Task Force Meeting No. 3 Synopsis
January 28, 2016

Task Force Members Present[1]:

Shirley Lewis, David Pandori, Pierluigi Oliverio, Manh Nguyen, Shiloh Ballard, Terry Christensen, Pat Colombe, Yolanda Cruz, Pastor Oscar Dace, Harvey Darnell, Andrea Flores-Shelton, John Glover, Leslee Hamilton, Robert Hencken, Sam Ho, Jeremy Jones, Lea King, Steve Landau, Charisse Lebron, Linda Lezotte, Bonnie Mace, Amanda Montez, Tim Orozco, Nick Pham, Garrett Rajkovich, Stephanie Reyes, John Ristow, George Rix, Pat Sausedo, Erik Schoennauer, Leah Toeniskoetter, Geri Wong, Jim Zito.

Task Force Members Absent:

Teresa Alvarado, Enrique Arguello, Josue Garcia, Rose Herrera, Karl Lee, Don Little, Derrick Seaver, Michael Van Every, Dori Yob, Kevin Zwick.

City Staff and Other Public Agency Staff Present:

Michael Brilliot (PBCE), Jared Hart (PBCE), Kimberly Vacca (PBCE), Rosalynn Hughey (PBCE), Harry Freitas (PBCE), Kim Walesh (OED), Michelle Thong (OED), Nancy Klein (OED), Ruth Cueto (Mayor's Office), Jessica Zenk (DOT), Melissa Cerezo (VTA).

Public Present[1]:

Susan Landry.

1. Welcome

The meeting convened at 6:35 p.m.

2. Review and Approval of December 16, 2015 Task Force Synopsis

The synopsis was approved.

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[1] As verified by registering attendance on Sign-In sheets.

3. Strategies to Enhance Fiscal Health of the City

In response to questions from Task Force members asked at previous meetings, Kim Walesh, Director of Economic Development and Deputy City Manager, gave a presentation outlining four principle strategies the City should utilize to enhance its fiscal health. These four strategies included:

1. Maximizing the share of new homes that are developed at high densities, i.e. 40-45 dwelling units per acre (du/acre) and above;
2. Maximizing retail development of all types to generate sales tax revenue;
3. Maximizing leasing and development of entirely new office, R&D and industrial buildings; and
4. Retaining industrial land, and maximizing the leasing and redevelopment of existing buildings.

4. Market Overview and Employment Lands Analysis

Sujata Srivastava from Strategic Economics presented the findings from the Market Overview and Employment Lands Analysis report prepared for the City. Strategic Economics analyzed five market subareas of the city (Northern, Eastern, Western, Southern, and Central San José) and came to the following conclusions:

Employment Forecasts and Trends

Northern San José has the majority of existing jobs, followed by Central and Southern San José. Additionally, 30 percent of existing jobs are in designated Employment Areas and 13 percent of existing jobs are in Urban Villages. Based on the Center for the Continuing Study of the California Economy's (CCSCE) 2040 projections (Alternative 3), the industry mix of jobs in 2040 are projected as 47% household support industries, 26% driving industries, and 28% business support industries.

Analysis of San José's Office, R&D, and Industrial Markets

San José has higher office vacancy rates than surrounding municipalities and therefore lower average monthly asking rents. However, R&D vacancy rates and rents are relatively similar to surrounding areas. In parallel with the highest concentration of jobs, the vast majority of new office and R&D development is located in Northern San José. San José is in a competitive position to attract new office and R&D as the city has lower cost campus settings, large sites and floor plates, access to a large labor force, expanding transit, and significant housing supply, retail and other amenities.

Silicon Valley is experiencing historically low levels of available industrial space on the market. Much of the available industrial space in the region is aging and becoming obsolete. Similar to the location of office and R&D, the majority of industrial/warehouse development is located in Northern San José, followed by Eastern and Southern San José.

San José's competitive position to attract additional industrial uses includes excellent freeway and rail access, proximity to urban populations, large sites and buildings with contiguous space, lower cost compared to other locations in the Bay Area, and an opportunity to co-located manufacturing with corporate offices.

Analysis of San José's Retail Market

In the Bay Area, most new retail is accommodated through re-tenanting and/or intensification. The fastest growth is in restaurants, grocery stores, and personal and business services. San José captures lower total sales per household compared to Santa Clara County ($30,800 versus $36,800). This validates research presented at previous meetings that showed San José experiences a significant sales leakage to outlying communities.

Comparison of Employment Land Supply and Demand

The majority of the City's vacant employment lands have industrial General Plan land use designations, followed by commercial (office and retail), and public/quasi-public land uses. A significant amount of the City's vacant employment lands are located in peripheral employment areas (North Coyote Valley, Evergreen Industrial Park, and Alviso Specific Plan Area). Only approximately 4 percent of vacant employment lands are located within Urban Villages.

Using the projections prepared by CCSCE, Strategic Economics determined the net new demand for employment lands by land use type. Based on the analysis, the largest demands for employment land will be for warehouse, distribution, manufacturing, and construction; followed by retail, office, and lastly R&D and high tech manufacturing. When compared to the City's supply of employment lands, demand exceeds supply in the City's core employment lands for industrial, office, and retail uses. The implications of these findings include the following:

- Some retail and office development will be accommodated through intensification of existing commercial sites;
- Some retail, office, and R&D development may occur on sites designated for industrial uses;
- There is likely to be increasing competition for premium sites located in the core; and
- Cost-sensitive users, like retail and industrial, may be priced out of desirable locations (e.g., North San José Jose and Edenvale).

Assessment of Urban Villages

Strategic Economics conducted an Urban Village market assessment to determine which Urban Villages have the highest potential to attract new office, industrial and retail development in the short-term. The results of the analysis indicated that most of the Urban Villages with the strongest market potential for office/industrial development are located in Northern or Central San Jose. For retail development, Urban Villages in Western San Jose are best positioned to capture new development. Factors that impact

Urban Villages' short-term market potential include location, access and transportation, local demographics, existing business mix, amenities, development opportunity sites, infrastructure, and adjacent land uses.

Questions and comments from the Task Force on agenda items 3 and 4 included:

- Concern regarding whether there is adequate capacity within Growth Areas to accommodate future housing and job growth
- The importance of locating retail by the city's periphery versus the core
- The desire to emphasize the positive or neutral fiscal impacts of high-density housing development
- Clarification regarding the fiscal impact of single-family housing versus multifamily housing
- The importance of constructing high-density housing to accommodate for the projected population growth
- The importance of attracting residents from the entire Bay Area to shop within the city boundary
- The possible increase in available space for retail uses due to the rise in technology that is eliminating the necessity for parking, such as Uber and autonomous vehicles.

5. Staff Recommended Planned Job Capacity Allocation Strategy

Michael Brilliot and Jared Hart presented Staff's proposed planned job capacity allocation strategy for the Envision San Jose 2040 General Plan. The presentation provided information on the purpose of the planned job capacity adjustment, the criteria staff used to determine their allocation strategy, the overall recommendation, and a breakdown of the proposed planned job modifications by Growth Area category.

Staff's recommendation included adjusting the General Plan's planned job capacity of 470,000 new jobs to a planned job capacity of approximately 362,000 new jobs (a reduction of approximately 108,000 new jobs). Staff proposed to decrease the General Plan's planned job capacity within all Growth Areas except for Regional Transit Urban Villages and the Downtown. Staff also discussed proposed modifications to the General Plan's allocation of planned housing. While Staff is not recommending to adjust the overall planned housing capacity of 120,000 new units, 4,000 new units will be added to Downtown by shifting planned housing units from Horizon 2 and 3 Urban Villages to be consistent with the current update to the Downtown Strategy 2000 Environmental Impact Report (EIR).

6. Task Force Discussion and Preliminary Recommendation on Modified Planned Job Capacity and Allocation Strategy

At the conclusion of the Staff and consultant presentations, Task Force members were asked to discuss and provide preliminary recommendations on Staff's modified planned job capacity and allocation strategy. Before voting on Staff's recommendations, Task Force members were allotted time to discuss their concerns, ask questions, and voice their opinions.

One Task Force member asked how the shift in dwelling units from the Horizon 2 and 3 Urban Villages to the Downtown Growth Area would affect the distribution of affordable housing units. Staff responded that the overall number of new affordable housing units is not proposed to change as the City has a responsibility to meet their "fair share" of their regional housing need allocation or RHNA. Staff also noted that the affordable housing discussion is planned to take place at the February 25, 2016 Task Force meeting.

Another Task Force member asked whether the airport height restriction affects development in the Downtown. The Task Force member also asked staff to clarify their reasoning behind the proposed changes to the Specific Plan Areas. Staff responded that the airport restrictions do affect development as new construction in the Downtown can only be built to a height allowed by the airport. For the Specific Plan Areas, staff stated that the planned job capacities for each area were reduced to area's development policy.

Other Task Force members were interested in seeing changes to staff's proposed allocation strategy. One Task Force member asked if the planned job capacity could be increased higher than staff's recommendation due to the area's high quality of infrastructure and incoming BART station. Another Task Force member was concerned about the decrease of planned jobs in the Neighborhood Villages. Two Task Force members desired a less significant decrease in overall planned job capacity.

One of the reoccurring concerns that Task Force members voiced was whether decreasing the planned job capacity will facilitate the conversion of employment lands to residential uses. Staff replied that Strategic Economic's report found that there is a not a sufficient supply of employment lands in the City's core employment areas to accommodate future demand. Staff also noted that there are policies within the General Plan that prohibit the conversion of industrial land, and discourage the conversion of commercial land.

<u>Motion:</u> One of the Task Force co-chairs made a motion for the Task Force to preliminarily approve staff's recommended planned job capacity adjustments and planned jobs and housing allocation strategy. Of the Task Force members present, all but three (3) Task Force members approved the motion to approve staff's recommendations.

7. Public Comment

Thirty-two (32) members of the public attended the meeting. Four (4) members of the public commented on topics related to the General Plan 4-Year Review process. Their comments focused on the affordability of housing in Urban Villages, the feasibility of staff's proposed J/ER ratio, and on City Council's defined scope for the 4-Year Review process.

8. Announcements

There were no announcements.

9. Adjourn

The meeting adjourned at 9:00 p.m.