



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Councilmember
Donald Rocha

SUBJECT: URBAN VILLAGE PHASING

DATE: May 11, 2015

Approved

Date

5/11/15

RECOMMENDATION

That the Council include Recommendation 1 from my memo on the General Plan Major Review dated April 10, 2015, as follows:

Consider whether the General Plan's phasing program for Urban Villages (known as the "Urban Village Horizons") needs to be modified to ensure that the City is able to prioritize development in Village areas that have the best market potential for producing successful development in alignment with the Urban Village principles.

ANALYSIS

I'd like to thank the Mayor for supporting seven of the eight recommendations I brought forward in my April 10, 2015 memo regarding the General Plan Major Review; I appreciate his openness to my suggestions. I'm issuing this memo to further elaborate on the one recommendation that was not included: asking staff to review the Urban Village phasing program as part of the General Plan Major Review.

The General Plan divides our Urban Village growth areas into three phases, known as "Horizons." Villages in Horizon 1 can develop in the near term, while Villages in Horizons 2 and 3 will have to wait.

My recommendation is simply that we ask staff—along with the General Plan Task Force—to provide us feedback on whether we should adjust this phasing structure, so that we can have an informed conversation on the issue. A conversation is really all I'm after—my intent is not to commit the Council to adjusting the phasing at this point. It may be that staff and the General Plan Task Force will recommend that we stick with the current phasing program, or it may be that they recommend changes—we don't know until we ask them. We shouldn't be afraid of having an open and honest policy conversation on this issue.

It's a worthwhile conversation to have because there seem to be some good policy reasons to adjust the phasing. The best reason may be that not all Urban Villages are equal: some have a stronger development market than others. In Village areas with stronger markets, it will be easier to succeed at actually building the kind of development we want. As the Horizons are currently structured, there may be Villages in Horizon 1 with weak markets where success will be difficult, and Villages in Horizons 2 and 3 with strong markets, where success would be relatively easier. We should consider whether it may be useful to move some areas with strong markets into Horizon 1, so that we give ourselves the best chance of achieving early successes, which can serve as a proof of concept and make subsequent village development easier.

A proof of concept would be useful because the private development market seems to remain somewhat skeptical of the Urban Village model. SPUR, the widely respected urban planning nonprofit, highlighted this skepticism in a December 2013 report:

Real estate development is driven by the need to minimize risk, and visionary experiments are rare. Securing financing involves demonstrating the success of recent comparable projects in the same market and whittling away any differences between your project and the proven successes. This results in a powerful reinforcement of the status quo and makes it very hard for the market to lead transformative or even incremental changes. Developers we interviewed often said words to the effect of "I would love to be building the sorts of places you describe, but I could never get them financed."¹

The important point here is that "securing financing involves demonstrating the success of recent comparable projects." If we have initial success with development in Urban Village areas, that success can build on itself by encouraging additional investment.

There are many different possible ways in which we could adjust Horizon capacity. If we didn't want to increase the total number of new units allowed in Horizon 1, we always have the option of swapping capacity from one Horizon to another. If staff and the Task Force thought it might be a good idea to adjust the Horizons, they could also provide us with other recommendations on how we might go about it.

Again, all I'm asking is that we allow space for a conversation on this issue. If the Council decides not to change the phasing at the end of our process, then so be it, but we shouldn't try to suppress discussion of the issue at the beginning of our process.

¹ Grant, Benjamin. *Getting to Great Places: How Better Urban Design Can Strengthen San Jose's Future*. San Jose: SPUR, 2013.