



Memorandum

TO: CITY COUNCIL

FROM: Mayor Sam Liccardo
Councilmember Chappie Jones
Councilmember Magdalena Carrasco

SUBJECT: LAND USE STUDY SESSION

DATE: April 10, 2015

APPROVED:

4.10.2015

DATE:

04/10/15

[Handwritten signature of Sam Liccardo]
Sam Liccardo

RECOMMENDATION

Accept staff presentation; and direct the City Manager to:

1. Return to City Council in December 2015 with the 4-year Major Review of the Envision San Jose 2040 General Plan; and,
2. Include findings for consideration by the City Council of a limited review conducted by staff and the General Plan Task Force, subject to the following constraints:
 - a. No proposed revisions to GP 2040 that would require a new Environmental Impact Report: The 4-year Major Review is not intended to undertake any major revisions to the General Plan that would require environmental clearance, such as with any expansion of the Urban Growth Boundary, or with development in the Urban Reserves.
 - b. Ground-truthing goals: San Jose's jobs/housing imbalance indisputably has caused the City to provide services at less than satisfactory levels for many years. The Jobs First goal of the GP 2040 attempts to course correct and reflects a bold and aspirational goal of 1.3:1 J/ER ratio, albeit at a baseline that is low compared to other cities in the Silicon Valley. While we retain that jobs-first principle, in the near term 10-year period through 2025, we should set a more achievable goal that will focus our policies on cognizable, measurable steps to dramatically improve our current 0.7:1 J/ER.
 - c. Preservation of commercial and industrial lands: The preservation of employment lands must continue to be a priority if we intend to be serious about the restoration of City services.

This requires continued discipline against the many pleas from lobbyists and developers for conversions of those job-creating sites to housing.

- d. City-initiated General Plan amendments and re-zonings for retail uses: There continues to be a significant sales tax revenue leakage out of San Jose. We should identify prime retail sites in retail-starved areas of the city, such as North San Jose, and proactively offer appropriate zoning-based incentives to property owners to support the re-designation of land uses.
- e. Identify Urban Villages that are best timed to proceed based on current or imminent infrastructure investments: In the near-term, the City should focus its efforts on identifying and positioning prime sites for development along public transportation corridors where funding for transit improvements such as BART, BRT or LRT services are imminent, or where adequate transportation infrastructure already exists. Prioritizing those sites for mixed-use development can direct developers to those locations where development is appropriately congruous with the community's reasonable expectations. Merely allowing development "where the market drives us" is not planning; it's acquiescing.
- f. Allowing flexibility, with explicit limits, in pursuit of larger goals: While staff and Council must continue to hold the line against employment land conversions that will undermine the City's fiscal condition, very limited and explicitly constrained exceptions would allow for critical public policy goals to be achieved, for example:
 - 1) Transit-oriented development in Urban Villages: For those high-priority Urban Villages, above, staff should analyze the feasibility of maintaining a minimum FAR for employment uses (e.g., in the range of .35 - .4 of commercial and office development) for proposed conversion of industrial lands to commercial use or mixed use with residential, along transit corridors, in the near term.
 - 2) Undesirable uses in neighborhoods: In many neighborhoods, existing and long-standing commercial uses, such as liquor stores and massage parlors, may tend to disrupt the quality of life of the people that live in and around them. Staff might consider development proposals that offer up to a .35 - .4 minimum FAR of mixed use with residential for approval.
 - 3) Temporary housing for the homeless: The rehabilitation of vacant hotels/motels in certain commercial corridors of the city, for the sole purpose of temporary housing, has been presented as a solution for the homeless crisis we face. Other solutions, such as micro-housing on sites constrained by a five-year permit, are also worth exploration. Explicit and enforceable constraints must be imposed to ensure that these are merely

temporary uses, not to be perceived as opportunities to convert employment lands to residential purposes in the future.

- 4) Commercial land inventory: Staff should evaluate lands that are not economically viable for commercial use, and present potential development opportunities.

BACKGROUND

With the 2011 Council adoption of the City's General Plan, we consciously made a fundamental policy shift to guide the City's continued growth through the year 2040 in order to achieve our long-term fiscal and economic objectives. Given the long range nature of the General Plan, we should be careful not to tinker too much with the policies embedded within it, in the near term. One good example of how the General Plan is working is that requests for industrial land conversions are few and far between, and several developments that proposed truly viable, mixed use projects with retail and office, in addition to housing, have been given the green light to proceed to construction. Since 2007, the quantity and nature of conversions have changed to a jobs and housing model. This is in contrast to wholesale conversions of employment lands to housing that had been based on failed assumptions, like those we experienced previously in Mid-Town and Berryessa.

With several new policy makers on the Council, some land use lobbyists expect us to pivot to a new position on implementing the General Plan that they consider highly regimented and lacking in flexibility. We have been told that the City should leverage the strong market in housing to "get what the City wants" even if it means giving up on a few acres of employment land. The claim is that we should build housing for young tech workers to live in and that companies will follow. Unfortunately, it has been proven over and over again that housing has never been a catalyst for job generation in San Jose.

San Jose continues to be one of the largest generators of housing in the Bay Area. The economic rebound has been great for San Jose over the past few years. Construction valuations from permit activity data for FY 2013-14 and FY 2014-15 (as of March 2015) shows highly robust activity for all segments of development, but most significantly in the residential sector, as shown below:

<u>Fiscal Year</u>	<u>Residential</u>	<u>Commercial</u>	<u>Industrial</u>
FY 2013-14	\$835,556,000 (4,724 Units)	\$398,506,125	\$457,410,001
FY 2014-15 (3/15)	\$514,956,689 (3,076 units)	\$243,532,871	\$247,648,486

Some facts from the Metropolitan Transportation Commission's *Vital Signs* website also reinforce San Jose's lead in producing housing as shown below:

Top Cities and Unincorporated Areas for Permitted Units 1990 through 1999

San Jose: 2,880 units/year

San Francisco: 1,450 units/year

Unincorporated Contra Costa County: 1,170 units/year
Santa Rosa: 810 units/year
Fremont: 740 units/year

Top Cities and Unincorporated Areas for Permitted Units 2000 through 2009

San Jose: 2,830 units/year
San Francisco: 2,180 units/year
Unincorporated Contra Costa County: 1,460 units/year
Oakland: 1,010 units/year
Brentwood: 930 units/year

Top Cities and Unincorporated Areas for Permitted Units 2010 through 2013

San Francisco: 2,800 units/year
San Jose: 2,700 units/year
Dublin: 700 units/year
Unincorporated Contra Costa County: 560 units/year
Sunnyvale: 540 units/year

As a result of this prolific annual housing construction, San Jose continues to be the only major city in the country with a larger night time population than day time, undermining our economic and fiscal status as compared to most other cities in the region. Our job growth is not keeping pace with our housing production. This will continue to challenge the City's ability to deliver essential services to existing and future residents.

We recommend that we continue to keep our focus on the fiscal implications of San Jose's jobs-housing imbalance, hold the line against conversions of industrial and other job-supporting parcels, and ensure that our housing development is in the form and locations that provides the best returns, the least traffic, and the least environmental impacts. At the same time, we believe the kinds of targeted changes we have outlined above can better enable us to accomplish our shared objectives.

The General Plan's land use policy framework must continue to aspire towards creating a fiscally strong city that is a regional employment center.