



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Harry Freitas
Kim Walesh

SUBJECT: SEE BELOW

DATE: April 3, 2015

Approved

D. D. SyL

Date

4/3/15

**SUBJECT: CITY COUNCIL STUDY SESSION ON THE HISTORY OF
EMPLOYMENT LAND CONVERSIONS IN SAN JOSE AND THE
FISCAL IMPACT OF LAND USE**

RECOMMENDATION

Accept the staff presentation on the history of employment land conversions to residential uses in San Jose, the fiscal impact of different land uses, and an overview of the purpose and process for the General Plan Annual Review and Four Year Review.

BACKGROUND

At the City Council Study Session on the evening of April 14, 2015, staff will present the history of employment land conversions to residential uses, the fiscal impact of different land uses, and information about the upcoming General Plan Annual Review, as well as the Four Year Review of the General Plan.

The Study Session is intended to provide background and context to inform Council discussion and decision-making regarding land use, including privately initiated General Plan amendments to convert employment lands to residential land use designation.

ANALYSIS

Overview of the Envision San Jose 2040 “Regional Employment Center” and “Fiscally Strong City” Major Strategies

On November 1, 2011, the City Council adopted the Envision San Jose 2040 General Plan, which built upon longstanding policies of growth management and added a stronger framework to create great places throughout San Jose and enhance job growth. The General Plan contains

two mutually supportive major strategies that promote the economic and fiscal health of the City: Innovation/Regional Employment Center and Fiscally Strong City.

Regional Employment Center Major Strategy

San Jose is the only city in the United States over 500,000 people that is a bedroom community, meaning more San Jose residents leave San Jose for work in other cities than workers from other communities commute into San Jose. This imbalance has led to significant fiscal, environmental and quality of life impacts for San Jose.

The General Plan's Innovation/Regional Employment Center Major Strategy was established to transform San Jose from the bedroom community for Silicon Valley to a regional employment center that truly is the Capital of Silicon Valley. At the April 14, 2015 Study Session, staff will discuss how the Envision San Jose General Plan promotes this strategy by:

- Planning for a jobs/employed resident ratio of 1.3/1, and for 470,000 new jobs
- Supporting job growth within existing job centers
- Designating job centers at regional transit stations

Fiscally Strong City Major Strategy

Closely tied to this Strategy is the General Plan's Fiscally Strong City Major Strategy. This strategy establishes a land use planning framework that promotes a balance of land uses that strengthens the fiscal health of the City and enables delivery of high-quality municipal services, consistent with community expectations. At this Study Session, staff will discuss how the City's current ratio of .8 jobs per San Jose worker has impacted the City's fiscal condition, and how the General Plan's land use policy framework is intended to create a fiscally strong and sustainable City.

While the focus of the April 14, 2015 Study Session is largely on employment lands, staff will also briefly discuss how the General Plan will accommodate a substantial projected population growth of 471,000 residents and 470,000 new jobs by the year 2040. The General Plan's Focused Growth Strategy plans for 120,000 new housing units and focuses new housing growth into infill areas that are well served by transit and city services, and do not impact established single family neighborhoods or employment areas. As outlined in the Urban Village Strategy, much of this housing growth is planned to occur through the transformation of older auto-oriented commercial corridors into mixed-use pedestrian oriented Urban Villages.

History and Impact of Employment Lands Conversions

Over the last 25 years the City of San Jose has approved the conversion of a significant amount of land designated in the General Plan for industrial and commercial uses to a residential land use designation to allow new residential development. Most of this employment land was occupied by existing businesses and not vacant. Between 1990 and 2007, the period in which most of the loss of industrial lands occurred, San Jose converted 1,400 acres of employment

lands to residential uses; this is the equivalent of nearly 21 Valley Fair shopping malls. Between 2001 and 2006, employment land conversions occurred at the fastest rate, with an average of 120 acres of employment land converted annually. In contrast, a total of only 86.3 acres of employment land was converted to residential uses in the eight years from 2007 to 2014.

At the Study Session staff will describe the history of employment land conversions and discuss how San Jose's employment lands are a significant contributor to the City's fiscal stability, providing substantial net positive revenue for the General Fund to support City services. Furthermore, staff will discuss how industrial lands in particular contribute to the region's economy, providing middle-income jobs and upward mobility for the San Jose workforce, and how residential conversions of industrial land have compromised the viability of San Jose's industrial areas.

Fiscal Impacts of Land Use and Density

In preparation for the April 14, 2015 Study Session and the upcoming Four Year Review of the General Plan, the City hired an economic consulting firm to update the General Plan Fiscal Impact study prepared as part of the Envision San Jose 2040 General Plan completed in 2011. This 2010 study provided an analysis of City service levels and fiscal conditions, and then provided an analysis of how different job and population growth scenarios would impact the City's fiscal condition, and thereby its ability to provide services.

This updated Fiscal Analysis will identify the fiscal impact of commercial office and retail uses, industrial uses, and residential uses, by various densities and mixed use development. The fiscal impact will be identified as the General Fund service costs of a given land use relative to the tax revenue that use generates for the City. The high-level findings of the consultant's work will be presented to the Council on April 14, 2015, with distribution of the final written report when finalized in May. While the General Plan and the City have multiple goals that they strive to achieve, this analysis is intended to inform the Council of the fiscal impacts or benefits of land use decisions. This updated Fiscal Analysis will also be used to inform the Four Year Review of the General Plan process discussed below.

Strategy to Retain and Grow Employment Uses

Staff will discuss the City's strategy to grow the City's economic base by attracting new companies and development. Staff will provide examples of recent projects with high fiscal impact. The presentation will highlight San Jose's advantages and challenges relative to other cities and identify sectors and locations poised for growth over the next four years.

Upcoming General Plan Annual Review and Four Year Review of the General Plan

General Plan Annual Review

The Envision San Jose 2040 General Plan instituted a new annual review timeline for evaluation of the progress on the Plan's implementation. Specifically, Implementation Policy IP-3.1

(General Plan Annual Review and Measurable Sustainability) states, "Beginning in 2013 hold one Annual Review hearing for the Planning Commission and the City Council to review and consider proposed amendments to the Envision General Plan and to evaluate Performance Measures." On April 14, 2015 staff will provide background as to why the Envision San Jose 2040 General Plan established an annual review process, limiting the consideration of privately initiated General Plan Amendments to once a year. Staff will also discuss the process and timeline for the 2015 Annual Review.

As part of the Annual Review, the General Plan established a process for the early consideration of General Plan Amendments that propose land use changes that are fundamentally inconsistent with the major strategies, goals and policies of the General Plan. The Administration can bring these amendments to the City Council for either denial or continued processing during the General Plan Annual Review. Over the next few months, the City Council will be hearing General Plan Amendments for Early Consideration. These privately initiated General Plan Amendments generally propose to convert employment lands to a residential land use designation.

Four Year Review of the General Plan

In addition to the General Plan Annual Review, the Envision San Jose 2040 General Plan established a process by which the City conducts a major review of the General Plan every four years. With Council approval of the Envision San Jose 2040 General Plan on November 1, 2011, the Four Year Review is planned to occur this year. The purpose of this review is "to evaluate the City's achievement of key economic development, fiscal and infrastructure/service goals, greenhouse gas emission reduction goals and targets, water conservation and recycling goals, availability and affordability of housing supply, healthful community goals, and to review changes and trends in land use and development." Based on this review, the Council could decide to amend the Land Use/Transportation Diagram and/or Envision General Plan goals, policies, and actions to further the achievement of the General Plan's Vision and Major Strategies. The Four Year Review is also the opportunity to determine the City's readiness to begin the next growth Horizon for Urban Villages and/or to modify the number of "pool" residential units available for new residential development within Urban Villages not within the current Plan Horizon.

On April 14, 2015 staff will discuss the general scope of work of the Four Year Review, as well as the process and timeline. Staff will also discuss how the Four Year Review will be coordinated with the Annual Review process.

PUBLIC OUTREACH/INTEREST

Because this item is a City Council Study Session and the Council will not be asked to take an action, this item does not meet any of the public outreach/interest criteria.

HONORABLE MAYOR AND CITY COUNCIL

April 3, 2015

Subject: City Council Study Session

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CEQA

Not a project, City Organizational and Administrative Activities, PP10-069.

/s/

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/s/

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