

Memorandum

TO: City Council

FROM: Mayor Sam Liccardo
Councilmember Pierlugi Oliverio
Councilmember Magdalena Carrasco
Councilmember Chappie Jones

SUBJECT: GP15-008

DATE: May 8, 2015

APPROVED:

DATE:

5-8-15

RECOMMENDATION

Recommend that the City Council deny the proposed General Plan Amendment (GPA) at 1100-1298 West San Carlos Street at the May 12, 2015 Council meeting, in support of the staff recommendation for denial through the Early Consideration process provided for in the Envision San Jose 2040 General Plan, Chapter 7, Implementation Policy, Goal IP-3.3.

BACKGROUND

OC McDonald and Mel Cottons have served San Jose residents for decades, becoming well-known and highly respected institutions in our community. A grateful City commends them for their service and for employing hundreds of our residents, across several generations. These community pillars, like all property owners, deserve predictability and certainty in the City's process. We recommend denial of the GPA proposal, and no deferral of a decision that is inevitable, to a later date.

In 2007, one of the property owners inquired of the City about its perspective on converting the property. City planning staff made explicit that staff and Council had no interest in converting job-generating lands to support incidental retail with a mass of housing. No application for a GPA was filed at the time.

The reason for the City's position—beyond its emphatic interest in stemming the tide of conversions of job-sustaining land citywide—is simple: the current CIC land use designation already provides ample flexibility for the development of office, retail, commercial, industrial, or

any combination of those uses. A large retailer or combination of restaurant and retail uses would come in high demand among a set of neighborhoods starved for additional retail. The one use that CIC does not permit is the one that most undermines our City's fiscal base: residential. It is hardly the case that our development community lacks opportunities to build. Developers constructed more housing in San Jose last year than any other city in Northern California, even during a widely-proclaimed boom in construction in San Francisco. The City's Vacant Land Inventory shows the availability of 548-acres of vacant residentially-designated lands, which will allow for the development of tens of thousands of more units.

Employment-supporting land, in contrast, appears more scarce. Midtown has lost over 100-acres of employment lands between 1990-2006, translating into a loss of 1.5 million square feet of industrial space and 3,000-4,000 jobs. Great community institutions of yesteryear, such as the Del Monte canneries, Sears, Lou's Village, Meineke Muffler, Meyer's Appliances, Fiesta Lanes bowling alley, Saddle Rack, Durham Meat Products, Union Ice Company, Zilog and other construction supplies, home improvements, printing services and auto repair businesses, come to mind. Many of these businesses offered middle- income and union jobs for residents lacking college or advanced degrees. However, the majority of the lands on which these businesses once thrived, are now almost all in residential use, with little or no neighborhood retail amenities.

The applicants assert that the presence of nearby residents will constrain traditional industrial operations on these sites. If so, then conversion of this site to residential will similarly constrain the many employment-serving sites to the immediate south, and we'll continue to watch the dominos fall. The applicants' 4.1 acres have been consistently withheld from conversion in the Midtown Specific Plan--and in every prior and successive General Plan-- because of their unique size (see land use designation maps attached). Unlike the shallow parcels that otherwise line West San Carlos, these larger parcels can better accommodate a large employer. Combined with similarly job-supporting parcels to the south, this Lincoln-Auzerais area enables the larger urban village to retain employment and services to accommodate the fast-growing Midtown residential community in the immediate vicinity.

We should carefully scrutinize arguments that developers commonly make about the fiscal benefits of housing, i.e., that somehow existing industrial or commercial uses don't generate much property tax revenue for the city, particularly compared to a \$50 million or \$80 million residential project. Focusing too narrowly on property tax misses the larger fiscal picture. The real fiscal issue involves the *net* overall impact to the General Fund, and two critical elements to that net fiscal calculation cannot be overlooked: (1) the cost of services to residents, and (2) revenues other than property taxes. That is, serving residents stretches our police, fire, neighborhood services at a far higher cost by any measure—per square foot, per capita, or the like—than serving daytime employees. Second, industrial and commercial users bring a host of revenues *other than* property tax to the City, such as utility and sales taxes. Of course, the issues are far more than merely fiscal; we also need to retain this employment land to retain a core base for blue-collar, high wage jobs, and we want to provide more amenities to nearby retail-hungry neighborhoods.

HONORABLE MAYOR AND CITY COUNCIL

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In contrast to the City's fiscal loss, the property owners and applicant stand to gain enormously through a favorable decision. The Council's decision to allow the conversion of property designated as Combined Industrial/Commercial to Transit Residential provides a financial windfall for both the property owners and the applicant of over \$10 million, at the long-term cost to the taxpaying public.

Several applicants for residential conversions have also pressed the notion that the Council can only serve "due process" rights by allowing early decisions like this one to have the benefit of full review by the Council during the General Plan hearing this fall. To the contrary, the California Environmental Quality Act (CEQA) clearly contemplates an "early decision" process in Section 15270, by exempting such early denials from environmental review or study.

Should the Council agree to allow this GPA to proceed to a hearing in the fall, the applicant will be required to commence the extensive—and expensive—process of environmental review. At this stage, the applicant will then assert that "now that we've come this far, and we've spent \$x millions of dollars, the Council can't possibly say 'no'—we will have wasted all of that money."

This is a pivotal moment for San Jose. The loss of prime employment lands has a profoundly negative impact on the City's long-term fiscal health, magnifying our uniquely poor jobs-housing imbalance. We will not correct the course of history with a single decision, but we can set a clear precedent for the future. Our residents expect and deserve a courageous decision from this Council.

LAND USE DESIGNATION UNDER MIDTOWN SPECIFIC PLAN, 1992

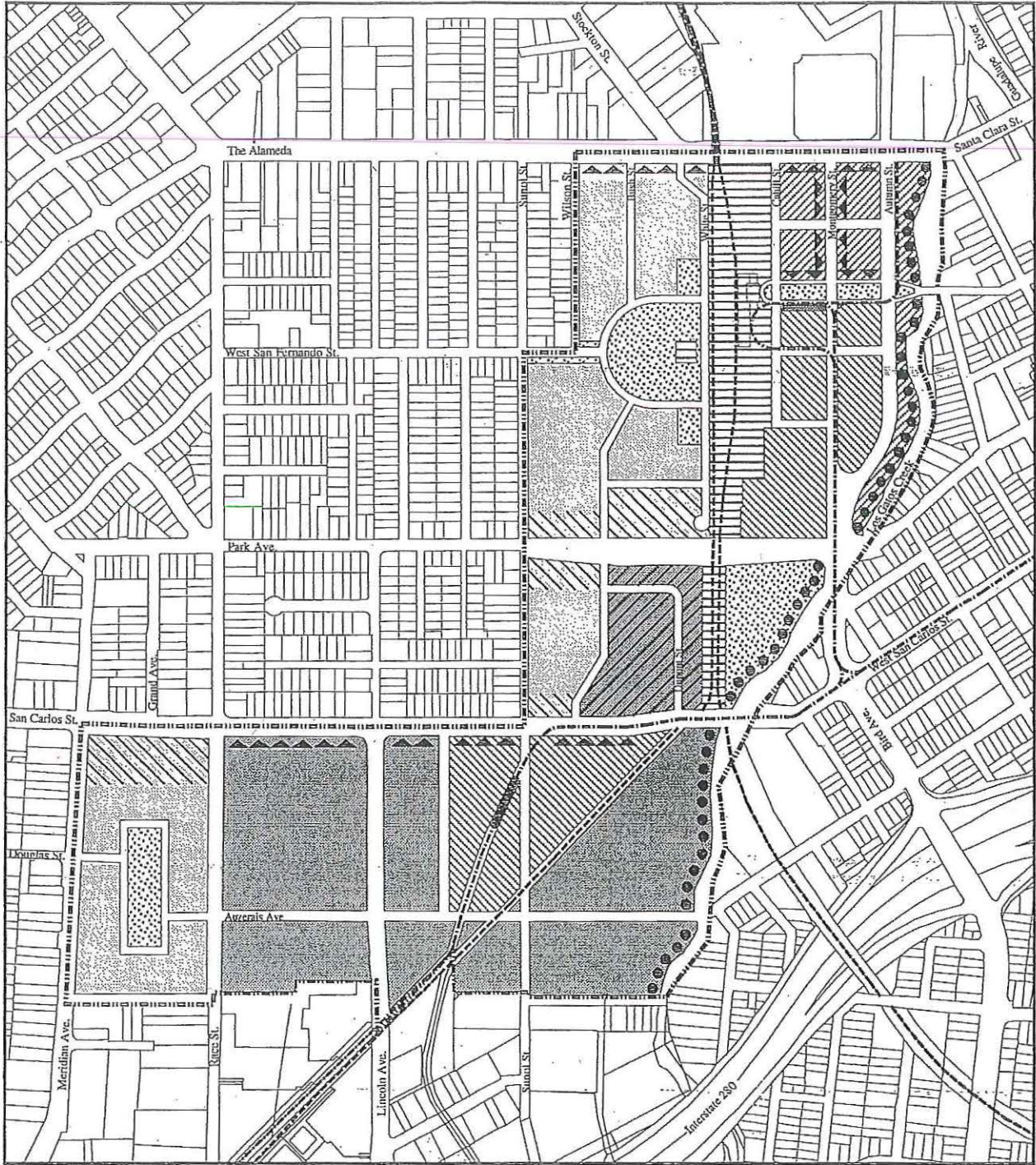
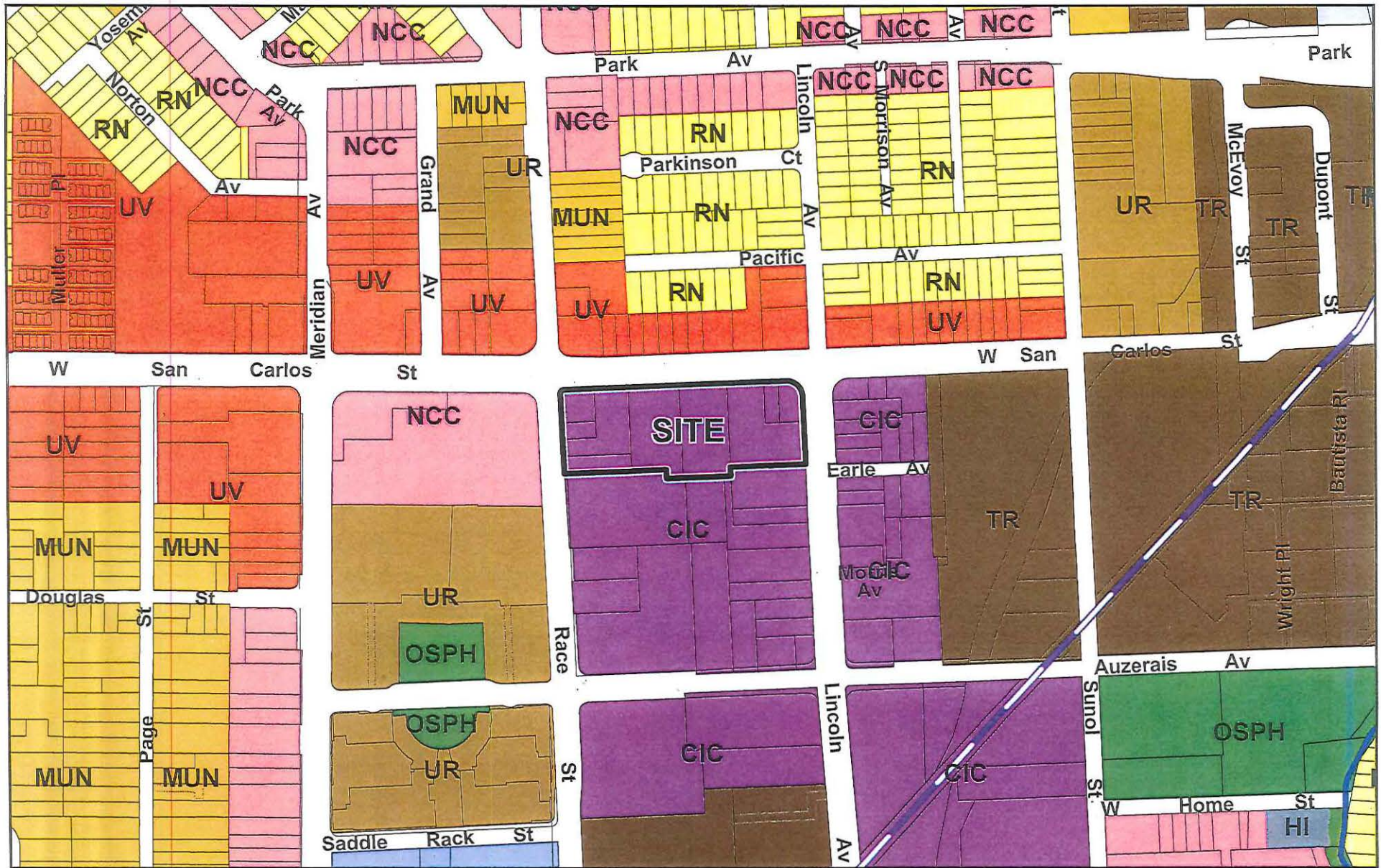


Figure 12
LAND USE MAP



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|---|--|--------------------|
| High Density Residential (HDR)
(25-65 du/ac) | Combined Commercial Industrial/
Live/Work Residential Overlay (CI-LW) | Light Rail Transit |
| High Density Residential
General Commercial Overlay (HDR-GC) | Public / Quasi-Public (PQP) | CalTrain |
| Transit-oriented Mixed Use (TMU)
(Office and/or Residential) | Public Parks / Open Space (POS) | |
| General Commercial (GC) | Los Gatos Creek Access | |
| Combined Commercial Industrial (CI) | Ground Level
Retail Frontage | |



File No: GP15-008
 District: 6

LAND USE DESIGNATION
 UNDER GENERAL PLAN 2040



Prepared by the Department of Planning,
 Building and Code Enforcement
 03/10/20