COUNCIL AGENA: 11/16/21 FILE: 21-2387 ITEM: 10.3



Memorandum

TO: HORABLE MAYOR AND CITY COUNCIL FROM: Chris Burton

**SUBJECT: SEE BELOW** 

DATE: November 5, 2021

**COUNCIL DISTRICT: 10** 

SUBJECT: FILE NO. GPT21-002, GP21-012, C21-031, PDC21-033 & PP21-012: **GENERAL PLAN AMENDMENT TO MODIFY THE LAND USE/TRANSPORTATION DIAGRAM FOR CERTAIN PROPERTIES** WITHIN NORTH, MID-, AND SOUTH COYOTE VALLEY AND MAKE TEXT REVISIONS RELATED TO THE GENERAL PLAN FOUR-YEAR **REVIEW, AN ORDINANCE OF THE CITY OF SAN JOSÉ REZONING 139 CERTAIN REAL PROPERTIES, AN ORDINANCE OF THE CITY OF SAN** JOSÉ REZONING CERTAIN REAL PROPERTY OF **APPROXIMATELY 214.5 GROSS ACRES SITUATED ON THE** EAST SIDE OF MONTEREY ROAD BETWEEN METCALF ROAD AND 1,400 FEET SOUTH OF PALM AVENUE, AND AN ORDINANCE OF THE CITY OF SAN JOSÉ AMENDING TITLE 20 OF THE SAN JOSÉ **MUNICIPAL CODE (ZONING ORDINANCE) TO REVISE TABLE 20-**40 IN SECTION 20.20.200 OS OPEN SPACE AND A AGRICULTURAL DISTRICT DEVELOPMENT STANDARDS TO BE CONSISTENT WITH THE GENERAL PLAN COYOTE VALLEY AGRICULTURE OVERLAY WITHIN NORTH, MID-, AND SOUTH COYOTE VALLEY.

#### **RECOMMENDATION**

Staff recommends that Council approve all of the actions listed below in items 1-5.

1. Adopt a resolution adopting the Addendum to the Envision San José 2040 General Plan Final Program Environmental Impact Report (Resolution No. 76041) and Supplemental Environmental Impact Report to the Envision San José General Plan Final Program Environmental Impact Report (Resolution No. 77617), and Addenda thereto in conformance with CEQA; and

- 2. Adopt a resolution approving the General Plan Land Use/Transportation Diagram Amendment (GP21-012) for properties within North, Mid- and South Coyote Valley and the General Plan Text Amendment (GPT21-002) associated with the Envision San José 2040 General Plan Four-Year Review which include action items to have Council direct staff to explore creating an industrial overlay allowing for new office construction; to allow compatible commercial agriculture supportive uses in Coyote Valley; to conduct a study of the Monterey Road Corridor through North, Mid-, and South Coyote Valley to consider appropriate non-residential uses for properties on the east side of Monterey Road that would be compatible with the Coyote Creek Park Chain; and explore establishing a Farmland Security Zone in Coyote Valley.
- 3. Approve an ordinance of the City of San José amending Title 20 (Zoning Ordinance) of the San José Municipal Code to amend Table 20-40 to incorporate the Coyote Valley Agriculture General Plan Overlay.
- 4. Approve an ordinance rezoning specified parcels located within North, Mid- and South Coyote Valley from Zoning Districts that include Agriculture, R-1-1 Single Family Residence, R-1-5 Single Family Residence, Planned Development, Mobilehome Park, and Heavy Industrial to Zoning Districts that include Open Space, Agriculture, Combined Industrial/Commercial, Industrial Park, and Public/Quasi Public Zoning district.
- 5. Approve an ordinance rezoning specified parcels located with North, Mid- and South Coyote Valley from an Agriculture Zoning District to a PD Planned Development Zoning District where all Agricultural uses shall conform to those uses identified in the A Agriculture Zoning District outlined in the current Title 20 of the San José Municipal Code, and certain Private Recreation and Open Space use.

#### PLANNING COMMISSION RECOMMENDATION

Following a failed motion to approve the staff recommendation, Commissioner Young made a motion to deny staff recommendation. Commissioner Oliverio seconded the motion. Commissioner Young's Motion to recommend to Council the denial of the actions listed above in items 1-5 was approved (5-4-1-1, Caballero, Cantrell, Lardinois, and Torrens opposed; Montañez Absent; Ornelas-Wise abstained).

#### **OUTCOME**

If the Council accepts the Planning Commission recommendation, then the actions listed above in items 1-5 will not occur and the status quo would be preserved. The resolutions and ordinances listed in items 1-5 would not be adopted that would have; amended the Envision San José 2040 General Plan Land Use/Transportation Diagram to reflect the land use designation changes associated with the removal of North Coyote Valley as an Employment Growth Area and Mid-Coyote Valley Urban Reserve as a land use designation and added the Coyote Valley

Agriculture Overlay and added associated minor amendments and action items to the Envision San José 2040 General Plan; rezoned approximately 139 properties to their conforming Zoning District consistent with their General Plan land use designation as required by California State law SB1333; rezoned approximately 214.5 gross acres situated on the east side of Monterey Road between Metcalf Road and 1,400 feet south of Palm Avenue from the A Agriculture Zoning District to the A(PD) Planned Development Zoning District; and amended Zoning Ordinance Table 20-40 in Section 20.20.200 OS Open Space and A Agricultural District Development Standards to be consistent with the proposed General Plan Coyote Valley Agriculture Overlay.

#### **Staff Presentation**

Staff gave a study session-level presentation to the Planning Commission, providing background on the Four-Year of the General Plan process and background on the history and existing conditions of Coyote Valley. In response to a request by Commissioner Young to learn about the viability of agriculture, Michael Meehan, a Planner with the County of Santa Clara, gave a presentation on the County's planning work to support agriculture in Coyote Valley and the rest of the County; discussed the opportunities and challenges for agriculture in Coyote Valley, and highlighted examples of successful existing agricultural operations there. Specifically, he highlighted a 92-acre walnut farm planted in 2017 as an example of economic feasibility and long-term investment in Coyote Valley. Further, Michael Meehan discussed the role of land speculation in discouraging successful agriculture because farmers are unable to lease land longer than a year, and property owners engaging in speculation have no incentive to invest and maintain their property for agriculture use. Staff then presented its proposed General Plan Amendment, General Plan Text Amendment, Planned Development Zoning, and Amendment to Title 20 (Zoning Ordinance) including a description of the proposed project and details of the public engagement process and community input, and discussed the related CEQA clearance for this project, which are explained in detail in the attached report to the Planning Commission.

Staff also responded to comments from the public about the adequacy of the CEQA clearance related to the environmental impacts of farming, the environmental impacts of not allowing industrial development in North Coyote Valley, impacts related to the transfer of growth capacity out of North Coyote Valley, and the lack of public circulation. These responses are summarized below.

#### Environmental Impacts of Farming

Several comments claim that the Initial Study/Addendum did not evaluate the environmental impacts of designating lands in North Coyote Valley for Agriculture. However, lands in North Coyote Valley are already used for agricultural operations despite some being designated for Industrial Park in the General Plan. As such, for CEQA, there will be no changes to existing baseline conditions related to water use, groundwater impacts, greenhouse gas emissions, air quality, or transportation impacts (VMT of workers and trucks). CEQA does not require an analysis of the environmental impacts of maintaining existing conditions.

# Secondary environmental impacts of not allowing industrial development in North Coyote Valley

Analysis prepared for the General Plan Four-Year Review and prior General Plan Amendments concluded that shift of employment, including warehouses and distribution centers, from the Coyote Valley Employment Area to other growth areas within San José would result in a reduction in Citywide vehicle miles traveled (VMT) and greenhouse gas emissions. Furthermore, Coyote Valley is within an Immitigable VMT Area per the City's Transportation Analysis Policy, 5-1. Any proposed industrial use in North Coyote Valley would have a significant and unavoidable transportation impact due to VMT.

#### Transfer of General Plan Job Capacity in North Coyote Valley to Downtown not Analyzed

One comment stated that the relocation of General Plan job capacity from North Coyote Valley to other growth areas such as Downtown was not evaluated. This is incorrect. The transfer of this job capacity was evaluated in prior environmental analysis for the Downtown Strategy 2040 in 2018, and the Diridon Station Area Plan Amendment and Downtown West projects were approved by City Council in May 2021. All of these respective documents evaluated the impacts of focusing development Downtown, including impacts related to air quality, noise, and greenhouse gas emissions.

#### Lack of Public Circulation for Initial Study/Addendum

Per CEQA, an Addendum to a previously adopted EIR (such as the General Plan EIR and Supplemental EIR) is not required to be circulated for public review and comment. However, the document was published on the City's website on October 15, 2021, and interested parties were notified to provide the public and decision-makers the opportunity to review before the public hearings.

#### Public Testimony

Thirteen members of the public spoke in support of the proposed project and seventeen members spoke in opposition of the proposed project.

Most of the speakers who opposed the proposed General Plan Amendments and Rezonings are property owners within Coyote Valley and their representatives. These speakers stated that agriculture is no longer economically viable within Coyote Valley and requested further analysis. Three separate property owners, and a developer who said he had a purchase option for their properties, stated they were under contract to build an industrial development (on the Foster,

Lester, and Benson properties)<sup>1</sup> and were not within the flood plain. They believed future industrial development could contribute toward additional wildlife corridor infrastructure and jobs within North Coyote Valley. Chuck Reed representing the Lester property owner stated that he believed changing his clients' property in North Coyote Valley from an Industrial Park land use designation to an Agriculture land use designation resulted in an unconstitutional taking. Two speakers who opposed the proposed amendment believed residential uses should be allowed in the Urban Reserve because of its proximity to rail.

Speakers in support of the proposed General Plan Amendment and Rezonings advocated for the preservation of Coyote Valley as a natural reserve. Supporters stated that Coyote Valley is a unique natural resource that mitigates greenhouse gases and prevents floods. Supporters also believed that agriculture use is a viable use in Coyote Valley. Brian Schmidt from Green Foothills stated that economic viability in North Coyote Valley was demonstrated in Michael Meehan's presentation with no imaginary line separating North Coyote Valley and existing land operations. He advocated for the preservation of agricultural lands. Two members of the Four-Year Review Task Force expressed their support for the proposed amendments and stated Coyote Valley is the wrong space for housing. Smital Patel, a taskforce member representative from District 2 commented that District 2 residents in the past have been opposed to the development of industrial warehouses and are still opposed to the industrial development of North Coyote because of traffic and the detrimental effects to the natural resources. She agreed with Michael Meehan's presentation and felt agricultural uses were viable.

#### Planning Commission Discussion

Commissioner Oliverio asked if access to water was an obstacle for agriculture in Coyote Valley. Michael Meehan, a Senior Planner with the County of Santa Clara, responded saying Coyote Valley has a naturally high aquifer and particularly good access to water. He said the largest deterrent is the maintenance of existing wells. Commissioner Oliverio clarified his question and asked if a farmer would have unlimited access to water and Michael Meehan responded that it would depend on the cost associated with pumping water set by Valley Water District.

Commissioner Oliverio expressed his desire for additional information from the Valley Water District regarding their pricing policies because of the large uncertainty and necessity of water for Agriculture in Coyote Valley.

Commissioner Oliverio also asked staff if the proposal would eliminate jobs and result in the growth of industrial jobs in more outlying communities, ultimately deciding what type of job would be provided or what type of people would live in San José. Staff person Robert Rivera responded that North Coyote Valley was originally anticipated to be developed with office or Research and Development technology-focused jobs. The jobs capacity was transferred to other parts of the city where these types of jobs could be developed in either a vertical, multi-story, or

<sup>&</sup>lt;sup>1</sup> An application for development has not been filed with the City of San José for these properties. A preliminary review (PRE21-138) was submitted to staff for review which reviewed 2.6 million square feet of industrial warehouse on approximately 126.0-gross acres.

single-story horizontal format. Commissioner Oliverio asked what the total employment capacity of the city would be if North Coyote Valley was removed as an Employment Growth Area. Staff responded that the total amount of employment lands would be reduced by two percent and the total amount of industrial parklands would be reduced by six percent. Following the Planning Commission Hearing, it was determined that the employment as a proportion of all lands in the City of San José was reduced by 0.5 percent from 15 percent of the total land to 14.5 percent.

Commissioner Oliverio asked how vehicle miles traveled (VMT) impacts would be analyzed for other cities and David Keyon, Principal Environmental Planner, responded that other municipalities would have to analyze their individual VMT impacts under CEQA and the analysis would be based on each municipality's VMT policies. Commissioner Oliverio asked staff about the public outreach process during the Four-Year Review Task Force meetings. Michael Brilliot responded that by design, the Task Force process is intended to include a variety of stakeholders and constituents. Staff held a virtual community meeting for property owners and attended four (two virtual and two in-person) meetings with property owners at their request, following the community meeting to further discuss the General Plan Amendments and their concerns about the policy recommendations. Staff also met with property owners, at their request, before the initiation of the Task Force process.

Commissioner Torrens spoke in favor of staff recommendations and expressed the importance of agriculture and open space for the quality of life in San José. She believes if the proposal was approved, wildlife corridors and crossings could be created in the future and not reliant on industrial development. Commissioner Torrens made a motion to approve staff recommendations.

Commissioner Young asked for further clarification on the location of parcels that could feasibly be developed for industrial uses within North Coyote Valley. Staff responded with visuals of the proposed General Plan Amendments and proposed Rezonings for North Coyote Valley and confirmed that 314-acre parcels would no longer be designated for Industrial uses if the General Plan amendments and rezonings were approved by Council.

Commissioner Cantrell asked for clarification about the location of a wildlife crossing and asked where stormwater runoff would go if development were proposed in North Coyote Valley. Staff responded that if a project was submitted, a stormwater management plan would be required as part of the application and would be analyzed as part of the CEQA review. Staff said it was not able to provide the locations of where wildlife are currently crossing the highways or where future crossings were being considered for development. Additionally, Commissioner Cantrell asked about the feasibility of development within North Coyote Valley. Staff cited the study conducted by Strategic Economics, which stated that, under current real estate market conditions, development in North Coyote Valley would likely be logistic and warehouse industrial space. The study also determined, however, that such users would prefer to locate in the inner Bay Area and other more central locations within San José such as the Hwy. 237 corridor. Commissioner Cantrell stated that there are many other places where warehouses and distribution centers could be built and that Coyote Valley is a unique resource that should be preserved.

Commissioner Casey asked whether the claims from property owners about an unconstitutional taking were valid and Vera Todorov, City Attorney, disagreed with the assertion based on legal grounds. The reason is that property owners are left with viable uses of the property and are not entitled to the highest and best use of their property. She stated that there is sufficient evidence to determine that agriculture is a viable use, that land in the area has been used for agricultural purposes for decades, and other consistent allowable uses are viable as well.

Commissioner Garcia desired that the City of San José provide the property owners' financial data to show whether agriculture is viable within Coyote Valley and expressed his hesitation to devalue land. Michael Meehan stated that the variability of each business based on operating costs and the dynamics of each business are different and referred to his presentation on successful farming businesses within Coyote Valley as an example. Mr. Meehan also responded that the financial data requested by the Commissioner is private financial information that is inaccessible to the public without property owner consent. Michael Brilliot also spoke to the purpose of land use planning, which is to further the City's goals, as outlined in San José's General Plan, and not to ensure that the value of property owners' land is maintained or enhanced as part of a land-use decision.

Commissioner Oliverio asked staff if there were any plans to compensate property owners for the devaluing of their land through the proposed General Plan amendments. Staff responded that there were no plans to compensate property owners for any lost value resulting from a change in the General Plan land use designation of properties within Coyote Valley. It was then noted that staff's recommendation includes an action item to explore the creation of a climate credits program that would establish a mechanism whereby property owners could be compensated for the value of their land as a mechanism to carbon capture.

Commissioner Oliverio commented that if the Council approves the amendments, the City of San José should compensate the affected property owners for their land in the same manner that they compensated the "billionaire property owners" to the north.

Chair Bonilla shared Commissioner Oliverio's concern, stating that there were far too many questions left unanswered like access to water from Valley Water. He stated his preference to recommend denial of the project to better allow property owners and environmental groups to negotiate with the City Council on a resolution that would meet the needs of both.

Commissioner Caballero expressed her support for staff recommendation and stated she believed there has been significant conversations and an opportunity for dialogue through the Task Force meeting. She seconded Commissioner Torrens motion to approve staff recommendations.

Commissioner Young expressed his opposition to staff recommendation and questioned the feasibility of agriculture given the comments from property owners and he expressed support for some form of compensation to the landowners. Furthermore, Commissioner Young also said he disagreed with the removal of job capacity from North Coyote and believed that jobs in North Coyote Valley would provide an opportunity for reverse commute jobs.

Commissioner Cantrell spoke in support of staff recommendation. He said speculation in Coyote Valley has probably driven up the value of land and it's not the City's role to ensure that speculators are entitled to a perceived return on their speculative investment and proposed that property owners may already have a return on their investment.

Commissioner Lardinois shared Commissioner Cantrell's support and believed staff recommendation would limit urban sprawl and protect an important natural resource. He noted that starting over 40 years ago, the City has shifted away from urban sprawl and has focused growth inward, a strategy that has been strengthened by the Envision San José General Plan. He said Development in Coyote Valley would conflict with this strategy and would represent a return to urban sprawl.

The Planning Commission voted on Commissioner Torren's motion (seconded by Commissioner Caballero) to support staff recommendation. The motion failed (4-5-1-1, Bonilla, Casey, Garcia, Oliverio, and Young opposed; Montañez absent; Ornelas-Wise abstained).

Commissioner Young made a motion to deny the staff recommendation and Commissioner Oliverio seconded the motion. The motion to deny the staff recommendation was approved (5-4-1-1, Caballero, Cantrell, Lardinois, and Torrens opposed; Montañez absent; Ornelas-Wise abstained).

#### **BACKGROUND**

The Planning Commission held a public hearing on October 27, 2021, to consider the proposed General Plan Amendment, General Plan Text Amendment, Conforming Rezoning, Planned Development Zoning, and Amendment to Title 20 (Zoning Ordinance) of the San José Municipal Code associated with the Envision San José 2040 General Plan Four-Year Review.

Planning staff recommended that the Planning Commission recommend that the City Council approve the amendment of the Envision San José 2040 General Plan Land Use/Transportation Diagram land use designations associated with the General Plan text amendment to remove North Coyote Valley as an Employment Growth Area, remove the Mid-Coyote Valley Urban Reserve, and add a new Coyote Valley Agriculture Overlay. Planning Staff also recommended adding minor text amendments and additional action items to the General Plan to move the Urban Service Area boundary north, create an overlay that would restrict office buildings as an allowable use in certain Industrial Park (IP) and/or Combined Industrial Commercial (CIC) designated areas or re-designate some areas from IP and/or CIC to Light Industrial to preserve and support existing industrial businesses and have Council direct staff to explore creating an industrial overlay allowing for new office construction only if the office building includes some manufacturing or logistics space. Additionally, Planning Staff added action items for Council direction to study and make revisions to the General Plan and Zoning Ordinance to allow compatible commercial agriculture supportive uses in Coyote Valley, conduct a study of the Monterey Road Corridor through North, Mid-, and South Coyote Valley to consider appropriate non-residential uses for properties on the east side of Monterey Road that would be compatible

with the Coyote Creek Park Chain, and explore establishing a Farmland Security Zone in Coyote Valley.

Following the failed motion to approve the staff recommendation, the Planning Commission approved a motion to recommend that the City Council deny the staff recommended actions listed above in items 1-5.

#### ANALYSIS

For a complete analysis, including the related CEQA clearance, please see the Planning Commission staff report (attached). Additionally, if the Council does not approve staff recommendations, conforming rezoning, as required under SB1333 would also not be approved. Staff would need to return to Council at a subsequent hearing to rezone properties consistent with their existing General Plan land use designations. Additionally, North Coyote Valley would remain an employment growth area with zero employment capacity. Any proposed development in North Coyote Valley would be required to submit an EIR in accordance with CEQA and a General Plan amendment to move jobs capacity back into North Coyote Valley from other growth areas in the city.

#### **CONCLUSION**

The Planning Commission voted to recommend that the City Council deny the Four-Year Review Task Force's General Plan, staff's recommendation, and zoning code amendments for Coyote Valley, which were developed at the direction of Council as part of the Four-Year Review of the General Plan process.

#### **EVALUATION AND FOLLOW UP**

If the proposed General Plan Amendment, General Plan Text Amendment, Conforming Rezoning, Planned Development Zoning and Amendment to Title 20 (Zoning Ordinance) is denied as recommended by the Planning Commission, the General Plan and Zoning would remain status quo and the Envision San José 2040 General Plan Land Use/Transportation Diagram would not be amended to reflect Task Force recommendations and North Coyote would remain as an Employment Growth Area, Coyote Valley Urban Reserve would be maintained as a land use designation. The Envision San José 2040 would not include the Coyote Valley Agriculture Overlay and additional action items, and lands within North, Mid-, South Coyote Valley would remain with their existing land use designations and Zoning Districts and Title 20 (Zoning Ordinance) would not be amended. Per California State Law SB1333, which requires charter cities to align the zoning districts of properties within their city limits with their General Plan land use designation, staff would need to return to Planning Commission and Council next year to consider the rezoning of land in Coyote Valley to be consistent with these properties existing General Plan land use designations.

Staff continues to recommend that Council approve all of the actions in items 1-5 above.

#### **CLIMATE SMART SAN JOSE**

The proposed General Plan Amendment, General Plan Text Amendment, Conforming Rezoning, Planned Development Zoning, and Amendment to Title 20 (Zoning Ordinance) aligns with Climate Smart San José overall goals by preserving natural and working lands in San José that contribute to the sequestration of carbon in the city's atmosphere. By preserving thousands of acres of natural and working lands, the City would greatly reduce the impact of development and urbanization in an outlying area of the City that would produce a high level of Vehicle Miles Traveled, thereby reducing Greenhouse Gas emissions.

#### PUBLIC OUTREACH

Staff followed Council Policy 6-30: Public Outreach Policy. The property owners and occupants within a 500 feet radius were sent public hearing notices for the Planning Commission and City Council hearing. A notice of the public hearing was 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.

Planning staff hosted a virtual community meeting focused on Coyote Valley property owners and tenants on May 17, 2021, to discuss the proposed policy changes in Coyote Valley associated with the General Plan Four-Year Review. Approximately 34 members of the public attended the meeting. Staff also attended several meetings (two virtual and two in-person) with property owners at their request following the community meeting to further discuss the General Plan Amendments and their concerns about the policy recommendations.

Most Coyote Valley property owners who attended the community meeting in May 2021 and met with staff following the community meeting opposed the proposed policy changes. Property owner comments and concerns included:

- Agriculture is not economically viable in Coyote Valley.
- Proposed policy changes will devalue land in Coyote Valley.
- Coyote Valley lacks the agricultural infrastructure to support farming.
- Distance from agriculture industry suppliers and services make farming difficult.
- Challenges with labor costs and hiring agricultural workers is a major problem.
- The land in Coyote Valley is not nutrient-rich like in Gilroy and is no longer suitable for agricultural use.
- Climate change has impacted farming in Coyote Valley.
- There are [regulatory] issues that create challenges for spraying crops like peppers.

- Disking is integral to agriculture but is not always permitted by property owners who have purchased land for conservation (e.g., POST and OSA).
- Water costs have increased, and there are water supply issues.
- Costs for power have increased.
- Property owners feel like they were not able to give their input prior to the Task Force process.
- Land use context should be studied along the Monterey Road corridor.
- Interest in private recreation and farmworker housing uses along Monterey Road.

#### **COORDINATION**

This memorandum has been coordinated with the City Attorney's Office.

#### <u>CEQA</u>

The environmental impacts of the General Plan Four-Year Review, which includes the subject actions related to Coyote Valley, were evaluated in an Initial Study/Addendum to the Envision San José 2040 General Plan Program Environmental Impact Report (EIR), Supplemental Environmental Impact Report, and Addenda thereto. As described in the Initial Study/Addendum, the General Plan Four-Year Review does not create any of the conditions described in Section 15162 of the CEQA Guidelines that call for the preparation of a subsequent Environmental Impact Report. No new significant impacts would occur, and no previously examined significant effects would be substantially more severe than shown in the Envision San José 2040 General Plan EIR and SEIR. Thus, an Addendum to the adopted EIRs is the appropriate environmental documentation to analyze the potential environmental impact.

The Initial Study/Addendum is posted to the City's "Active EIRs" website at: (https://www.sanjoseca.gov/your-government/departments-offices/planning-building-codeenforcement/planning-division/environmental-planning/environmental-review/activeeirs/general-plan-four-year-review). The Envision San José 2040 General Plan EIR and SEIR can be found at www.sanjoseca.gov/completedeirs.

> /s/ CHRIS BURTON, Secretary Planning Commission

For questions please contact Michael Brilliot, Deputy Director, at 408 896-0136 or michael.brilliot@sanjoseca.gov

Attachment: Planning Commission Staff Report





#### TO: PLANNING COMMISSION

#### SUBJECT: File Nos. GPT21-002/GP21-012/C21-031/PDC21-033/PP21-012

FROM: Christopher Burton

**DATE:** October 27, 2021

#### COUNCIL DISTRICT: 2

Type of Permit	City-Initiated General Plan Text and Diagram Amendments
Project Planner	Robert Rivera
CEQA Clearance	Addendum to the Envision San José 2040 General Plan Final Program Environmental Impact Report (Resolution No. 76041) and Supplemental Environmental Impact Report to the Envision San José General Plan Final Program Environmental Impact Report (Resolution No. 77517)
CEQA Planner	David Keyon

#### RECOMMENDATION

Staff recommends that the Planning Commission recommend that the City Council take all of the following actions:

- Adopt a resolution adopting the Addendum to the Envision San José 2040 General Plan Final Program Environmental Impact Report (Resolution No. 76041) and Supplemental Environmental Impact Report to the Envision San Jose General Plan Final Program Environmental Impact Report (Resolution No. 77617), and Addenda thereto in conformance with CEQA; and
- Adopt a resolution approving the General Plan Land Use/Transportation Diagram Amendment (GP21-012) for properties within North, Mid- and South Coyote Valley and the General Plan Text Amendment (GPT21-002) associated with the Envision San José 2040 General Plan Four-Year Review.
- Approve an ordinance of the City of San José amending Title 20 (Zoning Ordinance) of the San José Municipal Code to amend Table 20-40 to incorporate the Coyote Valley Agriculture General Plan Overlay.
- 4. Approve an ordinance rezoning specified parcels located within North, Mid- and South Coyote Valley from Zoning Districts that include Agriculture, R-1-1 Single Family Residence, R-1-5 Single Family Residence, Planned Development, Mobilehome Park, and Heavy Industrial to Zoning Districts that include Open Space, Agriculture, Combined Industrial/Commercial, Industrial Park, and Public/Quasi Public Zoning district.

5. Approve an ordinance rezoning specified parcels located with North, Mid- and South Coyote Valley from an Agriculture Zoning District to a PD Planned Development Zoning District where all Agricultural uses shall conform to those uses identified in the A Agriculture Zoning District set forth in the current Title 20 of the San Jose Municipal Code, and certain Private Recreation and Open Space uses.

#### **PROJECT BACKGROUND**

#### General Plan Four-Year Review

The *Envision San José 2040 General Plan* (General Plan) is a comprehensive, innovative, and forwardthinking policy document that lays the framework for becoming a fiscally-sound and environmentally sustainable city of great places. Over 5,000 individuals participated in the General Plan update process from 2008 through 2011, and the General Plan was approved unanimously by the City Council on November 1, 2011.

The General Plan sets forth Goals and Policies requiring the City to conduct a review of the Plan every four years. The purpose of the General Plan Four-Year Review (Four-Year Review) is to evaluate significant changes in the planning context and achievement of key General Plan goals. The General Plan requires the City to reconvene a Task Force during each Four-Year Review to provide community and stakeholder engagement in reviewing and evaluating success in the implementation of the General Plan and to recommend any mid-course actions needed to achieve its goals.

Based on the outcome and recommendations from the Four-Year Review Task Force process, the City Council could decide to amend the General Plan goals, policies and actions, and/or the Land Use/Transportation Diagram to further the achievement of the General Plan's Vision and Major Strategies.

The first cycle of the four-year review occurred from November 2015 to April 2016. In April 2016, the Envision San José 2040 Task Force approved a final set of recommendations for the City Council to consider. The recommendations and associated General Plan Amendments were approved by the City Council in December 2016. The <u>Staff Report</u> and other related documents are available on the <u>December 13, 2016 City Council Meeting agenda</u> (see Item 10.1).

On June 11, 2019, the City Council approved the staff recommended scope of work for the second General Plan Four-Year Review and provided additional scope items as detailed in a memo issued by Mayor Sam Liccardo, Councilmember Sergio Jimenez, Councilmember Raul Peralez, and Councilmember Sylvia Arenas on June 7, 2019 (Exhibit A). One of the items in the City Council approved scope of work is the subject of this Staff Report (GPT21-001/GP21-013/C21-031/PDC-21-033/PP21-012), the consideration of policy changes for the Coyote Valley area of San José, as follows:

- 1. **Potential Redistribution of Planned Job Growth from North Coyote Valley**: Conduct a follow up study to analyze the potential redistribution of jobs capacity from North Coyote Valley to other General Plan growth areas, including analysis of fiscal and other effects upon the City that could occur with the loss of employment land in North Coyote Valley. The findings of this analysis could result in recommendations on proposed General Plan amendments to ensure that the City achieves its General Plan employment goals and furthers its Innovation/Regional Employment Center Strategy.
- 2. North Coyote Valley & Mid-Coyote Urban Reserve: Discuss the long-term future of North Coyote Valley and the Mid-Coyote Urban Reserve to achieve key city objectives including the preservation of open space and wildlife habitat, flood and groundwater protection, agriculture, climate change resilience, and passive recreation.

In November 2019, a 42-member Task Force was reconvened to evaluate the scope identified by the City Council. Ten Task Force meetings were held between November 2019 and November 2020. The first four meetings were held in-person; however, just prior to the fifth Task Force meeting, on March 16, 2020, the Santa Clara County Public Health Officer issued a shelter in place order to slow the spread of COVID-19. With the rise of COVID-19 cases and legal orders to keep residents safe and limit new cases, City staff continued to work remotely and transitioned the Task Force meetings to a virtual format after a fourmonth hiatus. The first virtual meeting was held on June 25, 2020.

All meetings were open to the public, and a total of approximately 1,000 attendees participated in the Task Force Meetings; approximately 110 attended the four in-person meetings and approximately 890 attended the six virtual meetings. A list of topics and outcomes from the 10 Task Force meetings are outlined in the table below. All meeting materials including agendas, synopsis, presentations, reports, and Task Force and public correspondence are available on the Planning Division website (<u>http://www.sanjoseca.gov/GeneralPlanReview</u>). Because the subject of this Staff Report and related hearing is limited to the Coyote Valley General Plan amendments, the other General Plan Four-Year Review scope of work items will be considered in subsequent public hearings. The Coyote Valley amendments were considered and recommendation was made by the Task Force on October 29, 2020, which recommendation is discussed in more detail below.

Meeting Date	Topics	Outcomes
November 20, 2019	<ul> <li>Task Force Roles and Responsibilities</li> <li>Background and Scope of the General Plan Four-Year Review</li> <li>Four-Year Review Progress Report</li> <li>Urban Village Policy Modifications</li> </ul>	<ul> <li>Informational meeting</li> <li>Task Force input on staff recommended adjustment to planned job capacity</li> </ul>
December 18, 2019	<ul> <li>Staff Recommended Urban Village Policy Modifications (IP-2.11, IP-5.5, IP- 5.10, IP-5.12)</li> <li>Staff Recommended Urban Village boundary changes</li> <li>Presentation on Missing Middle Housing</li> </ul>	<ul> <li>Task Force preliminary recommendation on Urban Village Policy Modifications</li> <li>Task Force preliminary recommendation on Urban Village boundary changes</li> </ul>
January 30, 2020	<ul> <li>Continuation of recommended modifications to Urban Village policies (IP-5.10, IP-5.12) to facilitate affordable housing in Urban Villages</li> </ul>	<ul> <li>Task Force recommendation on Urban Village Policy Modifications to IP-5.10 and IP-5.12</li> </ul>
February 27, 2020	<ul> <li>Staff recommended modifications to Urban Village policies and actions to facilitate affordable housing</li> <li>Staff recommended Opportunity Housing proposal</li> </ul>	<ul> <li>Task Force input on modifications to Urban Village policies and actions to facilitate affordable housing recommended by staff</li> </ul>
COVID-19 Pandemic Delay		
June 25, 2020	• Commercial requirements for affordable housing in Policy H-2.9 (1.5- Acre Rule)	<ul> <li>Task Force preliminary recommendation of commercial requirements for Policy H-2.9</li> </ul>

#### Table 1 Task Force Meeting Dates, Topics and Outcomes

Meeting Date	Topics	Outcomes
July 30, 2020	<ul> <li>Revised staff recommended</li> </ul>	<ul> <li>Extensive public comment;</li> </ul>
	Opportunity Housing proposal	continued to next meeting
August 20, 2020	<ul> <li>Revised staff recommended</li> </ul>	<ul> <li>Task Force preliminary</li> </ul>
	Opportunity Housing proposal	recommendation on future
	continued	direction of Opportunity Housing
September 21, 2020	<ul> <li>Vehicle Miles Traveled (VMT) policies</li> </ul>	<ul> <li>Task Force preliminary</li> </ul>
		recommendation of VMT policies
October 29, 2020	<ul> <li>Coyote Valley and redistribution of</li> </ul>	<ul> <li>Task Force preliminary</li> </ul>
	planned growth	recommendation on Coyote Valley
		and redistribution of planned jobs
		and housing units
November 19, 2020	<ul> <li>Evergreen-East Hills Development</li> </ul>	<ul> <li>Task Force recommendation of</li> </ul>
	Policy (EEHDP)	EEHDP
	• Finalize Task Force recommendations	<ul> <li>Task Force approval of complete</li> </ul>
		set of recommendations to City
		Council

#### Coyote Valley: Land Use Policies from the 1960s to the Present

Coyote Valley is located at the southern boundary of San José within its Sphere of Influence, north of the City of Morgan Hill. The Coyote Valley area consists of three different and distinctive planning subareas covering over 7,000 acres of mostly undeveloped land in the southern reaches of the City of San José. Of the three sub-areas, all of the North Coyote Valley, approximately 16% of Mid-Coyote Valley, and about 20% of the South Coyote Valley were annexed into San José. The remainder of the land in Coyote Valley is under the jurisdiction of Santa Clara County (see Figure 1 and Figure 2).

Land use planning in Coyote Valley has been an important issue and component of the City's general plans for over half a century. Starting in the 1960 General Plan, the City planned for industrial growth in North Coyote Valley and a portion of what is now known as the South Coyote Valley Greenbelt, which were designated for industrial uses. The remaining land in Coyote Valley was designated for residential uses. However, as the City faced declining revenues and lack of community and political support for continued urban expansion, General Plan '75, adopted in 1976, designated most of Coyote Valley for agricultural uses, and limited areas for rural residential and low-density residential uses.

By the 1980s, there was increased pressure to allow urban development in Coyote Valley and various industrial firms acquired sizable property holdings. In 1984 the City's Horizon 2000 General Plan reestablished North Coyote Valley as an area planned for campus industrial uses and established Mid-Coyote Valley as an Urban Reserve for future mixed-use development. South Coyote Valley was designated as a Greenbelt to ensure a permanent non-urban buffer between San José and Morgan Hill.

In 1994, a citizens' Task Force developed the San José 2020 General Plan which significantly prioritized the notion of compact, efficient infill development within San José's Urban Service Area. To further the desire for "smart growth," the San José 2020 General Plan established the Greenline/Urban Growth Boundary (UGB), which included North and Mid-Coyote Valley inside the UGB, while the South Coyote Valley Greenbelt was located outside of the Greenline (see Figure 1).

In 2002, the City Council initiated the Coyote Valley Specific Plan (CVSP) process, with the intent to develop a plan to guide the future development of 50,000 jobs and 25,000 housing units in North and Mid-Coyote Valley and to preserve South Coyote Valley in a non-urban state. A 20-member community Task Force was appointed to guide the preparation of a comprehensive plan for the future of Coyote Valley, which met monthly over a five-year period. In 2008, with the decline in the housing market and economy, and additional time and cost involved in the project, the Coyote Housing Group (the financiers of the project) decided to terminate its funding agreement with the City for development of the Plan. Consideration of possible development within Coyote Valley was deferred to the Envision San José 2040 General Plan update, underway at that time.

The Envision San José 2040 General Plan was adopted by City Council in November 2011 and established clear direction for future growth in Coyote Valley through Major Strategies, goals, and policies. In the Envision 2040 General Plan, North Coyote Valley is designated as an Employment Lands Growth Area and was planned for 50,000 new jobs to accommodate long-term employment growth (15,000 of those planned jobs were removed from North Coyote Valley during the 2015 Four-Year Review). Mid- Coyote Valley is designated as an Urban Reserve and is not planned for urban development through the year 2040. Uses allowed by the General Plan in the Urban Reserve are those of the Agriculture land use designation west of Monterey Highway and those of the Agriculture, Open Hillside and Private Recreation land use designations between Monterey Highway and the Coyote Creek Park Chain, provided that such uses are rural in character and are compatible with the Coyote Creek Park Chain. The South Coyote Valley Greenbelt is intended to remain as a permanent non-urban buffer between the City of San José and Morgan Hill.

For a complete summary on the history of land use policy in Coyote Valley, see the City Council memorandum titled Coyote Valley Policy Context and Land Acquisition Considerations, dated January 17, 2019, available on the January 22, 2019 City Council Study Session agenda (see Item 1).

As part of the current General Plan Four-Year Review, a Virtual Task Force Meeting on Coyote Valley was held on October 29, 2020. Approximately 81 members from the public attended the meeting and provided comments and questions for staff and the Task Force. Prior to the October 2020 Task Force meeting, Planning staff prepared an Overview Memo (Exhibit C) which provided background and analysis on the General Plan Four-Year Review scope of work items under consideration for Coyote Valley. The Task Force voted to approve staff recommendation, as analyzed below, with minor amendments (26 approved, 6 opposed, 4 abstained).

#### ANALYSIS

The City Council approved the scope of work in June 2019 for the General Plan Four-Year Review that included potential redistribution of planned job growth from North Coyote Valley and consideration of the long-term future of North Coyote Valley and the Mid-Coyote Urban Reserve. In bringing recommendations to the Task Force on Coyote Valley, staff considered changes in land use planning context, existing natural and agricultural resources, and economic development opportunities. Staff also performed an economic analysis (Exhibit D) to inform potential reallocation of planned jobs and identify policy actions the City could take to achieve General Plan employment goals and accommodate future economic growth.

#### Changes in Planning and Policy Context for Coyote Valley

Since adoption of the Envision San José 2040 General Plan in November 2011, and the first Four-Year Review of the General Plan in 2015, there have been several key changes in planning context for Coyote Valley.

- Measure T: In November 2018, over 70% of San José voters approved Measure T which authorized \$650 million in General Obligation bonds to improve emergency and disaster response and investment in infrastructure, including a \$50 million allocation for environmental protection including the acquisition of land and construction of improvements associated with water quality and flood protection. On July 25<sup>th</sup> 2019, the City of San José issued its first series of general obligation bonds authorized under Measure T with up to \$50 million issued as taxable bonds and allocated by the City Council for the acquisition of land in the Coyote Valley for preventing flooding and water contamination.
- Land Preservation: In November 2019, City Council approved a Purchase and Sale Agreement with Peninsula Open Space Trust (POST) and Santa Clara Valley Open Space Authority (OSA) for approximately \$96 million for purchase of 937-acres in North Coyote Valley from Brandenburg and Sobrato to create a natural non-urban preserve. Of the remaining 785-acres in North Coyote Valley, approximately 314-acres is available for new development, located south of Bailey Road between the Santa Cruz Mountain foothills and Monterey Road. These properties do not have existing urban development and are generally being used for agriculture or are fallow. Furthermore, since the November 2019 acquisition, POST and OSA have purchased approximately 340 additional acres for preservation in Mid-Coyote Valley.
- Climate Smart San José: Approved by the City Council in February 2018, Climate Smart San José provides a strategy for reducing the City's carbon emissions to reach the State's target of 80% greenhouse gas emissions reduction below 1990 levels by 2050, as well as achievement of the Paris Climate Agreement goals. The Climate Smart plan identifies nine strategies to reduce emissions including strategies related to more efficient use of water resources and strategies to the focus jobs and housing growth into urban location on transit to reduce vehicle miles traveled.
- City Council Policy 5-1 (Vehicle Miles Traveled): Approved by the City Council in February of 2018, the Transportation Analysis Policy (Council Policy 5-1) establishes Vehicle Miles Traveled (VMT) as the primary metric for evaluating the transportation impact of new development projects under the California Environmental Quality Act (CEQA). VMT measures the amount and distance people drive by vehicle. Coyote Valley lies at the southern end of San José, is relatively isolated from the rest of the City and the Bay Area, and lacks significant non-automobile transportation options. As such, the average amount and distance people are estimated to drive – or VMT – is the highest in the City for jobs and housing.
- **AB 948**: In 2019 Assembly Bill (AB) 948 was signed into law designating 17,400 acres in Coyote Valley, including the North, Mid- and South Coyote Valley planning areas, as a resource of state-wide significance, recognizing that Coyote Valley is a unique landscape providing agricultural, wildlife, recreational, climate, and other natural infrastructure benefits. The new law is non-regulatory, but can attract outside conservation funding, especially from the State.
- Santa Clara County Proposed Coyote Valley Climate Overlay: As directed by the Board of Supervisors, Santa Clara County Planning staff are proposing amendments to the General Plan and County Zoning Ordinance to create a new overlay zone for the unincorporated areas of Coyote Valley, intended to coincide with the changes proposed by City staff and the Task Force as part of the General Plan Four-Year Review. The County's new overlay zone in Coyote Valley would limit the development of certain

uses and introduce new voluntary financial incentives aimed at protecting the unique combination of natural characteristics of Coyote Valley. Additional information on the proposed Coyote Valley Climate Overlay is available on the County Department of Planning and Development's website: <u>https://www.sccgov.org/sites/dpd/OrdinancesCodes/Studies/Pages/CoyoteValley.aspx</u>

- Santa Clara Valley Agricultural Plan: Adopted by the Santa Clara County Board of Supervisors in January 2018, Santa Clara County, in partnership with the cities of San José, Morgan Hill, and Gilroy, and the Open Space Authority, developed the <u>Santa Clara Valley Agricultural Plan</u> (SCVAP), with the purpose of protecting agricultural lands as a long-term resource and minimizing the impacts of climate change. The SCVAP identifies an Agricultural Resource Area (ARA) within southern Santa Clara County, and proposes agricultural land preservation polices, policy updates, and programs to support longterm agriculture and the agricultural industry within the ARA. The ARA includes Mid-Coyote Valley (Urban Reserve) and the South Coyote Valley Greenbelt. Some of the strategies/actions identified in the SCVAP include:
  - Coordination between participating jurisdictions to create consistency in the designation of agriculture areas between the County and Cities' General Plans, and alignment of General Plan policies to share a common regional vision, goal, and approach for agricultural resource conservation in Santa Clara Valley;
  - Prevent the establishment of incompatible uses within the ARA which increase land speculation and impair ongoing agriculture production; and
  - Prevent conversion of agricultural lands into rural ranchettes that increase land speculation and reduce viability of ongoing neighboring farm operations.
- Plan Bay Area 2040: Adopted in July 2017, Plan Bay Area 2040 is a state-mandated long-range transportation and land use plan developed and developed by the Metropolitan Transportation Commission (MTC) and Association of Bay Area Governments (ABAG) for compliance with Senate Bill 375 for the nine-county San Francisco Bay Area. The plan discusses how the region will grow through 2040 and "identifies transportation and land use strategies to enable a more sustainable, equitable and economically vibrant future. Most of Coyote Valley planning areas are located within four identified Priority Conservation Areas (PCAs) registered by the Santa Clara Valley Open Space Authority. The PCAs are Coyote Valley North, Coyote Valley Mid, Coyote Valley South, and Coyote Creek Parkway. Priority Conservation Areas are regionally significant open spaces that have been pressured by urban development and other factors, and have broad support for their long-term protection.
- Executive Order N-82-20: In October 2020 Governor Newsome issued Executive Order N-82-20, which establishes a goal for conserving 30 percent of California's natural and working lands forests, rangelands, farms, wetlands, coast, deserts and urban greenspaces in the fight against climate change. California is the first state in the country to pledge to conserve 30 percent of land and coastal water by 2030, joining 38 countries in commitment to conservation. Measure T (Safety Bond) and the subsequent acquisition of 937-acres in North Coyote Valley for preservation, described above, supports the State's goal established by this executive order and reflects San Joe's commitment to combating climate change.

#### Natural Resources and Climate Opportunities

Coyote Valley provides a unique combination of biodiversity, farmland, and water resources. Scientific research has identified Coyote Valley as a top priority for regional conservation efforts. It is the last intact valley floor connection between the Santa Cruz and the Diablo mountain ranges and connects over 1.13 million acres of habitat. The Santa Clara Valley Habitat Conservation Plan and Natural Community Conservation Plan (HCP/NCCP) and other state and regional assessments have identified Coyote Valley as the essential opportunity to link landscapes and connect habitats to protect biodiversity in the Santa Cruz Mountains and Diablo Range. The General Plan recognizes the importance of wildlife movement between these two mountain ranges and includes goals and policies to minimize adverse effects of development on wildlife movement, and to support protection of critical linkages in Mid-Coyote Valley.

Open space in Coyote Valley also acts as a sponge and detains water, including Laguna Seca located in North Coyote Valley, which is the County's largest freshwater wetland and drinking water aquifer recharge area. Coyote Valley is located within the Coyote Groundwater Subbasin (Coyote Subbasin), and overall, accounts for nearly 50 percent of undeveloped recharge areas for the entire Silicon Valley. Based on a <u>2010 groundwater vulnerability study conducted by the Santa Clara Valley Water District</u>, the Coyote Subbasin is highly vulnerable to contaminant releases at the ground surface due to unconfined groundwater conditions, shallow depth to groundwater, and high permeability in the subbasin. The General Plan includes water quality policies to protect groundwater as a water supply source through flood protection measures, and to discourage locating new development with the potential to negatively impact groundwater quality in areas that have been identified as having a high degree of aquifer vulnerability by the SCVWD (Policies MS-20.2 and MS-20.3).Policies MS-20.2 and MS-20.3).

Much of Coyote Valley is characterized by Natural and Working Lands (NWLs). Natural and working lands include natural lands such as grasslands, forests, riparian areas, and farmland, which can remove carbon dioxide from the atmosphere and sequester it in soil and vegetation. One of the topics identified by the Climate Smart San José plan for further study was to assess the protection and enhancement of San José's Designated Natural and Working Lands – defined as the Open Space, Parklands and Habitat, Agriculture, and Open Hillside land use designations identified in the Envision San Jose 2040 General Plan. The City and OSA partnered to hire consultants to evaluate how land use may impact the City's Greenhouse Gas (GHG) emissions trajectory and how the protection and enhancements of NWLs could help the City meet its GHG reduction targets in the Natural Working Lands Element Technical Report.(). The study modeled multiple land use scenarios for comparing housing and employment growth within the City, using the current General Plan land use policies as a basis-of-comparison. One of the policy test scenarios included policy changes being considered as part of the General Plan Four-Year Review for Coyote Valley, specifically no longer allowing employment development in North Coyote Valley. The analyses in the NWL technical report suggest that limiting North Coyote Valley to non-urban uses will have a GHG emissions reduction benefit of approximately 94,000 metric tons carbon dioxide equivalent (MT CO2e) per year in 2040. This is both from reduced VMT because there would be no commuting to and from Coyote Valley, and from continued carbon sequestration in the natural and working lands that would remain. This change alone represents 2 percent of the reductions needed to get from the City's current GHG emissions levels to the 2040 Climate Smart plan goal - a large benefit for a single action.

#### Agriculture Resources and Challenges in Coyote Valley

Agriculture is a significant part of San José's history and will continue to be a part of its future. Agricultural preservation policies in the General Plan are intended to preserve remaining farmlands within San Jose's sphere of influence; improve the community's access to healthful foods; promote local and ecologically sound food production; support the ability of farmers in the region to sell their produce locally; and provide environmental, social, and economic benefits to the community.

The County's temperate climate, rich soils, healthy groundwater aquifer, and long growing season support the cultivation of a wide diversity of agricultural products. The U.S. Department of Agriculture - Natural Resources Conservation Service (NRCS) classifies much of Coyote Valley as having Class 1 Farmland soils – the most productive farmland soil designation from the NRCS. Most of Coyote Valley is also designated as Farmland of Statewide Importance and is designated as high viability for agriculture in the Santa Clara Valley Agriculture Plan (SCVAP). Major crops today include hay, Asian vegetables, mushrooms, and walnuts, and the growing environment will continue to be well-suited to cultivating a large variety of fruits and vegetables.

As documented in the <u>Santa Clara Valley Agriculture Plan</u> (2018) and <u>Food System Alliance's small farms</u> <u>report</u> (2020) and based on input from Coyote Valley property owners; challenges to agriculture in Coyote Valley include access to labor, incompatible uses, interface with commuter traffic, regulations, climate change, parcellation of properties, and access to farmland due to land held for speculation.

Small lots and development speculation both contribute to challenges for the viability of agriculture in Coyote Valley and the greater County. Smaller parcels are more sought after by investors for rural residential homes and can command higher prices than larger parcels; therefore, many parcels are not made available for farmers to lease. Higher prices make it more attractive for current agriculture property owners to sell their land to buyers who want to develop it, rather than small farmers who are unlikely to be able to compete with investors or developers. Other property owners might lease their land for cultivation, but offer only one-year lease agreements so properties can be sold or developed in short order. Development speculation is also a deterrent for property owners to enter into agriculture incentive programs such as the Williamson Act, which could provide an opportunity to increase net revenue for agricultural uses through property tax incentives that reduce property taxes on lands preserved for these uses. As a result, it is difficult for farmers to gain access to new parcels of farmland and retain management of properties under lease. Additionally, short-term lease contracts can hinder long-term business planning and create a disincentive for investing in infrastructure or long-term improvements to the property and its soils. When surveyed for the <u>2019 California Young Farmers Report</u>, young farmers in the region and state as a whole consistently stated that their biggest challenge is access to farmland.

To address this issue, County Planning staff are currently working on a rural zoning update to align the zoning ordinance with County policies supporting agriculture, and to reduce threats to remaining agricultural areas by encroaching, incompatible land uses. As part of this work County staff is proposing to establish rural land development standards to limit single-family estate development in the County's Exclusive Agriculture zoning district. Approximately 1,650 acres of unincorporated land in Mid- and South Coyote Valley are zoned Exclusive Agriculture. These changes are anticipated to be considered by the County Board of Supervisors in fall 2021. More information on the proposed rural zoning updates is available on the County Department of Planning and Development's website:

https://www.sccgov.org/sites/dpd/OrdinancesCodes/Studies/Pages/RuralZoningUpdates.aspx

Change in temperatures due to climate change and urbanization, as well as droughts, have also resulted in challenges to agriculture production. For example, reduction in winter chill hours has had a negative impact on tree fruit production, particularly for cherries. Costs of water and energy have also increased over time, and while Santa Clara County has an extensive agricultural packaging and distribution industry, it is better developed in some sectors (such as vegetables) than others.

Labor challenges for farmers in Santa Clara County include both the cost of labor and a shortage of labor. A scarcity of agriculture worker housing in the region, especially for seasonal labor is a significant challenge. While regulations provide health, safety, and environmental protections, complying with regulatory requirements can be expensive and time-consuming, and can present challenges to crop production, such as restrictions on spraying. Farmers can also face challenges related to access to farm services (e.g., equipment supply and repair) and transportation costs for their products. Additionally, there are conflicts from the urban interface through increased traffic on rural roads, which hampers the ability to operate heavy farm equipment, as well as other issues such as illegal dumping.

Based on input from property owners and existing conditions, there are also unique challenges for agriculture along the heavily trafficked Monterey Road corridor through Coyote Valley. Monterey Road during peak hours presents a significant barrier between the east and west side of the roadway and existing uses vary significantly from industrial, commercial, recreation, and residential uses.

While there are real challenges, particularly for large scale agriculture in Coyote Valley, the unique set of conditions that have made Coyote Valley a viable location for agricultural remain by-and-large unchanged, including prime soils, ideal temperate climate, healthy groundwater aquifer, and proximity to a growing metropolitan consumer market place. Additionally, County Planning staff have reported that there is high demand to access Coyote Valley farmland, and staff at the County receive regular inquiries from beginning and immigrant farmers looking for access to land. Policy changes that address small lot rural ranchette development and create certainty around the long term uses allowed on land in Coyote Valley could help to address speculation issues and related challenges to perspective farmers.

#### Economic Development Opportunities

Historically, the General Plan's Industrial Park (IP) land use designation assigned to North Coyote anticipated that high technology companies would be looking for large land parcels to build industrial campuses where a single company could consolidate its vertically integrated functions including office/administration, research and development, and manufacturing at one site. Regional trends in the technology sector that have implications for North Coyote include a shift away from hardware to software, computer applications, and mobile phone technology. In addition, hardware-oriented firms in the region generally locate more of their highly skilled employees in the inner Bay Area.

With the changing planning context and reduction in employment area through the 937-acre land purchase, the City hired an economic consultant to conduct an analysis of the potential redistribution of planned job growth from North Coyote Valley and assist staff in identifying strategies to accommodate future economic growth in San José so that changes in land use policy for North Coyote Valley will not impact San José's ability to maintain and grow its economic base. The City's consultant analyzed employment trends and projections, business/industry conditions, and building types that have been occurring in other areas of the City with the same Industrial Park land use designation as North Coyote, and conducted interviews with industrial developers with extensive experience in the industrial real estate market in San José and the greater Bay Area. The report, titled *North Coyote Valley and the San Jose Economy (2020)*, is attached to this Staff Report (Exhibit D). Staff also analyzed remaining vacant lands and other growth areas designated for industrial uses within San José to determine their capacity for

additional job growth and analyzed reallocation of planned job growth from North Coyote to those growth areas.

The consultant's analysis found that there is little to no demand for traditional campus industrial/office uses in North Coyote Valley, and it is anticipated that demand for employment uses under current market conditions would be for industrial-based industries that typically occupy horizontal buildings, possibly manufacturing, but most likely transportation and warehousing uses; new distribution and warehousing facilities have recently been developed in north Morgan Hill near Cochrane and 101 Highway. Based on developer interviews, however, there is a higher preference for locating these uses in more inner Bay Area locations such as closer to Interstate 880 and Highway 237 in North San José.

Based on current market trends and demand, staff estimates that North Coyote Valley in its entirety could support approximately 18,000 industrial-based jobs, but with the acquisition of the 937-acres for preservation, only approximately 314-acres remain developable for employment uses. The remaining developable lands in North Coyote Valley could support approximately 5,500 jobs or about 1% of the General Plan's total planned employment capacity. Based on the analysis, it was determined that more jobs were allocated to North Coyote Valley than what could feasibly be developed.

Over the next two decades, employment growth is most likely to occur in office-based/vertical jobs at higher employee densities than in the past, or in industrial-based/horizontal jobs that would benefit from proximity to the population densities and highway accessibility offered in North San José. Additionally, based on current trends and development activity, office-based employment is anticipated to significantly grow in Downtown.

#### Staff and Task Force Recommendations

Staff proposes the following new vision for Coyote Valley:

Coyote Valley is a unique asset to San José and should be preserved as a resource that furthers the City's goals of environmental sustainability, enhancing open space, supporting agriculture in the non-urban areas of the City, and protecting critical linkages for wildlife movement.

In considering this new vision and the long-term future of Coyote Valley, staff considered changes in land use planning context, existing natural and agricultural resources, and economic development opportunities. Staff's recommendations are consistent with the Task Force recommendations to the Planning Commission, but with minor updates based on additional information following the conclusion of the Task Force process. The analysis below includes descriptions in instances where staff is proposing new or slightly different modifications than the Task Force.

#### North Coyote Valley Recommendations

- 1. Remove North Coyote Valley as an Employment Lands Growth Area from the General Plan.
- 2. Change the land use designations of properties in North Coyote that have been purchased by the City and POST/OSA for preservation from Industrial Park to Open Space, Parklands and Habitat.
- 3. Change the land use designations of remaining properties in North Coyote that have not already been developed for industrial uses from Industrial Park to Agriculture, except for the area occupied by the Gavilan College Coyote Valley Center (South Bay Regional Public Safety Training Consortium), which would be changed from Industrial Park to Public/Quasi-Public; and rezone properties as needed to align their Zoning with the appropriate General Plan land use designations (see Figures 3 and Figure 6).

4. Add an action item to the General Plan to move the Urban Service Area boundary north as soon as possible consistent with the proposed land use changes in North Coyote Valley. Properties proposed to retain an urban land use designation (i.e., Industrial Park and Public/Quasi-Public) should stay within the Urban Service Area.

For the last 35 years, North Coyote Valley has been designated in the General Plan for campus office industrial uses. Besides the IBM Silicon Valley Lab constructed in the 1970s, the vision for developing North Coyote with large office/industrial campuses has not come to fruition. Changing industry growth trends, particularly in the technology sector, mean that, if development were to occur in North Coyote today, development would likely be warehouses and distribution facilities, resulting in a much lower job growth than has been envisioned. Additionally, policy shifts have changed the planning context for Coyote Valley, the most significant being the City's adoption of Climate Smart San José, and voter approval of Measure T, which facilitated the City's \$46.3 million investment, in partnership with POST and OSA, to purchase 937-acres in North Coyote for a natural preserve.

Development in North Coyote Valley could impact the investment made by the City and impede progress toward the environmental benefits of Measure T and achieving the goals of Climate Smart San José by introducing uses that could interfere with habitat restoration and green infrastructure enhancement, wildlife passage, and reduction of GHG emissions from VMT and loss of lands for carbon sequestration. Furthermore, the remaining developable land in North Coyote is now more disconnected with the urban footprint of San José and would not support many of the transportation and environmental goals of the General Plan.

Staff and the Task Force recommended to shift all 35,000 planned jobs out of North Coyote Valley based on staff's policy recommendations for North Coyote Valley, capacity studies completed as part of the DSAP Amendment process, and proposed development as part of the Downtown West Mixed-Use project. The planned job shifts associated with the DSAP Amendment and Downtown West Mixed-Use project were approved by the City Council on May 25, 2021 when the DSAP Amendment and Downtown West Mixed-Use project were approved; and thus, there are no longer any planned jobs in North Coyote Valley. Therefore, jobs shifts from North Coyote Valley no longer need to be considered as part of the General Plan Four-Year Review process.

At the October 2020 Task Force meeting, staff and the Task Force recommended shifting 5,000 jobs to the Alviso Master Plan Employment Lands Area from various other employment growth areas. Following the Task Force process, staff further analyzed this proposed shift and determined that there are an adequate number of planned jobs in the Alviso area to accommodate future commercial and industrial development. Therefore, staff is no longer recommending shifting planned jobs to the Alviso Employment Lands Area and propose leaving employment capacity in other growth areas as they remain.

- 5. Add the following Action Items to the General Plan:
  - a. Explore creating an overlay that would restrict office buildings as an allowable use in certain Industrial Park (IP) and/or Combined Industrial Commercial (CIC) designated areas, or redesignate some areas from IP and/or CIC to Light Industrial to preserve and support existing industrial businesses.
  - b. Explore creating an industrial overlay allowing for new office construction only if the office building includes some manufacturing or logistics space.

While a majority of employment lands in North Coyote Valley have been set aside for preservation, the remaining 314-acres with an Industrial Park land use designation does provide opportunities

for industrial uses, which have unique requirements and play an important role in providing good employment opportunities for workers that do not have a college education. Removal of North Coyote as an employment area means that it is critical that San José preserve and enhance remaining land within the urban fabric of the City that is designated for industrial uses, as the loss of North Coyote may disproportionately effect shrinking middle income jobs in the City. Therefore, staff and the Task Force recommend adding the two action items listed above to the General Plan to preserve areas for industrial-based/horizontal jobs in existing employment areas within the current urban area of San Jose. An overlay restricting office buildings as an allowable use in Industrial Park (IP) or Combined Industrial Commercial (CIC) designated areas, or redesignating some areas from IP and CIC to Light Industrial could be implemented in employment areas currently designated IP or CIC that have a strong existing base of industrial users to alleviate potential market pressure to redevelop older industrial buildings into office uses. Examples of these types of clusters are in the North San Jose and Berryessa International Business Park employment growth areas.

The other recommended action item is to explore creating an industrial overlay allowing for new office construction only if the office building(s) includes some manufacturing or logistics space. San Francisco has implemented a similar program in its South of Market area. The overlay could then be applied to employment areas that support existing industrial-based jobs to preserve those uses and associated jobs, while still allowing for anticipated growth and development of office-based/vertical buildings.

c. Explore establishment of a climate resilience credits program to support further conservation actions in Coyote Valley and facilitate development in urbanized areas of San Jose (this recommendation is applicable to North, Mid-, and South Coyote Valley).

A team of subject matter experts is working in partnership with the City of San José and the County of Santa Clara to understand the possibility of establishing a credit-based program in Coyote Valley. A credits program would cross the City and County jurisdictions and would allow property owners in Coyote Valley to receive credits and compensation for environmental benefits related to conservation and restoration. Conservation and restoration projects would be quantified and turned into "credits," and placed in a credits bank to be sold to purchasers. The credits bank could be operated by the City, County, or other third party. Developers and public or private organizations could purchase credits in return for CEQA mitigation or voluntary credit, such as to meet corporate sustainability goals.

Establishing a credits program will take additional time and is recommended to be added as an action item to the General Plan. It is anticipated that a pilot credits program could be established in 2022 in conjunction with the Coyote Valley Conservation Areas Master Plan (CVCAMP), which is being managed by OSA in partnership with POST and the City of San José. The CVCAMP will create a roadmap for implementing a landscape linkage on Coyote Valley's conserved lands, as well as managing water resources and providing opportunities for quality of life and economic benefits including public access and agriculture.

#### Mid- and South Coyote Valley

6. Amend the General Plan to remove the Mid-Coyote Valley Urban Reserve designation and redesignate properties in Mid-Coyote Valley to either Agriculture, Private Recreation, Public/Quasi-Public, or Combined Industrial Commercial, and rezone properties within the City's jurisdictional boundary as needed to align with appropriate General Plan land use designations.

- In the General Plan create and then apply a new Coyote Valley Agriculture Overlay that increases the minimum lot size from 20-acres to 40-acres on certain properties (see <u>Figure 4</u> and Attachment G) with an existing or proposed Agriculture land use designation that are:
  - a. Within North, Mid- and South Coyote Valley and are inside the City's jurisdictional boundary; and
  - b. Within Mid- and South Coyote Valley that are outside of the City's jurisdictional boundary and are zoned Exclusive Agriculture under the County's Zoning Ordinance, which sets a minimum lot size of 40-acres (A-40ac).
- 8. Within the portion of Mid-Coyote that is east of Monterey Highway and currently designated Urban Reserve, continue to allow private recreation uses that are rural in character and are compatible with the Coyote Creek Park Chain.
- 9. Add the following Action Items to the General Plan:
  - a. Study and make revisions to the General Plan and Zoning Ordinance to allow compatible commercial agriculture supportive uses in Coyote Valley.
  - b. Conduct a study of the Monterey Road Corridor through North, Mid-, and South Coyote Valley to consider appropriate non-residential uses for properties on the east side of Monterey Road that would be compatible with the Coyote Creek Park Chain.
  - c. Explore establishing a Farmland Security Zone in Coyote Valley.

The Mid-Coyote Valley Urban Reserve is located outside of the City's Urban Service Area, is primarily unincorporated, and is predominately used for agricultural production. The General Plan Urban Reserve designation stipulates that no suburban or urban development will occur in Mid-Coyote Valley during the timeframe of the General Plan (through the year 2040). Allowed land uses are those of the Agriculture land use designation west of Monterey Highway and those of the Agriculture, Open Hillside and Private Recreation land use designations between Monterey Highway and the Coyote Creek Park Chain, provided that such Private Recreation uses are rural in character and are compatible with both the Coyote Creek Park Chain and the North Coyote Campus Industrial Area.

Mid-Coyote Valley is characterized by large lots that generate produce including mushrooms, walnuts, and Asian vegetables. In the unincorporated areas in Coyote Valley, the County designated and zoned most lots as *Exclusive Agriculture* with the intention of preserving and enhancing the long-term viability of agricultural uses in the area. As mentioned above, County Planning staff are currently working on updates to rural zoning to support these goals. Currently, most lots are prohibited from subdividing to parcels of less than 40 acres to support agricultural production and maintain the County's agricultural economy. With Mid-Coyote Valley designated as an Urban Reserve in the City's General Plan, the health of the agricultural economy within Mid-Coyote has been hampered, in part due to the result of "land banking," where owners of properties designated and/or previously used for agriculture choose to not actively use or lease the land for agricultural production, or lease the land for farming that requires little or no long term agricultural investment, such as hay farming. Typically, landowners in these scenarios are waiting for the opportunity to sell or develop the properties at values reflective of residential uses.

With the increasing concern of diminishing agricultural lands and production in the County, staff analyzed the City of San José's land use policies in Mid-Coyote Valley for potential changes that could better align the General Plan's rural agriculture goals and the County's agricultural development regulations, consistent with actions defined in the Santa Clara Valley Agriculture Plan. Additionally, staff's recommendation to remove the North Coyote Valley Employment Lands Area from the General Plan leaves a large physical disconnect between Mid-Coyote Valley and the urban extent of since much of

North Coyote Valley is proposed as Open Space Parklands and Habitat. Furthermore, the City's commitment to achieving greenhouse gas reduction targets established in Climate Smart San José, which depend on achievement of the General Plan's goals to reduce Vehicle Miles Traveled, do not support future urban development in the Mid-Coyote Valley Urban Reserve even beyond 2040.

In alignment with staff's recommendation at its October 2020 meeting, the Task Force recommended removing the Urban Reserve designation from Mid-Coyote Valley and designating properties in Mid-Coyote Valley to either Agriculture, Private Recreation, Public/Quasi-Public, or Combined Industrial Commercial as appropriate. Properties in the historic village center (the Hamlet) with existing commercial and light industrial uses are proposed to be designated Combined Industrial Commercial. See Figure 3 for the proposed land use designations in Mid-Coyote. Properties in Mid-Coyote Valley within the City's jurisdictional boundary would also be rezoned as needed to align with the appropriate General Plan land use designations.

Additionally, to support General Plan rural agriculture goals and policies, and to align with the County's land use regulations, staff and the Task Force also recommend creating a new Coyote Valley Agricultural Overlay (see Figure 4 and Exhibit F and Exhibit H) that increases the minimum lot size from 20-acres to 40-acres and would be applied to properties that have an existing or proposed Agriculture land use designation within North, Mid- and South Coyote Valley that are inside the City's jurisdictional boundary; and properties with an Agriculture land use designation within Mid- and South Coyote Valley that are outside of the City's jurisdictional boundary and are zoned Exclusive Agriculture under the County's Zoning Ordinance, which sets a minimum lot size of 40-acres (A-40ac). Parcels under the 40-acre minimum would not be required to merge parcels and all uses consistent with the Agriculture land use designation are allowed under the Coyote Valley Agriculture Overlay. The Coyote Valley Agriculture Overlay would require a minimum parcel size of 40-acres to subdivide.

The Task Force also requested staff do additional outreach outside of the Task Force process to property owners in Coyote Valley regarding the General Plan Four-Year Review policy work. Staff hosted a community meeting focused for Coyote Valley property owners in May 2021 and had several meetings with property owners over the summer of 2021. Details of this outreach are described further below in the Public Outreach section of the Staff Report. Property owners generally felt there should be more flexibility in uses allowed, particularly along the Monterey Road corridor given existing uses and challenges facing agriculture. One such interest is in private recreation uses, which is currently allowed on the east side of Monterey Road in the Mid-Coyote Urban Reserve.

Based on input from property owners, staff is proposing the following additions to the policy recommendations from the Task Force related to Coyote Valley:

- The first is to continue to allow private recreation uses east of Monterey Highway that are rural in character and are compatible with the Coyote Creek Park Chain. This ensures that uses currently allowed by the General Plan in the Urban Reserve would continue to be allowed. To implement this change staff proposes a City-initiated Planned Development Zoning for properties within the current Urban Reserve east of Monterey Road that are proposed to be redesignated to Agriculture (see Figure 4). The Planned Development Zoning would allow the uses of the Agriculture Zoning District, plus other private recreation uses such as recreational vehicle parks. The Agriculture General Plan land use designation would also be updated to clarify that private recreation uses would be allowed as described above. (Recommendation 8 above)
- The second addition is to add Action Item to the General Plan to amend the General Plan and Zoning Ordinance to allow agricultural supportive commercial uses in Coyote Valley (for properties designated for Agriculture), such as farm sales, tasting rooms, restaurants, and farm or ranch event facilities. This

would align with the Rural Zoning Updates currently underway by the County of Santa Clara to streamline agricultural supportive uses. It should be noted that temporary farm worker housing is already permitted in the Agricultural zoning district with a Conditional Use Permit. (Recommendation 9a above)

- Third, staff recommends the City Council direct staff to conduct a study along the Monterey Road Corridor through North, Mid-, and South Coyote Valley to consider additional non-residential uses that could be allowed on properties along the east side of Monterey Road. The study would analyze existing conditions and evaluate non-residential uses that would be compatible with the Coyote Creek Park Chain and complement the new vision for Coyote Valley. Such uses could include, for example, hospitality and lodging type uses that support and promote nature based and agricultural tourism. (Recommendation 9b above)
- Finally, staff is also recommending adding an action item to the General Plan to explore establishing a Farmland Security Zone (FSZ) program. A FSZ program builds on the Williamson Act program to allow for greater tax benefits in exchange for a 20-year minimum protection. Upon request by a landowner or a group of landowners, City Council could create new FSZ's within an agricultural preserve. This would support the feasibility of agriculture and could indirectly generate greater revenue for property owners by lowering property taxes even beyond those allowed by the Williamson Act. (Recommendation 9c above)

The proposed General Plan Amendments and Rezonings are analyzed with respect to conformance with:

- 1. Envision San Jose 2040 General Plan
- 2. Title 20 of the Municipal Code (Zoning Ordinance)
- 3. Senate Bill 330
- 4. California Environmental Quality Act (CEQA)

#### **Existing Land Use Designations**

As shown in the attached Existing General Plan land use designation map (<u>Figure 2</u>), North and Mid-Coyote Valley (no underlying land use changes are proposed in South Coyote Valley) have existing land use designations of Industrial Park and Urban Reserve respectively.

#### **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, including hotels within the North San José Development Policy area and the Edenvale 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.

#### **Urban Reserve**

Density: N/A (No urban/suburban development through 2040)

Due to the environmental and fiscal impacts associated with development in the Urban Reserve areas, no urban or suburban development will occur there through the year 2040. The Urban Reserve designation enables the City, through a comprehensive General Plan update, to plan and phase growth within the Urban Reserves based on need and ability to provide necessary facilities and services to support additional growth.

The Coyote Valley Urban Reserve (CVUR) generally encompasses the area between the Coyote Greenbelt and the North Coyote Campus Industrial Area. CVUR includes the valley floor on both sides of Monterey Highway west of Coyote Creek, northwesterly of Palm Avenue and the prolongation of Palm Avenue to Coyote Creek. Agricultural and rural residential land are the existing, predominant uses in this area. In the CVUR, allowed land uses are those of the Agriculture land use designation west of Monterey Highway and those of the Agriculture, Open Hillside and Private Recreation land use designations between Monterey Highway and the Coyote Creek Park Chain, provided that such Private Recreation uses are rural in character and are compatible with both the Coyote Creek Park Chain and the image of the North Coyote Campus Industrial Area.

#### **Proposed Land Use Designations**

The proposed amendments to the Envision San José 2040 General Plan Land Use/Transportation Diagram Designation Map are shown in the attached Proposed General Plan land use designations map (Figure 2)

#### Agriculture

Density: up to 1 DU/20 AC; minimum 20-acre parcels (1 to 2.5 stories)

Sites in the Agriculture designation are intended for a variety of agricultural uses, including grazing, dairying, raising of livestock, feedlots, orchards, row crops, nursery stock, flower growing, ancillary residential uses, ancillary commercial uses such as fruit stands, and the processing of agricultural products. Consistent with other Envision General Plan goals and policies, agricultural practices are encouraged which follow ecologically sound practices and which support economic development, provide open space and link to the region's history. The Agriculture designation supports more intensive agricultural uses than are supported by the Open Hillside designation. Building intensity in this designation will be greatly limited. The minimum parcel in areas designated as Agriculture is 20 acres in size. This designation is intended to support existing and future agricultural uses on properties. No uses or structures are allowed that would require urban services, such as sanitary sewers or other urban street improvements. Some ancillary, supportive uses can be allowed in accordance with the Rural Agriculture Goals & Policies in the Envision General Plan. <u>Private Recreation uses which are rural in character and are compatible with the Coyote Creek Park Chain and Council Policy 6-34: Riparian Corridor Protection and Bird-safe Design are allowed east of Monterey Highway between Metcalf Road and 1,400 feet south of Palm Avenue. (Proposed changes underlined)</u>

#### **Open Space, Parklands and Habitat**

#### Density: N/A

These lands can be publicly- or privately-owned areas that are intended for low intensity uses. Lands in this designation are typically devoted to open space, parks, recreation areas, trails, habitat buffers, nature preserves and other permanent open space areas. This designation is applied within the Urban Growth Boundary to lands that are owned by nonprofits or public agencies that intend their permanent use as open space, including lands adjacent to various creeks through the city.

Privately-owned lands in this designation are to be used for low intensity, open space activities. Appropriate uses for privately-owned lands in this category include cemeteries, salt ponds, and private buffer lands such as riparian setbacks. Where appropriate and where it has not otherwise been identified for use as open space (through a zoning, for instance), privately owned land in this designation may be considered for low-intensity agricultural uses provided that such uses do not involve the addition of buildings or other structures or use of irrigation on significant portions of the site.

#### Public/Quasi-Public

#### Density: FAR N/A

This category is used to designate public land uses, including schools, colleges, corporation yards, homeless shelters, supportive housing for the homeless, libraries, fire stations, water treatment facilities, convention centers and auditoriums, museums, governmental offices and airports. This category is also used to designate lands used by some private entities, including private schools, daycare centers, hospitals, public utilities, and the facilities of any organization involved in the provision of public services such as gas, water, electricity, and telecommunications facilities that are consistent in character with established public land uses. Private community gathering facilities, including those used for religious assembly or other comparable assembly activity, are also appropriate on lands with this designation. The appropriate intensity of development can vary considerably depending on potential impacts on surrounding uses and the particular Public/Quasi-Public use developed on the site.

#### **Private Recreation and Open Space**

#### Density: N/A

The Private Recreation and Open Space areas allow a broad range of recreation or open space uses, located within the Urban Growth Boundary, and typically at a higher intensity than those found on lands with the Open Space, Parklands, and Habitat designation. Possible recreation uses include amusement parks, country clubs, golf courses, tennis clubs, driving ranges, recreational vehicle parks, private campgrounds and cemeteries. Ancillary commercial uses, such as bars and restaurants, are allowed in conjunction with private recreation uses. The intensity of any combination of buildings or structures developed under this category is expected to be limited with the majority of the land area maintained as open space, so that the Private Recreation and Open Space lands generally maintain an open space character.

This designation is being applied an existing RV trailer park within Coyote Valley that was recently approved through a Conditional Use Permit.

#### **Combined Industrial/Commercial**

#### Density: FAR Up to 12.0 (1 to 24 stories)

This category allows a significant amount of flexibility for the development of a varied mixture of compatible commercial and industrial uses, including hospitals and private community gathering facilities. Properties with this designation are intended for commercial, office, or industrial developments or a compatible mix of these uses. This designation occurs in areas where the existing development pattern exhibits a mix of commercial and industrial land uses or in areas on the boundary between commercial and industrial uses. Development intensity can vary significantly in this designation based on the nature of specific uses likely to occur in a particular area. In order to maintain an industrial character, small, suburban strip centers are discouraged in this designation, although larger big-box type developments may be allowed because they mix elements of retail commercial and warehouse forms and uses.

#### **Proposed Coyote Valley Agriculture Overlay**

Below is the proposed general plan text amendment to establish the Coyote Valley Agricultural Overlay.

Coyote Valley Agriculture Overlay Density: up to 1 DU/40 AC; minimum 40-acre parcels

The Coyote Valley Agriculture Overlay (CVAO) (Figure 4) is applied to certain specified properties in Coyote Valley that have an underlying Agriculture land use designation. The CVAO is intended to protect and preserve agricultural lands to facilitate local food production, to provide community access to healthful foods, to maintain a unique community character, and to promote the environmental, fiscal, and economic benefits of rural agricultural lands. Sites within this overlay are intended for a variety of agricultural uses consistent with the Agriculture land use designation. Development intensity in this designation will be limited in order to preserve the viability for agriculture and discourage parcel fragmentation in Coyote Valley. The minimum parcel size for new subdivisions in areas within the Coyote Valley Agriculture Overlay is 40-acres. Existing parcels less than 40 acres can remain at the current size, and contain uses consistent with the underlying Agricultural land use designation, but cannot subdivide further.

#### **General Plan Goals and Policies**

The proposed General Plan Amendments are <u>consistent</u> with the following key General Plan Major Strategies, goals, and policies:

- <u>Major Strategy #12 Plan Horizons and Periodic Major Review</u>: Ensure that the Plan addresses the current community context and values and closely monitor the achievement of key Plan goals through a periodic major review of the General Plan and the use of Plan Horizons to phase implementation of the Plan over time. The Plan provides a tool for phasing the development of new Urban Village areas and gives highest priority to the location of new housing growth in the Downtown, connecting transit corridors, BART station area, and North San José. The Envision General Plan establishes a 4-year Major Review cycle, which provides an opportunity for a community stakeholder task force and the City Council to evaluate significant changes in the planning context and the City's achievement of:
  - Planned job and J/ER goals
  - Implementation of the Urban Village concept
  - Environmental indicators, including greenhouse gas reduction

• Affordable housing needs

Analysis: Envision San José 2040 establishes the Four-Year Review process to provide an opportunity for implementing mid-course adjustments to the General Plan in response to changes in planning context. Since adoption of the General Plan in 2011, there have been significant changes related to the land use policy framework for Coyote Valley, most significantly voter approval of Measure T and associated property acquisitions for preservation, as well as adoption of Climate Smart San José. The proposed actions are consistent with the intent of General Plan Major Strategy #12 to allow for major policy shifts in response to changing conditions.

- 2. <u>Major Strategy #7 Measurable Sustainability/Environmental Stewardship:</u> Advance the City's Climate Smart San José plan through 2040 and establish Measurable Environmental Sustainability indicators consistent with section 3.3 of Climate Smart San Jose. San José acknowledges that it exists within both a regional and global environment. Its decisions regarding natural resources will have impacts outside the City's jurisdiction, and the decisions of others in the region and beyond will impact the City's ability to meet its future needs. San José strives to minimize its contribution to climate change while remaining adaptable to impacts from climate change. As the City's guide for growth and development, the General Plan is a unique tool to shape its growth, minimize its impacts on resource consumption, reduce its contribution to global warming, and to preserve and enhance its natural environment.
- 3. <u>Measurable Sustainability Policy MS-20.2</u>: Avoid locating new development or authorizing activities with the potential to negatively impact groundwater quality in areas that have been identified as having a high degree of aquifer vulnerability by the Santa Clara Valley Water District or other authoritative public agency.
- 4. <u>Wildlife Movement Goal ER-7</u>: Minimize adverse effects of future development on wildlife movement and remove or reduce existing impediments to wildlife movement.
- 5. <u>Wildlife Movement Action ER-7.5</u>: Support the on-going identification and protection of critical linkages for wildlife movement in the Mid-Coyote Valley.

Analysis: Transportation emissions are the largest contributor (63 percent) of total greenhouse gas emissions in San José. Coyote Valley is relatively isolated from the rest of the City and lacks nonautomobile transportation options, and as such, has the highest estimated VMT in the City for jobs. Additionally, based on a 2010 groundwater vulnerability study conducted by the Santa Clara Valley Water District, the Coyote Subbasin is highly vulnerable to contaminant releases at the ground surface due to unconfined groundwater conditions, shallow depth to groundwater, and high permeability in the subbasin. As noted above, scientific research has also identified Coyote Valley as critical wildlife corridor connecting the Santa Cruz and Diablo mountain ranges. The proposed removal of the North Coyote Valley Employment Lands growth area and Coyote Valley Urban Reserve, and associated actions are consistent with the General Plan's Measurable Sustainability/Environmental Stewardship Major Strategy, Goal ER-7, Policy MS-20.2, and Action ER-7.5.

6. <u>Major Strategy #10 – Life Amidst Abundant Natural Resources:</u> Promote access to the natural environment and a favorable climate as important strengths for San José by building a world-class trail network, reinforcing the Greenline / Urban Growth Boundary as the limit of the City's urbanized area and to preserve the surrounding hillsides largely as open space, and by adding parks and other recreational amenities to serve existing and new populations.

The Greenline/Urban Growth Boundary demonstrates the strong, long-standing commitment of both the City of San José and the County of Santa Clara that urban development should occur only within the Urban Service Areas of cities where it can safely and reasonably be accommodated and where

urban services can efficiently be provided. Lands outside of the Greenline/Urban Growth Boundary are identified as those that are intended to remain permanently rural in character and that should remain under the jurisdiction of the County. Both the City and the County are committed to the success of this arrangement and will continue to develop and implement consistent land use plans and development policies for lands of mutual concern both within and outside of the Greenline/Urban Growth Boundary. This commitment is reflected in the Greenline/Urban Growth Boundary goals and policies of both General Plans.

- 7. <u>Major Strategy #11 Design for a Healthful Community</u>: As a key factor to encourage the health of its residents, the Land Use/Transportation Diagram, and the Quality Neighborhoods and Land Use policies address improving access to healthful foods, particularly fresh produce. To this end, the General Plan also supports the development of urban agriculture, and the preservation of the existing agricultural lands adjacent to San José to increase the supply of locally-grown, healthful foods.
- 8. <u>Urban Agriculture Policy LU-12.3</u>: Protect and preserve the remaining farmlands within San José's sphere of influence that are not planned for urbanization in the timeframe of the Envision General Plan through the following means:
  - Limit residential uses in agricultural areas to those which are incidental to agriculture.
  - Restrict and discourage subdivision of agricultural lands.
  - Encourage contractual protection for agricultural lands, such as Williamson Act contracts, agricultural conservation easements, and transfers of development rights.
  - Prohibit land uses within or adjacent to agricultural lands that would compromise the viability of these lands for agricultural uses.
  - Strictly maintain the Urban Growth Boundary in accordance with other goals and policies in this Plan.
- 9. <u>Rural Agriculture Goal LU-20</u>: Provide and protect sufficient agricultural land to facilitate local food production, to provide broad community access to healthful foods, to add to a distinct community image, and to promote environmental, fiscal, and economic benefits of rural agricultural lands.
- 10. <u>Rural Agriculture Policy LU-20.1</u>: Protect and preserve the remaining farmlands within San José's sphere of influence that are not planned for urbanization in the timeframe of the Envision General Plan, such as mid- and south Coyote Valley, through the following means:
  - a. Strongly discourage conversion of agricultural lands outside the Urban Growth Boundary to nonagricultural uses.
  - b. Limit residential uses in agricultural areas to those which are incidental to agriculture.
  - c. Prohibit subdivision of agricultural lands, unless it can be established that the subdivision would not reduce the overall agricultural productivity of the land and that viable agricultural operations would be sustained.
  - d. Encourage contractual protection for agricultural lands, such as Williamson Act contracts, agricultural conservation easements, transfers of development rights, or other property tax relief measures as incentives for preservation of these lands.
  - e. Restrict land uses within and adjacent to agricultural lands that would compromise the agricultural viability of these lands. Require new adjacent land uses to mitigate any impacts on the use of agricultural lands.

- f. Require ancillary non-agricultural land uses on agricultural lands to be ancillary to and compatible with agricultural land uses, agricultural production, and the rural character.
- 11. <u>Rural Agriculture Policy LU-20.2</u>: Preserve agriculture lands and prime soils in non-urban areas in order to provide local and regional fresh food supplies, reduce dependence on foreign products, conserve energy, and retain the aquifer recharge capacity of these lands.
- 12. <u>Rural Agriculture Policy LU-20.5</u>: Enhance the viability and probability of ongoing use of agricultural lands by supporting ancillary commercial uses such as fruit stands, small-scale environmental and agricultural tourism, and the processing of agricultural products.
- 13. <u>Rural Agriculture Action LU-20.9</u>: Explore use of agricultural easements, transfer/purchase of development rights, or other options to keep Mid-Coyote Valley as permanent agriculture.
- 14. <u>Fiscal Sustainability Policy FS-5.10</u>: Maintain the rural and agricultural character of Central Coyote Valley and do not expand the Urban Service Area to include it.

Analysis: The proposed General Plan Amendments would establish a new future vision for Coyote Valley that is consistent with the Major Strategies, goals, policies, and actions listed above by reaffirming the of City's commitment to limiting urban development to within the City's Urban Service Area and supporting agriculture in the non-urban areas of the city. Consistent with Policies LU-20.2, LU-20.1, FS-5.10, and Action LU-20.9, staff proposes to add action items to the General Plan to expand agriculture supportive commercial uses in Coyote Valley, explore establishing a Farmland Security Zone and a credit-based program to incentivize the conservation of additional land.

The proposed General Plan Amendments are <u>inconsistent</u> with the following key General Plan Major Strategies, goals, and policies:

- <u>Major Strategy #4 Innovation/Regional Employment Center</u>: 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. San José is the only large city within the US that acts as a net exporter of workers within the region, and through multiple General Plan updates, San José has identified improvement of the City's jobs/housing balance as a critical objective to address multiple City goals. The Plan recognizes that all existing employment lands add value to the City overall and therefore establishes goals and policies to preserve those employment lands and promote the addition of new employment lands.
- Innovative Economy 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.
- 3. <u>Broad Economic Prosperity Policy IE–6.2</u>: Attract and retain a diverse mix of businesses and industries that can provide jobs for the residents of all skill and education levels to support a thriving community.

Analysis: The removal of the entire North Coyote Valley Employment Lands Growth Area would result in a 32 percent citywide reduction of lands designated for Industrial Park and an 11 percent reduction of all employment lands citywide, where employment lands represent only 15 percent of all lands within the City of San Jose. However, considering land purchased for conservation and properties that already have urban development, only 314-acres remain available for development with employment uses. Changing the land use designation of the 314-acres from Industrial Park to Agriculture, would result in a 6 percent citywide reduction of lands designated for Industrial Park and a 2 percent reduction of all employment lands citywide. Based on current market conditions, the remaining developable lands in North Coyote Valley could support approximately 5,500 jobs, about 1 percent of the General Plan's total planned employment capacity. Anticipated jobs in North Coyote Valley would be in the warehousing and distribution sector, which could provide middle wage jobs for San José residents.

To preserve and enhance remaining land within the urban fabric of the City, staff and the Task Force recommend adding two action items to the General Plan described above to preserve areas for industrial-based/horizontal jobs in existing employment areas within the current urban area of San Jose.

- 4. <u>Fiscal Sustainability Goal FS-4</u>: Maintain, enhance, and develop our City's employment lands as part of our strategy for Fiscal Sustainability.
- 5. <u>Fiscal Sustainability Policy FS-4.1</u>: Preserve and enhance employment land acreage and building floor area capacity for various employment activities because they provide revenue, near-term jobs, contribute to our City's long-term achievement of economic development and job growth goals, and provide opportunities for the development of retail to serve individual neighborhoods, larger community areas, and the Bay Area.
- 6. <u>Fiscal Sustainability Goal FS-4.2</u>: Maintain, enhance, and develop the employment lands within identified key employment areas (North Coyote Valley, the Berryessa International Business Park, the East Gish and Mabury industrial areas, the Evergreen industrial area, the Edenvale Redevelopment Project Area, and the Monterey Corridor Redevelopment Project Area). Protect existing employment uses within these areas from potentially incompatible non-employment uses.

Analysis: The proposed General Plan Amendment to remove the North Coyote Valley Employment Lands Growth Area is inconsistent with the above policies, and would result in the reduction of 314acres of land with an Industrial Park designation available for development. Given the estimated number of jobs that could be supported in North Coyote on the remaining developable lands, and based on the Analysis of San Jose's Fiscal Conditions Report update that was prepared by Applied Development Economics (ADE) for the 2015 Four-Year Review Task Force; its estimated that the approximate annual revenue for the City would be \$230,000 to \$3 million if those lands were developed with employment uses and depending on what type of use was developed. However, over the next two decades, employment growth is most likely to occur in office-based/vertical jobs at higher employee densities than in the past, or in industrial-based/horizontal jobs (e.g., warehouse and distribution) that would benefit from proximity to the population densities and highway accessibility offered north of Coyote Valley. This suggests that if North Coyote Valley is removed as an Employment Growth Area, the overall economic and fiscal implications for San José are limited, because the jobs planned in North Coyote can be realized elsewhere in the City.

#### **Zoning Ordinance Conformance**

The policy updates include Conforming Rezonings described in <u>Table 20-270</u> of Municipal Code Chapter 20.120.110 for all properties in North and Mid-Coyote Valley where the properties' Zoning is inconsistent the proposed General Plan land use designations. Properties along the east side of Monterey Highway within Mid-Coyote Valley are proposed to be Rezoned to a Planned Development Zoning District that allows the uses of the Agriculture Zoning District, plus private recreation uses consistent with what is currently allowed in the Urban Reserve. Additionally, all properties in South Coyote Valley that have a zoning district that is inconsistent with the properties' existing General Plan land use designation are also proposed to be rezoned so that the properties' zoning aligns with the General Plan. The proposed rezonings would allow the properties to be used and developed in accordance with the allowable uses in Table 20-30 and Table 20-90 of the Zoning Ordinance, and as defined in the development standards of the

proposed Planned Development Zoning (PDC21-033), consistent the General Plan. Existing and Proposed Zoning District Map (Figure 5 and Figure 6) are shown below.

Analysis: The state legislature passed SB 1333 in 2018 to require that all Charter cities like San Jose have zoning that is consistent with the general plan. The Zoning Districts in Coyote Valley will be aligned to be consistent with the proposed or existing General Plan Land Use/Transportation Diagram designations, which will save time and costs for property owners interested in developing their property consistent with the General Plan.

#### Senate Bill 330 Compliance

Senate Bill 330, the Housing Crisis Act of 2019, took effect on January 1, 2020 with the intent of catalyzing housing that would offset the high rents and home ownership costs leading to increasing homelessness. The bill is intended to speed up housing construction in California by decreasing the time it takes to obtain building permits and limiting fee increases on housing applications. The bill also prohibits local agencies from reducing the number of homes that can be built on properties that allow housing, including downzoning, changing general or specific plan land use designations to a less intensive use, reductions in height, density or floor area ratio, or other types of increased requirements. The exception to this is that a property may be allowed to reduce intensity of residential uses if changes in land use designations or zoning elsewhere ensure no net loss in residential capacity within the jurisdiction.

The proposed General Plan Amendment (GP21-002) and Rezonings (C21-031 and PDC-033) do not result in a net-loss of residential capacity in the City of San Jose for the reasons that follow. In regard to rezonings, many properties in Mid- and South Coyote Valley have legacy Zoning Districts for single-family residential that are inconsistent with the proposed and existing (where there are no changes proposed) General Plan land use designations. The proposed Conforming Rezoning and Planned Development Rezoning result in an approximately 1,840 unit loss of residential capacity.

Senate Bill 940 (2020) specifically allows the City of San Jose to change a zoning ordinance to a less intensive use if there is no net loss in residential capacity within one year of changing the zoning ordinance to a more intensive use. Since SB 940 took effect, the City Council has approved rezonings resulting in a net increase in residential capacity of approximately 16,851 units. Therefore, approval of the rezonings would result in no net loss of residential capacity, consistent with SB 330 as amended for San Jose by SB 940. With the approval of these proposed rezonings in Coyote Valley, the City's bank of replacement residential capacity would drop from approximately 16,851 units to 15,008.

#### CALIFORNIA ENVIRONMENTAL QUALITY ACT (CEQA)

The environmental impacts of the General Plan Four-Year Review, which includes the subject actions related to Coyote Valley, were evaluated in an Initial Study/Addendum to the Envision San Jose 2040 General Plan Program Environmental Impact Report (EIR), Supplemental Environmental Impact Report, and Addenda thereto. As described in the Initial Study/Addendum, the General Plan Four-Year Review does not create any of the conditions described in Section 15162 of the CEQA Guidelines that call for the preparation of a subsequent Environmental Impact Report. No new significant impacts would occur, and no previously examined significant effects would be substantially more severe than shown in the Envision San José 2040 General Plan EIR and SEIR. Thus, an Addendum to the adopted EIRs is the appropriate environmental documentation to analyze the potential environmental impact.

The Initial Study/Addendum is posted to the City's "Active EIRs" website at: ( <u>https://www.sanjoseca.gov/your-government/departments-offices/planning-building-code-</u> <u>enforcement/planning-division/environmental-planning/environmental-review/active-eirs/general-plan-</u> <u>four-year-review</u>). The Envision San José 2040 General Plan EIR and SEIR can be found at <u>www.sanjoseca.gov/completedeirs</u>.

#### PUBLIC OUTREACH

Staff followed Council Policy 6-30: Public Outreach Policy. A notice for the public hearing was distributed to the owners and tenants of all affected properties and to properties located within 500 feet of all affected properties within North, Mid-, and South Coyote Valley and posted on the City's website. The staff report is also posted on the City's website. Staff has been available to respond to questions from the public. As noted above, Planning staff hosted a virtual community meeting focused for Coyote Valley property owners and tenants on May 17, 2021 to discuss the proposed policy changes in Coyote Valley associated with the General Plan Four-Year Review. Approximately 34 members of the public attended the meeting. Staff also attended several meetings (two virtual and two in-person) with property owners at their request following the community meeting to further discuss the General Plan Amendments and their concerns about the policy recommendations.

Most Coyote Valley property owners who attended the community meeting in May 2021 and met with staff following the community meeting oppose the proposed policy changes. Property owner comments and concerns included:

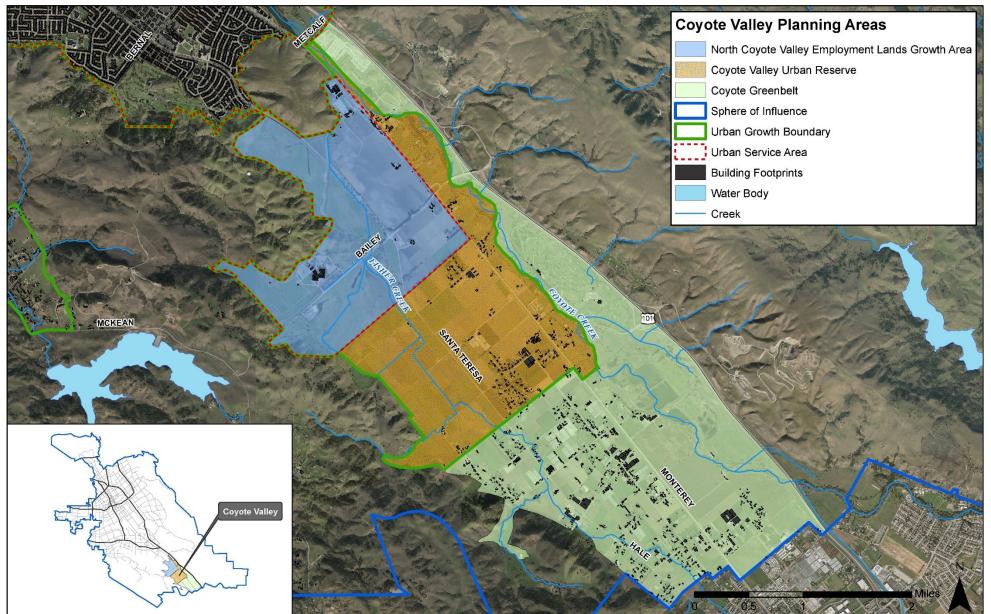
- Agriculture is not economically viable in Coyote Valley.
- Proposed policy changes will devalue land in Coyote Valley.
- Coyote Valley lacks agriculture infrastructure to support farming.
- Distance from agriculture industry suppliers and services make farming difficult.
- Challenges with labor costs and hiring agricultural workers is a major problem.
- The land in Coyote Valley is not nutrient rich like in Gilroy and is no longer suitable for agriculture use.
- Climate change has impacted farming in Coyote Valley.
- There are [regulatory] issues that create challenges for spraying crops like peppers.
- Disking is integral to agriculture, but is not always permitted by property owners who have purchased land for conservation (e.g., POST and OSA).
- Water costs have increased, and there are water supply issues.
- Costs for power have increased.
- Property owners feel like they were not able to give their input prior to the Task Force process.
- Land use context should be studied along the Monterey Road corridor.
- Interest in private recreation and farmworker housing uses along Monterey Road.

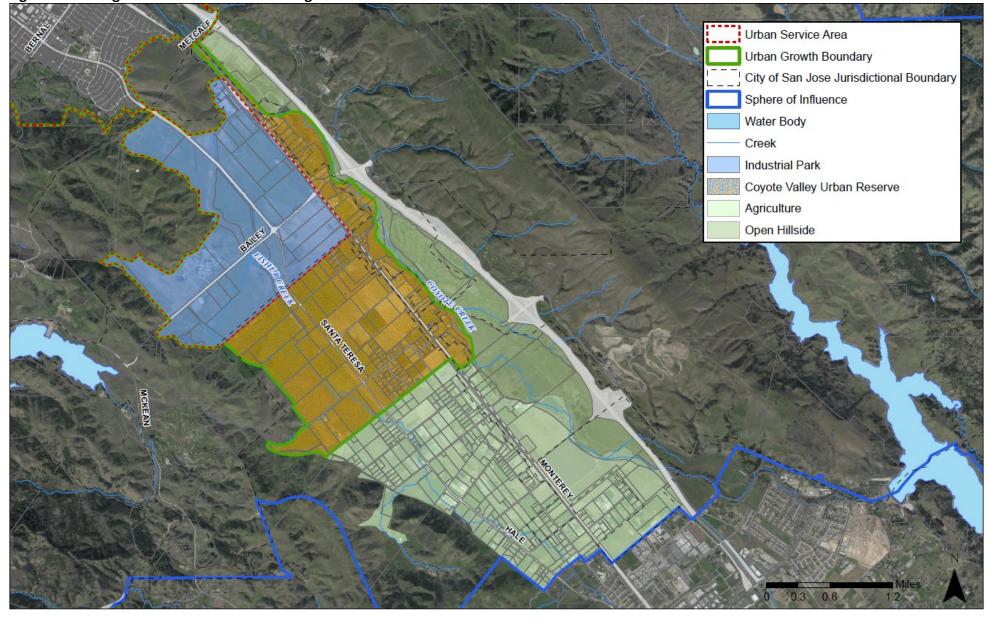
Many of the above public comments have been addressed or acknowledged above in the body of this staff report.

Project Manager:	Robert Rivera	
Approved by:	/s/ Michael Brilliot Deputy Director for Christopher Burton, Planning Director	

ATTACHMENTS:	
Exhibit A:	City Council Approved Scope for the General Plan Four-Year Review
Exhibit B:	Initial Study/Addendum to the Envision San José 2040 Final Program EIR
Exhibit C:	Coyote Valley Overview Memo and Synopsis for Task Force Meeting #9 on October 29, 2020
Exhibit D:	Strategic Economics report titled North Coyote Valley and the San Jose Economy
Exhibit E:	CEQA Resolution
Exhibit F:	Draft Resolution for General Plan Amendment and General Plan Text Amendment
Exhibit G:	Draft Ordinance for Conforming Rezoning
Exhibit H:	Draft Ordinance to Amend the Agriculture Zoning District
Exhibit I:	Ordinance for a Planned Development Zoning District
Exhibit J:	Draft Planned Development Zoning Standards
Exhibit K:	Public Correspondence

#### Figure 1. Coyote Valley Planning Areas

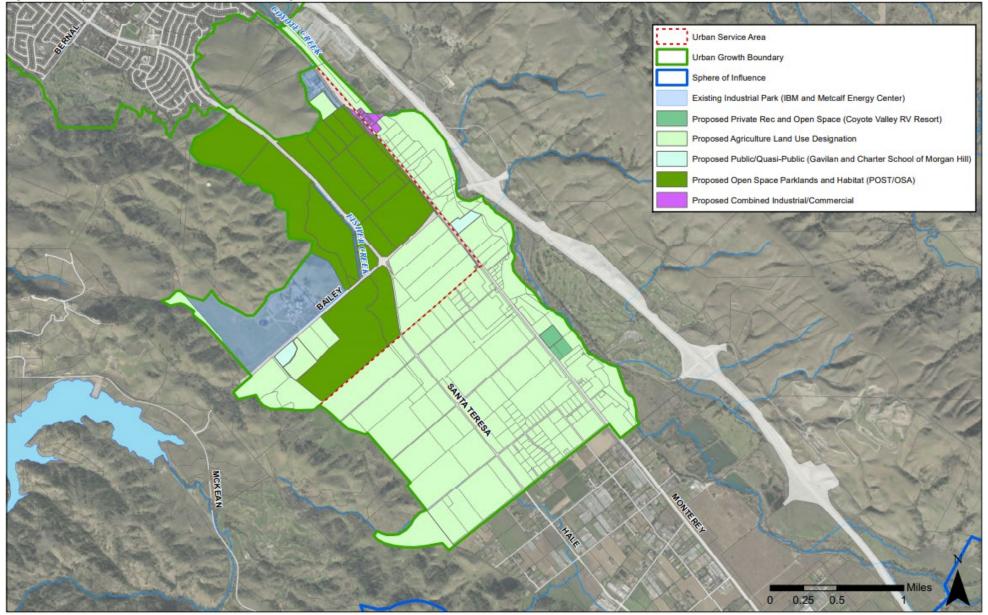




### Figure 2. Existing General Plan Land Use Designations

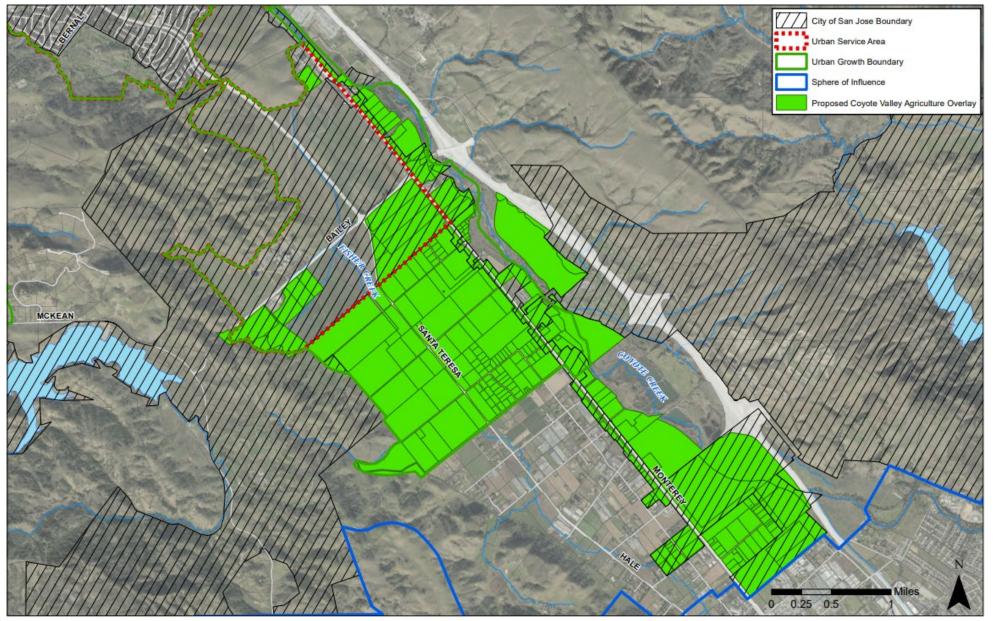
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#### Figure 3. Proposed General Plan Land Use Designations



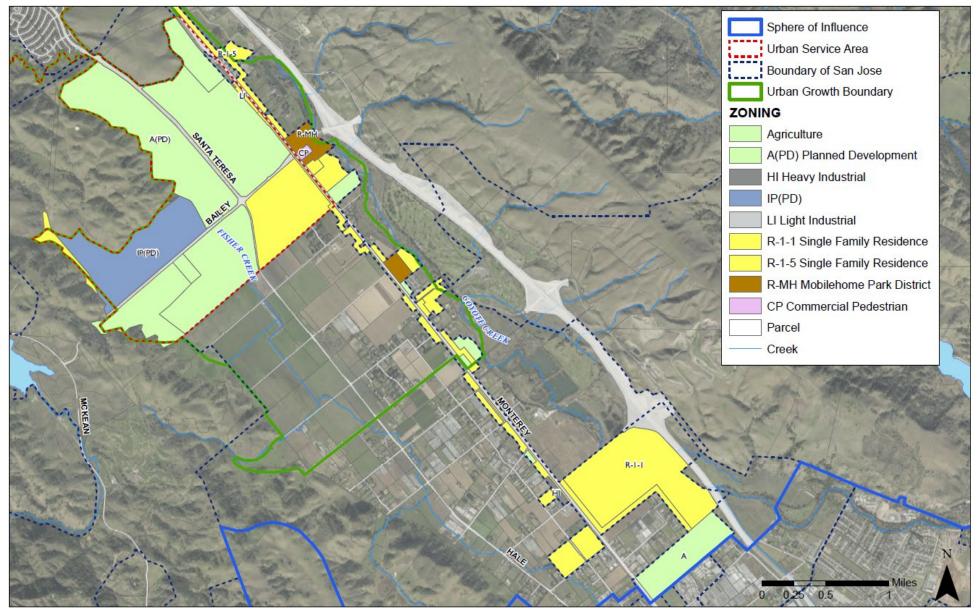
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#### Figure 4. Proposed Coyote Valley Agriculture Overlay



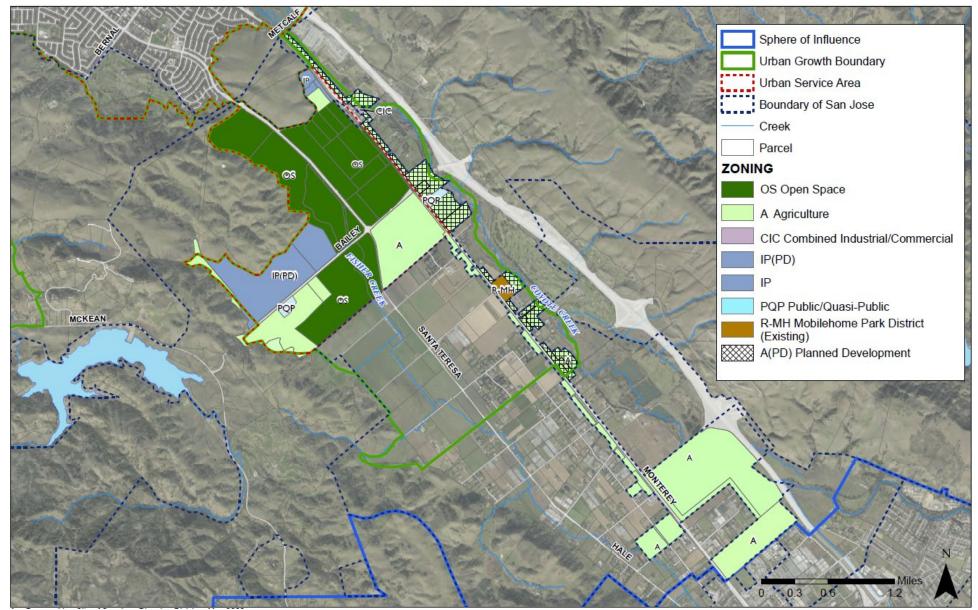
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#### **Figure 5: Existing Zoning Districts**



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#### **Figure 6: Proposed Zoning Districts**



## GPT21-002/GP21-012/C21-031/PDC21-033/PP21-012

### Links to Attachments A-K

Click on the title to view document

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Correspondence received after 10/20/21