

Santana Row/Valley Fair (SRVF) Urban Village

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Implementation Chapter

INTRODUCTION

This Chapter provides the framework for the implementation of the Santana Row/Valley Fair Urban Village Plan (“Plan”). The private development community will play a key role in the implementation of this Plan as it relies on development investment within the Plan area to achieve the identified improvements and many of the Plan’s goals. While some sites in the Plan may generate early development interest, others could take significantly longer and implementation of the entire Winchester Urban Village (“Urban Village”) could take many years. Continued community interest and political will is needed for the Urban Village to become the engaging, mixed use, walkable, bikeable, and well-designed neighborhood that creates the sense of place that is envisioned in the Plan.

The City of San José (“City”) does not have the level of resources needed to achieve the capital improvements identified in this Plan. Nevertheless, there are other steps the City can take to implement the Plan, including rezoning property within the Urban Village boundary to facilitate development consistent with the land use and urban design policies of this Plan.

Implementation topics covered in this chapter include:

- Consistency with the General Plan
- Land Use Regulation
- Zoning
- Public Improvement Implementation
- Implementation Actions

Consistency with the General Plan

The SRVF Urban Village Plan is consistent with the Envision San José 2040 General Plan, and furthers implementation of the General Plan’s Urban Village Major Strategy. The Urban Village Major Strategy was established as the policy framework to focus new job and housing growth to create walkable and bike friendly Urban Villages with good access to transit, services, amenities, and other existing infrastructure and facilities.

The General Plan phases the development of Urban Village areas into three development Horizons. The SRVF Urban Village Plan is placed in the third Horizon of the Envision San José 2040 General Plan to facilitate long term redevelopment. These Horizons are intended to phase the amount and location of new housing developments in order to achieve a more sustainable balance between jobs and housing; emphasizing new employment opportunities in San Jose, these Horizons do not phase jobs development, and jobs development can move forward in any of the Urban Villages at any time.

Land Use Regulation

The SRVF Urban Village Plan is a long-term plan for new development within the Plan area and has the same implementation timeframe as the Envision San José 2040 General Plan. New development within the boundaries of the Urban Village must conform to the standards included in this Plan, the most important of these standards being land use. The City of San José has the following two primary land use controls (among others such as specific plans, area development plans, etc.) that guide future development: 1) General Plan Land Use Designations, and 2) Zoning Districts found in Chapter 20 the Municipal Code. With the adoption of this Plan, the land use designations identified on the Land Use Plan of this document are also incorporated into the Envision San José 2040 Land Use/Transportation Diagram. Any future changes to the land use designation in the Plan will require an amendment to the Envision San José Land Use/Transportation Diagram.

The General Plan land use designation identifies locations, types, and intensities of future development. New development is required to conform to the General Plan land use designation, which may require a rezoning of the property as part of the entitlement process for a proposed project; this Plan does not change the Zoning Districts to be consistent with the land use designations in the General Plan and this Plan.

Zoning

The City does not redevelop properties, but the City can and should take proactive steps to encourage development in the corridor. One key step will be to rezone the corridor with a zoning district that is consistent with the design guidelines and land uses policies of this Plan and will further the goals of this Plan. Rezoning the properties in the SRVF Urban Village would clear away a major entitlement hurdle for urban, pedestrian-oriented development. Presently, multiple commercial and residential zoning districts are applied to properties within the SRVF Urban Village boundary. Most of the zoning districts preclude the construction of a more urban, pedestrian-oriented development, as they require large front setbacks. For most properties to develop consistent with the policies of this Plan, a developer would need to rezone to the Main Street or similar urban zoning district before proceeding with other development permits.

PUBLIC IMPROVEMENT IMPLEMENTATION PROGRAM

This Plan proposes a number of improvements to the Urban Village for which the City has some existing funding and implementation mechanisms. The City's established mechanisms, however, are often not sufficient to implement all of the improvements identified in this Plan. The public projects/improvements identified in the Plan are listed below with a discussion on existing funding and implementation mechanisms.

Parks and Plazas

The goal of maintaining, enhancing, and expanding parks and plazas within the Plan area is discussed in the Parks, Plazas, and Placemaking Chapter of this Plan. Public parks and plazas are overseen by the City's Department of Parks, Recreation, and Neighborhood Services (PRNS). PRNS has a number of approaches to the development and financing of new public parks and plazas, all of which contribute to the PRNS's Capital Improvement Program (CIP):

- The Parkland Dedication (PDO) and Park Impact (PIO) Ordinances

- Construction and Conveyance Taxes (C&C)
- Outside funding sources from grants, gifts, and other agencies like the County and State.
- Cooperative and Joint Use Agreements (most often with school districts or other public agencies)
- Bond Funding (when available)

The PRNS Capital Improvement Program implements the Parks and Community Facilities component of the City's Adopted Capital Budget, which is approved by Council each June for the following fiscal year. The CIP is comprised of park, trail, and recreation facility projects throughout the City and is planned over a 5 year forecast; the most recent 2016-2021 Adopted CIP includes approximately \$309 million in open space and park projects. Projects within the CIP are financed through a variety of funding mechanisms, described below. The City is, however, constantly in search of new tools to improve the City's park, trail, and recreational facilities, as well as vital services offered through PRNS.

Parkland Dedication and Park Impact Ordinances (PDO/PIO)

As the Urban Village develops, the primary and most direct funding mechanism for parks and trails is through the implementation of the Parkland Dedication Ordinance (PDO) and Park Impact Ordinances (PIO). Through the PDO/PIO, PRNS will receive In-lieu fees, land dedication, or turn-key improvements or a combination thereof with each new residential development. PDO/PIO land dedication and fees will help fund the development of public parks, and where appropriate, urban plazas, serving the Plan area. However, the PDO/PIO is wholly based on the development of new housing, and therefore it is both a limited and inconsistent funding source. Further, the PDO/PIO are subject to state and federal law limitations on the amount of fee that may be required on each residential project (the "nexus" requirement, which means that that the fees are required to stay within close proximity to the project).

Even if all of the planned housing units in this Plan are built, a significant funding gap will remain for park and plaza development within this Urban Village. Therefore, additional funding sources and community benefit tools will likely be needed in order to finance parks and urban plaza projects in the Urban Village.

Construction and Conveyance Taxes

The City collects taxes on construction of certain buildings and the conveyance of certain real property located within the City. A limited amount of these Construction and Conveyance Taxes (C&C) are allocated towards the development and rehabilitation of park and recreational facilities on an annual basis. Similar to the PDO/PIO, C&C taxes are somewhat market driven and an unreliable source of funding. While these revenues do not have a nexus requirement providing more flexibility than the PDO/PIO, but C&C taxes that must be allocated for various City facilities and services in accordance to a strict formula in the San José Municipal Code. Because they can be spent more flexibly, C&C taxes are often used to support parks projects in areas not experiencing significant new residential development and where PDO/PIO funds are extremely limited.

Grants, Gifts, and Partnership Funding

Beyond the application of the PDO/PIO and C&C taxes as described above, PRNS frequently seeks grants from outside agencies and is occasionally the beneficiary of charitable donations or resources bequeathed to the City by private will. Both of these potential resources enable the City to achieve more within its own limited capacities, but are infrequent, often difficult to anticipate, apply to specific projects, and/or require re-allocation of staff resources away from scheduled projects. In addition, grant funding is most frequently awarded on a reimbursement basis and as such, encumbers City funds to front the grant until reimbursement becomes available.

PRNS is also able to enter into partnerships with developers to create privately owned publically accessible open spaces (POPOS). This mechanism leverages private funds to create publically accessible spaces and provides for their long term care. An example of a POPO could be an urban plaza that is developed as part of a private development and then maintained by the property owner, but publicly accessible.

Joint Use, Cooperative, and Partnership Agreements

Throughout the City, PRNS has a number of Joint Use, Cooperative, and Partnership Agreements, which typically allow for public recreational use of non-City property or in some cases, the provision of recreational services by non-City agencies/organizations on City property. Where opportunities are present within or serving the Urban Village, City staff may work with other agencies to develop mutually beneficial arrangements for the expansion of public parks and recreational facilities.

Bond Funding

San José has a strong track record of community investment in parks and recreational facilities through voter approved bond measures. Most recently, voters in 2000 approved Measure P for the issuance of \$228 million in general obligation bonds for the improvements of parks and recreation facilities. This bond fund has contributed to major advancements in PRNS facilities, including upgrades to Happy Hollow Zoo, construction or rehabilitation of nine (9) community centers, trail expansion, and improvements to more than 69 neighborhood parks. At the time of adoption of this Plan, the Measure P Bond Fund is engaged with completion of its final two funded projects, both City-wide sports field projects. There are currently no plans for additional parks and recreation bond measures, but it is likely that over the duration of this Plan such options may be presented for voter consideration.

Streetscape Amenities and Circulation Improvements

Many streetscape and circulation improvements are identified in the Circulation and Streetscape chapter of this Plan. The proposed streetscape amenities and improvements presented exceed the standard transportation requirements of the City of San Jose's Department of Transportation (DOT), and are not included in the DOT's Capital Improvement Plans (CIPs) that fund street improvements and maintenance.

Street and public infrastructure projects will need to be financed and implemented through a combination of public and private funding mechanisms. Through the entitlement process for new construction, a developer will be required to plant street trees where they do not exist in front of their development, as well as dedicate right-of-way as necessary for the widening of the sidewalk. In some instances, private developers could propose funding identified improvements because these improvements would add substantial appeal to their projects. For example, such improvements could include special pedestrian scale streetlights, sidewalk furniture, corner curb bulb-outs, enhanced landscaping, public art, etc. Street improvements could also include Green Infrastructure. Green Infrastructure incorporates stormwater management techniques into the built environment through enhanced landscaping and pervious surfaces rather than channeling water directly to the storm system.

Regional, State and Federal funds are other potential funding source for the implementation of streetscape and circulation improvements. These sources do not, however, typically fund all on-going maintenance costs. To fund maintenance costs, as well as the capital improvement costs for additional services required by new development, a Special Financing District could be formed for the SRVF Urban Village.

Special Financing Districts

As many of the streetscape and circulation improvements identified in this Plan are outside the Department of Transportation's (DOT) core services, and are typically not included in DOT's Capital Improvement Plans (CIPs), an additional funding mechanism will need to be established. The establishment of a Special Financing District could help finance the construction and/or maintenance of public infrastructure improvements within the SRVF Urban Village. A Special District Financing Strategy could take many forms, including a Property & Business Improvement District (PBID), a Community Business Improvement District (CBID), or a Business Improvement District (BID).

PBID's, CBID's, and BID's are Special Financing Districts established by local businesses and/or property owners as a "special benefit assessment" to fund maintenance and capital enhancements in a defined area ("District"). Special Financing District funds can not only be used for these purposes, but also for marketing, small business assistance, maintenance, supplemental security services, public art and special events. The assessments must be based on the benefit received and only special benefit can be assessed that are above and beyond the services already provided by the City. The funds are collected annually through the tax collector and distributed to an operating entity, typically a nonprofit organization or public/private enterprise established for this special purpose. The funds can be used on a "pay-as-you-go" basis, or can be used as the basis for a larger bond to be used over time.

Special Financing District assessments may be placed upon businesses or on property owners or both depending on the type of district. In either case, the formation of the District must be approved by a simple majority of affected parties. Establishing a Special District is a two-step process. The first step is an affirmative petition to the City of over 50 percent of affected property and/or business owners in the District, with the votes weighted according to what each property and/or business owner would pay. The City would then prepare a ballot initiative to enact the special district, which will pass if more than 50 percent of returned ballots indicate support, again weighted by each assessment.

The City of San José supports the formation of Special Districts when the work within the District will contribute to the City's economic, social, environmental or aesthetic enhancement, the amount of the assessment is supported by the benefit derived, and the operating entity is financially responsible and accounts for funds received and expended in the manner required by law. The City's special districts group in the Department of Public Works facilitates the formation and ongoing administration of these districts. The cost to form these Special Districts must be covered by the applicant and is typically around \$30,000.

In addition, there are other similar funding mechanisms under State law that could also be explored to assist in the funding of City facilities and services.

Public Art

The integration of public art within this Urban Village is a placemaking strategy of the Plan. Public art can play a key role in reinforcing the visual identity of the area and add significant value to both public infrastructure and private development.

The City's public art program allocates one percent of all eligible City of San José capital project costs towards the design, fabrication and installation of public artwork to enhance the design and add to the character of the community served by its capital improvements. Public art funds within the City are managed by the Public Art Program/Office of Cultural Affairs, and specific projects are implemented in collaboration with stakeholders and capital project managers. Public art projects that are developed by outside agencies could also contribute to public art; however, a public arts contribution would have to

be negotiated on a case-by case basis. For example, VTA funded the public art enhancement program as part of the Bus Rapid Transit project along the East Santa Clara and Alum Rock Avenue corridor.

A Special Financing District, such as a Business Improvement District, which has been established in Downtown San Jose and the Willow Glen neighborhoods, could be a resource for the creation and maintenance of public art and other amenities.

While there is currently no private development funding requirement for public art, the inclusion of public art and public art maintenance into private development projects is highly encouraged, and is a demonstrated benefit for developers. For this Urban Village to meet its public art goals, additional funding sources or strategies need to be identified.

Affordable Housing

Providing more affordable housing is one of the greatest challenges facing San José and providing affordable housing within the Urban Villages is a major goal of the Envision San José 2040 General Plan. In addition, the Plan also contains a policy to integrate affordable housing within the Urban Village. While sources of funding now exist for creating more affordable housing, additional measures are needed to incent its production.

There are both financing and programmatic tools available to increase the amount of affordable housing in San José. The financing tools include Tax Exempt Bond Financing, where developers of mixed-income or 100% affordable rental properties can work with the City to issue tax-exempt bonds, the proceeds of which are administered as loans by conventional lenders. Developers that build 100% income-restricted housing can assemble a variety of funding sources to finance their project, including federal and state low-income housing tax credits, tax-exempt bond financing, federal project-based rental vouchers, and low-cost “soft” financing subsidies from the City, County, State, and the Federal Home Loan Bank. The availability of some tax credits and most subsidy sources is typically very limited and not predictably available in all locations or at a large scale.

The two programmatic tools to support the development of affordable housing are the City’s Inclusionary Housing Ordinance and its Affordable Housing Impact Fee. On January 12, 2010, the City Council approved an Inclusionary Housing Ordinance which requires that new for-sale residential developments of 20 or more units include housing affordable and price-restricted for moderate-income purchasers. Developers may satisfy their Inclusionary Housing requirement by providing 15% affordable homes on-site within their projects, or through a variety of developer options including off-site construction of 20% affordable units, payment of the in-lieu fee, dedication of qualifying land in lieu of construction, purchasing surplus inclusionary housing credits from another developer, the acquisition and rehabilitation of existing units, providing deed-restricted units that are available to lower-income households through agreement between the developer and the U.S. Department of Housing and Urban Development, or any combination of these methods that will achieve the requisite amount of affordable housing. Because of litigation over the validity of this ordinance, the City was only able to implement this requirement in 2016 after it prevailed in the lawsuit.

With regard to market-rate rental housing, the City Council adopted the Affordable Housing Impact Fee (AHIF) Program on November 18, 2014, and which took effect on July 1, 2016. AHIF requires new market-rate rental housing developments with three or more apartments to currently pay a one-time Affordable Housing Impact Fee of \$17 per finished livable square foot. The City will use collected fees to subsidize the development of restricted affordable housing in San José for units serving prescribed income levels.

IMPLEMENTATION ACTIONS

As it is anticipated that there will continue to be strong interest in building new housing in San Jose and in the SRVF Urban Village area, this Plan recommends the establishment of additional funding mechanisms that would require new housing development to contribute towards the implementation of the Urban Village Plan and the improvements and amenities identified by the community, which may be beyond the City's normal requirements. The following is the list of public improvements and amenities that are desired by the community:

- Affordable Housing

Affordable Housing is one of the highest priority amenities for the Urban Village. The City's goal, as supported by the General Plan and the Housing Element, is to integrate well-managed restricted affordable housing in neighborhoods throughout the City, particularly in Urban Villages with their walking access to transit, and community, and commercial amenities. This Plan therefore strongly encourages residential mixed-use developments to include deed restricted housing units on-site as an amenity.

Individual developments that offer 100% restricted affordable housing are considered a benefit to the community in and of themselves; therefore, development of this housing is encouraged wherever possible in locations close to transit, commercial, and other community amenities. Projects that are 100% affordable would not need to provide additional amenities, but would still need to be consistent with the goals and policies of this Plan, and would need to provide at least the minimum amount of employment/commercial space identified for a given area by the Plan.

Further, as development in Urban Villages will often focus on sites with existing uses and occupants, developers should seek to minimize or mitigate permanent displacement of residential occupants, particularly those with lower- and moderate-incomes. When permanent displacement is part of a project's plan, the baseline requirement is for developers to provide relocation assistance including moving costs, security deposits, and a minimum of three months' housing costs at then-current market rents for locations and amenities comparable to their existing homes, or as required by any applicable City ordinances, policies or guidelines, whichever provides more benefits to the displaced occupants. Additionally, if residents are elderly or disabled, the baseline package adds nine more months of rent payment for a total of 12 months plus moving and security deposit costs. Other commensurate anti-displacement strategies could be negotiated.

- Urban Plazas

Fully publicly accessible urban plazas are desired in the Plan for which there is limited funding. New development could pay additional fees to the City, provide or finance maintenance on City facilities, or improve and/or dedicate land for public plazas. Development could also incorporate plazas into their development consistent with the plaza design guidelines of this Plan, and that are publicly accessible, but privately maintained. These spaces are often called Privately Owned Public Open Space (POPOS).

- Parkland

Contribute more than what is required of the project through the Parkland Dedication Ordinance (PDO) and Park Impact Ordinances, whether it be additional In-lieu fees, land dedication, or turn-key improvements or a combination thereof.

- Transportation Improvements

Specific transportation improvements are identified in the Circulation & Streetscape chapter; they include:

- Communication network and other technology improvements
- Major corridor improvements
- Neighborhood traffic management improvements
- Bike and pedestrian network, facility, and amenity improvements
- Transit network, service, and facility improvements
- Implementation of transportation and parking management strategies 10
- Installation of complete street elements like street trees, landscaping, green infrastructure, street furniture, lighting, wayfinding, and gateways.

- Streetscape Amenities

Contributions for identified streetscape amenities that go above and beyond standard City requirements could be considered amenities. These include street furniture, pedestrian scale lighting, drinking fountains, historic placards, integrated public art, street banners, and attractive trash and recycling receptacles. Streetscape amenities can also include landscaping within the park strip and at corners that will beautify the corridor. The preference is that development projects construct these amenities, but monetary contributions could be considered if construction is not feasible or appropriate. Landscaping Improvements should only be provided if there is a written agreement that these improvements are to be maintained by the property owner or there is an established Special Financing District to provide on-going maintenance.

- Public Art

To encourage the integration of Public Art within the SRVF Urban Village, development could incorporate public art within the given project, or contribute money to fund public art elsewhere within Urban Village area. Developers that include public art within their project should engage the community on the design and content of the artwork and it should be publicly viewable. Another option is to include a public artist on the project development design team for a more integrated approach to aesthetic enhancements. The Office of Cultural Affairs can provide developers with assistance on the design and selection process. For art pieces on public property, the Office of Cultural Affairs would manage the Public Art process and engage the community in the selection of artists.

- Commercial Development

Should a residential mixed use project construct commercial space at 50% or more above the minimum commercial space requirement under this Plan, it can be considered as a community benefit. Other potential community benefits could include; designing and building commercial space that is specifically affordable to small businesses, leasing commercial space at an affordable rate to small businesses, providing the space and infrastructure for a farmer's market, or providing a space specifically for food trucks.

As with all Urban Villages throughout San José, entirely commercial development that is in keeping with the applicable Zoning Code and General Plan Land Use Designation can go forward at any time.

- Special Financing District

If it is demonstrated that a majority of the property and/or business owners along the corridor or within a portion of the corridor are interested in establishing a Special Financing District, a developer could fund the City costs and other outside costs associated with establishing this District. If and when a property based District is established, one amenities that is desired would be for the property owner to join such District.

- I-280/Winchester Boulevard Overcrossing

- Widen the deck of I-280/Winchester to accommodate continuation of the Winchester streetscape design included in this Plan, including wide sidewalks, bike lanes, landscaping,
- Fund an engineering and economic analysis and financial feasibility study of capping I-280 for development of or a mix of land uses such as a park, commercial, residential or parking structure.

Implementation Actions

Implementation Action 1: Develop an Urban Village Implementation Finance Strategy that will establish a financing mechanism to fund the improvements and amenities identified by the community.

Implementation Action 2: Consider the establishment of an additional funding mechanism that would require new housing development to contribute towards the implementation of the Urban Village Plan and the improvements and amenities identified by the community.

Implementation Action 3: Develop a Multimodal Transportation and Streetscape Plan for Winchester Boulevard. This Plan should identify the design and location of specific streetscape and other transportation improvements that could be constructed by private development proposals, through the City's CIP program or by outside grant funding.

Implementation Action 4: Actively seek external funding to finance and implement advancement of this Plan.