

Urban Village Implementation



City Council Study Session
April 1, 2014

Key Agenda Items

- Urban Village Financing Strategy for West San Carlos
- Envision San José 2040 Signature Project Policy
- FY2014-2015 Urban Village Workplan

Existing Urban Villages

San José currently has areas that have the characteristics of an Urban Village



Lincoln Avenue

Existing Urban Villages



The Alameda

Existing Urban Villages



Japantown



Existing Urban Villages



The Evergreen Village Center

Agenda Item III.

Urban Village Financing Strategy for West San Carlos

Urban Village Financing

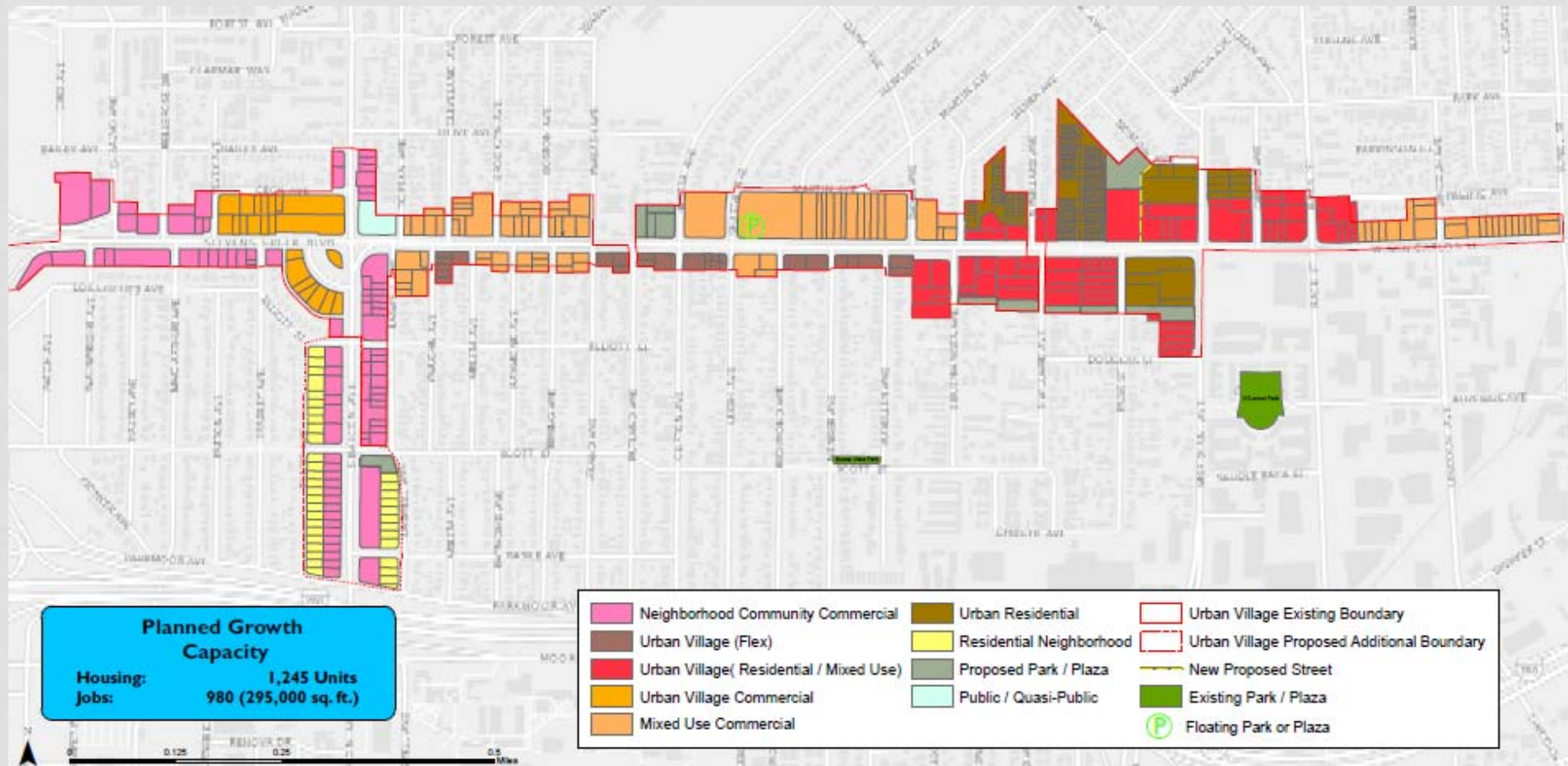
- San José already has programs for basic infrastructure financing (parks, water, storm/sewer, etc.)
- San José has used CFD's for infrastructure (Edenvale, Evergreen) and BID's for improvements and services (Downtown, Willow Glen)
- But need to finance “beyond the basics” including place making improvements (infrastructure and amenities) and incentives for job generating uses

Urban Village Financing

- Better Use of existing tools (BID's, CFD's)
- Urban Village re-zonings will add value to existing properties
- Opportunity to “capture” some of that added value from residential development
- Allow residential development under enhanced zoning with contributions to placemaking improvements and job creation
- Provide certainty to developers about the cost of building in an Urban Village

Case Study : West San Carlos Urban Village

Proposed Land Use Plan



West San Carlos Urban Village

Before



Intersection of West San Carlos Street and Willard Avenue

West San Carlos Urban Village

After



Intersection of West San Carlos Street and Willard Avenue

West San Carlos Infrastructure

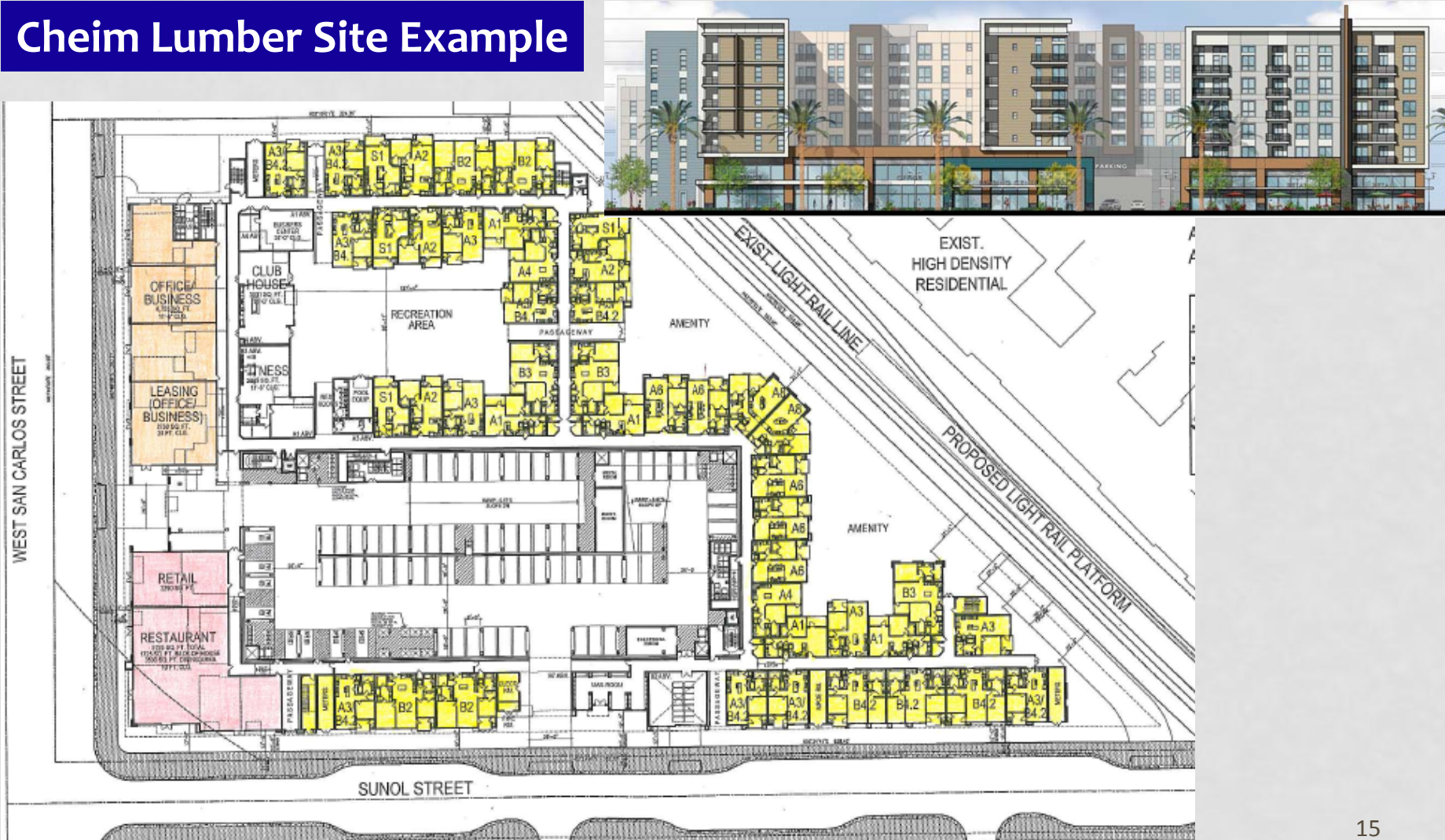
- Existing City funding mechanisms cover basic needs
- Additional Streets & Circulation Improvements (\$15 – 31 M)
 - Street tree canopy along the Village corridor
 - Enhanced pedestrian street crossings
 - Bike route on Scott Street

Incentives for Job Generation

- Fund market assessments for office and retail
- Identify opportunity sites and buildings for job-generating users
- Fee and tax reductions or waivers
- Subsidize infrastructure , tenant improvements, façade and signage improvements, etc.
- Place based marketing campaign

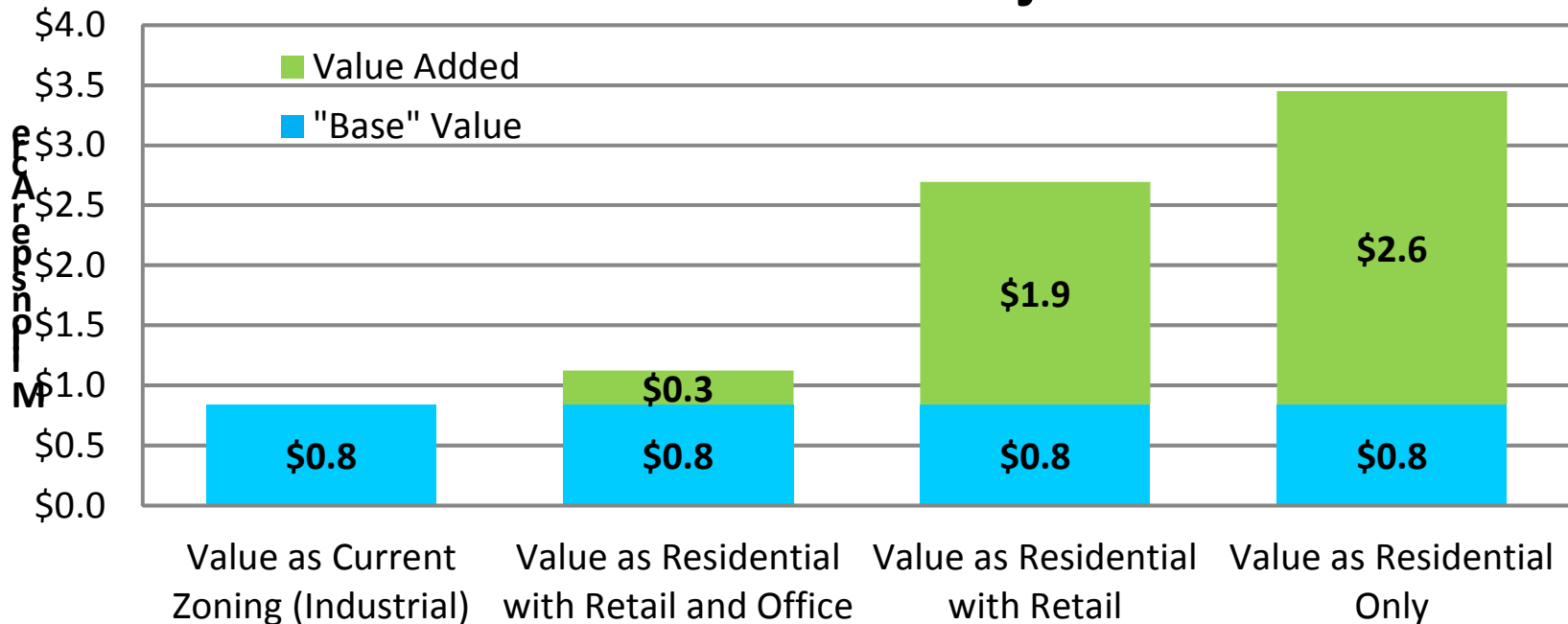
Harness Value from New Entitlements: Cheim Lumber Site Example

Cheim Lumber Site Example



Harness Value from New Entitlements: Cheim Lumber Site Example

Illustration of Land Values per Acre for Different Projects



Urban Village Financing Strategies

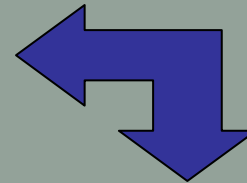
Three Potential Approaches

1. “The Direct Approach”

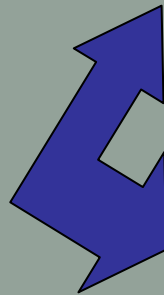
Development Agreements

2. “The Traditional Approach”

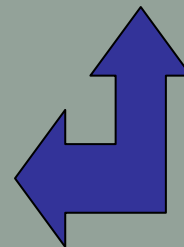
a. Impact Fees



b. CFD/
BID



c. DAs



3. “The Innovative Market Based Approach”

Public Development Rights

1. Urban Village Development Agreements

- Developers sign Development Agreement (DA) establishing contributions in exchange for enhanced and secured entitlement
 - Village Enhancement Fee
 - Participation in a CFD/BID
 - In-kind provisions
- Precedent: Roseville's DA and Benefit Fee



1. Urban Village Development Agreements

West San Carlos Example:

- City could establish expected contribution levels based on project characteristics
 - E.g., projects could pay \$15,000 per residential unit, less \$5,000 for each 1,000 SF of commercial space on-site
 - Could yield \$19 million for infrastructure and programs
- Developers would have certainty on expected costs and vested entitlements

1. Urban Village Development Agreements

Pros:

- Maximum flexibility for use of funds
- Only requires Council action, not broader vote
- Voluntary action by developers/property owners

Cons:

- Staff resource commitment
- Potential developer uncertainty if “one-off” negotiations
- Pressure for unique exactions

Suggestion:

- Create a simple “template” DA that sets expectations, limits new analysis and staff resource commitment

2a. Urban Village Development Impact Fees

- Create a nexus-based fee program that requires developers to pay fees to offset impacts and address needs
- Precedents: Milpitas Transit Area Specific Plan, San Francisco Transit Center District Plan



2a. Urban Village Development Impact Fees

West San Carlos Example:

- Conduct nexus study that determines impacts of new development on infrastructure and allocates costs accordingly.

For example:

- Residential may create need for new infrastructure costing \$13,000 per unit
 - Commercial development may create at \$10 per sq. ft.
- Collect fees at time of development permit and use to fund improvements.

2a. Urban Village Development Impact Fees

Pros:

- Limited staff involvement to administer
- Certainty for projects/no negotiation required
- Legal standing well established
- Only requires Council action, not broader vote

Cons:

- Limited flexibility for use of funds
- Nexus may be hard to establish for certain improvements/incentives
- If fee only paid by residential development, would not cover full infrastructure cost

Suggestion:

- Conduct nexus study to establish maximum fees, use to inform discussions with property owners/developers

2b. Community Facilities Districts/ Business Improvement Districts

- Property owners and/or tenants in districts vote to pay annual special taxes or assessments.
 - CFDs can be for public capital facilities and limited services
 - BIDs can be for programs, including job incentives, plus some physical improvements
 - Can use these mechanisms to finance DA or fee obligations
- Precedents: Many subdivisions have CFDs and many downtowns BIDs



2b. Community Facilities Districts/ Business Improvement Districts

West San Carlos Example:

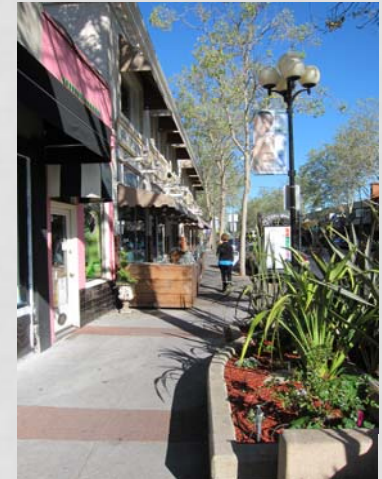
- CFD and/or BID could require \$1.00 per residential sq. ft. per year for projects upon completion
- Could yield \$1.25M per year at build out or support \$17M bond



2b. Community Facilities Districts/ Business Improvement Districts

Pros:

- Voluntary action by property owners/developers
- “Fair and reasonable” allocation; not impact- or benefit-based
- Legal standing well established
- City has successful track record of establishing (i.e. Lincoln Ave. PBID, Evergreen CFD, Japantown BID)



2b. Community Facilities Districts/ Business Improvement Districts

Cons:

- Requires voter approval and may expire
- Limited use of funds outside area of impact
- Bond issuance costs
- Obtaining voter approval can be challenging (i.e., The Alameda PBID)

Suggestion:

- Gauge property owner/developer interest in creating districts
- Offer technical and potential financial support for studies

3. Public Development Rights (PDRs)

- Create a market for enhanced entitlements with dynamic pricing, and capture value for public purposes.
- Third-party fiduciary administers sale of development rights over time and across locations.
- Precedents: Transferrable Development Rights (San Francisco, New York City)



3. Public Development Rights (PDRs)

West San Carlos Example:

- City or fiduciary determines that 200 housing unit PDRs would be offered next year based on market trends and infrastructure needs
- Developers pay price set by fiduciary or bid competitively
- Revenue yield would depend on market conditions

3. Public Development Rights (PDRs)

Pros:

- Market-driven transactions can capture optimal value
- Potentially broad flexibility on use of funds
- Innovative approach establishes San José as a pioneer

Cons:

- Limited precedents in American cities and legal system
- Would require extensive due diligence and education, as well as creation of organizational capacity
- Likely would require changes to state law

Suggestion:

- Further exploration of legal and administrative opportunities and constraints

Summary of Potential Mechanisms

| | Use of Funds | Revenue Potential | Legal Issues | Administrative Issues | Process of Adoption |
|-------------------------------------|--|--|---|--|-------------------------------|
| Development Agreements | Very flexible for projects, programs, and location | Up to market acceptance, but precedents can set standard | Solid history; must show mutual benefit and avoid inequitable outcomes | Staff negotiation with developers of each project | Council vote |
| Area Development Impact Fees | Only for nexus-based costs, no job programs | Nexus-based only, according to project impacts | Solid legal history; must link to project impacts | Requires nexus studies | Council vote |
| CFDs/ BIDs | Physical projects and programs inside district | Budget-based, but up to market acceptance | Solid legal history, but phasing in and annexing may be tricky | Requires studies to set budgets and allocate costs | Property owner or tenant vote |
| Public Development Rights | Very flexible for projects, programs, and location | Market-based approach can reset price yearly or open for bid | Many questions, but potential illustrated by several analogous mechanisms | Brand new organizational capacity required | Council vote |

Positives
 Limitations

Discussion Questions

- Is the Council comfortable with the basic finance approach: leverage housing market to finance infrastructure, amenities and economic development incentives?
- Should staff continue to explore all of the financing strategies presented?
- What other financing mechanisms or approaches should be pursued for Urban Villages?

Agenda Item IV.

Envision San José 2040 Signature Project Policy

Envision San José 2040 Major Strategies

#3 Focused Growth:

Strategically focus new growth

#4 Innovation/Regional Employment Center:

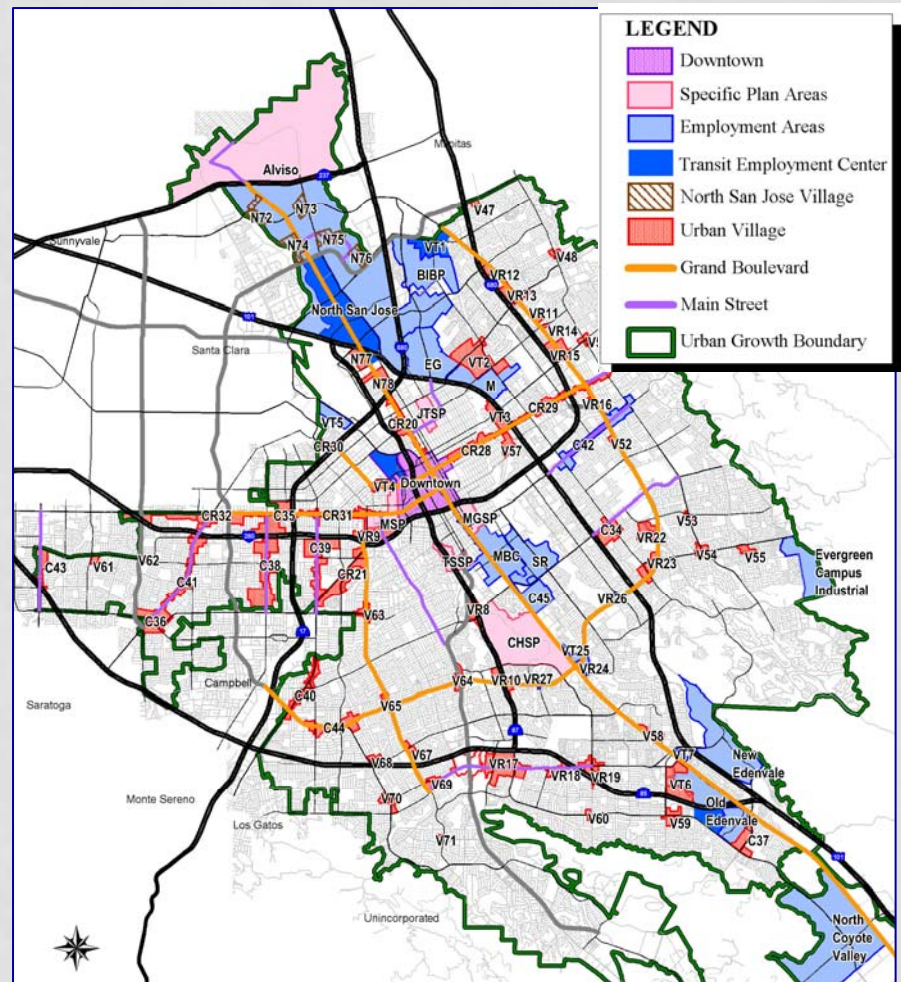
Emphasize economic development

#5 Urban Villages:

Direct most new job and housing growth within Urban Villages that have access to transit and other existing infrastructure and facilities

#12 Plan Horizons:

Phase housing development within Urban Villages



Envision San José 2040 Growth Horizons



To carefully manage San José’s expected housing growth, residential development is planned to occur in phases, referred to as Horizons, in designated Growth Areas.

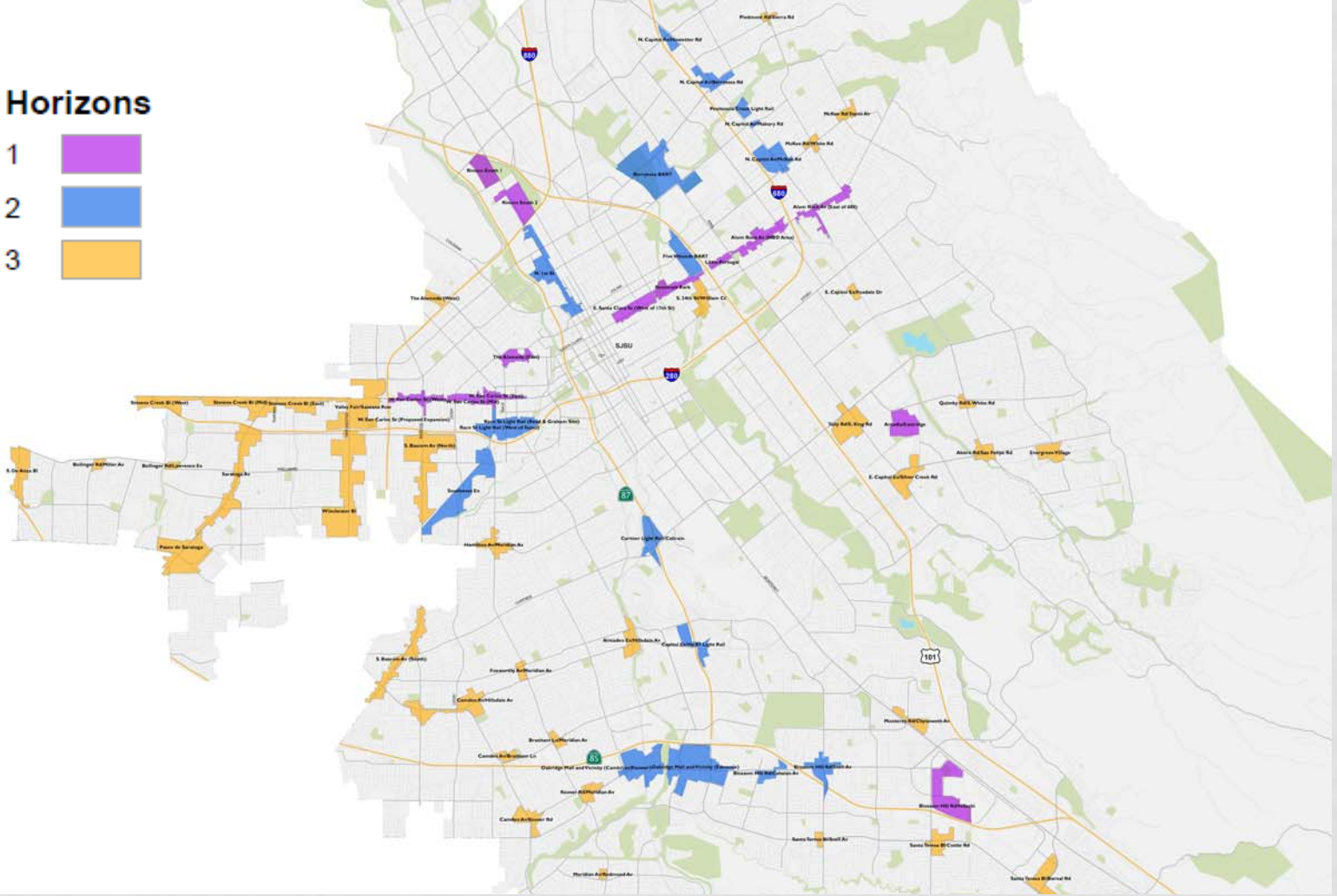
| Plan Horizon | Growth Area |
|---|---|
| <p>“Base” Capacity for new housing development not regulated by Plan Horizons</p> | <ul style="list-style-type: none"> • Downtown • Specific Plan Areas • North San José Area Development Policy • Vacant / Underutilized Lands • Residential Neighborhoods • Existing Entitlements |
| <p>Horizon 1 Residential Growth Areas</p> | <ul style="list-style-type: none"> • Downtown Urban Village Corridors (East Santa Clara Street, Alum Rock Avenue, West San Carlos Street, and The Alameda) |
| <p>Horizon 2 Residential Growth Areas</p> | <ul style="list-style-type: none"> • BART Station, Light Rail Station, and Light Rail Corridor Urban Villages |
| <p>Horizon 3 Residential Growth Areas</p> | <ul style="list-style-type: none"> • Planned Light Rail Stations and Corridors, Commercial Centers, and Neighborhood Urban Villages |

Urban Village Growth Horizons

Residential development may only occur in the current Horizon.

Horizons

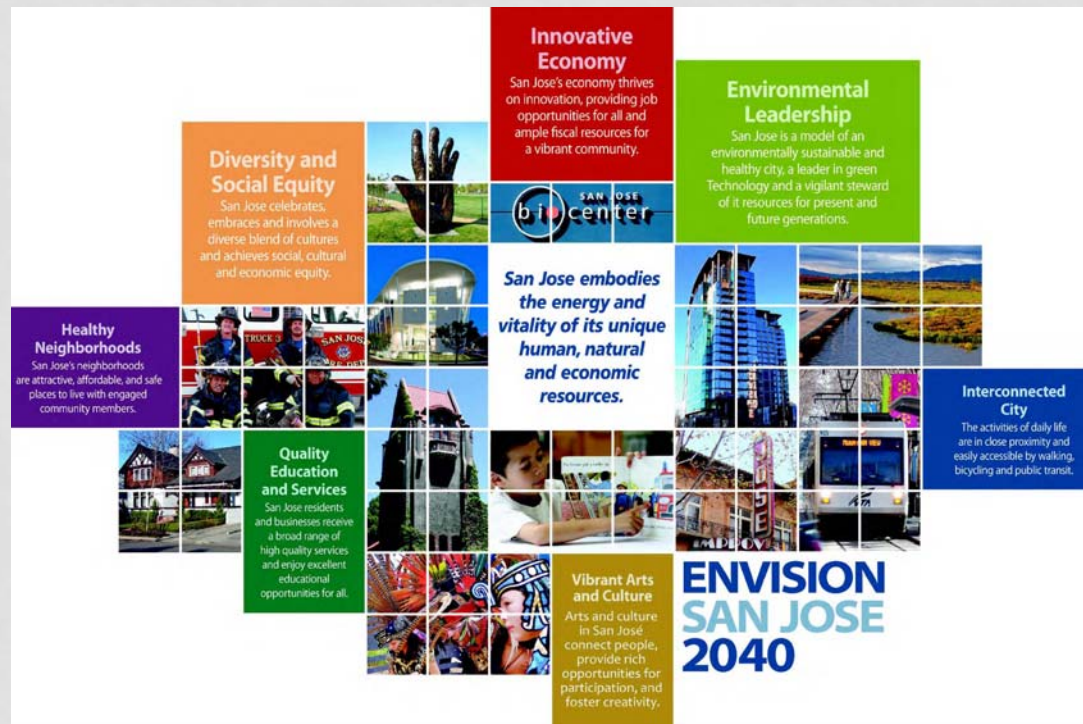
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General Plan Major Review

Implementation Policy IP-2.4:

- Conduct a Major Review of the *Envision General Plan* every four years and determine the City's readiness to begin the next Horizon.
- Such review should focus on consideration of progress made in economic development, the City's fiscal health, and its ability to support continued population growth.



Implementation Policies Providing Flexibility

Flexibility to allow residential development ahead of a future growth Horizon is provided by the:

Residential “Pool” Policy

And

“Signature Projects”

Envision San José 2040



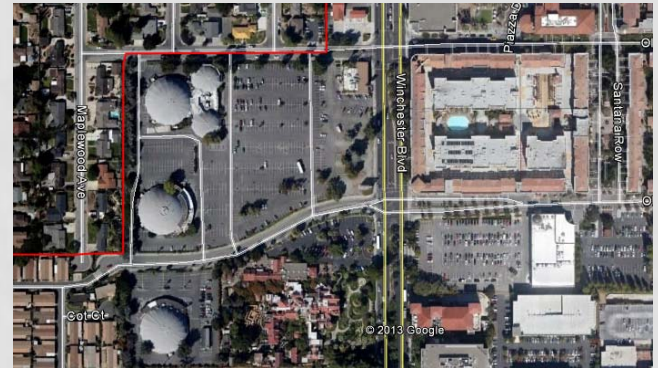
GENERAL PLAN



What is the Residential “Pool” Policy ?

A residential project that proceeds ahead of a Village’s Growth Horizon, but for which an Urban Village Plan has been prepared

- A “pool” of 5,000 units is initially established.
- Projects receiving allocation must conform to the Land Use / Transportation Diagram.



Winchester Theatres : Possible Signature Project site as an Urban Village Plan has not been approved.



Five Wounds: Possible Pool Project site as an Urban Village Plan has been approved.

“Signature Project” Purpose

Allow mixed-use residential development with a significant commercial component to occur prior to the completion of an Urban Village Plan.



What is a “Signature Project” ?

A project that proceeds ahead of an Urban Village Plan and Growth Horizon and includes:

1. Job growth capacity above the average density planned for the Village
2. Housing density at or above the average density planned for the Village
3. Located at a visible, prominent location within the Village
4. Public open space areas
5. Pedestrian friendly design

What Could a “Signature Project” Look Like?

Main Street Cupertino Cupertino, CA



What Could a “Signature Project” Look Like?

Main Street Cupertino Cupertino, CA

Project Data

- Site size: 18 acres
- Office: 260,000 sq.ft.
- Retail: 130,500 sq.ft.
- Hotel: 180 rooms
- Residential: 120 units
- Public Open Space: 1.55 ac



What Could a “Signature Project” Look Like?

The Villages at San Antonio Center Mountain View, CA



What Could a “Signature Project” Look Like?

The Villages at San Antonio Center Mountain View, CA

Project Data

- **Site size:** 20 acres
- **Office:** 500,000 sq.ft.
- **Retail:** 106,000 sq.ft. & 8 screen theater
- **Hotel:** 165 rooms
- **Residential:** 330 units
- **Public Open Space:** 1+ acre



What Could a “Signature Project” Look Like?

Cambrian Park Plaza Shopping Center San José, CA

Site Area:
17.24 acres

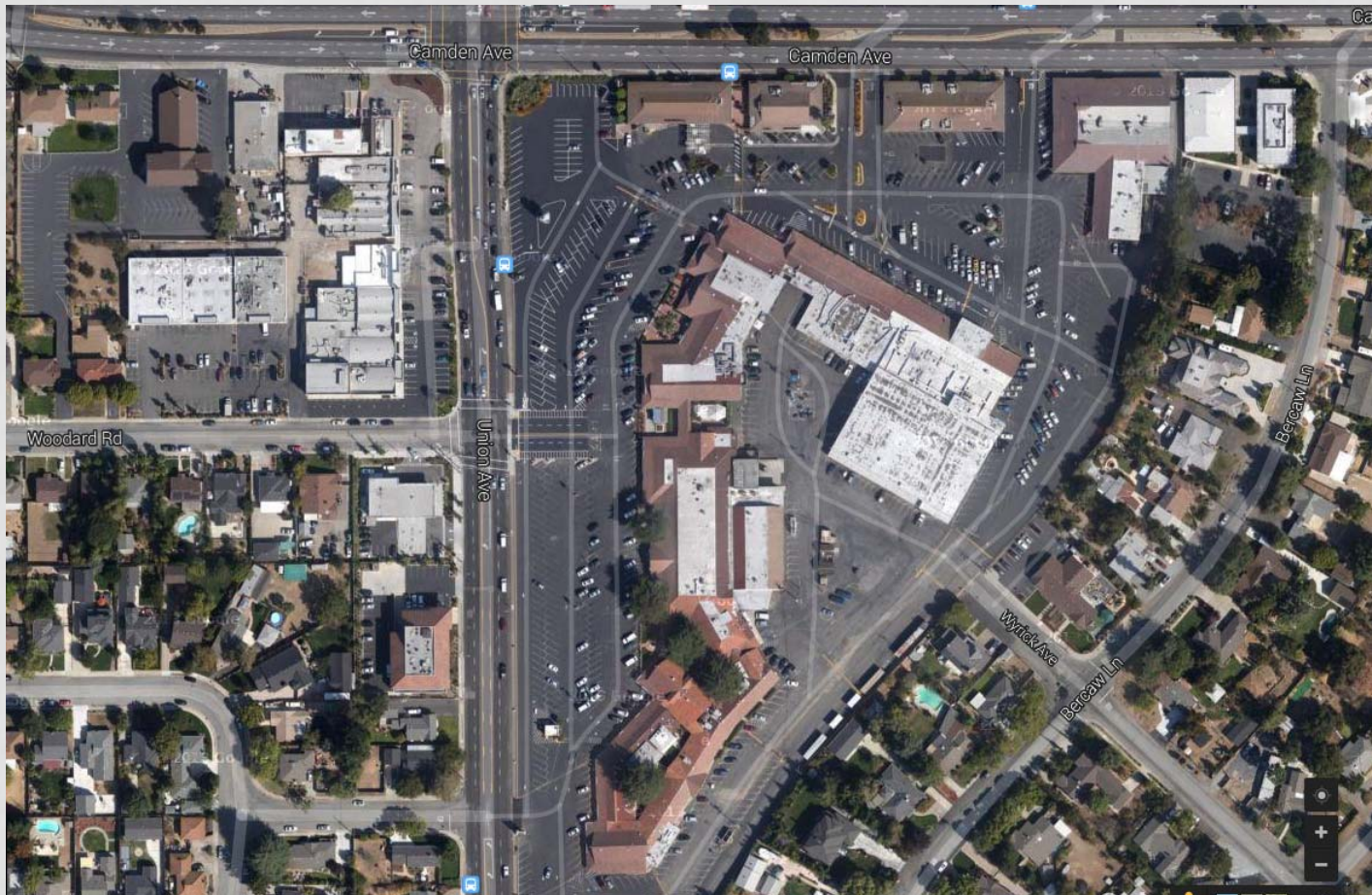
Existing
Development:
170,427 sq.ft.

Existing Floor
Area Ratio:
0.23



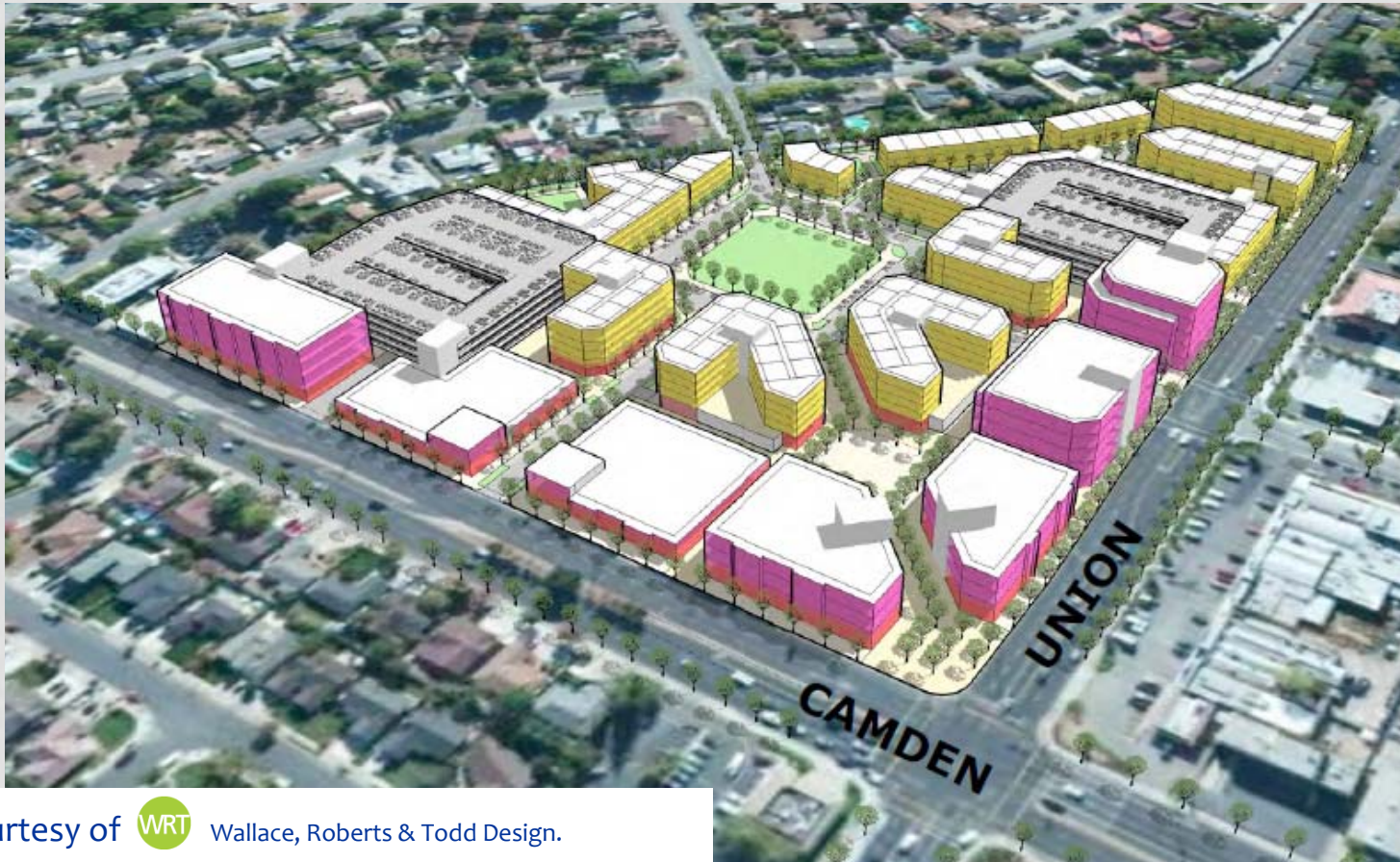
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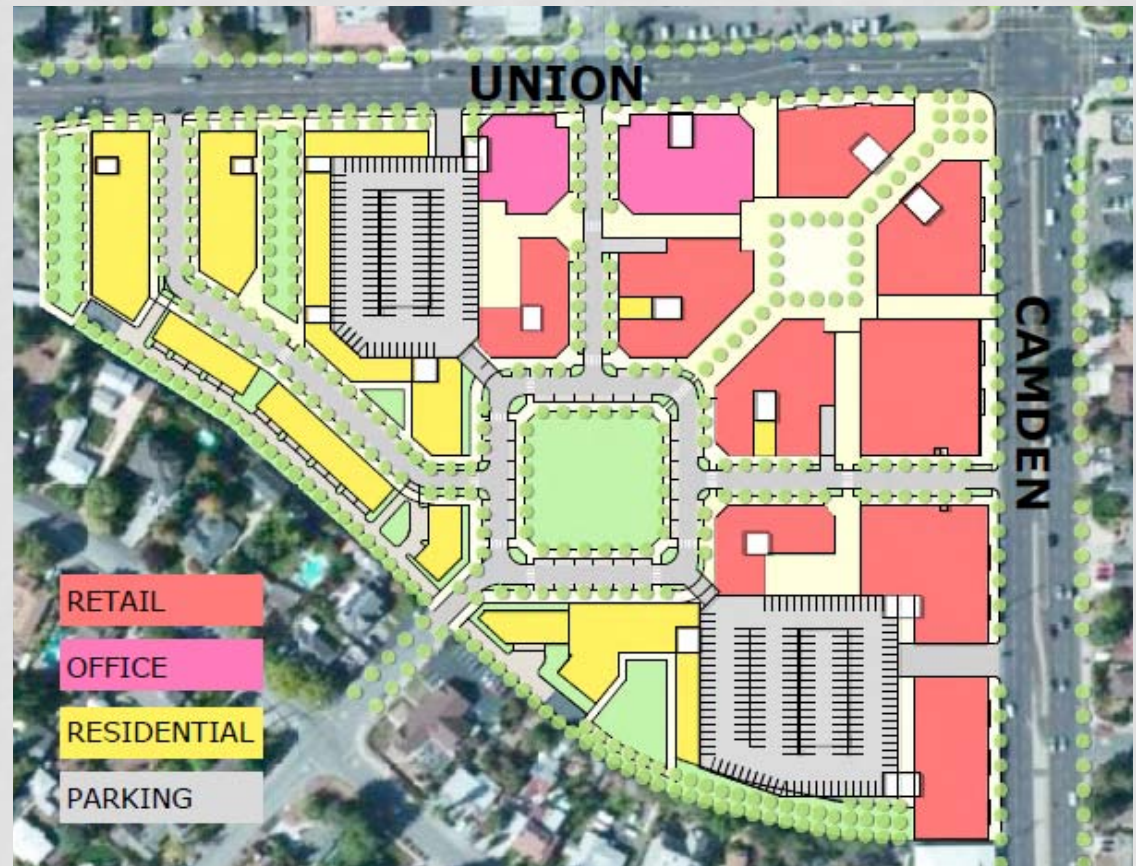


What Could a “Signature Project” Look Like?

Cambrian Park Plaza Shopping Center San José, CA

Project Data

- **Site size:** 17.24 acres
- **Office:** 258,000 sq.ft.
- **Retail:** 154,000 sq.ft.
- **Residential:** 440 units
- **Public Open Space:** 1.79 ac



Signature Projects

Experience to date...

- Preliminary Review Applications for “Signature Projects” have been submitted
- Development permits for a “Signature Project” have not been submitted
- “Signature Project” criteria has been effective in discouraging housing dominant projects
- Signature Projects are generally conducive to larger development sites

San José 2040 - A City of Urban Villages

City Council Discussion and Questions



Envision San José 2040



GENERAL PLAN



Agenda Item V.

FY2014-2015 Urban Village Workplan

FY2014-2015 Urban Village Workplan

Objectives:

- Complete identified Urban Village Plans and Secure Council Approval
- Complete Revisions to City development standards and zoning codes to facilitate Urban Village development
- Rezone private properties as identified
- Communicate clearly that San José's Urban Villages and employment centers are open for investment

FY2014-2015 Urban Village Workplan

The Urban Village Implementation Team is a multi-departmental team led by Planning that includes staff from:

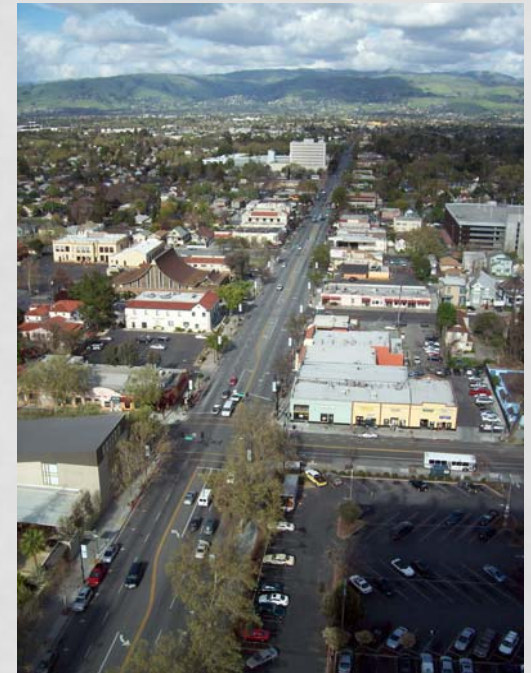
- Office of Economic Development
- Department of Transportation
- Public Works
- Housing
- Parks, Recreation and Neighborhood Services
- Finance
- City Attorney's Office



FY2014-2015 Urban Village Workplan

Complete Urban Village Plans for:

Santana Row/Valley Fair
Stevens Creek Boulevard
Winchester Boulevard
East Santa Clara Street



FY2014-2015 Urban Village Workplan

Also Develop:

- Diridon Station Area Implementation Plan
- Financing Strategies for 8 Urban Villages
- Area Development Policy for traffic for greater Santana Row Area
- Updated City roadway and public Improvement standards
- Revised zoning framework and City initiated property rezonings for select Urban Villages

FY2014-2015 Urban Village Workplan

To successfully implement Urban Village Plans, Workplan includes:

- Continued engagement with the development community
- Property owner engagement
- Resident and business owner engagement

FY2014-2015 Urban Village Workplan

FY 2014- 2015 Proposed Budget:

- Provide funding for permanent positions to support the implementation of urban villages in Planning, Building and Code Enforcement; Parks, Recreation and Neighborhood Services; Public Works; and Transportation Departments.
- Anticipated year-end requests to re-budget non-personal/equipment savings to next fiscal year

Next Steps

- Diridon Station Area Plan Council Hearing – May 2014
- West San Carlos Urban Village Plan Council Hearing – August 2014
- South Bascom Urban Village Plan Council Hearing – August 2014
- The Alameda Urban Village Plan Council Hearing – August 2014
- Refinement of Urban Village Financing Strategy based on Council feedback

Urban Village Implementation



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April 1, 2014**