



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Councilmember Sergio Jimenez

**SUBJECT: DOWNTOWN AIRSPACE
AND DEVELOPMENT
CAPACITY**

DATE: March 11, 2019

Approved by:

Date:

3/11/19

RECOMMENDATION

Approve the staff recommendation dated February 26, 2019, with the following modifications:

1. Direct staff to return to Council with a study of an Incentive Zoning Policy that will enable residential and commercial developers to voluntarily access additional development capacity above the current allowable heights by providing amenities or investment in the City.
 - a. Staff should review Incentive Zoning Policies in Mountain View, Seattle, and other cities that allow height and density increases in exchange for additional affordable housing or other community benefits.
 - b. Review and update relevant residential and/or commercial development feasibility studies, analyzing the impact of upzoning on feasibility of additional development fees.

2. Direct staff to return to Council with an analysis of Incentive Zoning Policies for consideration before directing the Administration to initiate amendments to the General Plan and other key policy documents, as recommended in item (d) in the February 26th staff memo.

ANALYSIS

The decision of the City Council to adopt a new Airspace Policy aligned with the Federal Aviation Administration's TERPS rules will result in significantly more development

capacity for hundreds of acres of land across the Diridon Station Area and Downtown Core. According to the City's initial analysis, this upzoning could result in allowing landowners and developers to build an additional 8.6 million square feet of development that was not possible before these changes, at a value of \$4.4 billion dollars, with an increase of 4,700 employees and 12,800 residents in the area. In some portions of the impacted area, property owners will now be able to build as many as 150 feet higher than previously possible.

Dramatically increasing development capacity will also increase the value of land in the affected area. Currently the City of San José has no public policy tools to be able to "capture" this increased value, which will be produced solely from the Council's discretionary decisions to implement the new Airspace Policy and make the corresponding changes to the General Plan and other key policy documents, as recommended in item (d) in the staff report.

The City should develop policies to ensure that the public also benefits from these upzoning decisions. The City should study developing a policy to allow residential and commercial developers to voluntarily choose to add additional floors to their developments above the current allowed heights in exchange for community benefits.

Cities like Seattle and Mountain View have developed their own approaches to capture the increases in land values that come from allowing greater density and heights and reinvest that value for the benefit of the community. When I visited Seattle, I learned about their Incentive Zoning Policy, which allowed developers to add floors above maximum allowable heights in a given district for a contribution of \$24.43 per a square foot of added floor area for commercial developers and \$18.57 per a square foot added floor area for residential developers toward affordable housing benefiting low and moderate income households. The policy also allows for other community benefits.

In order to make sure the public benefits from this upzoning, the Administration should report back to Council with a proposed policy before approving any zoning or planning changes to implement the Airspace Policy.

Increased development capacity, particularly at the magnitude envisioned from this decision, will have immense impacts on the City. Incentive Zoning provides a reasonable, voluntary mechanism to ensure that the increased value to property owners will also benefit residents of the City.

<http://www.seattle.gov/documents/Departments/SDCI/Permits/IncentiveZoning.pdf>