

San Jose 2020 General Plan: Economic Development and Employment Lands

City Council Study Session
March 29, 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.

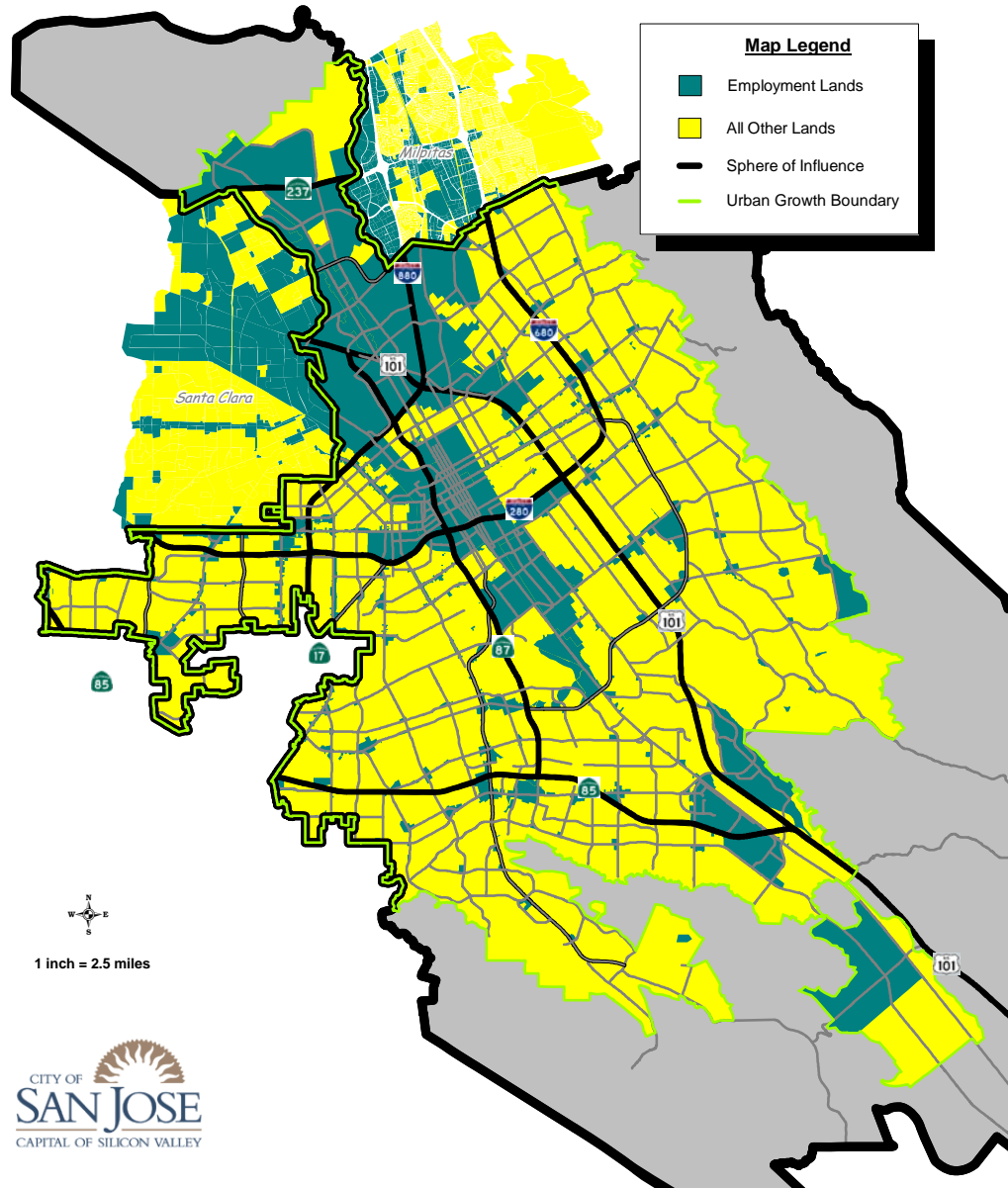
Importance of Economic Diversity

- Healthy, resilient economies are dynamic and diverse
- San Jose needs jobs as diverse as its population
- Diverse employment lands provide a wide range of jobs for various ability levels

San Jose's Employment Lands

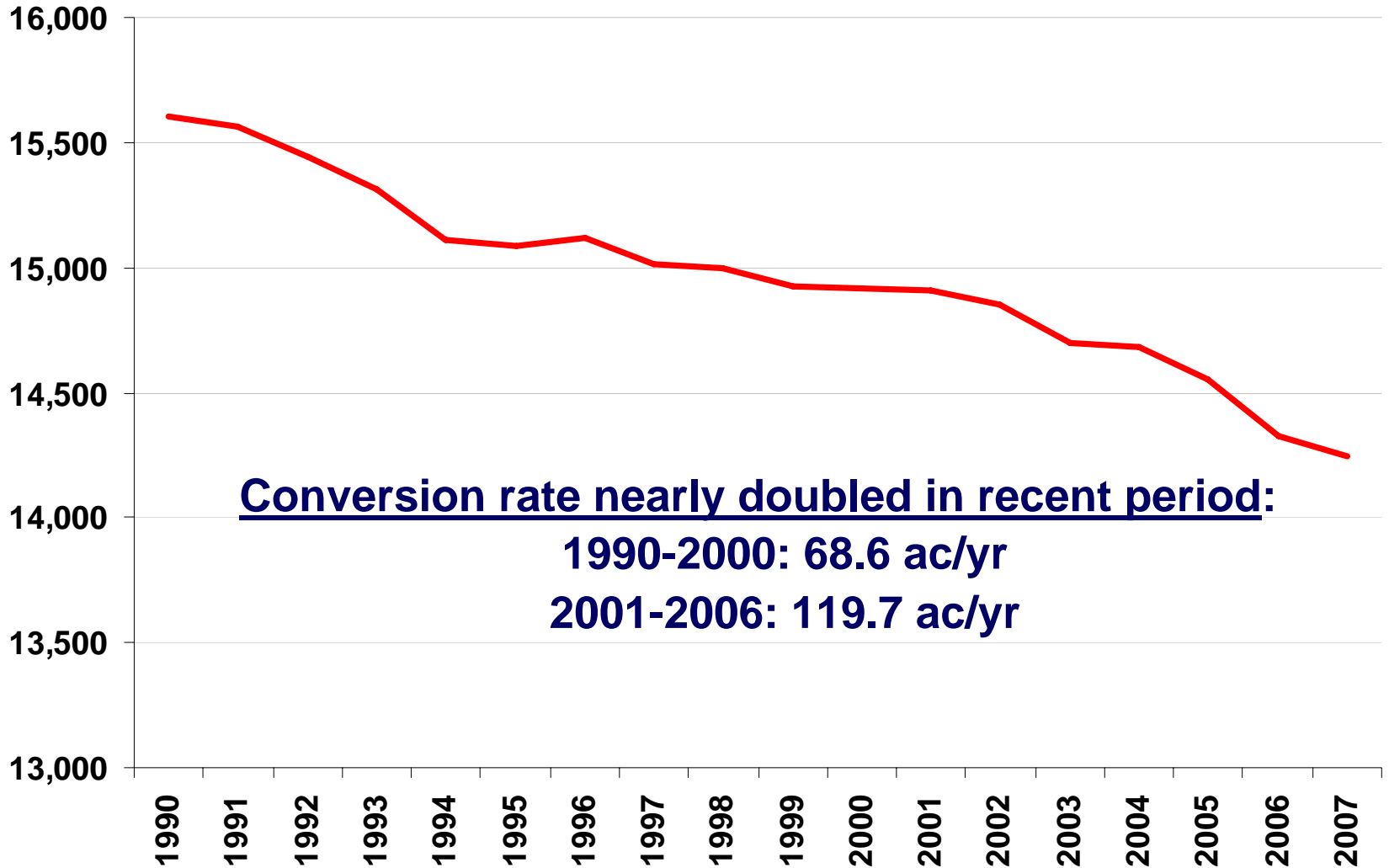
- **Definition:** Non-residential designated land supporting private-sector employment
 - Primary types: Heavy Industrial (HI), Light Industrial (LI), Industrial Park (IP), Commercial (CG) (Office/Retail)
- **High Impact:** Employment lands provide 60% of City Revenues
- **Limited Supply:** Only 15%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

City of San Jose Employment Lands Identification

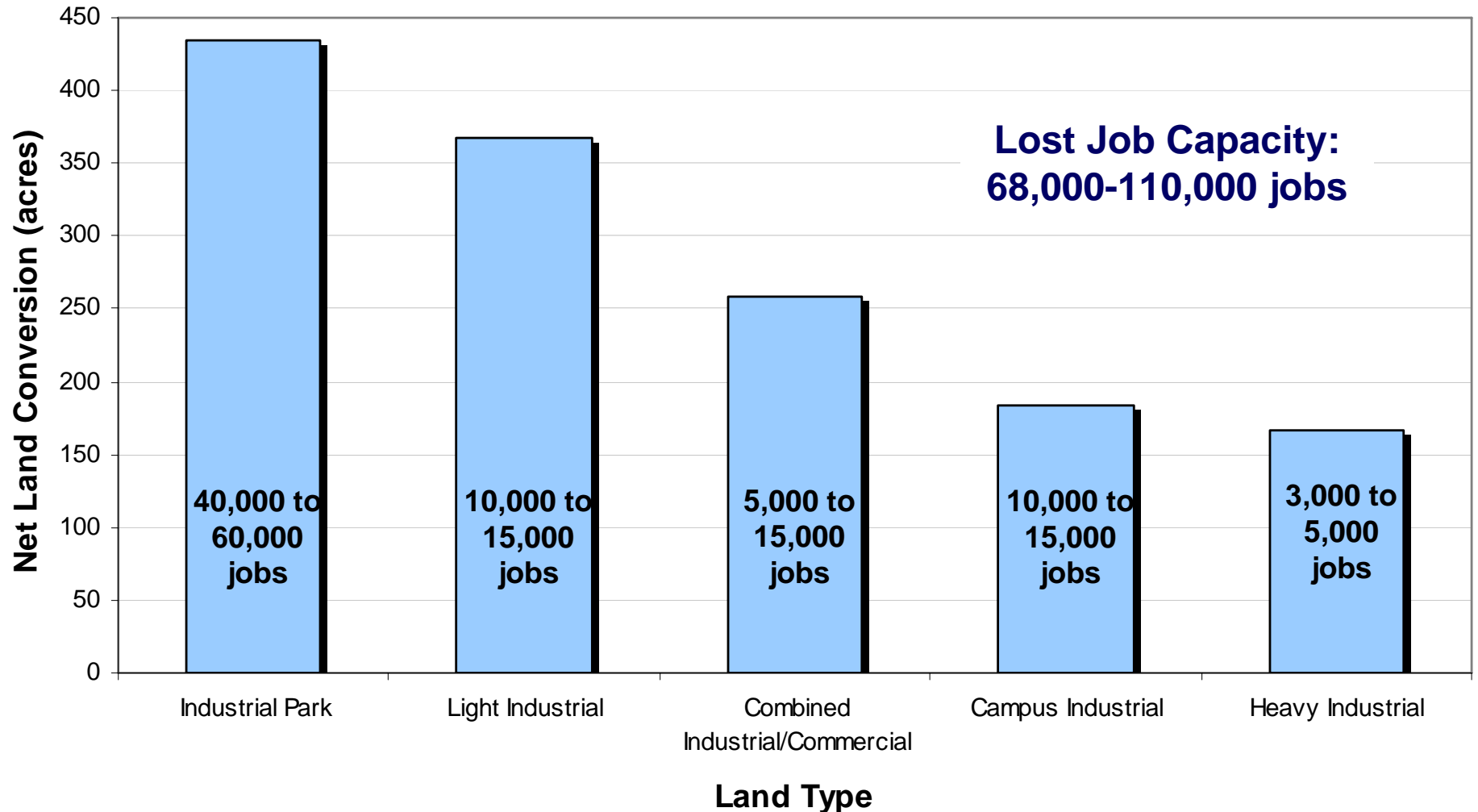


Since 1990, San Jose has Converted 9% of all Employment Lands

Acres of Employment Land Available



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

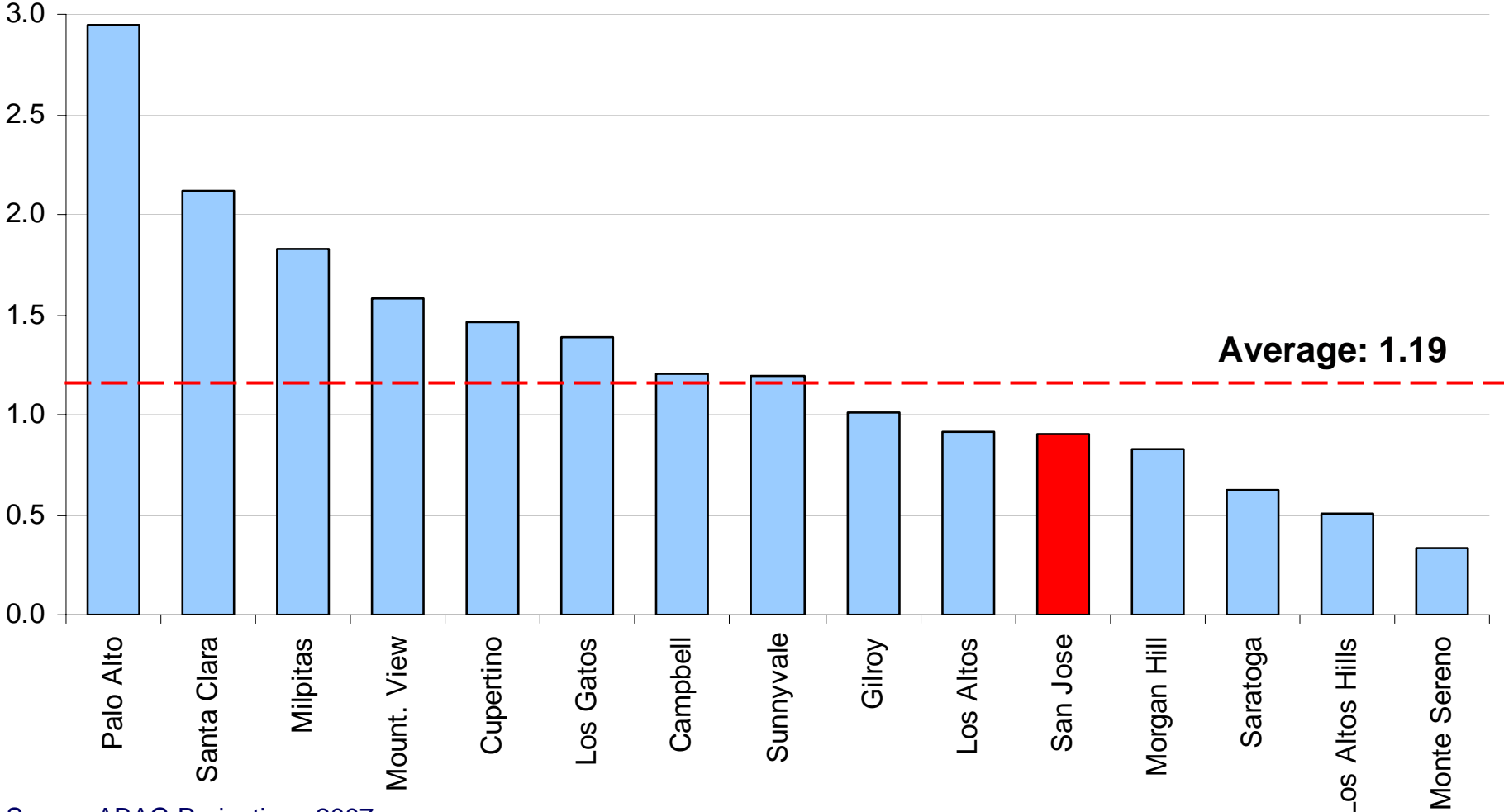


San Jose Remains the Valley's Bedroom Community

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

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

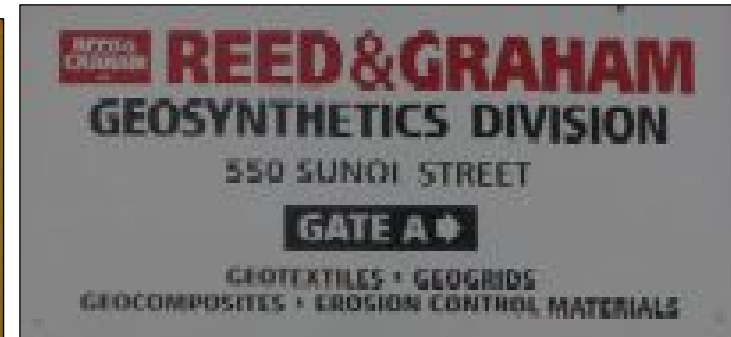
Jobs per Employed Resident (2005)



* Source ABAG Projections 2007

Heavy Industrial Land

Concentration in Monterey Corridor and North San Jose



Light Industrial Land

Concentration in Monterey Corridor, North San Jose, Central San Jose



Limited Opportunities for Intensification of HI-LI Land

- HI-LI uses cannot be intensified because of horizontal space and outdoor storage requirements
- City cannot create more HI-LI without rezoning

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

Industrial Park Land

Concentration in Edenvale, North San Jose



Commercial Land

Locations in Downtown, Neighborhood Business Districts and Major Streets



Retail Generates Significant Revenues

- City receives 20% of General Fund revenues from the 4% of City land used for retail
- On a per capita basis, San Jose market is currently 18% underserved in retail opportunities
- Retail jobs provide employment opportunities for workers of various ability levels

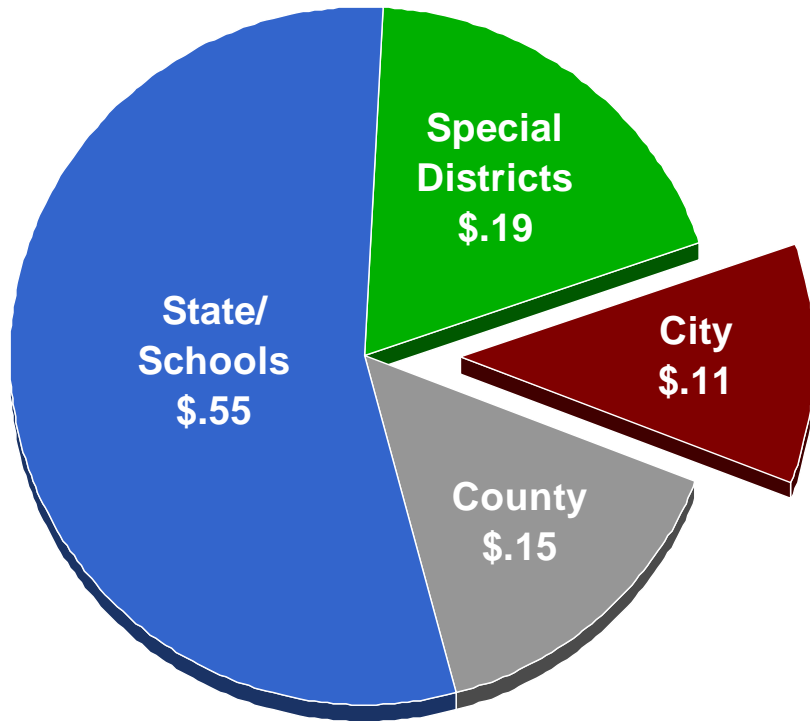
Criteria for Adding Potential Retail Sites

- Criteria:
 - Size
 - Configuration
 - Accessibility
- City needs to be strategic and proactive to expand retail opportunities

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

Property Tax

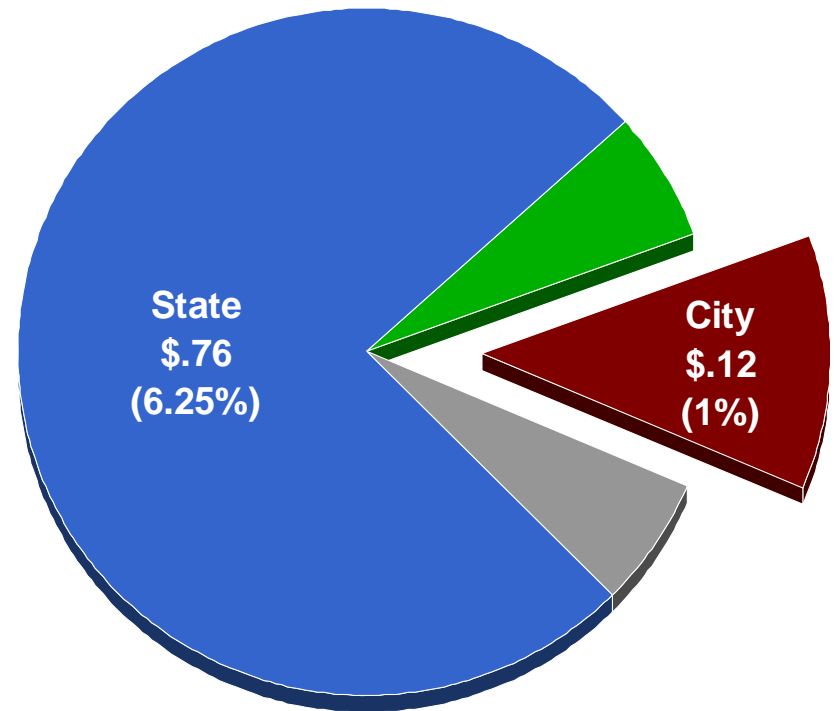
20% of City General Fund Revenues



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

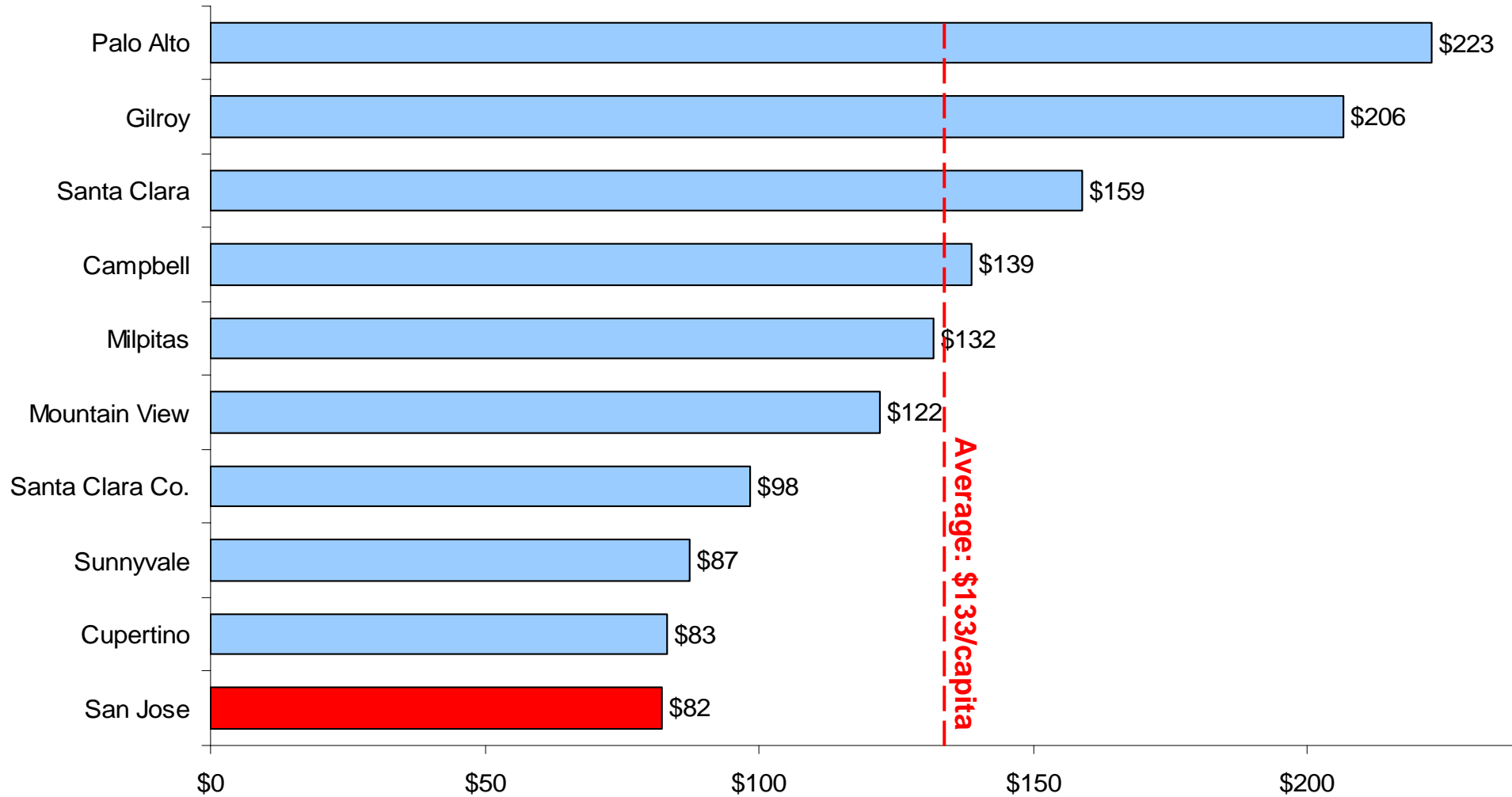
Sales Tax

16% of City General Fund Revenues



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

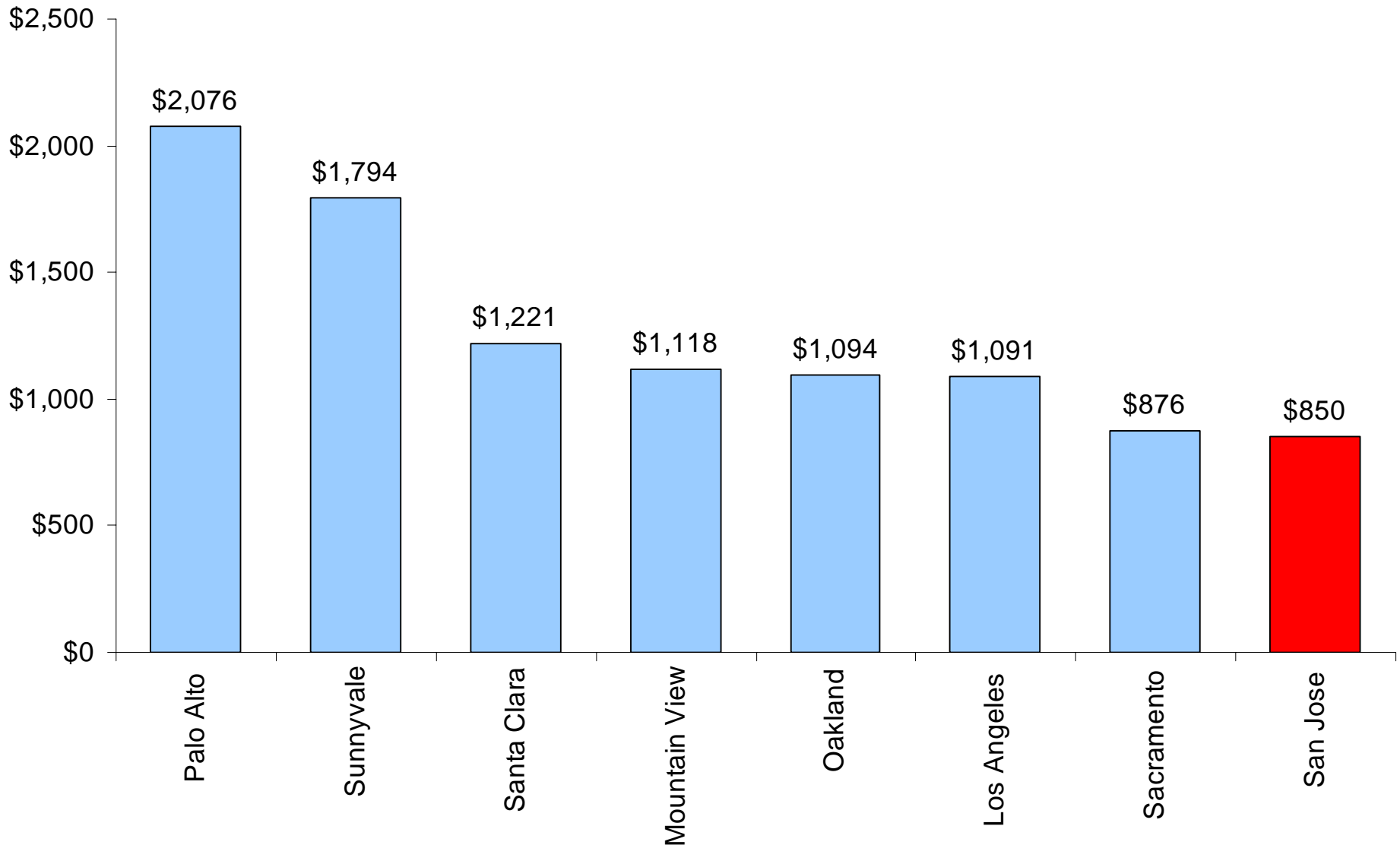
San Jose is Last Among Regional Competitors in Sales Tax Per Capita



Consumer Sales Tax, 2006

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

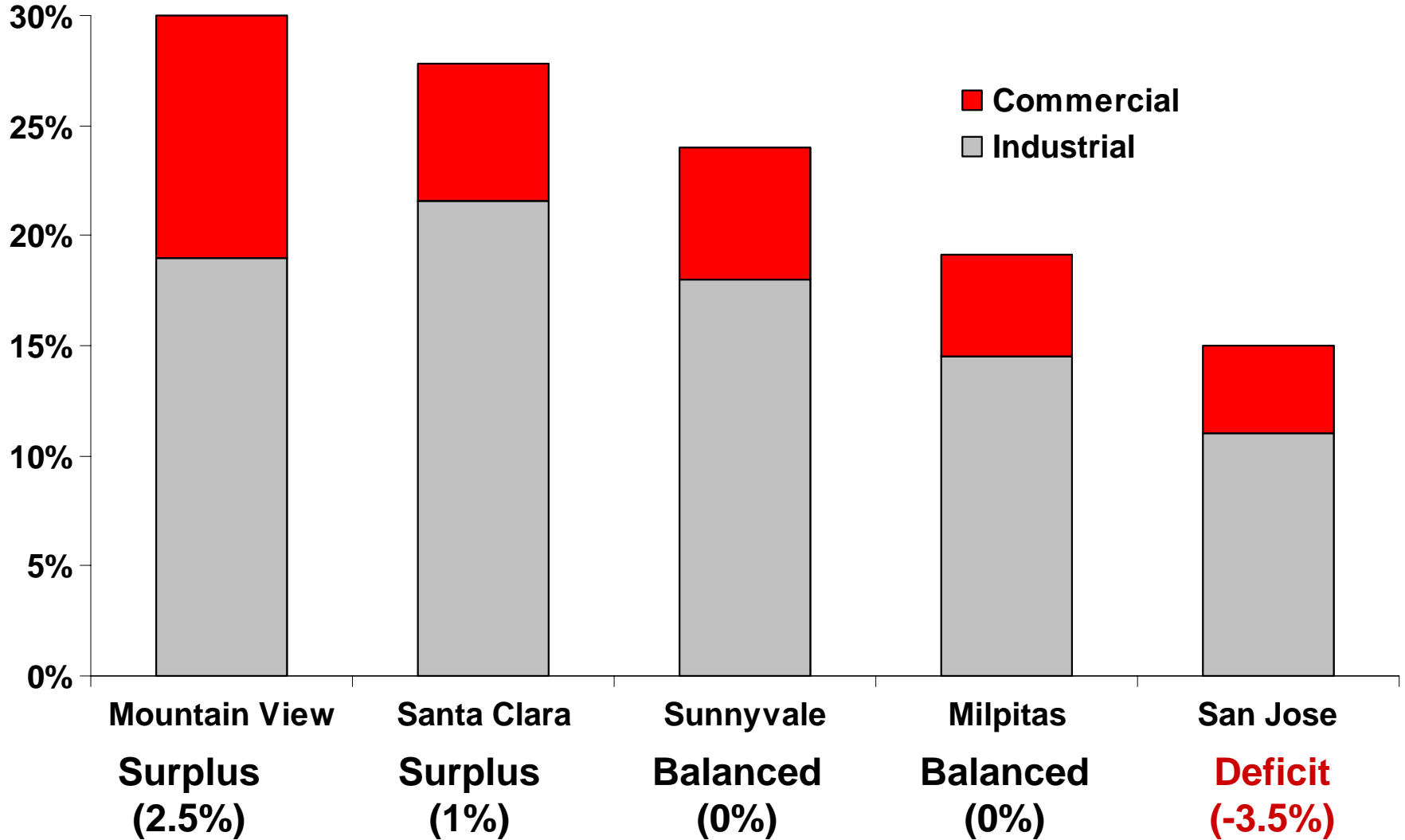
San Jose's Revenue per Capita* Among Lowest in Region and State



*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

Revenues from Various Land Uses

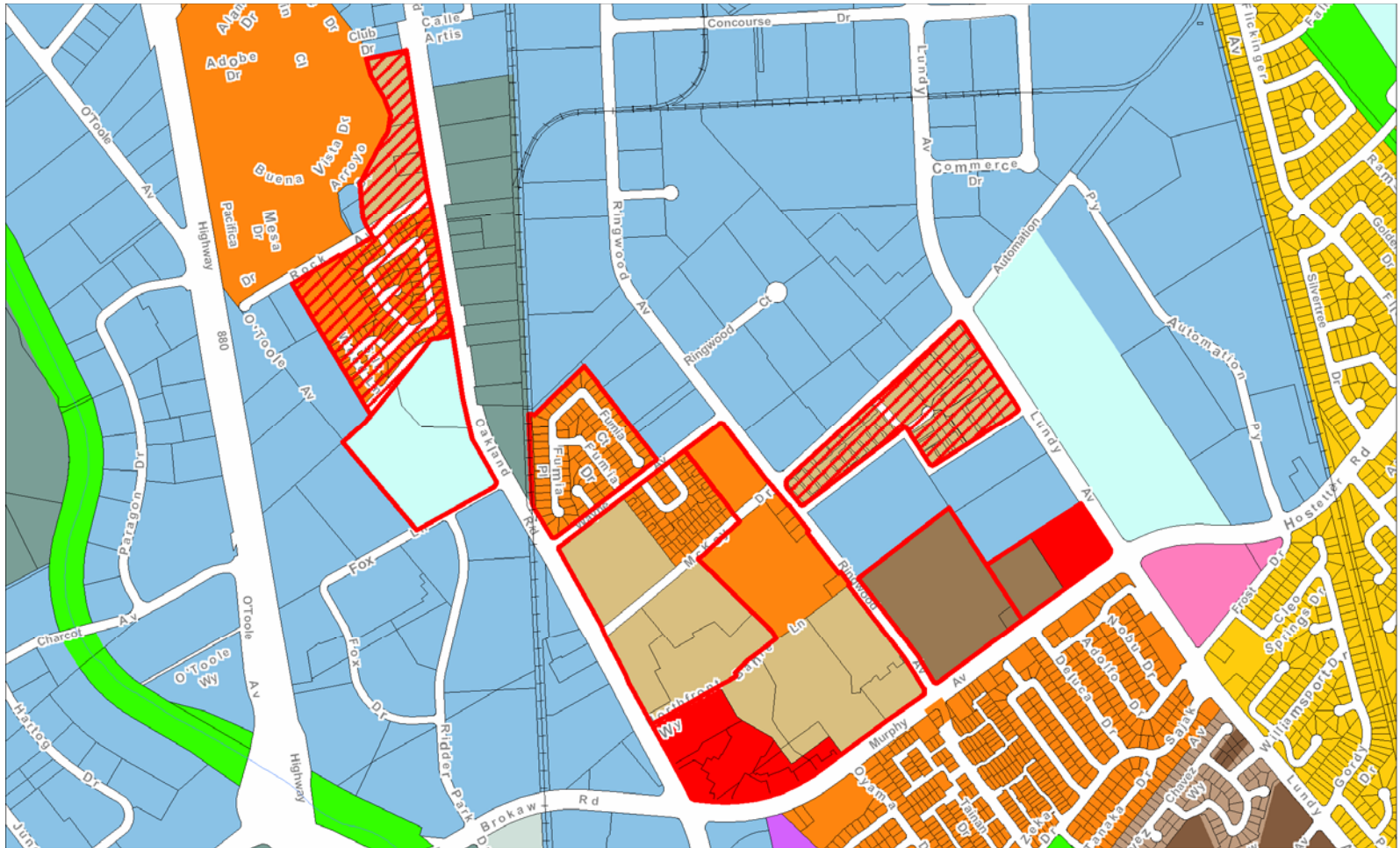
One Acre of Residential Use	Assessed Value	Property Tax Total/ Unit	Property Tax to City/Unit	Sales Tax/ Unit	Utility Tax	Total Annual Revenues
Single Family (7 units)	\$1,400,000	\$16,355	\$1,750	\$246	\$142	\$ 14,966
Condominiums (20 units)	\$700,000	\$8,177	\$875	\$123	\$70	\$ 21,360
Apartments (30 Units)	\$400,000	\$4,673	\$500	\$123	\$43	\$ 36,630
Hi-Rise Condominiums (150 Units)	\$540,000	\$6,227	\$670	\$170	\$125	\$ 143,843

One Acre of Employment Use	Assessed Value	Property Tax Total	Property Tax to City	Sales Tax	Utility Tax	Total Annual Revenues
Office Tower (1 acre of site)	\$6,750,000	\$78,854	\$8,437	\$18,000	\$8,000	\$34,437
Auto Dealer	\$1,000,000	\$11,682	\$1,250	\$90,250	\$1,250	\$92,750
Neighborhood Retail	\$1,200,000	\$14,018	\$1,500	\$5,553	\$821	\$7,873
Large Format Retail	\$1,700,000	\$19,183	\$2,053	\$65,000	\$3,000	\$70,053

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

The effect of incremental decisions...

2006 General Plan



Industrial Land Conversions (1987-2006)= 160.8 acres

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

Case Study: Nanosolar

- Clean technology company brought to San Jose through interdepartmental collaboration
- Relocating to San Jose because City had capacity to accommodate expansion
- Occupying a building that had been vacant for four years
- Bringing new manufacturing jobs to San Jose

San Jose is Not Alone

- Los Angeles
- San Francisco
- Oakland

California Cities are striving for a balance of housing, economic development and other uses

Significant Employment Lands

Are Needed to:

1. Maintain
2. Provide Services and Supplies to Other San Jose Businesses
3. Provide services to San Jose Residents

*Conversions Impact Long-Term Vitality
of San Jose*

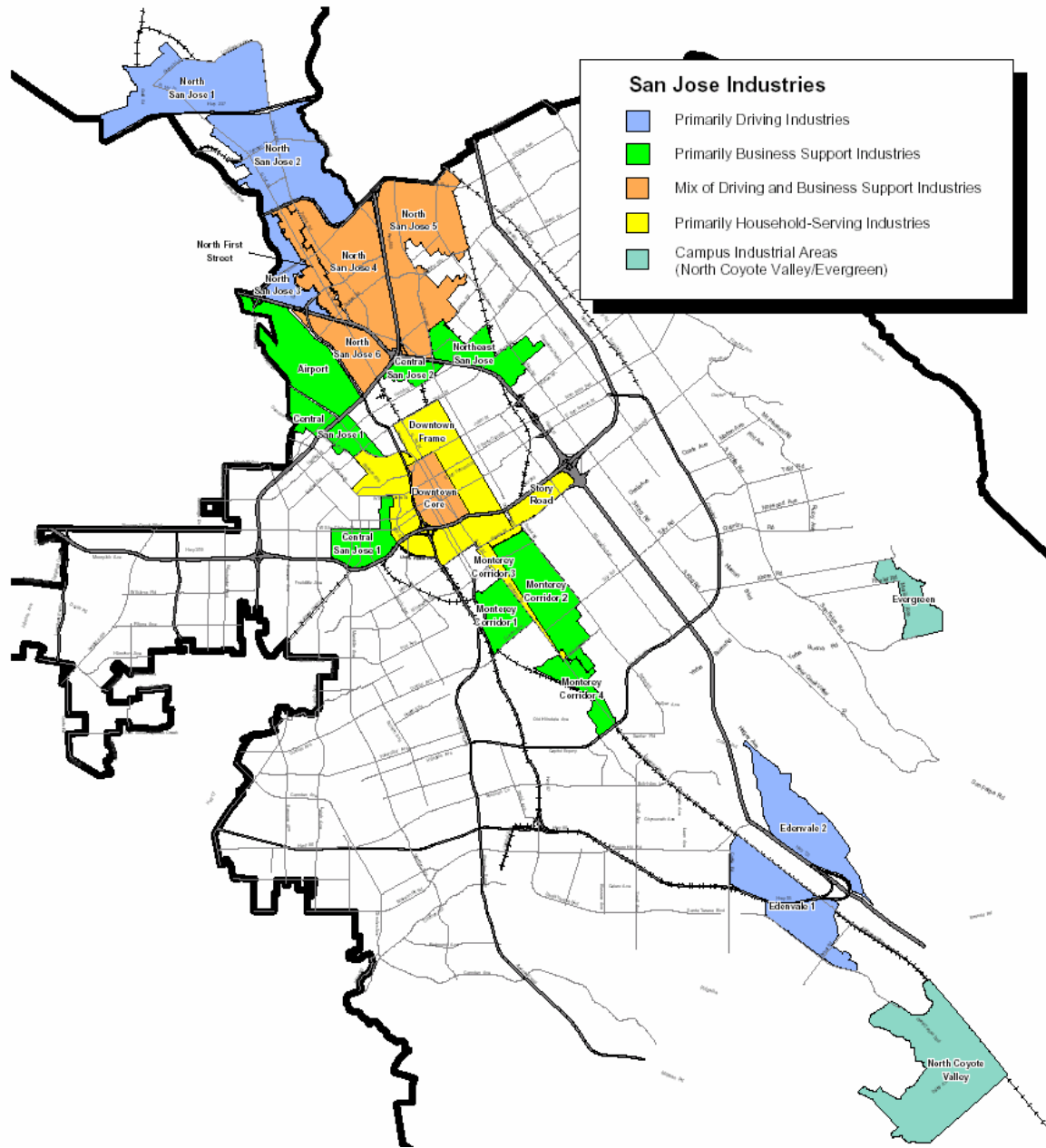
Conversions Impact Long-Term Vitality of San Jose

- Conversions:
 - Reduce City's ability to generate revenues for quality services
 - Limit ability for new companies to create jobs
 - Constrain expansion choices for existing companies
 - Reduce 'conception to market' advantage and stifle multiplier effects
 - Exacerbate jobs/housing imbalance

Panel Discussion

Policy Framework for Considering Employment Land Conversions

City of San Jose Employment Subareas Typology



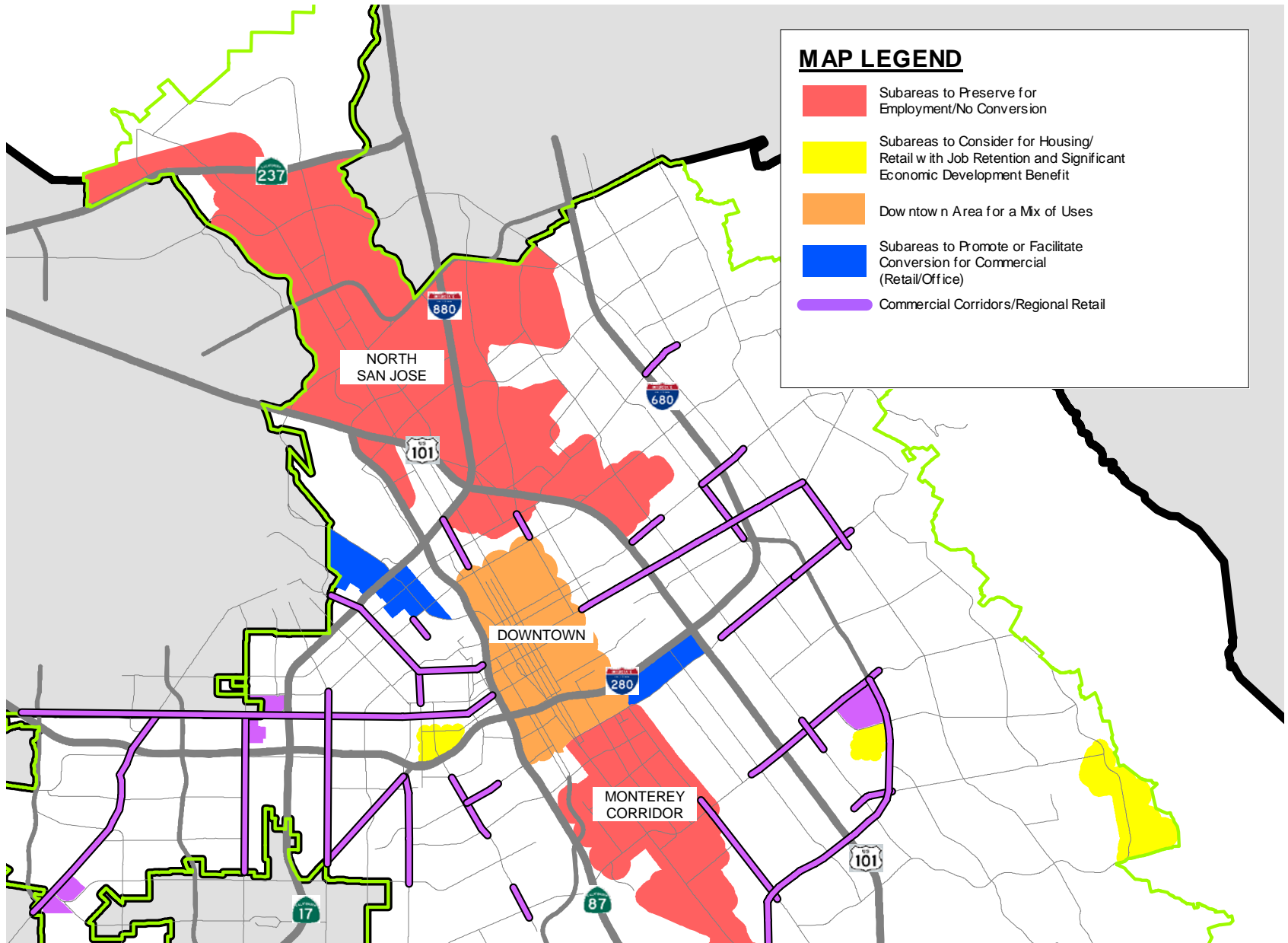
Range of Policy Options for Council

1. No Conversions
2. Approve conversions only for extraordinary economic benefit
3. Continue status quo of approving conversions

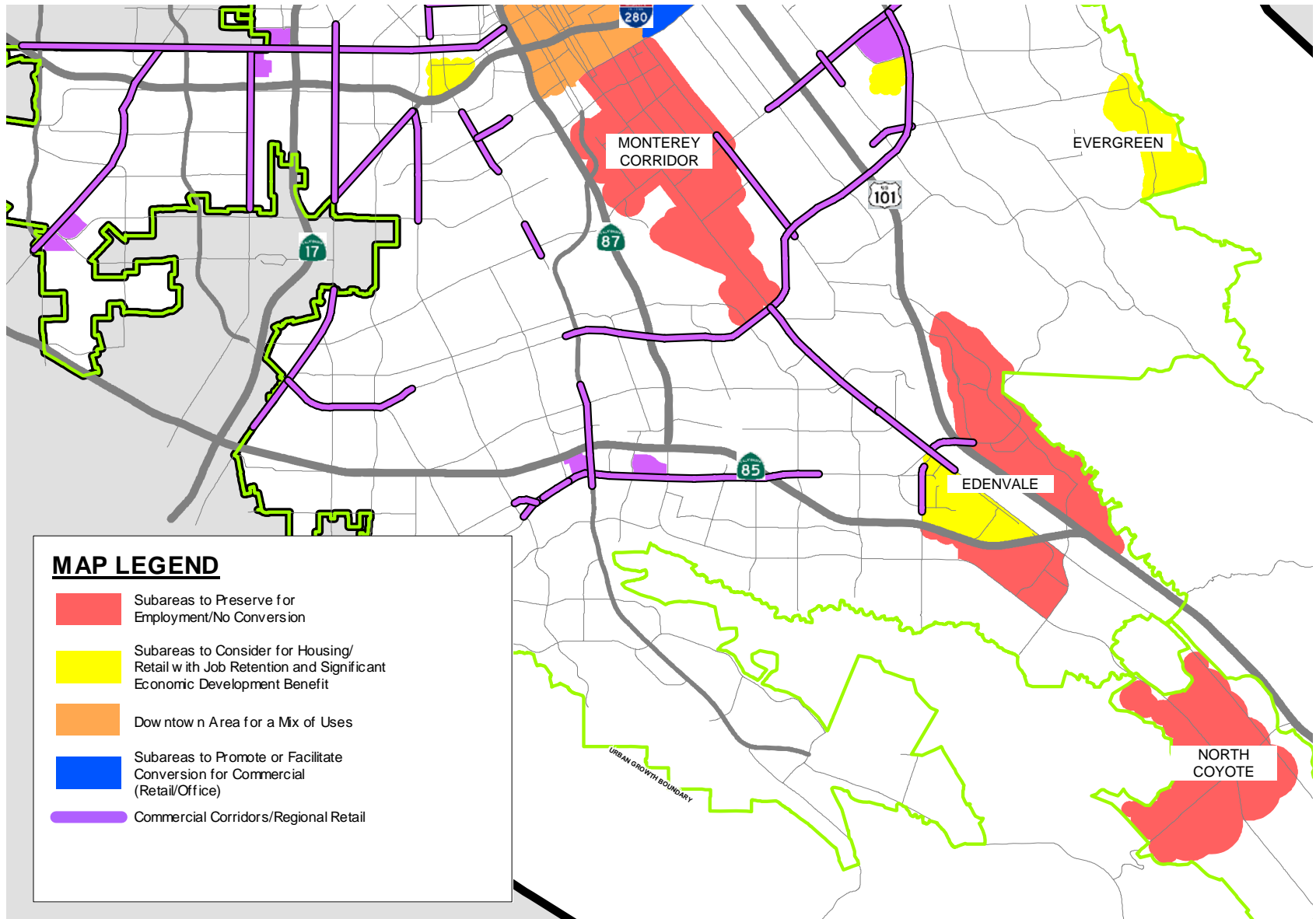
When is Conversion of Employment Lands Appropriate?

1. When there is an extraordinary economic development benefit
 - Intensification of employment lands/retention of jobs
 - Resources for economic development purposes
 - ‘Economic Benefit’ is not housing (market or affordable) or community amenities
2. When the conversion is from one type of employment use to another

Preservation Strategy for Employment Lands



Preservation Strategy for Employment Lands



Next Steps

- Conduct Outreach on Strengthening the Employment Lands Framework
- Initiate General Plan Amendments to:
 - Protect Employment Lands
 - Create Opportunities for Assembly, Education, Daycare and Related Uses