

Framework for Preservation of Employment Land

October 23, 2007

Economic Development is fundamental to San Jose's General Plan

The Vital Cycle of San Jose's Economy



Components of the San Jose Economy

OUTWARD-ORIENTED INDUSTRIES DRIVE THE REST OF THE ECONOMY

Domestic and Global Markets

New \$
Products/Services

Driving Industries (Outward Oriented)

Innovation Services	Bioscience
Computer/Communication	Software
Electronic Components	Visitor
Semiconductors	Corporate Office

\$

Products/Services

Business-Support and People-Serving Industries

Building/Construction/Real Estate	Industrial Supplies and Services
Business Services	Miscellaneous Manufacturing
Financial Services	Transportation/Distribution
Retail/Consumer Services	Civic

\$

Products/Services

Community Success Factors

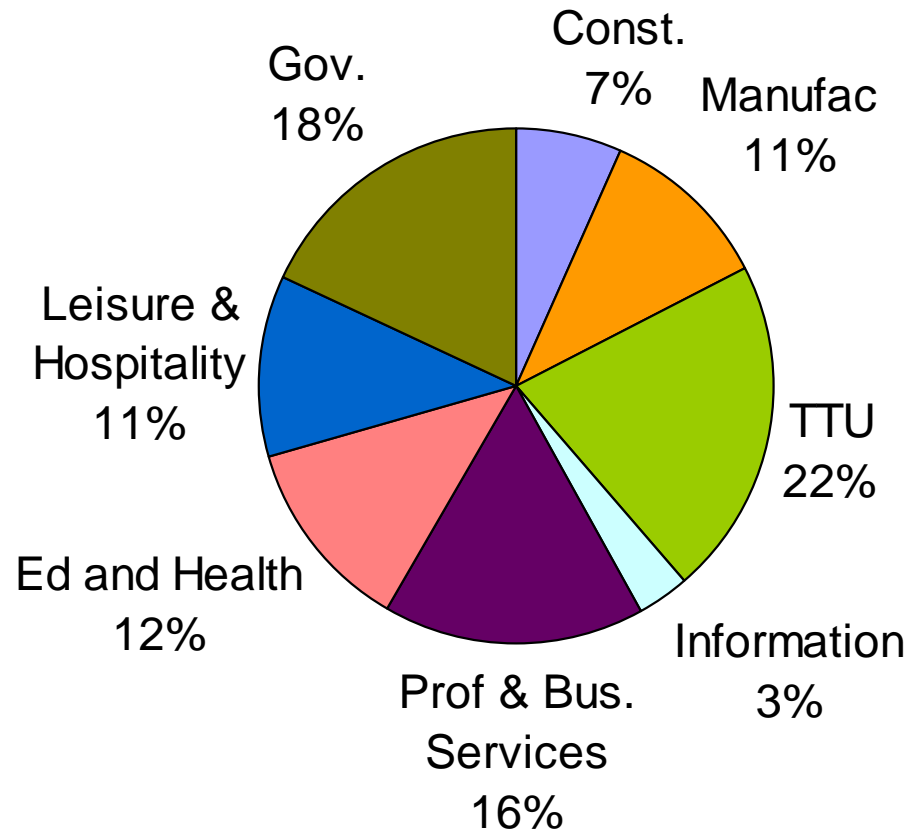
Exceptional Workforce	World-Class Place
Habitat for Innovation	Efficient Business Environment
Collaborative Leadership	

Because they bring outside dollars into the community, Driving Industries are the engines of the economy. Without healthy Driving Industries, the rest of the economy cannot prosper.

All Economies Are Part “Old” and Part “New” – Smart Growth is not just about the “creative class”



Every Economy Has Many Industries



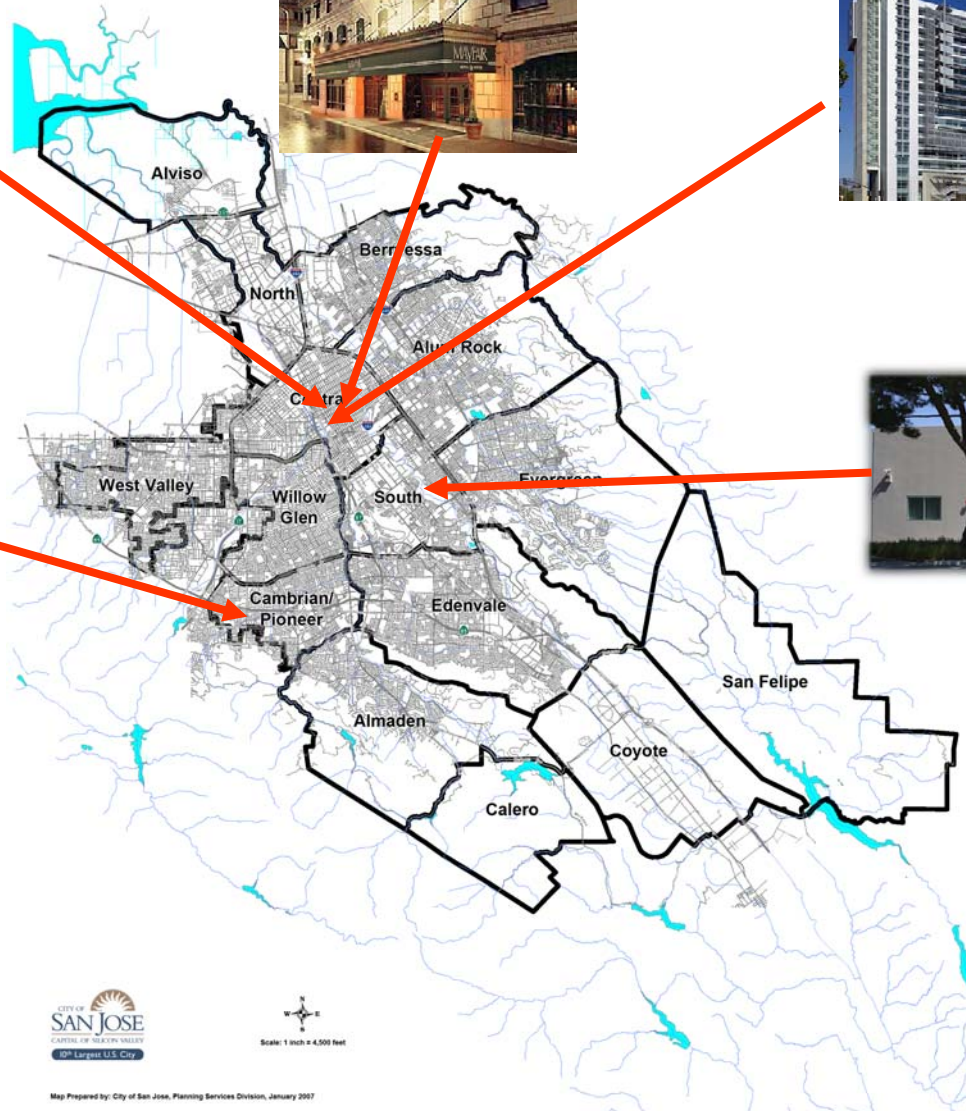
California Economy Aug. 2007

Source: EDD

Every Industry Needs Buildings for Its Workers



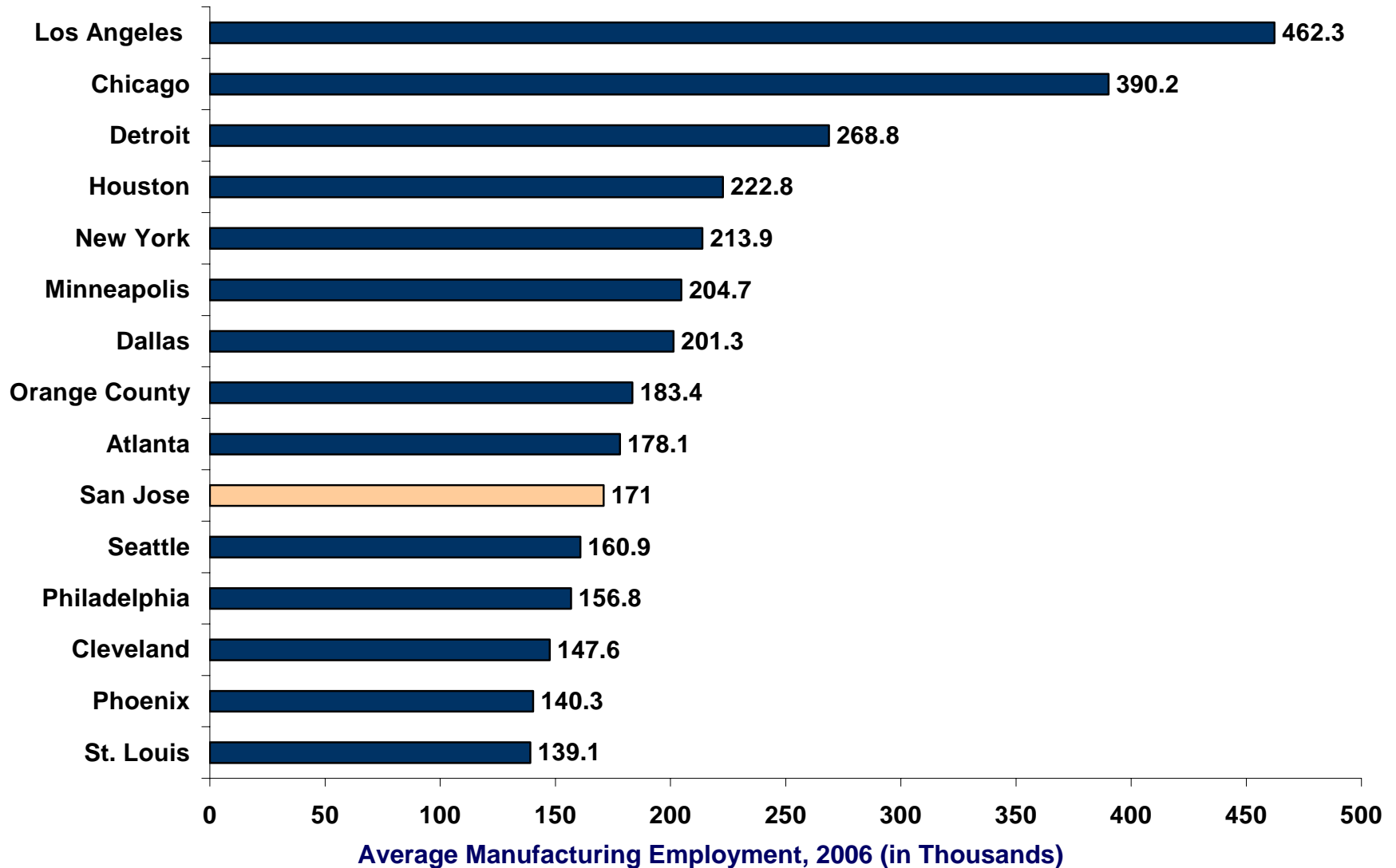
Every Building Has A Location



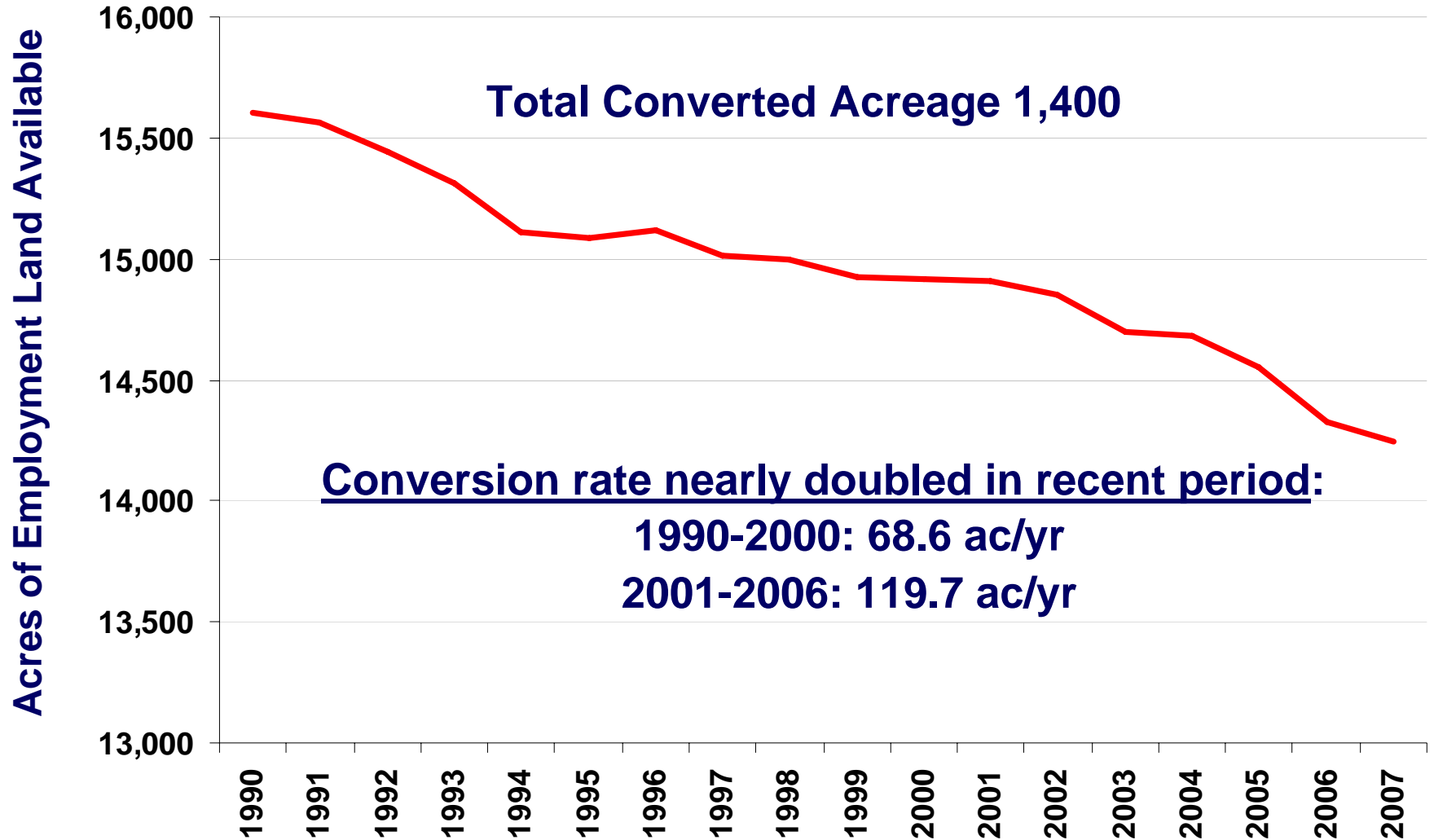
San Jose's Employment Lands

- **Definition:** Non-residential designated land supporting private-sector employment
 - Primary types: Heavy Industrial (HI), Light Industrial (LI), Industrial Park (IP), Commercial (Office/Retail)
- **High Impact:** Employment lands provide **60%** of City Revenues
- **Limited Supply:** Only **15%** of City land is designated as employment land

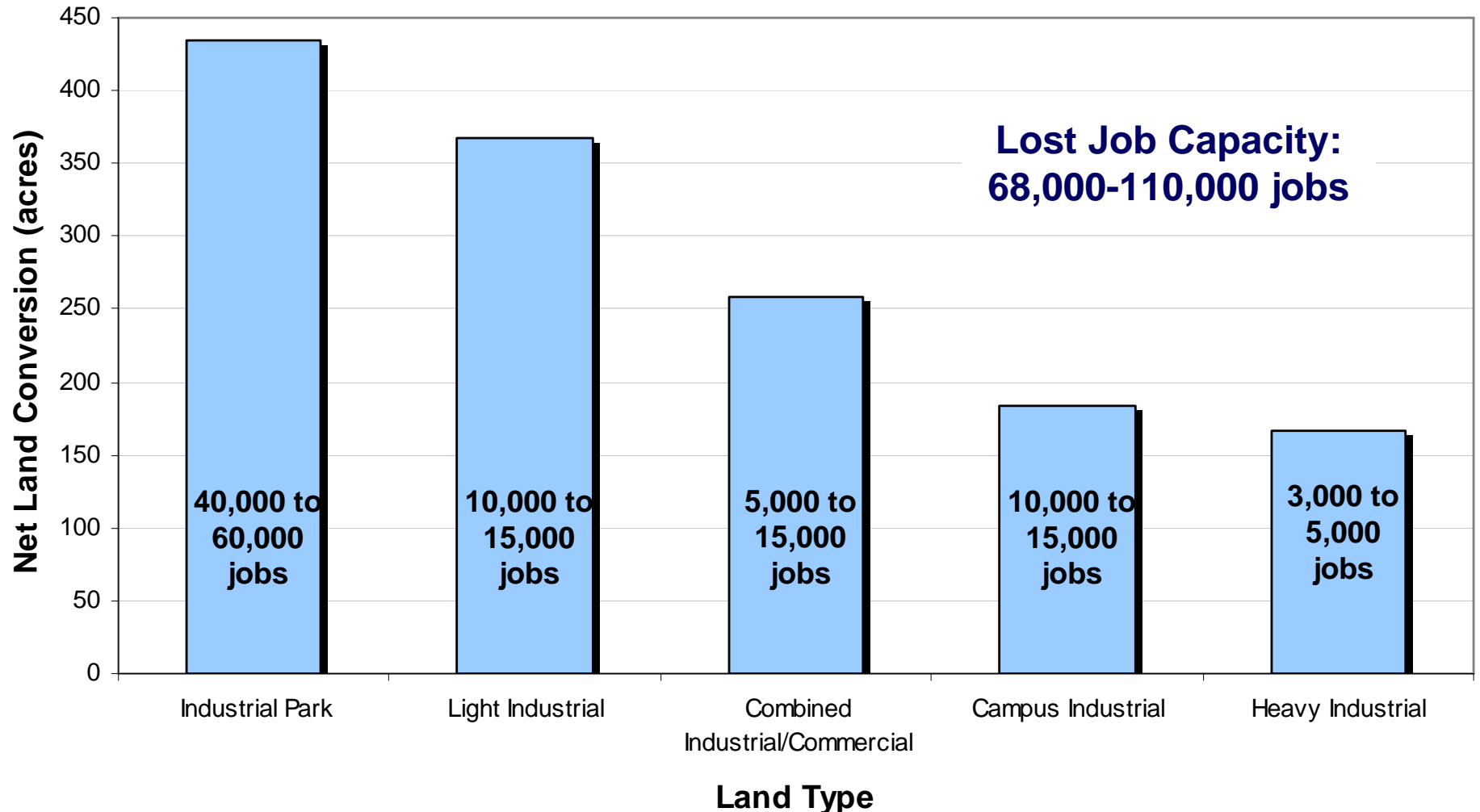
San Jose Ranked 10th in Manufacturing Employment



Since 1990, San Jose has Converted 9% of all Employment Lands



San Jose has lost over 1,400 acres of Employment Land since 1990

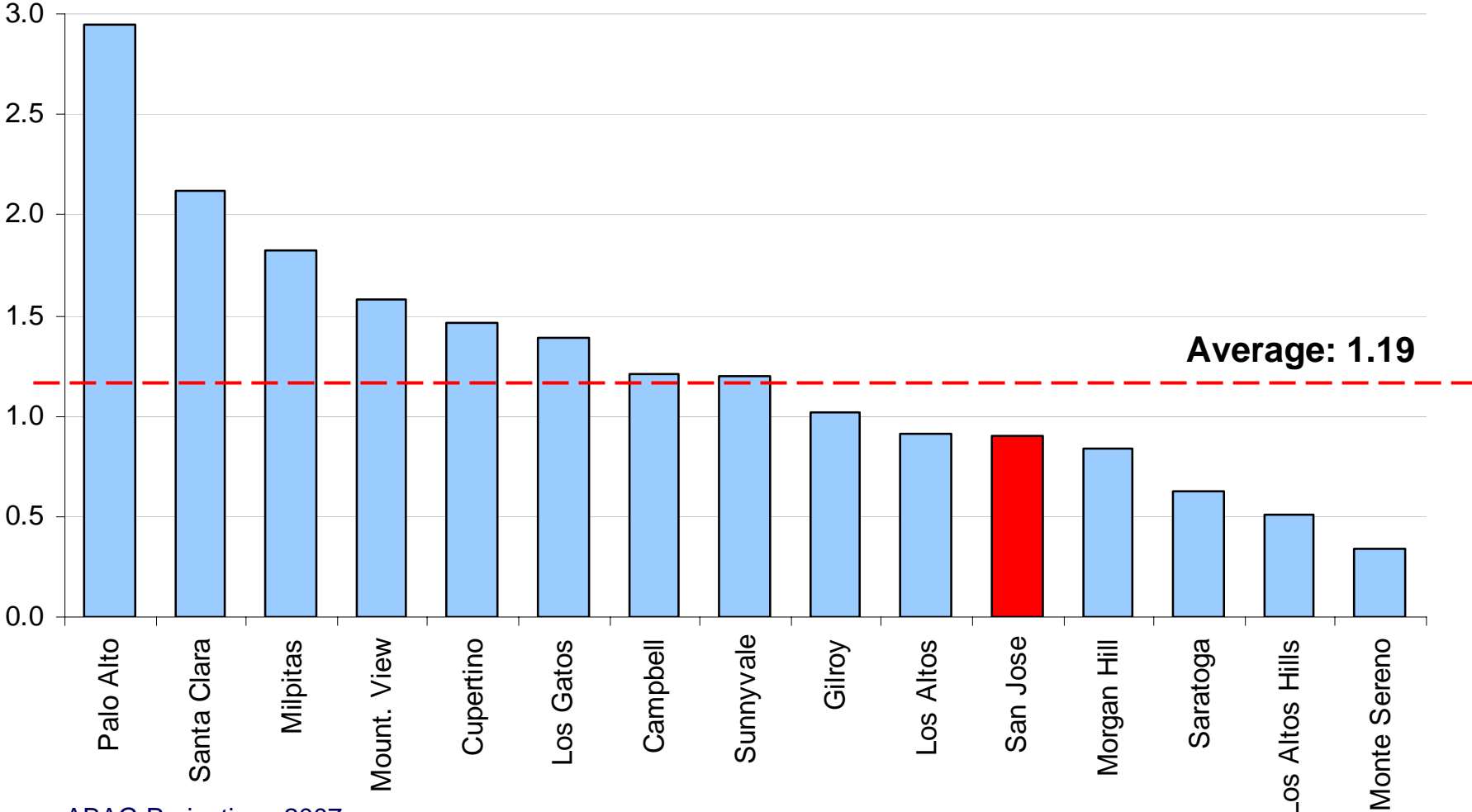


San Jose Remains the Valley's Bedroom Community

Progress lost in recent period:
(San Jose Jobs per Employed Resident)

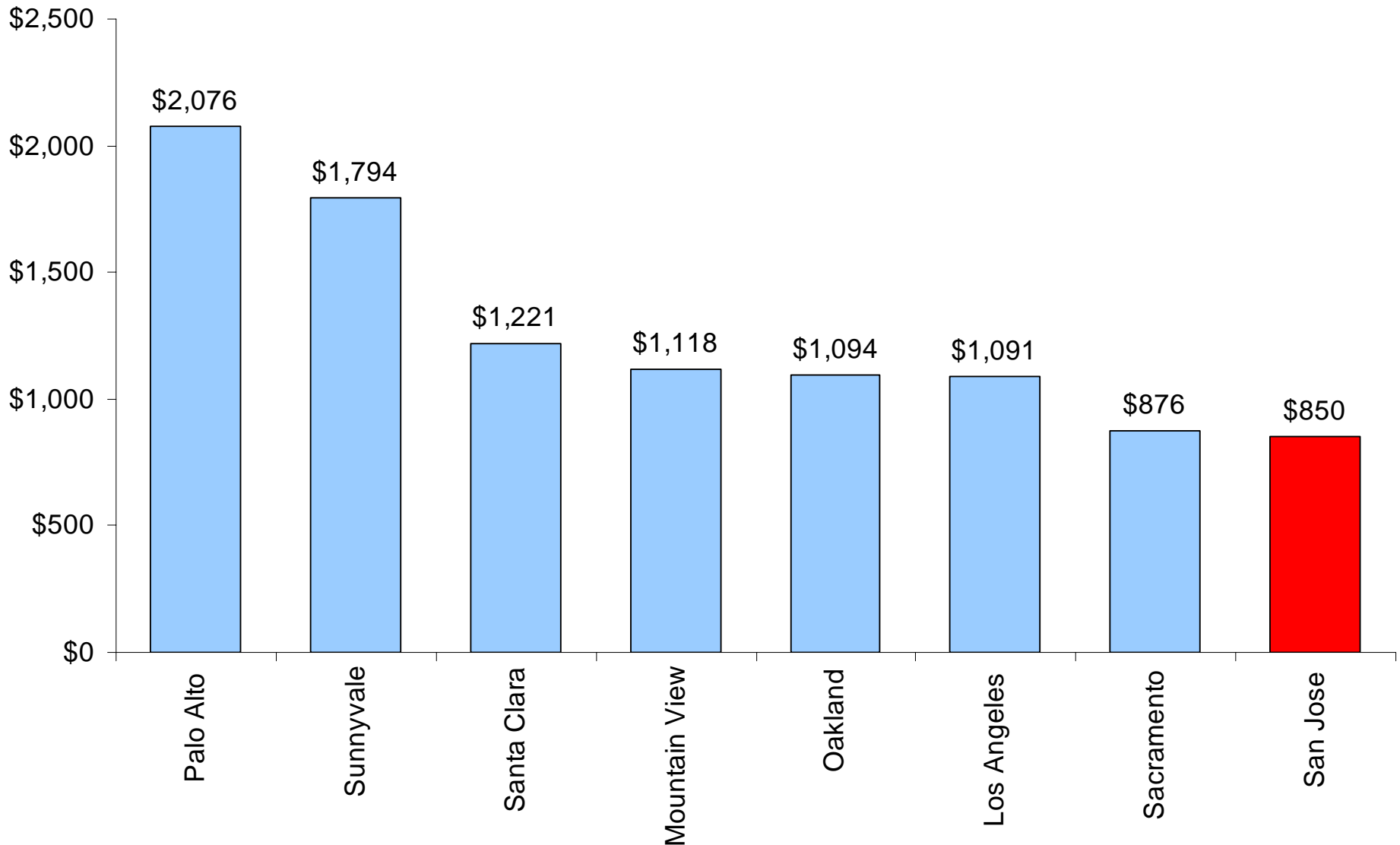
1990	2000	2005	2010*
.78	.96	.90	.83

Jobs per Employed Resident (2005)



* Source ABAG Projections 2007

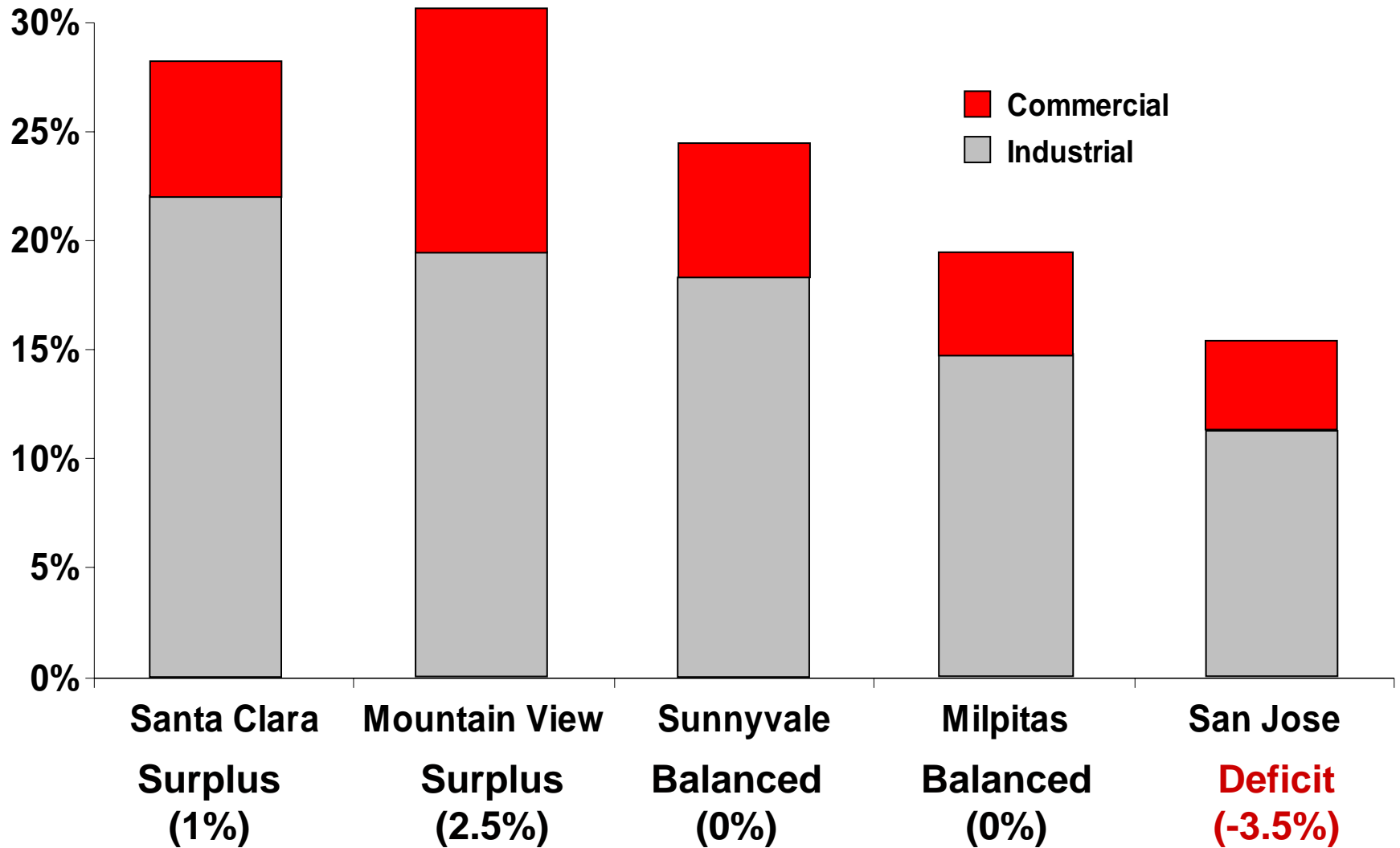
San Jose's Revenue per Capita* Among Lowest in Region and State



*General Fund Revenues (property, sales, utility taxes, etc)

Source: Individual City Budgets FY 06/07

Less Employment Land Equals Revenue Shortfalls



Projected General Fund Budget Surplus/Deficit 2006-2007

Industrial Zoning Controls In Various Cities

City	Zoning Controls			
	Industrial Protection Zoning	Housing	Office	Retail
San Francisco, CA***	Yes	Not Permitted	Permitted**	Permitted**
Boston, MA	Yes	Not Permitted*	Not Permitted*	Not Permitted*
Chicago, OH	Yes	Not Permitted	Permitted	Permitted
Cleveland, OH	Yes	Not Permitted	Not Permitted*	Not Permitted*
Los Angeles, CA	Yes	Conditional	Conditional	Conditional
Minneapolis, MN	Yes	Not Permitted	Permitted	Not Permitted*
New York, NY	Yes	Not Permitted*	Permitted	Not Permitted*
Oakland, CA	Yes	Not Permitted	Permitted	Permitted
Philadelphia, PA	Yes	Not Permitted	Permitted*	Not Permitted
Portland, OR	Yes	Conditional	Conditional	Conditional
Seattle, WA	Yes	Not Permitted	Not Permitted	Not Permitted

* Varies by Industrial District

** With Significant Restrictions

***Proposed

San Jose is Not Alone

City of Santa Clara has Conversion Guidelines:

1. The Current General Plan industrial land use designations should be supported except where they are separated from the industrial core areas.
2. Conversions should be located with direct access to existing developments
3. Conversions should result in a positive balance in land use considerations, based upon the rating from the Planning Criteria Guidelines
4. Require that a conversation financial analysis covering ten years be prepared by a City Consultant for each conversion proposal and that the applicant pay for the cost of this study as well as any cost of extraordinary staff time
5. Conversions should have a “revenue neutral” impact on the City.

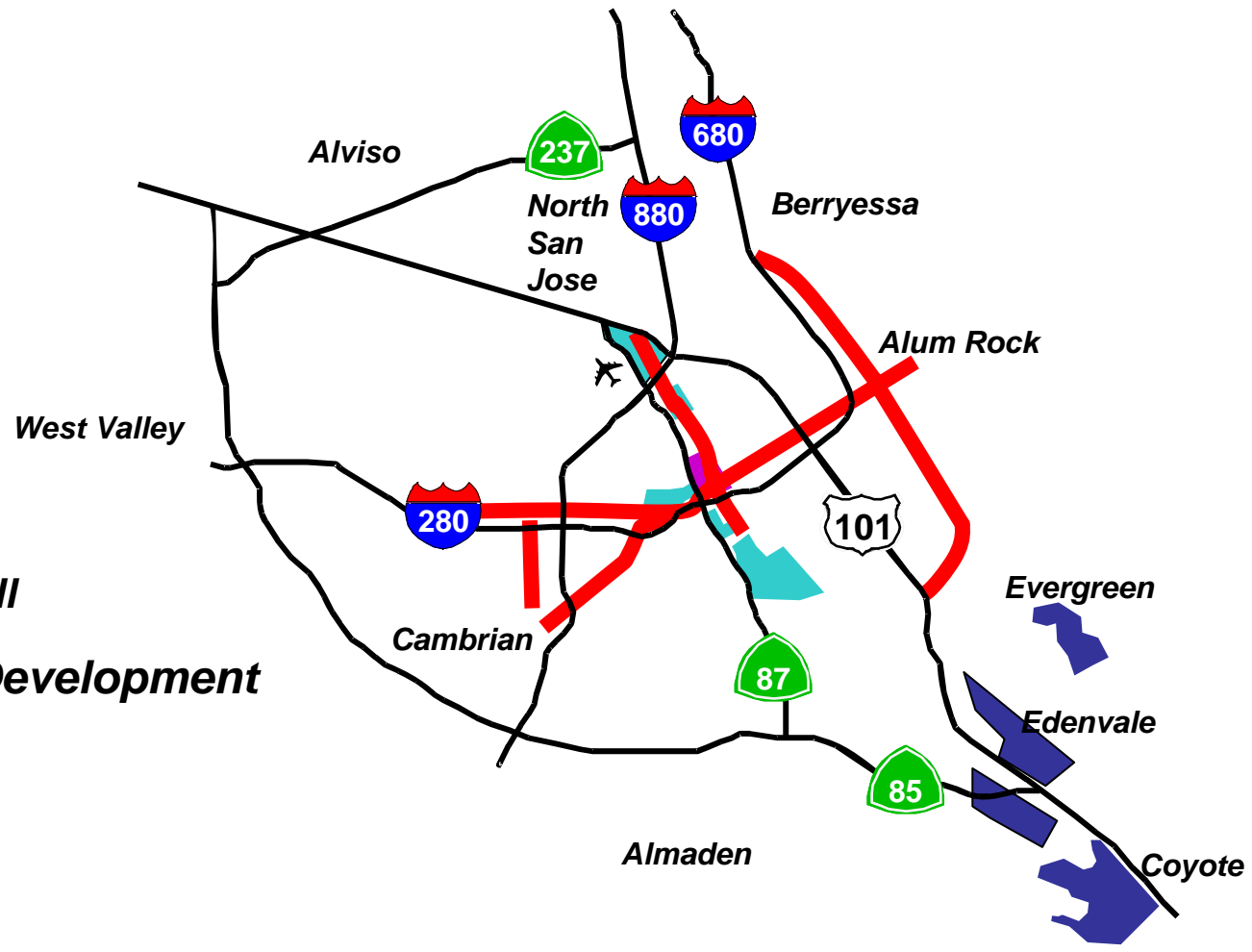
San Jose has Sufficient Housing Planned: Existing General Plan includes 60,000+ Units*

General Plan Land Use Designation/Overlay	Average Yield (Housing Units)
Very Low Density Residential (2 Units/Acre)	180
Low Density Residential (5 Units/Acre)	370
Medium Low Density Residential (8 Units/Acre)	1,600
Medium Density Residential (8-16 Units/Acre)	1,200
Medium High Density Residential (12-25 Units/Acre)	1,700
High Density Residential (25-50 Units/Acre)	2,600
Residential Support for the Core Area (25+ Units/Acre)	500
Transit Corridor Residential (20+ Units/Acre)	6,000
Greater Downtown Core Area	8,000
North San Jose Conversion/Overlay	22,150
Specific Plan Areas	19,150
TOTAL PLANNED HOUSING UNITS	63,450

*Does not include potential units in Evergreen, Coyote Valley, or South Almaden Valley

Future Growth Locations

- **North San Jose**
- **Downtown**
- **Specific Plans**
 - South Rincon
 - Japantown
 - Midtown
 - Tamien
 - Communications Hill
- **Transit-Oriented Development Corridors**
- **Job Centers**
 - North Coyote
 - Edenvale
 - Evergreen



Chronology

April 2004: Original Framework

Fall 05: Minor Changes to Framework

Fall 06: General Plan Study Session

March 07: Employment Lands Study
Session

May 07: Council Direction to Strengthen
Framework

Fall 07: Today's Framework
Consideration

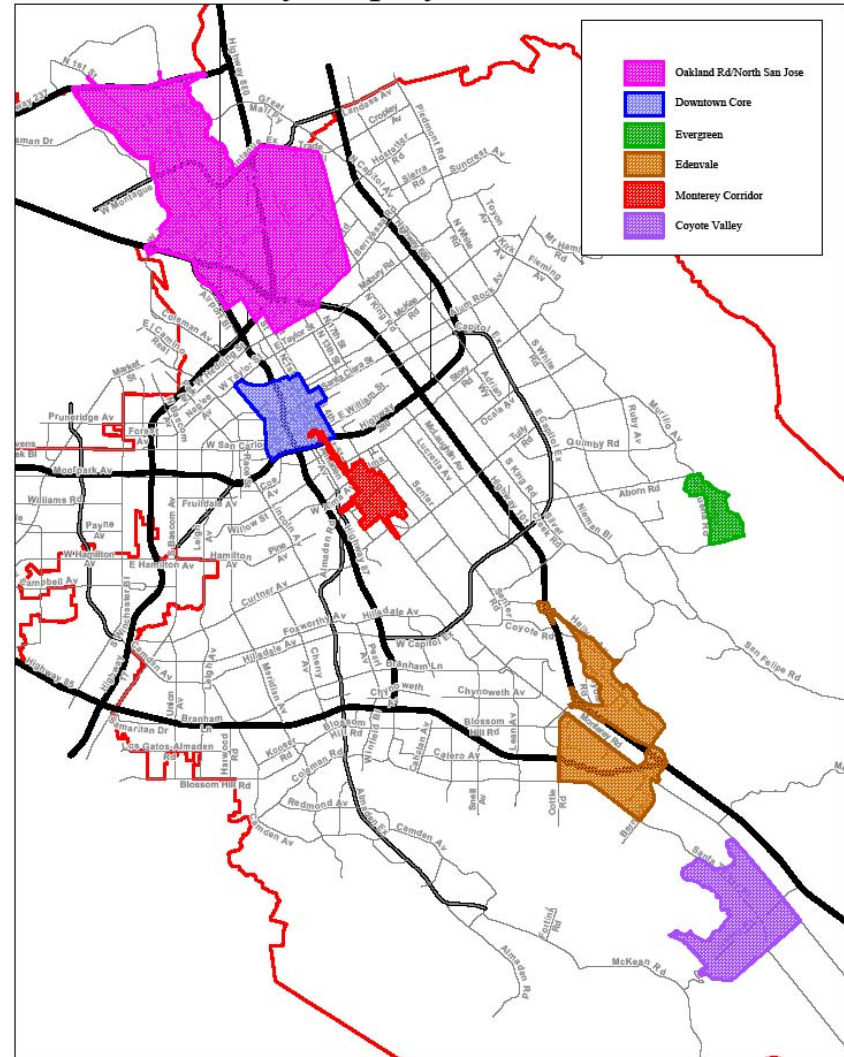
Framework for the Preservation of Employment Lands

- **No Net Loss of Heavy and Light Industrial Acreage**
- **Retain Citywide Job Capacity**
- **Maintain Employment Lands for Non-Residential Uses**
- **Extraordinary Economic Benefit consistent with Dev. Agreement. Ordinance**

Framework for the Preservation of Employment Lands

Discourage Conversion in Key Employment Areas

Key Employment Areas



Note: San Jose has important employment land interspersed throughout the City. All employment lands in the City of San Jose's Sphere of Influence that are proposed for General Plan amendments are subject to analysis under the Framework for the Preservation of Employment Lands.



Map prepared by City of San Jose,
Planning Division 10/01/2007

Offset Loss of Light Industrial Land

1. Work with staff to identify appropriate sites to “create” LI land
2. Apply for GP amendment concurrently
3. Consideration of the conversion and “creation” amendments by Council



Potential Locations for Offsets to Create Light Industrial Acreage in IP (light blue) areas:

Outreach since May 2007

- **Developer Roundtables**
- **Communications with Applicants**
- **Neighborhood Roundtable**
- **Chamber and Real Estate Industry Meetings**

Meet Other Policy Objectives with the Existing General Plan

- BART and Light Rail Stations: Balance new housing with a mix of jobs, schools, assembly and other uses
- Neighborhood Business Districts: Strengthen with mixed use development
- Affordable Housing: Build in diverse locations planned for housing

General Plan Update

- **Phase I focuses on an overall vision for San Jose's future**
- **Economists are being hired to examine San Jose employment land requirements**
- **Citywide fiscal study is expected in Spring 2008**
- **Once big questions are answered, parcel level analysis is the next step**

Conclusion

- **Framework seeks to preserve San Jose's employment lands**
- **San Jose requires a diverse economy to address long term needs**
- **Opportunities exist for a variety of housing types and income levels**
- **Support for transit occurs going beyond housing, necessitating a mix of retail, jobs, schools, etc.**

Back Up Slides

Efforts at Intensification

	Conversions Since 2004	Pending Conversions
Employment Lands (sq ft)	-32,700,000	-12,260,000
Jobs (Capacity) Lost	-54,000	-23,000
Housing Capacity (units)	+3,000	+4,300
Retail (sq ft)	+222,000	+525,000

Projects Increasing Capacity	Employment Land (sq ft)	Housing (Units)	Retail (sq ft)
Vision North San Jose	+26,700,000	+32,000	+1,700,000
Downtown San Jose	-	+10,000	+1,000,000
Hitachi	3,600,000	+2,900	+460,000

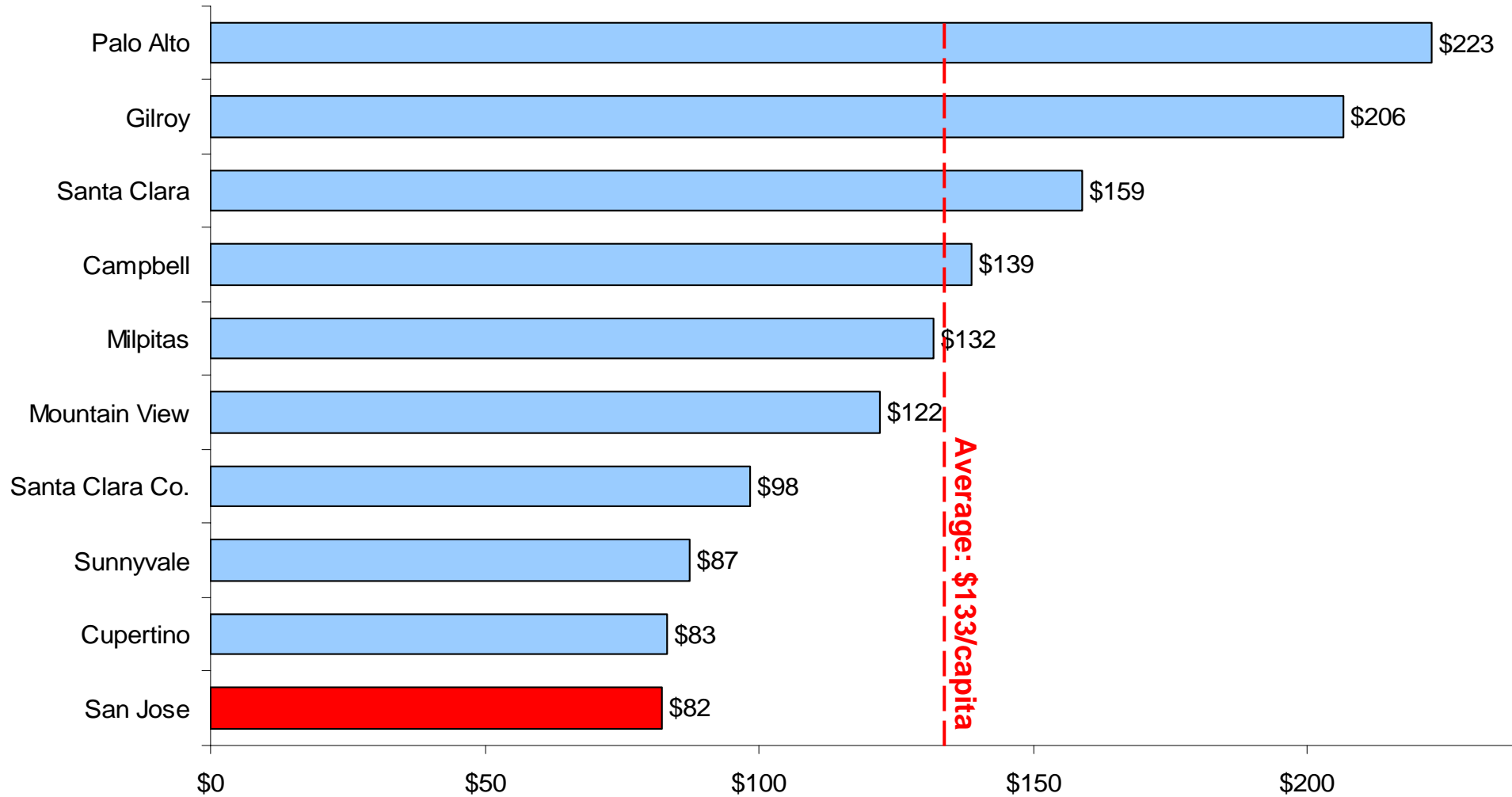
Efforts at Intensification Since 2004 Have Not Replaced Employment Lands Lost

Employment Capacity Lost = 32,700,000 sq ft

**Employment Capacity Retained
through Intensification Efforts = 30,300,000 sq ft**

Net Loss = 2,400,000 sq ft

San Jose is Last Among Regional Competitors in Sales Tax Per Capita



Consumer Sales Tax, 2006

Source: MBIA, Consumer Sales Tax=General Retail, Transportation and Food Products

Revenues from Various Land Uses

One Acre of Residential Use	Assessed Value	Property Tax to City/Unit	Sales Tax/ Unit	Utility Tax	Total Annual Revenues
Single Family (7 units)	\$1,400,000	\$1,750	\$246	\$267	\$ 15,841
Condominiums (20 units)	\$700,000	\$875	\$123	\$276	\$ 25,480
Apartments (30 Units)	\$400,000	\$500	\$123	\$184	\$ 24,210
Hi-Rise Condominiums (150 Units)	\$540,000	\$675	\$170	\$184	\$ 154,348

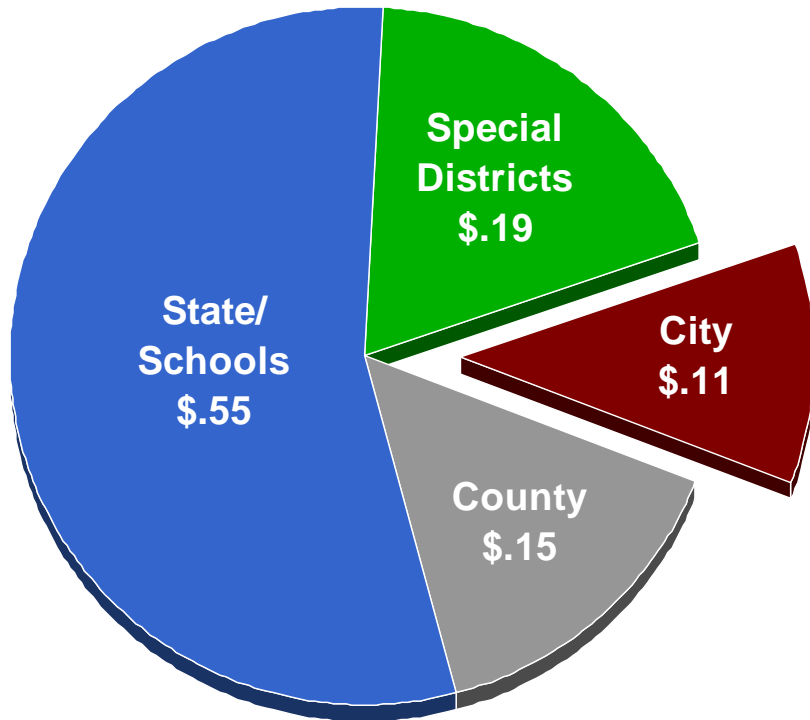
One Acre of Employment Use	Assessed Value	Property Tax to City	Sales Tax	Utility Tax	Total Annual Revenues
Office Tower (1 acre of site)	\$30,000,000	\$37,499	\$5,000	\$21,000	\$63,499
Auto Dealer	\$1,300,000	\$1,625	\$90,250	\$1,250	\$93,125
Neighborhood Retail	\$1,200,000	\$1,500	\$5,553	\$821	\$7,873
Large Format Retail	\$1,700,000	\$2,053	\$65,000	\$3,000	\$70,053

****Employment lands generate significantly more revenue than residential uses (<55 Units/Acre)**

San Jose only receives \$.11-\$.12 of Every Dollar of Property and Sales Tax

Property Tax

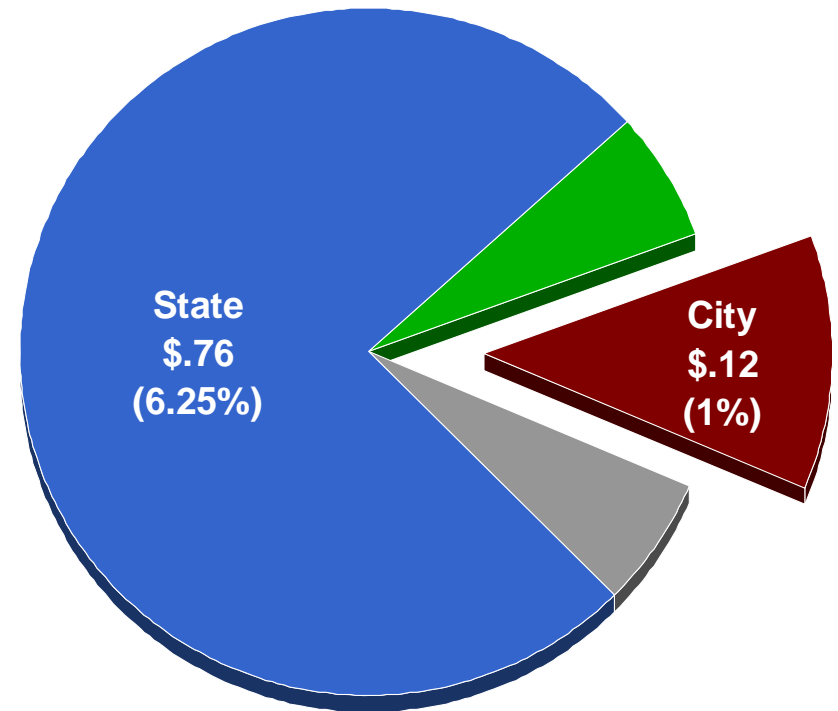
20% of City General Fund Revenues



Property Tax Rate: 1.3%
~\$185M to City in FY 05/06

Sales Tax

16% of City General Fund Revenues



Sales Tax Rate: 8.25%
~\$145M to City in FY 05/06