this helps prove the point being made here, since the Subarea East block groups are already smaller than the subarea boundaries, and the North Subarea block groups are larger than the subarea boundaries

**Santa Clara's RBA was pulled from CoStar, 2015.

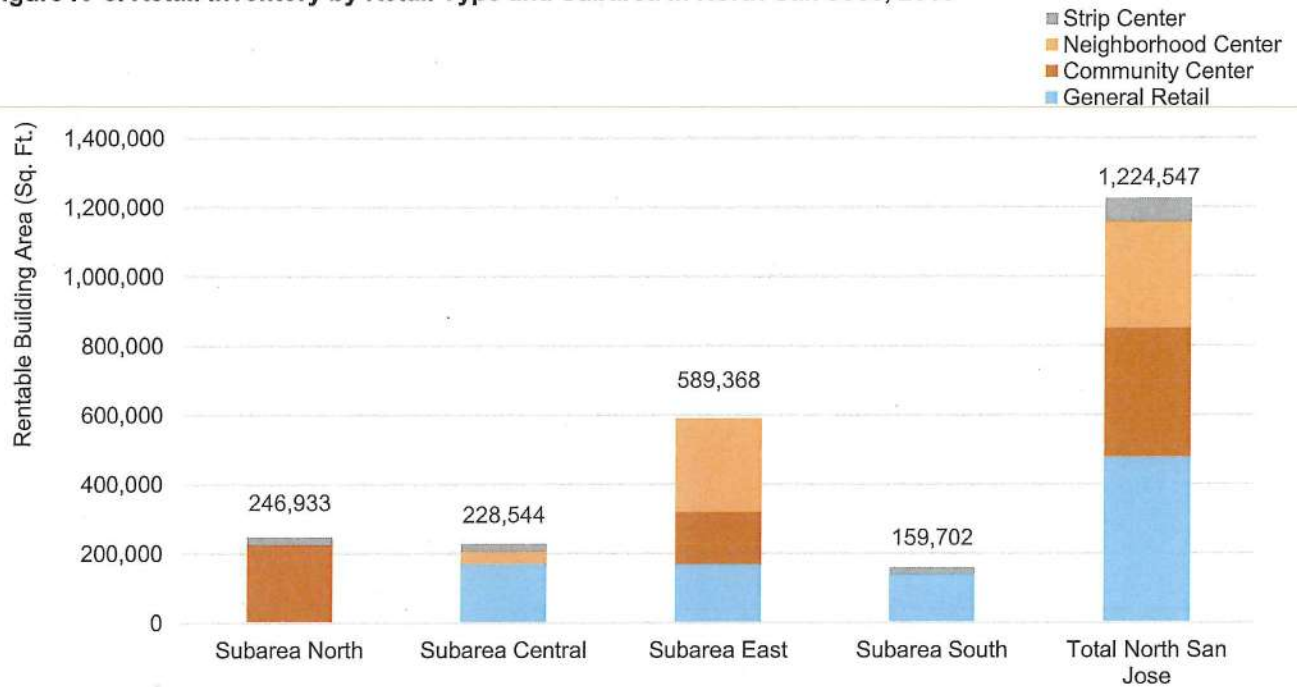
Source: CoStar, 2016; Strategic Economics, 2017.

Figure IV-2. Population and Rentable Building Area (RBA) in North San Jose Subareas as a Share of North San Jose Totals, 2014 and 2016



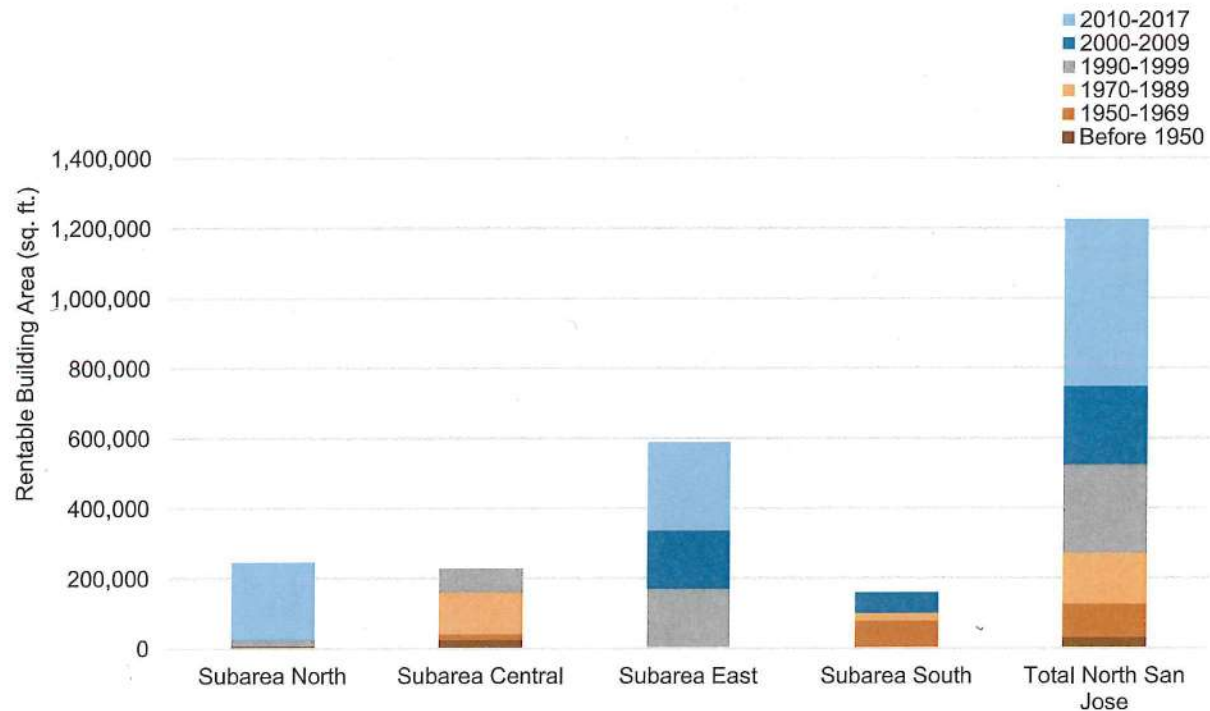
Source: CoStar, 2016; Strategic Economics, 2017.

Figure IV-3. Retail Inventory by Retail Type and Subarea in North San Jose, 2016



Source: CoStar, 2016; Strategic Economics, 2017.

Figure IV-4. Retail Inventory by Year Built and Subareas in North San Jose, 2016



Source: CoStar, 2016; Strategic Economics, 2017.

Table IV-2. Shopping Centers by Subarea and by Year Built in the North San Jose Study Area, 2016

Name	Center Type	Address	Year Built	Rentable Building Area (Sq. Ft.)	% of Total NSJ
Subarea North					
@ First Retail Center	Community Center	4100-4200 N First Ave	2010	223,562	30%
Nicholson Plaza	Strip Center	3720-3730 N 1st St	1984	23,371	3%
Subtotal				246,933	33%
Subarea Central					
The Marketplace	Strip Center	2551-2595 N 1st St	1992	23,638	3%
River Oaks Market Place	Neighborhood Center	670-690 River Oaks Pky	1991	35,747	5%
Subtotal				59,385	8%
Subarea South					
Bel Air Plaza	Strip Center	1749 N 1st St	2007	11,217	2%
1757-1759 Technology Dr	Strip Center	1757-1759 Technology Dr	1982	10,066	1%
Subtotal				21,283	3%
Subarea East					
Sprouts @ Brokaw	Community Center	1080 E Brokaw Rd	2017	150,000	20%
Brokaw Commons	Neighborhood Center	Brokaw Rd @ Old Oakland	2012	102,216	14%
North Park Plaza	Neighborhood Center	1708-1712 Oakland Rd	1997	76,703	10%
Pacific Rim Plaza II	Neighborhood Center	1633-1715 Lundy Ave	1994	84,584	11%
Subtotal				413,503	56%
North San Jose Total in Centers				741,104	100%
San Jose Citywide Total in Centers				21,469,988	
North San Jose as Share of San Jose Citywide Shopping Center					3%

Source: CoStar, 2016; Strategic Economics, 2017.

RETAIL REAL ESTATE PERFORMANCE

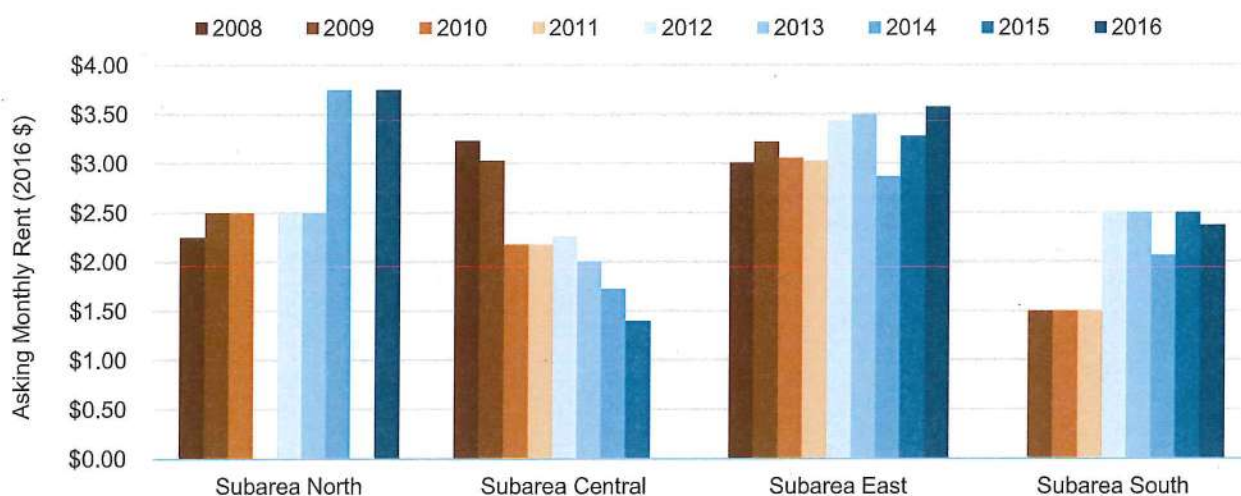
Beyond aggregate supply, further indicators of retail performance include rents and vacancy rates for the existing supply, and whether or not the market is seeing new space being added.

- **Average rents for retail space are the highest in Subarea East and Subarea North**, around \$3.50-\$3.75/square foot/month (see Figure IV-5). They are the lowest in Subarea Central (\$1.40/sq. ft. in 2015 in Subarea Central) and are modest in Subarea South (\$2.40/sq. ft.). The average asking rents for the North San Jose/Milpitas market overall are around \$2.50/sq. ft.⁹

⁹ Cushman and Wakefield (2016, Q3). MarketBeat Retail Snapshot for the San Jose Metro Retail.

- Since 2006, average retail rents have increased the most in Subarea East and Subarea North (see Figure IV-5). This is likely explained by the addition of high-quality large community centers in these subareas (@First and Brokaw Commons in 2010 and 2012, respectively).
- Overall, the vacancy rate in the North San Jose/Milpitas submarket is currently at around 7.5%¹⁰. However, within North San Jose, vacancy rates vary by subarea, providing a potential indication for each subareas' market health (see Table IV-3):
 - In the last quarter of 2016, Subarea North had a 6.2% vacancy rate. While this is a significant increase over the previous three years in which the vacancy rate was consistency below 2.2%, this can be largely explained by the Fresh & Easy grocery store closing in mid-2016 when the entire chain went out of business. Informal information suggests that the Fresh & Easy space will be released soon, at which point the Subarea North vacancy rates will drop again.
 - In the last quarter of 2016, Subarea East had the lowest vacancy rate (1.1%), and has shown rates below 3% since 2013.
 - Subarea Central has shown low vacancy rates since 2015 – but previously, vacancy was 10% or higher.
 - Subarea South has shown vacancy rates ranging between 5 and 12% since 2012.

Figure IV-5. Monthly Average Asking Retail Rent (NNN) in North San Jose Subareas, 2008-2016



Source: CoStar, 2017; Strategic Economics, 2017.

Table IV-3. Vacancy Rates (Percentage) in North San Jose Subareas, 2009-2016

	2009	2010	2011	2012	2013	2014	2015	2016
Subarea North	6.4	0	6.4	4.4	0.7	0	0.7	6.2
Subarea Central	15.9	13.9	13.7	14.5	11.9	10.4	1.2	1.2
Subarea East	10.6	10.5	7.4	7.7	2.9	0.5	2.2	1.1
Subarea South	1.7	1.4	2.2	5.6	7.1	6.3	12.5	9.2

Vacancy rates shown are taken from the fourth quarter (Q4) of each year.

Source: CoStar, 2017; Strategic Economics, 2017.

¹⁰ Cushman and Wakefield (2016, Q3). MarketBeat Retail Snapshot for the San Jose Metro Retail.

PLANNED AND PROPOSED RETAIL PROJECTS AND POTENTIAL OPPORTUNITY SITES FOR FUTURE RETAIL DEVELOPMENT





Beyond the current retail inventory and market conditions in North San Jose, potential new retail opportunities must also be accounted for. Various ideas and sites have been suggested in North San Jose. Making the most of opportunities in which property owners or developers already demonstrate an interest for new or creative retail will be essential for North San Jose's strategy moving forward. The list below summarizes planned and proposed retail projects, as well future opportunity sites for retail in North San Jose. These opportunity sites have been identified based on locational attributes, including traffic counts and land availability. A map of these sites is shown in Figure IV-6.

- **VTA Cerrone Yard (87 acres):** This site, owned by the Valley Transportation Authority (VTA), has put out a Request for Quotations for 1.8 million sq. ft. of office and commercial development. This site is strategically located in Subarea North, near Highway 237 and other dense residential projects.
- **Agnews site (81 acres):** This site is in planning process for a high school, K-8 school, and a 21-acre public park. This would provide much-needed community amenities to Subarea North, which has grown significantly in population in the last two decades.
- **Moitozo site (35 acres):** The Irvine Company has expressed interest in developing this site and has proposed multiple concepts of mixed use development (which would likely include a small retail portion). This site is centrally located and has potential to create one or multiple nodes of interest for Subarea North. It could build out key points of interest at its intersection, e.g. Zanker/River Oaks Parkway or N 1st/River Oaks Parkway.
- **Peery Arrillaga site (4.1 acres):** This site has been under discussion for hotel development, but it would likely also include retail and amenities, given its proximity to the light-rail line, the new Samsung building, and the surrounding residential development.
- **Philips Lumileds site (69 acres):** The developer is interested in retail development on the Eastern corner of this large parcel (4 acres). The developer is also open to creative placemaking and more experiential retail strategies (e.g. shipping container-style park). Although this parcel is quite removed from the denser residential development of Subarea North, it is well located in proximity to Highway 101 and to the Guadalupe River.
- **Sakaue site (22 acres):** Retail (11 acres) and residential (11 acres) development is being proposed on this site. Although not in the heart of the residential parts of North San Jose, this parcel is close to the Coyote Creek, the I-880 and to residential nodes along River Oaks Parkway.
- **Hyundai site (11 acres):** This vacant parcel is under consideration for office/hotel development, but the broker is open to a variety of suggestions.

Figure IV-6. Potential Opportunity Sites for Future Retail Supply in North San Jose



North San Jose Study Area: Potential Opportunity Sites for Future Retail Supply

-  Opportunity Sites Identified by the City
-  North San Jose Policy Area
-  Open Space/Recreation/Other
-  Vacant

Sources: City of San Jose, 2016; Strategic Economics, 2017.

0 0.5 1 Miles



V. FINDINGS AND RECOMMENDED STRATEGIES

SUMMARY MARKET FINDINGS AND IMPLICATIONS

Based on the combination of demand factors and supply characteristics, the findings below summarize the conditions of North San Jose's existing retail market and suggest where there are unmet gaps that could be filled with future supply.

EXISTING MARKET CONDITIONS

- North San Jose does have a considerable supply of retail space. However, due to its auto-orientation, this existing inventory does not feel like a neighborhood “amenity”, nor does it add anything towards creating a unique identity for the North San Jose area. The few places with ground floor retail in mixed use buildings similarly lack character and sufficient critical mass.
- Although North San Jose has a large employment base, day-time workers alone are a relatively weak source of demand for retailers.
- While households in North San Jose have high median incomes, there are not enough total households to attract most retailers.
- Considering the dense day-time workers within proximity to dense residential projects, Subarea North stands out as having the highest capacity to support new retail and/or new community amenities.
- Given traffic counts and other access issues, sites not located at freeway access points are not well-suited for major regional-serving retail development.
- North San Jose is surrounded by large existing and proposed retail centers, in Santa Clara and Milpitas.
- Lack of accessibility is a real barrier – lack of efficient public transit options, a daunting street grid (long, fortress-like blocks), segregation of uses, lack of connection between nodes, an abundance of parking lots, are a few examples. It will not be possible to instantly create a pedestrian-oriented, dense, mixed-use commercial corridor.
- As North San Jose evolves, the area will continue to attract some new retail activity, but this will most likely be in small increments. The primary uses will continue to be food and beverage-oriented
- Adding new households to the area will increase the viability of future retail activity, but these households should be concentrated in relative proximity to existing residential development, rather than dispersed.
- Other types of amenities can be added to the area that will both support future retail activity and contribute to the overall quality of the area for both residents and workers. These include better bike and pedestrian facilities, small open areas where people can eat, work, and hang out, and other kinds of civic or community spaces, such as a library.

MARKET IMPLICATIONS FOR THE NORTH SAN JOSE RETAIL STRATEGY

- Given the overarching market trends and conditions both nationally and locally, future retail activity in North San Jose will probably not include any kind of lifestyle center, especially not in the Subarea North due to proximity to nearby centers (even though this is where there would be the best synergy of both residential and dense employment concentrations).
- Future retail development in North San Jose will occur at specific nodes that have available space, strong traffic volumes, and are in relatively close proximity to as many housing units as possible and/or most dense employment concentrations within the area. These retail nodes may be relatively small and could include a variety of building solutions ranging from old shipping containers to single story retail buildings, to shop space on the ground floor of mixed use buildings. Whatever the building solution,

these structures should be fixed, rather than mobile, so that people know when and where to expect to have access to these facilities.

- Therefore, transforming North San Jose into a more distinct and attractive work place district will require using multiple approaches to create a unique identity for the area, including taking better advantage of its unique physical features, primarily its connection to the Guadalupe River and Coyote Creek.
- Another key asset that could help refocus North San Jose's image is the school complex planned for the former Agnews Hospital site. This complex would include a both a k-8 school and a new high school. Having both "neighborhood schools" and access to regional open space could make North San Jose a very attractive location not just for young workers, but for young families who want to live in Silicon Valley, but are currently priced out existing nearby neighborhoods with good schools and easy access to the regional employment base.
- Because the policy aspirations for adding significant new increments of retail development as expressed in both the General Plan and NSJADP are mismatched with market realities, both documents will likely need to be amended to reflect these new realities. The NSJADP in particular will have to be amended to reflect a more nuanced approach to identifying retail locations and to potentially scale back the amount of expected future retail development. In addition, the development phasing may need adjustment to allow for more residential development in the earlier timeframe. Other changes to both policy documents will also be necessary – these suggestions pertain only to retail development.
- The NSJADP also addresses regional transportation measures required to facilitate better access to North San Jose, but the Plan does not address the need for better internal circulation, especially for non-auto trips. However, because the area is flat and could easily be connected to both the River and the Creek, first class pedestrian and bicycle facilities could become "anchor" amenities for the entire district.
- Additional amenities that could help attract young families to North San Jose could include a library, health clinic or medical offices, and small-scale playground facilities appropriate for young children.
- Adding in such public facilities – including multi-modal street improvements, parks, playgrounds, and a library – will require creative funding and financing strategies that should be a shared responsibility between private property owners and the City.
- While the General Plan and NSJADP are both focused on future development, improvements to North San Jose should focus initially on transforming the area for current residents and employees.

RECOMMENDED NORTH SAN JOSE RETAIL STRATEGIES

The strategies recommended below are structured to respond to several imperatives including: ensuring that San Jose's premier employment district remains a vibrant and attractive location for businesses and their employees; offering market driven solutions that reflect current realities; and, offering solutions for North San Jose's changing identity to appeal to both existing and future businesses, workers, and residents. These strategies have been identified according to three time phases so that the City can begin to make immediate changes while also focusing on actions that will require a longer time horizon.

SHORT-TERM STRATEGIES (1-2 YEARS)

Strategy 1: Prepare a Multi-Modal Access Plan Connecting Existing Retail Nodes and Other Amenities in Subarea North

This plan should connect the existing retail and residential nodes within a loop that roughly includes N 1st Street, Tasman Road, Zanker Road, River Oaks Parkway, and if possible, connection points to Coyote Creek and the Guadalupe River, although these connections could come later.

Strategy 2: Encourage Small Retail Projects at Key Locations

Key locations, which all currently have high traffic counts and available development sites, include, but are not limited to:

- N 1st Street and West Tasman Drive
- N 1st Street and Montague Expressway
- N 1st Street and Trimble Road
- Zanker Road and West Tasman Drive

Strategy 3: Study the Potential to Implement a Robust Bike Share Program

Although people may drive or take the light rail to work, the fastest way to make trips around North San Jose, especially to access stores and restaurants, may be by bike. Making bikes available through a bike share program could provide this as an option and would work in conjunction with the new multi-modal street connections.

Strategy 4: Work with Existing Businesses and Major Property Owners to Identify Appropriate Funding and Financing Mechanisms to Support Improvements to North San Jose's Physical Conditions

Because any investment in street improvements or the addition of other public amenities in North San Jose will likely involve contributions from existing businesses and property owners, these key actors should be engaged in a discussion as to what mechanisms could be deployed and what steps will need to be taken to put these mechanisms in place. Likely mechanisms could include a property-based business improvement district (PBID) or other assessment mechanisms.

Strategy 5: Amend Regulatory Policies to State That All Future Retail Projects Include High Quality Bicycle and Pedestrian Access in Addition to Vehicular Access

As part of the shift to make North San Jose a more multi-modal place, current development regulations should be amended to ensure that as new development projects go forward, their design reinforces this goal.

Strategy 6: Undertake Appropriate Revisions to the NSJADP and the General Plan Related to Land Use Policies and Development Phasing

Although this process may not be completed within the short-term time frame, City staff and elected policy makers should begin to identify the full range of necessary changes in both policy documents within the next year. An important consideration will be the ability to increase the number of housing units in Subarea North to build on the existing cluster of housing units in this area and to take advantage of the proximity to the planned schools.

MID-TERM STRATEGIES (3-4 YEARS)**Strategy 7: Work with VTA to Improve Light Rail Service to North San Jose**

Transit is an important component of a multimodal strategy for North San Jose. And, while the district is currently served by several light rail lines, service is slow and too infrequent to provide a superior option to driving from this area to other important destinations, such as Downtown San Jose. The City of San Jose should work with VTA to address these service issues on an ongoing basis.

Strategy 8: Continue to Expand the Multi-modal Street Network to Include Emerging Retail Nodes in Subarea Central

Unlike Subarea North where there are already multiple retail nodes that could be connected with a multi-modal loops system, emerging retail nodes in Subarea Central may be too spread out to make such a loop feasible or desirable. However, each emerging node should have strong multi-modal connections to its immediate trade area, including a ½ mile radius or ten-minute walk, so that people can easily get to these nodes without having to either get in a car, or cross inhospitable intersections.

Strategy 9: Encourage the Development of Retail Pods in Underutilized Parking Lots

Individual property owners should be encouraged to add small-scale retail clusters, in the 10,000-12,000-square foot range, to existing underutilized parking lots. This strategy may be especially effective in locations that have no retail amenities and where there are no sites available to otherwise build a retail project.

LONG-TERM STRATEGIES (5-6 YEARS)**Strategy 10: Construct Facilities Geared Towards Young Children**

This would include adding such facilities as a branch library, small scale play grounds, and preschools or day care centers. Any of these facilities could be provided in future development projects and/or could be provided through the same mechanism that would pay for the multi-modal street enhancements.

VI. APPENDIX A

Below are retail and shopping center type definitions, as provided by CoStar (2017) in their online glossary of terms¹¹.

Regional Mall

Provides shopping goods, general merchandise, apparel, and furniture, and home furnishings in full depth and variety. It is built around the full-line department store with a minimum GLA of 100,000 square feet, as the major drawing power. For even greater comparative shopping, two, three, or more department stores may be included. In theory, a regional center has a GLA of 400,000 square feet, and may range from 300,000 to more than 1,000,000 square feet. Regional centers in excess of 750,000 square feet GLA with three or more department stores are considered Super Regional.

Super Regional Mall

Similar to a regional mall, but because of its larger size, a super-regional mall has more anchors, a deeper selection of merchandise, and draws from a larger population base. As with regional malls, the typical configuration is as an enclosed mall, frequently with multiple levels.

Community Center

Typically offers a wider range of apparel and other soft goods than neighborhood centers. Among the more common anchors are supermarkets, super drugstores, and discount department stores. Community center tenants sometimes contain value-oriented big-box category dominant retailers selling such items as apparel, home improvement/furnishings, toys, electronics or sporting goods. The center is usually configured in a straight line as a strip, or may be laid out in an L or U shape, depending on the site and design. Of all the center types, community centers encompass the widest range of formats. For example, certain centers that are anchored by a large discount department store often have a discount focus. Others with a high percentage of square footage allocated to off-price retailers can be termed as off-price centers. The size of such a center ranges from 100,000 to 350,000 square feet.

Neighborhood Center

Provides for the sales of convenience goods (food, drugs, etc.) and personal services (laundry, dry cleaning, etc.) for day-to-day living needs of the immediate neighborhood with a supermarket being the principal tenant. In theory, the typical GLA is 50,000 square feet. In practice, the GLA may range from 30,000 to 100,000 square feet.

Lifestyle Center

An upscale, specialty retail, main street concept shopping center. An open center, usually without anchors, about 300,000 SF GLA or larger, located near affluent neighborhoods, includes upscale retail, trendy restaurants and entertainment retail. Nicely landscaped with convenient parking located close to the stores.

Power Center

The center typically consists of several freestanding (unconnected) anchors and only a minimum amount of small specialty tenants. 250,000 -- 600,000 SF. A Power Center is dominated by several large anchors, including discount department stores, off-price stores, warehouse clubs, or "category killers," i.e., stores that offer tremendous selection in a particular merchandise category at low prices.

¹¹ http://www.costar.com/about/costar-glossary#go_r

Outlet Center

Usually located in a rural or occasionally in a tourist location, an Outlet Center consists of manufacturer's outlet stores selling their own brands at a discount. 50,000 -- 500,000 SF. An Outlet Center does not have to be anchored. A strip configuration is most common, although some are enclosed malls and others can be arranged in a village cluster.

Strip Center

A strip center is an attached row of stores or service outlets managed as a coherent retail entity, with on-site parking usually located in front of the stores. Open canopies may connect the storefronts, but a strip center does not have enclosed walkways linking the stores. A strip center may be configured in a straight line, or have an "L" or "U" shape.

Convenience Center

An open shopping center with fewer than half-a-dozen stores offering day-to-day necessities, such as basic groceries, dry cleaners, liquor store, video rentals, etc.

Theme/Festival Center

These centers typically employ a unifying theme that is carried out by the individual shops in their architectural design and, to an extent, in their merchandise. Sometimes the biggest appeal of these centers is to tourists; they can be anchored by restaurants and entertainment facilities. These centers, generally located in urban areas, tend to be adapted from older, sometimes historic, buildings, and can be part of mixed-use projects. 80,000 -- 250,000 SF.

General Retail

Typically, single tenant freestanding general purpose commercial buildings with parking. Many single retail buildings fall into this use code, especially when they don't meet any of the more detailed use code descriptions.

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 “TRANSIT EMPLOYMENT CENTER” AND “INDUSTRIAL PARK” LAND USE DESIGNATIONS, AND AMENDING THE NORTH SAN JOSE AREA DEVELOPMENT POLICY TO ALLOW FLEXIBILITY FOR LOCAL SERVING COMMERCIAL USES

**Fall 2017 General Plan Amendment Cycle (Cycle 3)
File Nos. GPT17-007; PP17-051**

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, on June 21, 2005, the City Council adopted the North San José Area Development Policy, which development policy has been amended from time to time (hereinafter the "Policy"); 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 15, 2017, the Planning Commission held a public hearing to consider the proposed text amendments to the General Plan, File No. GPT17-007 specified in Exhibit “A” hereto (“General Plan Text Amendment”), and proposed amendments to the Policy, specified in Exhibit “B” hereto (“Policy Amendment”), at which hearing interested persons were given the opportunity to appear and present their views with respect to said proposed amendments; and

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

WHEREAS, on December 12, 2017, the Council held a duly noticed public hearing; and

WHEREAS, copies of the proposed General Plan Text Amendment and Policy Amendment are on file in the office of the Director of Planning, Building and Code Enforcement of the City, with copies submitted to the City Council for its consideration; and

WHEREAS, pursuant to Chapter 18.08, Part 2 of Title 18 of the San José Municipal Code, public notice was given that on December 12, 2017 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 Text Amendment (Exhibit “A”) and Policy Amendment (Exhibit “B”); and

WHEREAS, prior to making its determination on the General Plan Text Amendment and Policy Amendment, the Council reviewed, considered, and approved of the information contained in the Final Program EIR for the North San José Development Policies Update (certified by Resolution No. 72768) and Addenda thereto, and the Envision San José 2040

General Plan Environmental Impact Report (certified by Resolution No. 76041) and Supplemental Environmental Impact Report to the Envision San José 2040 General Plan EIR (certified by Resolution No. 77617), and Addenda thereto, and the Determination of Consistency therewith prior to acting upon and approving the subject General Plan Text Amendment and Policy Amendment; and

WHEREAS, the Council is the decision-making body for the proposed General Plan Text Amendment and Area Development Policy Amendment.

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

SECTION 1. The Council's determinations regarding the General Plan Text Amendment and Policy Amendment are hereby specified and set forth respectively in Exhibits "A" and "B" attached hereto and incorporated herein by reference.

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

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ADOPTED this _____ day of _____, 2017, by the following vote:

AYES:

NOES:

ABSENT:

DISQUALIFIED:

SAM LICCARDO
Mayor

ATTEST:

TONI J. TABER, CMC
City Clerk

I hereby certify that the amendments to the San José General Plan and North San José Area Development Policy specified in the attached Exhibits A and B 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

EXHIBIT “A”

ENVISION SAN JOSE 2040 GENERAL PLAN TEXT AMENDMENTS

GPT17-007. The Envision San José 2040 General Plan is hereby amended as follows (changes are underlined):

1. Chapter 5, entitled “Interconnected City,” “Land Use Designations” section, “Transit Employment Center” designation is hereby amended to read as follows:

“Transit Employment Center
Density: FAR Up to 12.0 (4 to 25 stories)

This designation is applied to areas planned for intensive job growth because of their importance as employment districts to the City and high degree of access to transit and other facilities and services. To support San José’s growth as a Regional Employment Center, it is useful to designate such key Employment Centers along the light rail corridor in North San José, in proximity to the BART and light rail facilities in the Berryessa/Milpitas area, and in proximity to light rail in the Old Edenvale area. All of these areas fall within identified Growth Areas and have access to transit and other important infrastructure to support their intensification. Uses allowed in the Industrial Park designation are appropriate in the Transit Employment Center designation, as are supportive commercial uses. The North San José Transit Employment Center also allows limited residential uses, while other Employment Centers should only be developed with industrial and commercial uses.

An important difference between this designation and the Industrial Park designation is that the development intensity and site design elements in Transit Employment Center areas should reflect a more intense, transit-oriented land use pattern than that typically found in Industrial Park areas. This designation permits development with retail and service commercial uses on the first two floors with office, research and development or industrial use on upper floors, as well as wholly office, research and development, or industrial projects. Additional flexibility may be provided for retail and service commercial uses within the North San José Development Policy area through the City’s discretionary review and permitting process. The development of large hotels of at least 200 rooms and four or more stories in height is also supported within Transit Employment Centers. New development should orient buildings toward public streets and transit facilities and include features to provide an enhanced pedestrian environment.”

2. Chapter 5, entitled “Interconnected City,” “Land Use Designations” section, “Industrial Park” designation is hereby amended to read as follows:

“Industrial Park
Density FAR up to 10.0 (2 to 15 stories)

The Industrial Park designation is an industrial designation intended for a wide variety of industrial users such as research and development, manufacturing, assembly, testing and offices. This designation is differentiated from the Light Industrial and Heavy Industrial designations in that Industrial Park uses are limited to those for which the functional or operational characteristics of a hazardous or nuisance nature can be mitigated through design controls. Hospitals may be appropriate within this designation, if it can be demonstrated that they will not be incompatible with Industrial Park uses or other nearby activities. Areas identified exclusively for Industrial Park uses may contain a very limited number of supportive and compatible commercial uses, when those uses are of a scale and design providing support only to the needs of businesses and their employees in the immediate industrial area. These commercial uses should typically be located within a larger industrial building to protect the character of the area and maintain land use compatibility. Additional flexibility may be provided for retail and service commercial uses within the North San José Development Policy area through the City’s discretionary review and permitting processes. One primary difference between this use category and the “Light Industrial” category is that, through the Zoning Ordinance, performance and design standards are more stringently applied to Industrial Park uses.”

Council District: Citywide.

EXHIBIT “B”

NORTH SAN JOSE AREA DEVELOPMENT POLICY TEXT AMENDMENTS

GPT17-007. The North San José Area Development Policy, Section 3 entitled “Land Use” (page 17), Land Use Policies – Commercial Uses, Local Serving Commercial Uses is hereby amended to add the following after the second paragraph:

“Commercial support uses within a single-use building or buildings proposed on parcels in the IP Industrial Park Zoning District as defined in the City’s Zoning Ordinance, are allowed when the proposed amenities meet all of the following criteria:

1. Clustered on-site or in proximity to other nearby commercial uses;
2. Visible and readily accessible to the public;
3. Promote walkability and bicycle access by their design, and/or by their proximity to parks, trails, transit, plazas, and other similar amenities;
4. Promote or support the use of public gathering spaces;
5. Supports existing uses or serves as a catalyst for future industrial development;
6. Does not impair the continuing viability of surrounding existing and future industrial uses; and
7. Commercial/indoor recreational uses support nearby industrial businesses and their employees.

“Single-use building” and “Single-use buildings” means a building or buildings limited to the uses enumerated in Section 20.50.110B.6 of the City’s Zoning Ordinance.

Council Districts: 3 and 4.

DRAFT

ORDINANCE NO. _____

**AN ORDINANCE OF THE CITY OF SAN JOSE AMENDING
SECTION 20.50.110 RELATING TO COMMERCIAL
SUPPORT USES IN THE IP INDUSTRIAL PARK ZONING
DISTRICT AND TABLE 20-110, OF TITLE 20 (ZONING) OF
THE SAN JOSE MUNICIPAL CODE RELATING TO
COMMERCIAL SUPPORT USES WITHIN THE
BOUNDARIES OF THE NORTH SAN JOSE AREA
DEVELOPMENT POLICY AREA**

WHEREAS, pursuant to Section 15168 of the CEQA Guidelines, the City of San José has determined that the proposed project is pursuant to or in furtherance of and within the scope of previously approved program evaluated in the Final Program Environmental Impact Report for the North San José Development Policies Update (the “NSJADP FEIR”) and addenda thereto, for which findings were adopted by the City Council through its Resolution No. 72768 on June 21, 2005, and the Final Program Environmental Impact Report for the Envision San José 2040 General Plan (the “General Plan FEIR”) as supplemented, and addenda thereto, for which findings were adopted by City Council through its Resolution Nos. 76041 and 77617 on November 1, 2011 and December 15, 2015, respectively, and does not involve new significant effects beyond those analyzed in the DSAP FEIR, or the FEIR and their supplement; and

WHEREAS, the City Council of the City of San José is the decision-making body for this Ordinance; and

WHEREAS, this City Council has reviewed and considered the NSJADP FEIR and addenda thereto, and General Plan FEIR and the addenda thereto, prior to taking any approval actions on this Ordinance; and

WHEREAS, the proposed furthers the economic development goals and policies of the Envision San José 2040 General Plan and supports the implementation of the North San José Area Development Policy; and

NOW, THEREFORE, BE IT ORDAINED BY THE COUNCIL OF THE CITY OF SAN JOSE:

SECTION 1. Table 20-110 of Chapter 20.50 of Title 20 of the San José Municipal Code is amended to read as follows:

**Table 20-110
Industrial Districts Land Use Regulations**

Use	Zoning District					Applicable Sections & Notes
	CIC	TEC	IP	LI	HI	
Industry						
Auction	C	C	C ^{GP}	C ^{GP}	-	
Industrial services	-	-	-	P	P	
Laboratory, processing	P	P	P	P	P	
Manufacturing and assembly						
Light	P	P	P	P	-	
Medium	P	P	P	P	P	
Heavy	-	-	-	-	P	
Research and development	P	P	P	-	-	

Catalog and mail order	P	P	P	P	-	
Construction/corporation yard	-	-	-	S	S	
Establishment for the repair, cleaning of household, commercial or industrial equipment or products	-	-	-	P	P	
Extraction of minerals from the ground, including quarrying	-	-	-	-	C	
Hazardous materials storage facility	-	-	-	C	C	
Hazardous waste facility	-	-	-	-	C	
Junkyard	-	-	-	-	C	
Miniwarehouse/Ministorage	-	-	-	P	P	
Outdoor uses or storage, industrial	-	-	-	S	P	Section 20.50.210
Private electrical power generation facility	C	C	C	C	C	
Stockyard, including slaughter	-	-	-	-	C	
Warehouse/distribution facility	P	P	P	P	P	
Wholesale sale establishment	P	S	S	P	P	
Wineries, breweries	P	P	P	P	P	
Additional Uses						
Any use not set forth in Tables 20-30, 20-50, 20-90	-	-	-	-	C	

Any use without a permanent fully enclosed building on-site	C	C	C	S	S	
Commercial support	-	P	P <u>/A</u>	-	-	Note 5; Section 20.50.110
Retail sales, goods and merchandise	P	P	-	-	-	Note 5; Section 20.50.110
Retail art studio	P	P	-	-	-	
Off-sale, alcoholic beverages - beer and/or wine only	C	C	-	-	-	Note 5; Section 20.50.110
Off-sale, alcoholic beverages, full range of alcoholic beverages	C	C	-	-	-	Note 5; Section 20.50.110
Off-sale, alcoholic beverages - beer and/or wine only and incidental to a winery/brewery	C	C	C	C	C	Note 12; Section 20.50.110
Off-sale, alcoholic beverages - distilled spirits only and incidental to a distillery	C	C	C	C	C	Note 12; Section 20.50.110
Bakery, retail	P	P	-	-	-	Note 5; Section 20.50.110
Aquaculture; Aquaponics	S	S	S	S	S	
Certified farmers' market	-	S	S	-	-	Part 3.5, Chapter 20.80
Certified farmers' market - small	-	P	P	-	-	Part 3.5, Chapter 20.80

Food, beverage, groceries	P	P	-	-	-	Note 5; Section 20.50.110
Neighborhood agriculture	P	P	P	P	P	
Nursery, plant	P	P	-	C	C	
Outdoor vending	A	A	-	A	A	Part 10, Chapter 20.80
Outdoor vending - fresh fruits and vegetables	P	P	P	P	P	Part 10, Chapter 20.80
Large format commercial establishment	-	-	C ^{GP}	C ^{GP}	-	
Large format commercial establishment, associated commercial	-	-	C ^{GP}	C ^{GP}	-	Section 20.50.115
Warehouse retail	-	-	C	C	C	Section 20.50.130
Sales, office furniture, industrial equipment, machinery	P	P	-	C	-	
Seasonal sales	P	P	P	P	P	Part 14, Chapter 20.80
Education and Training						
Day care center	C	C	C ^{GP}	C ^{GP}	-	
School, driving (class A & B license)	-	-	-	P	P	
Instructional art studios	P	P	-	-	-	

Instructional art studios, live models	C	C	-	-	-	
Private instruction, personal enrichment	P	P	-	-	-	
School - elementary and secondary (public or private)	C	C	-	-	-	Note 11
School, post secondary	C	C	C	-	-	
School, trade and vocational	C	C	-	C	C	
Entertainment and Recreation Related						
Recreation, commercial/indoor	P	C on lands with a General Plan land use designation of Transit Employment Center; C ^{GP} on lands with other General Plan land use designations	C ^{GP}	C ^{GP}	-	Note 5, Section 20.50.110
Recreation, commercial/outdoor	C	-	-	-		
Relocated cardroom	C ^{GP}	C ^{GP}	C ^{GP}	C ^{GP}	-	Section 20.80.1155
Performing arts production and rehearsal space, excluding performances	P	C	C	C ^{GP}	-	
Stadium, 2,000 seats or fewer including incidental support uses	C ^{GP}	C on lands with a General Plan land use designation of Transit Employment Center; C ^{GP} on lands with other	-	-	-	Note 15

		General Plan land use designations				
Stadium, more than 2,000 seats including incidental support uses	CC ^{GP}	-	-	-	-	Note 15; Note 16
Food Services						
Caterer	P	P	-	-	-	
Drinking establishments	C	C	-	-	-	
Drinking establishments interior to a full-service hotel/motel that includes 75 or more guest rooms	P	S if within 150 feet of residentially used or zoned Lot; P if not within 150 feet of residentially used or zoned Lot	P ^{GP}	-	-	Section 20.80.475; Note 13
Drinking establishment in conjunction with a winery or brewery	C	C	C	C	C	
Public eating establishments	P	P	-	C	C	Note 5, Section 20.50.110 and Section 20.50.113
Outdoor dining, incidental to a public eating establishment	P	S if within 150 feet of residentially used or zoned Lot; P if not within 150 feet of residentially used or zoned Lot	-	C	C	Note 5, Section 20.50.110 and Section 20.50.113
Health and Veterinary Services						
Animal boarding, indoor	P	P	-	-	-	Note 14
Animal grooming	P	P	-	-	-	Note 14

Emergency ambulance service	C	C ^{GP}	C ^{GP}	C ^{GP}	-	
Hospital/in-patient facility	C	C	C	-	-	Note 6
Medical marijuana collective	R	-	R	R	R	Part 9.75, Chapter 20.80
Medical marijuana collective cultivation site only	R	-	R	R	R	Part 9.75, Chapter 20.80
Medical marijuana collective dispensary site only	R	-	R	R	R	Part 9.75, Chapter 20.80
Office, medical	P	P	C	-	-	Note 5, Section 20.50.110
Veterinary clinic	P	P	-	-	-	Note 14
General Services						
Crematory	-	-	-	C ^{GP}	C	Note 7
Mortuary, without funeral services	-	-	-	P	P	
Dry cleaner	P	P	-	-	-	
Hotel/motel	P	P on lands with a General Plan land use designation of Transit Employment Center; P ^{GP} on lands with other General Plan land use designations	C ^{GP}	-	-	Note 13
Laundromat	P	P	-	-	-	

Maintenance and repair, small household appliances	P	P	-	-	-	
Messenger services	P	P	-	-	-	
Personal services	P	P	-	-	-	Note 5, Section 20.50.110
Photo processing and developing	P	P	P	P	P	
Printing and publishing	P	P	P	P	P	
Social service agency	-	C	C	C	C	
Offices and Financial Services						
Automatic teller machine	P	P	P	P	P	Section 20.80.200
Business support use	P	P	-	-	-	
Financial institution	P	P	-	C ^{GP}	-	Note 5, Section 20.50.110
Office, general business	P	P	P	-	-	
Office, research and development	P	P	P	-	-	
Public, Quasi-Public and Assembly Uses						
Church/religious assembly	C	C on lands with a General Plan land use designation of Transit Employment Center; C ^{GP} on lands with other designations	C ^{GP}	C ^{GP}	-	

Residential						
Hotel supportive housing	C	C	C	C	C	Note 17; Part 22 of Chapter 20.80
Emergency residential shelter, more than 50 beds	C	C ^{GP}	C ^{GP}	C	-	Section 20.80.500
Emergency residential shelter, 50 beds or fewer	P	C	C ^{GP}	C	-	Section 20.80.500
Living quarters, custodian, caretakers	-	-	-	-	C	Note 1
Drive-Through Use						
Drive-through in conjunction with any use	C	C ^{GP}	C ^{GP}	C ^{GP}	-	
Recycling Uses						
Processing facility	-	C	C	S	S	
Transfer facility, recycling	-	C	C	S	S	
Collection facility, large	-	-	-	-	P	
Reverse vending machine	A	A	A	A	A	
Collection facility, small	A	A	A	A	A	
Transportation and Utilities						
Common carrier	-	-	-	C	P	
Common carrier depot	S	S	S	S	S	

Community television antenna systems	C	C	C	C	C	
Data center	S	S	S	S	S	
Off-site, alternating and alternative use parking arrangements	S	S	S	S	S	Section 20.90.200
Parking establishment not permitted in Tables 20-30, 20-50 and 20-90	C	C	C	C	C	
Off-street parking establishment	C	C	C	C	C	
Television, radio studio	C	C	C	C	C	
Utility facilities, excluding corporation yards, storage or repair yards and warehouses	C	C	C	C	C	
Wireless communications antenna	C	C	C	C	C	Note 18, Sections 20.100.1300, 20.80.1915
Wireless communications antenna, slimline monopole	S	S	S	S	S	Note 18, Sections 20.80.1900, 20.80.1915
Wireless communications antenna, building mounted	P	P	P	P	P	Note 18, Sections 20.80.1910, 20.80.1915
Power Generation						
Base load power plant	-	-	-	-	C	

Stationary peaking power plant	-	-	-	C	C	
Transportable peaking power plant	-	-	-	C	C	
Private electrical power generation facility	C	C	C	C	C	
Co-generation facility	S	S	S	S	S	
Stand-by/Back-up/Small-scale Renewable Power						
Facilities that do not exceed noise and air standards	P	P	P	P	P	
Facilities that do exceed noise and air standards	C	C	C	C	C	
Temporary stand-by or backup electrical power generation facility	P	P	P	P	P	
Solar photovoltaic power system	P	P	P	P	P	Section 20.100.610 C.7.
Vehicle Related Uses						
Auto dealer, wholesale, no on-site storage	P	P	P	-	-	
Car wash, detailing	C	C	-	-	-	
Gasoline service station or charge station, excluding incidental service or repair	P	C	C ^{GP}	C ^{GP}	-	Note 2, Note 8
Gasoline service station or charge station with incidental service and repair	P	C	C ^{GP}	C ^{GP}	-	Note 3

Sale, brokerage, or lease (rental) of passenger vehicles, pick-up trucks not exceeding 25 feet in length, and motorcycles	C	C	-	C	-	Note 10
Warehouse retail indoor sale of passenger vehicles, pick-up trucks not exceeding 25 feet in length, and motorcycles	C	C	C	C	C	Section 20.50.140
Repair and cleaning of vehicles	C	-	-	P	P	Note 4
Sale or lease of commercial trucks, buses, trailers, campers, boats, mobilehomes, construction equipment	C	-	-	C	-	
Sale, vehicle parts	P	P	-	P/S	-	Note 9
Vehicle tow yard	-	-	-	C	S	
Vehicle wrecking, including sales of parts	-	-	-	-	C	
Historic Reuse						
Historic landmark structure reuse	S	S	S	S	S	Part 8.5, Chapter 20.80

Notes:

1. Site must be seven (7) acres or more.
2. No incidental repair or service.
3. Incidental repair includes air conditioning service, carburetor and fuel injection service, electrical service, radiator service, and tune-up, lube, oil change, and smog check, as well as tires, batteries and accessories installation. Does not allow body repair or painting.
4. All vehicle-related repair, service, and accessory or other installation, excepting the cleaning of vehicles, shall be conducted within a fully enclosed Building.

5. ~~Retail; recreation, commercial/indoor establishments; Public Eating Establishments; outdoor dining, incidental to a public eating establishment; financial institutions; medical clinics; medical offices; and Personal Service establishments are Permitted in the IP district subject to the limitations of Commercial Support Use, Section 20.50.110. Commercial support uses are subject to and limited by Section 20.50.110. Commercial support uses subject to Section 20.50.110.A are permitted (P) uses. Commercial support uses subject to Section 20.50.110.B in the primary Industrial Park Building(s) require an administrative (A) permit. Commercial support uses subject to Section 20.50.110.C in a single-use Building require a Development Permit.~~ Public Eating Establishments in the LI or HI districts are limited to a maximum of six hundred fifty (650) gross square feet in size.
6. Refer to the General Plan for criteria to determine if the use is permissible at the proposed location.
7. Crematories shall be separated by at least five hundred (500) linear feet from residential uses, schools, and day care centers, which distance(s) shall be measured from the nearest points of the Parcel boundary on which the crematory is proposed and the Parcel boundary on which the residential, school or day care center use is located.
8. Charge Stations that are incidental to a separate primary use, that do not impact on-site or off-site vehicular circulation, and that serve patrons of the primary use on-Site are Permitted in all Industrial Zoning Districts.
9. Vehicle parts sales are permitted in the LI district when the total floor area dedicated to retail display and open to the public occupies no more than fifteen (15) percent of the gross floor area of the individual tenant space. Vehicle parts sales establishments that exceed fifteen (15) percent of the gross floor area of the individual tenant space are subject to a Special Use Permit.
10. Any incidental vehicle-related repair, service, and accessory or other installation, excepting the cleaning of vehicles, shall be conducted within a fully enclosed Building.
11. Public schools are subject to the regulations of this Title, subject to the provisions of California Government Code Section 53094 for classroom facilities.
12. Off-sale of alcoholic beverages. The total square footage of alcoholic beverages on display in a retail area and the total square footage of retail floor area in which alcoholic beverages are displayed for sale shall be the lesser of the following:
 - a. Two hundred fifty (250) gross square feet; or
 - b. Five (5) percent of the winery's, brewery's, or distillery's entire gross floor area; and any and all alcoholic beverages made available for retail sale shall be limited only to those alcoholic beverages manufactured and produced on-site.
13. At least two (200) hundred rooms and four (4) or more stories in height are required for Hotels located in the TEC Transit Employment Center Zoning District.
14. In the TEC Zoning District, all uses involving any type of care for animals, including but not limited to grooming, boarding, and medical care, must be conducted wholly inside a Building.
15. Primary uses include sporting events, large assembly, concerts, and entertainment events of similar character and intensity. Incidental support uses include offices, locker rooms, retail, Public Eating Establishments, Drinking Establishments, Outdoor Vending Facilities, and other commercial uses of similar character and intensity.
16. Use permit applications for stadiums that consist of more than two thousand seats and that are in an airport influence area shall be referred to the Santa Clara Airport Land Use Commission prior to approval by the City.

17. Hotel Supportive Housing may be Permitted only with a Conditional Use Permit pursuant to Part 22 of Chapter 20.80 and only until December 31, 2026.
18. Certain modifications of existing Wireless Facilities may be Permitted with an Administrative Permit in accordance with Section 20.80.1915 of Chapter 20.80.

SECTION 2. Section 20.50.110 of Chapter 20.50 of Title 20 of the San José Municipal Code is amended to read as follows:

A. With the exception of commercial support uses that are subject to Subsections B or C herein, Ccommercial support is permitted in the IP industrial park district only when all of the following criteria are met:

A1. Such commercial uses serve the immediate area; and

B2. Such commercial uses are located entirely within Buildings occupied by primary uses permitted in the IP district; and

C3. The sum of all such commercial uses in any single building on the site occupies no more than ten percent of the gross floor area of the building or no more than twenty thousand square feet, whichever is less; or, in the case of medical offices as the sole commercial support use in a building, the sum of such medical office use in any single building on the site occupies no more than twenty percent of the gross floor area of the building or no more than twenty thousand square feet, whichever is less; and

D4. Such commercial uses are limited to the following:

4a. Retail; including off-sale of alcohol, subject to a conditional use permit.

2b. Recreation, commercial/indoor.

3c. Personal service establishment.

- 4d. Public eating establishment.
- 5e. Outdoor dining, incidental to a public eating establishment.
- 6f. Financial institution.
- 7g. Medical clinic.
- 8h. Medical office.
- 9i. Amusement game devices, up to nine (9) per business establishment, as an ~~(incidental)~~ to one or more of the above enumerated commercial uses.

B. Commercial support uses in any single building occupying more than ten (10) percent of the gross floor area of the building or more than twenty thousand (20,000) square feet is permitted within the boundaries of the North San José Area Development Policy only when all of the following criteria are met:

- 1. Such commercial uses are consistent with the North San José Area Development Policy; and
- 2. Such commercial uses are located in the IP Industrial Park District; and
- 3. Such commercial uses serve the immediate area; and
- 4. Such commercial uses are located entirely within Buildings occupied by primary uses permitted in the IP district; and
- 5. Such commercial uses meet all of the following criteria:
 - a. Must be developed under an approved Administrative (A) Permit;
 - b. Is developed in support of Research and Development uses or Office, Research and Development, and has a General Plan land use designation that support such uses; and

- c. Includes a parking arrangement that is established through reciprocal cross-access easements or other enforceable mechanism(s) to serve all uses on the Site; and
- 6. The sum of all such commercial uses on any single Site occupies no more than twenty (20) percent of the gross floor area of the Building or no more than forty thousand (40,000) square feet, whichever is less; and
- 7. Such commercial uses are limited to the following:
 - a. Retail, including off-sale of alcohol subject to a conditional use permit.
 - b. Recreation, Commercial/Indoor.
 - c. Personal Service Establishment.
 - d. Public Eating Establishment.
 - e. Outdoor dining, incidental to a public eating establishment, subject to a special use permit if within one hundred and fifty (150) feet of residentially-used or residentially-zoned lot.
 - f. Amusement Game Devices, up to nine (9) per business establishment, as incidental to one or more of the above enumerated commercial uses, subject to approval of license by the chief of police.

C. Commercial support in a single-use Building is permitted within the boundaries of the North San José Area Development Policy only when all of the following criteria are met:

- 1. Such commercial uses are consistent with the North San José Area Development Policy; and
- 2. Such commercial uses are located in the IP Industrial Park District; and
- 3. Such commercial uses serve the immediate area; and

4. Such commercial uses are situated within a Site that also meets all of the following criteria:
 - a. Must be developed under an approved Development Permit that encumbers the primary Industrial Park Building(s) on the Site as well as the incidental single-use Building;
 - b. Is developed in support of Research and Development uses or Office, Research and Development, and is in a Zoning District and has a General Plan land use designation that support such uses; and
 - c. Includes a parking arrangement that is established through reciprocal cross-access easements or other enforceable mechanism(s) to serve all uses on the Site; and
5. The sum of all such commercial uses on any single Site occupies no more than twenty (20) percent of the gross floor area of Buildings or no more than forty thousand (40,000) square feet, whichever is less; and
6. Such commercial uses are limited to the following:
 - g. Retail, including off-sale of alcohol subject to a conditional use permit.
 - h. Recreation, Commercial/Indoor.
 - i. Personal Service Establishment.
 - j. Public Eating Establishment.
 - k. Outdoor dining, incidental to a public eating establishment, subject to a special use permit if within one hundred and fifty (150) feet of residentially-used or residentially-zoned lot.
 - l. Amusement Game Devices, up to nine (9) per business establishment, as incidental to one or more of the above enumerated commercial uses, subject to approval of license by the chief of police.

D. For the purposes of this Section, “single-use building” means a building limited in use to only those uses enumerated in Section 20.50.110.C.6.

PASSED FOR PUBLICATION of title this _____ day of _____, 2017, by the following vote:

AYES:

NOES:

ABSENT:

DISQUALIFIED:

SAM LICCARDO
Mayor

ATTEST:

TONI J. TABER, CMC
City Clerk

**DETERMINATION OF CONSISTENCY TO THE NORTH SAN JOSÉ
DEVELOPMENT POLICIES FINAL ENVIRONMENTAL IMPACT REPORT (SCH
#2004102067), THE ENVISION SAN JOSÉ 2040 GENERAL PLAN FINAL ENVIRONMENTAL
IMPACT REPORT AND SUPPLEMENTAL ENVIRONMENTAL IMPACT REPORT
(SCH# 2009072096), AND ADDENDA THERETO**

Pursuant to Section 15168 of the CEQA Guidelines, the City of San José has prepared a Determination of Consistency to the **North San José Development Policies Final Environmental Impact Report, the Envision San José 2040 General Plan Final Environmental Impact Report, Supplemental Environmental Impact Report, and Addenda thereto** because proposed amendments to the General Plan, North San José Area Development Policy, and Zoning Code described below are pursuant to, in furtherance of and within the scope of the previously approved program evaluated in the above noted Final Environmental Impact Reports (FEIRS) and do not raise new issues about the significant impacts on the environment beyond those analyzed in the FEIRS.

File Number and Project Name: GPT17-007/PP17-051 North San José Retail and Amenity Strategy

City-initiated General Plan text amendments, amendments to the North San José Area Development Policy, and amendments and additions to Title 20 (Zoning Code) of the San José Municipal Code related to implementation of the North San José Retail and Amenity Strategy. Proposed actions include:

1. General Plan text amendment to revise the Industrial Park and Transit Employment Center land use designations to allow additional flexibility for retail and service commercial uses within the North San José Development Policy area.
2. Amendments to the North San José Area Development Policy to establish criteria for commercial support uses in single-use buildings proposed on parcels in the IP Industrial Park Zoning District as defined in the City's Zoning Ordinance.
3. Amendment to Title 20 of the San José Municipal Code (Zoning Code) to add provisions to allow commercial support uses in single-use buildings in the IP Industrial Park Zoning District within the North San José Development Policy area when consistent with the North San José Area Development Policy.

Location: North San José Development Policy Area (generally the area north and west of Interstate 880 or the Coyote Creek, east of the Guadalupe River and south of State Route 237, and east of Interstate 880 along Murphey Avenue to Lundy Avenue; see Figure below). **Council Districts:** 3 and 4

The environmental impacts of this project were addressed by three Environmental Impact Reports: the Final Program EIR entitled, "North San José Area Development Policies Update Final Program EIR," adopted by City Council Resolution No. 72768 on June 21, 2005 (SCH #2004102067), and addenda thereto, and the Final EIR entitled "Envision San José 2040 General Plan" (GP2040) adopted by City Council Resolution No. 76041 on November 1, 2011 (SCH #2009072096) and the "Supplemental Final Program EIR to the Envision San José 2040 General Plan" adopted by City Council Resolution No. 77617 on December 15, 2015 (SCH #2009072096), and addenda thereto. The following impacts were reviewed and found to be adequately considered by the EIRs:

<input checked="" type="checkbox"/> Aesthetics	<input checked="" type="checkbox"/> Agriculture Resources	<input checked="" type="checkbox"/> Air Quality
<input checked="" type="checkbox"/> Biological Resources	<input checked="" type="checkbox"/> Cultural Resources	<input checked="" type="checkbox"/> Geology and Soils
<input checked="" type="checkbox"/> Greenhouse Gas Emissions	<input checked="" type="checkbox"/> Hazardous Materials	<input checked="" type="checkbox"/> Hydrology & Water Quality
<input checked="" type="checkbox"/> Land Use	<input checked="" type="checkbox"/> Mineral Resources	<input checked="" type="checkbox"/> Noise
<input checked="" type="checkbox"/> Population and Housing	<input checked="" type="checkbox"/> Public Services	<input checked="" type="checkbox"/> Recreation
<input checked="" type="checkbox"/> Transportation/Traffic	<input checked="" type="checkbox"/> Utilities & Service Systems	<input checked="" type="checkbox"/> Energy
<input checked="" type="checkbox"/> Growth Inducing	<input checked="" type="checkbox"/> Cumulative Impacts	<input checked="" type="checkbox"/> Mandatory Findings of Significance

ANALYSIS

The Envision San José 2040 General Plan (GP2040) provides capacity for the development of up to 382,000 new jobs and 120,000 new dwelling units through 2040, including growth allowed under the North San José Area Development Policy (Policy). The Policy allows up to 26.7 million square feet of new office/R&D development, as well as up to 32,000 residential units, up to 2.7 million square feet of retail development and up to 1,000 hotel rooms in the Policy area. Of the 2.7 million square feet of retail development, the Policy allows up to 1.7 million square feet of new “local serving” commercial uses, categorized as smaller retail or service establishments intended to support the industrial and residential uses within the Policy area. The Policy also allows up to 1 million square feet of new regional commercial uses, which would consist of “large scale” retail establishments that draw from a regional customer base.

The proposed amendments (project) to the General Plan, the Policy, and Zoning Code do not have the potential to create new significant impacts to the environment beyond those disclosed in the previously certified FEIRS.

Currently, the Industrial Park Zoning District allows retail uses through the Commercial Support Provision (SJMC 20.50.110). These uses may be included when they are both: 1) located entirely within the buildings occupied by the primary use permitted in the Industrial Park Zoning District; and 2) limited to no more than ten (10) percent of the gross floor area of the building or no more than 20,000 square feet, whichever is less. The proposed Zoning Code changes could allow with discretionary approval of either an Administrative Permit or another type of discretionary approval by the City, commercial support uses incidental to primary industrial uses either within the buildings occupied by the permitted primary use, or in single-use buildings. In either scenario, the retail uses would be limited to no more than twenty (20) percent of the gross floor area of buildings on a site, or no more than forty thousand (40,000) square feet on a site, whichever is less. Additional environmental review for site-specific proposals would be done through the discretionary land use entitlement processes stated above. The proposed provisions would only apply within the Policy area and not Citywide.

Although the proposed project would allow increased flexibility for retail and service uses in the Policy area on sites in the Industrial Park Zoning District by allowing commercial support in single-use buildings that meet the criteria stated above, the overall development capacity of new commercial uses would not exceed that already allowed in the Envision San José 2040 General Plan and the North San José Area Development Policy. The proposed Zoning Code changes are consistent with local-serving commercial land uses specified in the Policy, and new commercial development would be limited to the 1.7 million square feet of new local-serving commercial use already allowed under the Policy. New commercial support uses developed under the new proposed Zoning Code provisions would require a discretionary approval by the City, and for the City to grant this discretionary approval, the City would first have to make a finding of consistency with the North San Jose Area Development Policy that is based on the remaining capacity in the Policy for new local-serving commercial square footage, and the other elements of the Policy.

Conclusion:

The proposed project is within the scope of the full build-out of the North San José Development Policy area that was analyzed in the North San José Area Development Policies Update FEIR, and the project complies with applicable General Plan policies. Given the proposed project description and the analysis attached, the City has concluded that the proposed project would not result in any new impacts that have not been previously identified in the North San José Area Development Policies Update FEIR, Envision San José 2040 General Plan FEIR, and Envision San José 2040 General Plan Supplemental EIR, and addenda thereto; nor would the project result in a substantial increase in the magnitude of any significant environmental impact previously identified in the previously certified EIRs. The proposed project, therefore, will not result in new impacts or impacts of greater severity than those previously identified in the North San José Area Development Policies Update Final Program EIR, Envision San José 2040 General Plan Final Program EIR, and Supplemental Final Program EIR to the Envision San José 2040 General Plan, and addenda thereto.

11/6/17
Date

Rosalynn Hughey, Interim Director
Planning, Building and Code Enforcement


Deputy

Project Manager: Jared Hart

Attachment: North San José Retail & Amenity Strategy Policy Modification EIR Consistency Analysis



November 1, 2017

Jared Hart
City of San José
Planning, Building & Code Enforcement
200 E. Santa Clara St.
San José, CA, 95113

RE: North San José Retail & Amenity Strategy Policy Modification EIR Consistency Analysis

Dear Mr. Hart,

The City of San José is proposing to modify the North San José Area Development Policy (NSJADP) to facilitate the buildout of planned retail and amenity uses. This memo analyzes the consistency of the proposed actions with the project analyzed in the 2005 NSJADP Final EIR and the 2009 Addendum to the NSJADP Final EIR.

Background

NSJADP Final EIR and Addendum

The NSJADP Final EIR was certified and the project approved by the City Council in June 2005. The NSJADP is a long-range plan that focuses on the intensification of North San José by allowing higher intensity industrial office/R&D employment uses, high-density residential infill development, and retail/commercial and hotel uses. Upon full implementation, the NSJADP allows up to 26.7 million square feet of industrial office/R&D development, 32,000 residential units, 1,000 hotel rooms, and 2.7 million square feet of retail/commercial development. Development is to occur in four evenly distributed phases with associated infrastructure improvements.

In 2009, an Addendum to the NSJADP Final EIR was prepared to evaluate amendments to the NSJADP to 1) adjust Phase I development levels to allow 500 additional residential units (i.e. 8,500 units) to occur while removing those units from Phase II, 2) convert industrial space to regional commercial and hotel uses and apply a traffic impact fee for regional commercial and hotel uses, 3) establish a 20 percent allocation for affordable housing within each phase of the Policy, 4) update the Grid Street Plan, and 5) provide implementation modifications for clarification purposes. A traffic analysis was completed that determined that converting industrial space to regional commercial and hotel uses would not result in traffic impacts not previously identified in the NSJADP Final EIR. Because none of the conditions that require a subsequent EIR were present per Section 15162 of the

CEQA Guidelines, an Addendum was prepared. The City Council in 2009 implemented portions of the actions evaluated in the 2009 Addendum, but did not adjust Phase I to include an additional 500 units, maintaining a Phase I residential capacity of 8,000 units.

Existing Development in North San José

Over the past 10 years, North San José has experienced extensive residential development as part of the buildout of Phase 1 of the NSJADP, with the construction of almost all of the 8,000 new residential units in Phase I. Yet the area remains relatively underserved by retail amenities for the residential and workforce population. The NSJADP currently identifies development of up to 2.7 million square feet of new commercial uses. This capacity includes 1.7 million square feet of "local serving" retail, which is categorized as smaller retail or service establishments that are intended to support the industrial and residential uses within the policy area. The remaining one million square feet is for the development of large-scale regional retail establishments of over 100,000 square feet that draw from a regional customer base. The NSJADP does not limit the amount of commercial retail development that can occur in any particular phase.

Retail development in North San José has come in the form of large-format retailers (Target and Lowes), largely auto-oriented retail centers (located at North 1st Street at 237 and Brokaw Road at 880), and smaller retail spaces integrated into new residential development; these spaces are generally between 5,000 and 10,000 square feet. While these developments have contributed approximately 500,000 square feet of new commercial development, the large size of the area means that retail and restaurant amenities remain dispersed. The absence of critical mass around key intersections or nodes creates a lack of amenity destinations or "places" in North San José.

Proposed Project

The proposed North San José Retail and Amenity Strategy was developed by the City and includes short-term action to encourage more retail and commercial development in North San José. The project would make amendments to the existing NSJADP, and amendments to the existing General Plan policy language and zoning code language that are applicable to the retail and commercial development in North San José. The proposed Project would amend the Envision San José 2040 General Plan's (General Plan) land use designation language for designations: *Transit Employment Center* and *Industrial Park*, and would amend zoning code language for lands zoned *IP – Industrial Park*. The proposed amendments are applicable to the lands exclusively within the NSJADP area, which is generally located north and west of Interstate 880 or the Coyote Creek, east of the Guadalupe River and south of State Route 237, and east of Interstate 880 along Murphey Avenue to Lundy Avenue (see Figure 1).

It should be noted that the North San José Retail and Amenity Strategy would not apply to sites with land use designations *Light Industrial* or *Heavy Industrial*. Approximately 2,200 acres in North San José are zoned *IP - Industrial Park*, 1,600 acres of which have a land use designation of *Industrial Park*, *Transit Employment Center*, or *Combined Industrial Commercial* (see Figure 2). Currently, retail and amenity uses on properties zoned *IP - Industrial Park* are required to occur within buildings occupied by the primary uses permitted in the *IP - Industrial Park* zoning district, and can occupy no more than 20,000 square feet or 10 percent of the gross floor area of the building,

whichever is less. The amendments proposed by the project, as described in further detail below, would allow retail and amenity uses to occur in single-use buildings on properties zoned *IP - Industrial Park* and to occupy up to 20 percent of the gross floor area of all the buildings on the site, or no more than 40,000 square feet, whichever is less.

NSJADP Amendments

Proposed amendments to the land use policies in the NSJADP would establish criteria for commercial support uses within a single-use building or buildings in the IP Industrial Park Zoning District as defined in the City's Zoning Ordinance. Commercial support uses in single-use buildings would be allowed when the proposed amenities meet the following criteria:

1. Clustered on site or in proximity to other nearby commercial uses;
2. Visible and readily accessible to the public;
3. Promote walkability and bicycle access by their design, and/or by their proximity to parks, trails, transit, plazas, and other similar amenities;
4. Promote or support the use of public gathering spaces;
5. Support existing uses or serves as a catalyst for future industrial development;
6. Does not impair the continuing viability of surrounding existing and future industrial uses; and
7. Commercial/indoor recreational uses support nearby industrial businesses and their employees.

“Single-use building” and “Single-use buildings” means a building or buildings limited to the uses enumerated in Section 20.50.110B.6 of the City's Zoning Ordinance.

General Plan Amendments

The current *Transit Employment Center* General Plan designation supports the intensive job growth and supportive retail and service commercial uses, but specifies that these uses should be located on the first two floors of a building, with office, research and development or industrial use on the upper floors. Similarly, the General Plan's *Industrial Park* land use designation identifies a limited number of supportive and compatible commercial uses, when those uses are of scale and design providing support only to the needs of businesses and their employees in the immediate industrial area. The *Industrial Park* designation also states that commercial support uses should typically be located within a larger industrial building to protect the character of the area and maintain land use compatibility.

The proposed Retail and Amenity Strategy would allow retail in single-use buildings on properties zoned *Industrial Park*, with a land use designation of *Transit Employment Center*, *Industrial Park*, or *Combined Industrial Commercial*. It should be noted that the current *Combined Industrial Commercial* land use designation supports single-use retail development. The project would add clarifying text to the *Industrial Park* and *Transit Employment Center* General Plan land use designation definitions to ensure consistency with the General Plan and would also add flexibility for

commercial support uses within the North San José Development Policy area. This would support project implementation, while maintaining current limits for commercial support uses on properties elsewhere in the City zoned *Industrial Park* outside the NSJADP area.

Zoning Code Amendments

The existing *Industrial Park* zoning district only allows retail uses through the Commercial Support Provision (SJMC sec. 20.50.110), which allows limited commercial support uses, including: retail, indoor recreation, personal services, public eating establishments, financial institutions, medical clinics, and medical offices. The existing provision limits the ability of property owners and developers to create a retail environment that supports the surrounding area, which exacerbates the North San José area's diffuse retail development patterns.

The proposed zoning code amendments would provide greater flexibility in allowing retail development to occur in the *Industrial Park* zoning district by enabling appropriate uses to occur in the primary industrial park building(s) or single-use buildings on industrial properties with up to 20 percent of the gross floor area of all the buildings on the site or no more than 40,000 square feet, whichever is less. Commercial support uses would be limited to retail, recreation, personal services, and public eating and outdoor dining. Commercial support uses in the primary industrial park building(s) would require an Administrative Permit, and commercial support uses in single-use buildings would require a Development Permit. The proposed flexibility for commercial uses would support local-serving retail uses targeted for the area, and would be required to meet criteria outlined in the Zoning Code and NSJADP to promote accessibility and access, ensure the viability of existing industrial users, and promote future industrial development. The proposed zoning code amendments would only be applicable within the NSJADP area.

Consistency of the Project with the NSJADP Final EIR

The proposed project would allow increased flexibility for retail and amenity uses in the NSJADP area on sites zoned *Industrial Park* by allowing these uses in single-use buildings that meet certain criteria and by allowing these uses to occupy a larger proportion of the floor area of multi-use buildings. The overall development capacity of new commercial uses would not exceed what is already allowed in the NSJADP as analyzed in the 2005 Final EIR and 2009 Addendum.

Because the project would not increase the overall amount of commercial development planned for the NSJADP, operational environmental impacts associated with increased development such as traffic, noise, air quality, greenhouse gas emissions, and utilities and service systems would not increase compared to those disclosed in the 2005 Final EIR and 2009 Addendum. Future commercial development would require subsequent environmental review to ensure the operational environmental impacts are consistent with the findings in the NSJADP Final EIR and Addendum.

The project could result in the construction of additional single-use buildings within the NSJADP area. The total amount of development allowed on any given site, however, would remain unchanged, and the amount of construction and ground disturbing activities occurring as part of the buildout of the NSJADP would not substantially change compared to what was assumed in the 2005

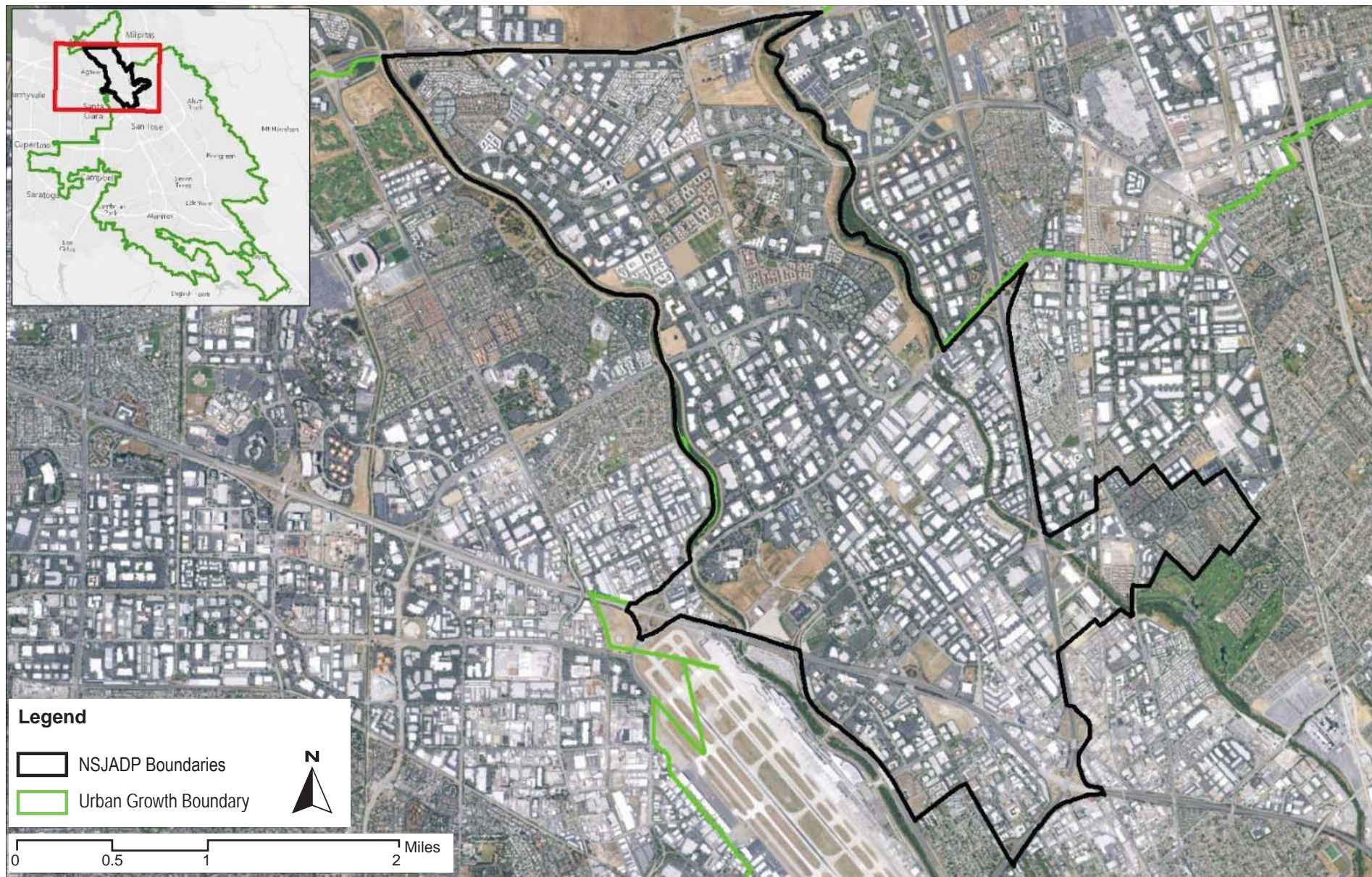
Final EIR and 2009 Addendum. As a result, environmental impacts associated with construction and ground disturbing activities such as air quality (dust generation and construction period emissions), greenhouse gas emissions (during construction), biological resources, cultural resources, geology and soils, hazards and hazardous materials, and hydrology and water quality would not increase compared to those disclosed in the 2005 Final EIR and 2009 Addendum. Additionally, although the project may increase the occurrence of smaller, single-use structures, the buildings would be required to meet all relevant design guidelines, and would not result in any new substantial aesthetics impacts. The proposed Retail and Amenity Strategy would not alter the locations where retail and amenity uses can occur in the NSJADP, since they would continue to be located in areas zoned *IP – Industrial Park* and with a land use designation of *Transit Employment Center, Industrial Park, or Combined Industrial Commercial*, rather the proposed strategy would alter the manner or configuration in which the retail and amenity uses could be accomplished on properties by allowing for single-use buildings or an increase in the allowed percentage of multi-use buildings devoted to retail and amenity uses, subject to the size limitations noted above.

Overall, the proposed project is within the scope of the project analyzed in the 2005 Final EIR and 2009 Addendum. Based on the above analysis and discussion, no new significant impacts or impacts of substantially greater severity would result from the modified project. There have been no changes in circumstances in the project area such that the modified NSJADP with Retail and Amenity Strategy would result in new significant environmental impacts or substantially more severe impacts, and no new information has come to light that would indicate the potential for new significant impacts or substantially more severe impacts than were identified in the 2005 Final EIR and 2009 Addendum. Therefore, no further evaluation is required.

Sincerely,

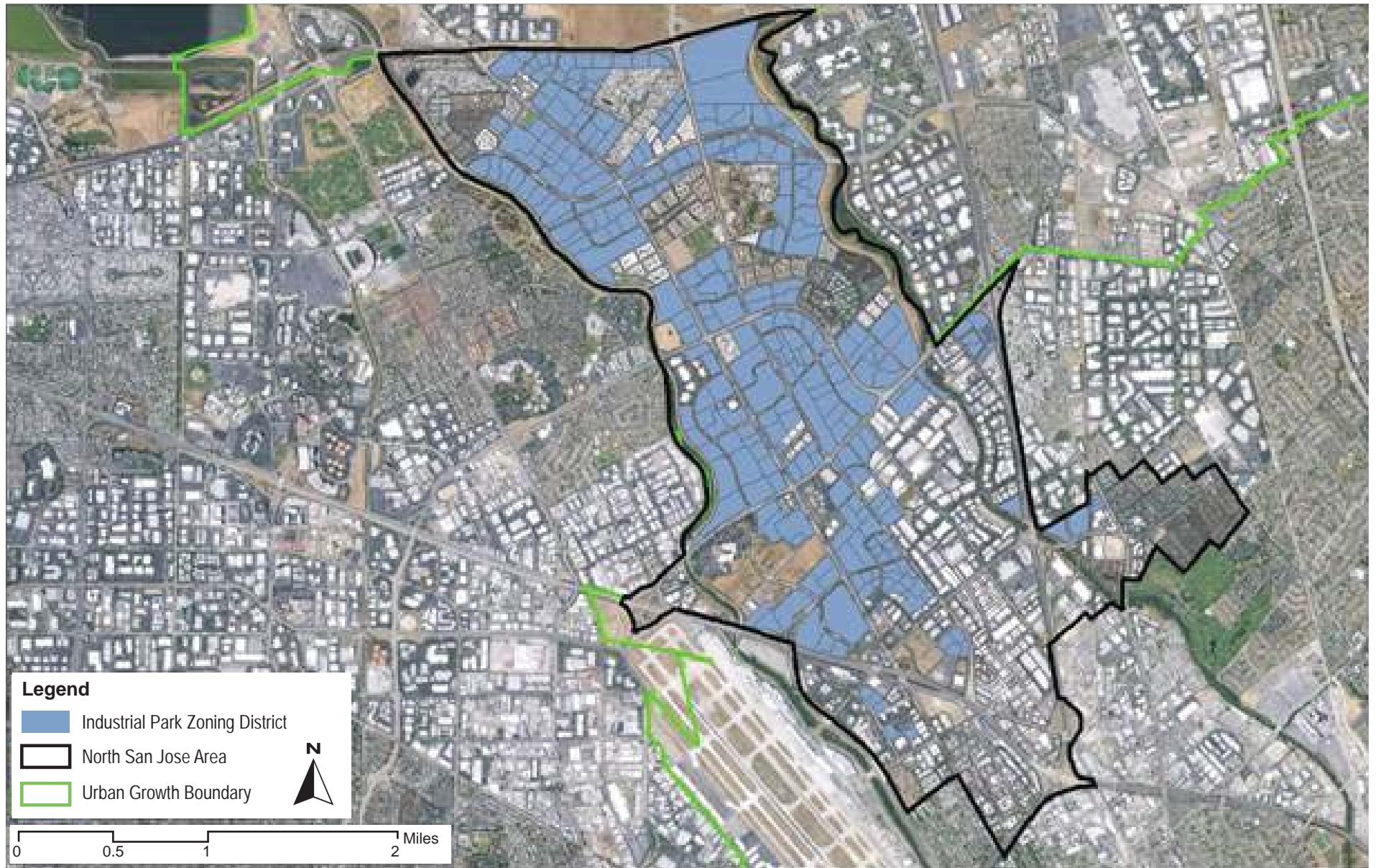


Akoni Danielsen
Principal Project Manager



NORTH SAN JOSÉ AREA DEVELOPMENT POLICY BOUNDARIES

FIGURE 1



PROPERTIES ZONED IP WITH A TRANSIT EMPLOYMENT CENTER, INDUSTRIAL PARK, OR COMBINED INDUSTRIAL COMMERCIAL GENERAL PLAN LAND USE DESIGNATION

FIGURE 2