



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Rosalynn Hughey
Kim Walesh

SUBJECT: REPORT ON THE URBAN VILLAGE IMPLEMENTATION FRAMEWORK **DATE:** December 1, 2017

Approved

D. D. S. L.

Date

12/4/17

SUPPLEMENTAL

REASON FOR THE SUPPLEMENTAL

This supplemental memorandum provides feedback from the development community received through a meeting held on November 27, 2017. It also provides clarifying information regarding the proposed approach outlined in staff's supplemental memo dated November 17, 2017.

BACKGROUND

On November 27, 2017, PBCE, OED and Housing staff participated in a developer forum organized by the Mayor's Office to gather feedback on the proposed approach to Urban Village Implementation. Following that forum staff believes it is beneficial to provide additional clarification regarding some of the points raised.

Outline of the Urban Village Implementation Framework Policy:

- Mixed-use residential development projects are required to submit a conforming rezoning to Urban Village Mixed Use prior to obtaining a Site Development Permit.
 - *Prior to new zoning districts being established, projects ready to move forward could do so by submitting Planned Development Rezoning application once the Framework is approved by City Council.*
 - *With the exception of the Little Portugal and Roosevelt Park Urban Villages, market rate mixed-use project could also move forward in Villages with an approved Village Plan prior to the adoption of the Framework through a Planned Development Zoning process. For projects that Council would like to move forward, staff could provide an analysis of how individual projects align with intent of the Framework as its being developed.*

- The Framework requires that market rate mixed-use residential projects invest a predetermined amount in amenities and enhancements that serve the Urban Village.
 - *The example included in the supplemental memo uses 2% of an average unit value of \$600,000 (based on a study of similar projects built in San Jose). These numbers are based on early analysis by staff and consultants, but require further analysis and outreach prior to being approved by Council in the full Framework. For example, the percentage could be reduced after further analysis.*
 - *The amenities or enhancements that would be provided by a development would be determined as part of the Site Development Permit process, with the Site permit typically going to a Planning Director Public Hearing.*
- The Framework incentivizes the construction or delivery of these amenities/enhancements by providing credit to the developer at a greater rate than the assumed cost.
 - *Early feasibility analysis by staff and consultants has tested the level of credit against the feasibility of the project, and based on the value noted above. Similarly, these credits require further analysis and outreach prior to being approved by Council in the full Framework.*
- Market rate mixed-use residential development could be required to participate in a Community Facilities District to support ongoing maintenance of public enhancements.
 - *A Community Facilities District may not be feasible for some Urban Villages, particularly those with small parcel sizes and limited redevelopment opportunity sites. Also, the level of income provided through a Community Facilities District would not support the delivery of major capital projects. If feasible, multiple Urban Villages could be combined into a single district.*
- The community will be able to provide input on the proposed amenities or enhancements through both the Urban Village planning process, and the community engagement process for each proposed project.
 - *To the extent that additional input is required, for example on large or significant opportunity sites, Council could require that the Site Development Permit be bundled with the rezoning application and be heard before the full City Council.*

ANALYSIS

Key themes/questions from the developer forum:

- Questions as to whether the proposed Urban Village Implementation Framework would apply to Signature Projects -Would the Framework requirements be in addition to the current requirement of Signature Projects?

- General concerns with the “jobs first” approach of urban villages. The commercial requirements for mixed-use residential development is a barrier to building housing in the urban villages, given that, in most locations, there is not currently a market for significant new commercial.
- To streamline the entitlement process for new commercial and mixed-use residential development, Environmental Impact Reports need to be completed for each Urban Village planning area. Without this environmental review a Conventional Rezoning/Site Development Permit process will not be quicker than the current Planned Development zoning and permit process.
- Many questions and concerns arose about the process to establish community facilities districts (CFD’S). The necessity and feasibility of establishing CDD’s was also questioned and there was a concern that CFD’s would be an additional on-going cost on property owners, making housing ownership more expensive.
- The proposed Framework is another fee/cost/tax on development. Staff needs to consider how layering the Urban Village Amenity requirements on top of the existing impact fees and other costs of development could impact the financial feasibility of mixed-use residential development in urban villages.

Additional Clarification:

Proposed Urban Village Rezoning Process: The description of the *Proposed Entitlement Process for Urban Village Development* included in staff’s prior supplemental memo outlined the development of two new conforming Zoning Districts that will provide a streamlined pathway for development in Urban Villages. The prior memo noted that, to the extent possible, staff will work to actively initiate rezonings to Urban Village Commercial on existing commercial properties to create a consistent baseline for existing and new commercial uses and development. It is not staff’s intent that properties be required to rezone twice to obtain the Urban Village Mixed Use Zoning District. Development projects actively pursuing residential mixed-use development could request a conforming rezoning to the Urban Village Mixed Use Zoning District prior to obtaining a Site Development Permit.

Urban Villages will develop gradually with individual projects proceeding before a significant and noticeable change to the area will occur. Staff’s intent in proactively rezoning commercial property is to manage the use, expansion, and redevelopment of adjacent commercial property in the interim. Given the multitude of different zoning districts that are currently found within Urban Villages, commercial development can occur in a range of different forms and to serve a variety of different uses. As this development occurs, a consistent Urban Village Mixed Use Zoning District would align commercial development and uses with new residential mixed use in the area. Staff currently does not have the capacity or funding to pursue City-initiated rezonings and as such, both the Urban Village Mixed Use and Urban Village Commercial Zoning Districts would only be applied as development permits are submitted and would be recommended based on the proposed use.

Signature and Pipeline Process: The developer forum highlighted some of the misunderstanding regarding how Signature Projects would proceed, versus how mixed-use residential projects would proceed under the conventional development process within an Urban Village. The proposed Framework outlined in staff's prior supplemental memo is not proposed to apply to Signature Projects, and is only proposed to apply to mixed-use residential development proposed in Urban Villages with an approved Urban Village Plan. The Signature Project process is included as a provision in the General Plan to allow mixed-use residential development to move forward ahead of the approval of an Urban Village Plan. Chapter 7 of the General Plan outlines the requirements and process that these projects are subject to.

One of the concerns raised by the Development community was the considerable delay that potential projects are already facing due to the time involved in developing an Urban Village implementation strategy. With the exception of the Little Portugal and Roosevelt Park Urban Villages, the absence of a City Council approved Urban Village Implementation Framework is not, in and of itself, a barrier to residential mixed-use development in Urban Villages. In Horizon I Urban Villages, with approved Urban Village Plans, residential mixed-use projects can move forward now. In Horizon II or III Urban Villages with Council approved Urban Village Plans (i.e. Stevens Creek, Winchester, and Santana Row/Stevens Creek Blvd.), residential mixed-use projects can also move forward now, at the discretion of Council, through the use of the Residential Pool policy.

This being said, the Urban Village Implementation Framework needs to be completed and adopted by Council expediently so that developers have clarity on the entitlement process and the City's expectations of development in Urban Villages. Based on Council feedback, staff anticipates bringing back the proposed Framework in April 2018, but will need additional time to develop other elements of the implementation strategy such as the proposed Urban Village Zoning Districts. In the interim, staff proposes that development projects that can proceed, do so through a Planned Development Zoning and Permit using the adopted Framework to identify appropriate amenities. For projects that Council wishes to move forward prior to the adoption of the Framework, staff could process Planned Development Zonings and Permits and provide an analysis of how individual projects align with intent of the Framework as its being developed.

Impact of Development Fees and Taxes: The other repeating concern raised in the both the most recent and preceding developer outreach meetings, has been related to the total cost of development. In the context of affordable housing requirements, park fee requirements, development taxes, and potential future requirements stemming from the transition in traffic analysis and mitigation under CEQA, developers are concerned about the layering of costs and the impact this has on the ability to attract financing for projects. The Framework has been designed to avoid layering additional fees on new development giving credit to projects that integrate amenities into the project. Staff will continue to analyze how all development fees and taxes impact the ability of developers to finance projects and consider how different City policies could complement each other rather than creating a cumulative effect. Through the development of the Framework, staff will consider whether it is appropriate for developers to receive credit for mitigation or other City requirements under the Urban Village Implementation Framework Policy.

HONORABLE MAYOR AND CITY COUNCIL

December 1, 2017

Subject: Report on the Urban Village Implementation Framework

Page 5

In addition to comments received from the developers, community stakeholders have recently expressed concern that the proposed Framework would replace existing City impact fees, particular parks impact fees, and these stakeholders were opposed to this. The proposed Framework would require residential mixed-use development to provide amenities above and beyond the City's existing impact fees and development requirements and would not replace these existing fees or requirements.

/s/

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/s/

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