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CC AGENDA: 6-7-05
ITEM: 4.8



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Stephen M. Haase

SUBJECT: COYOTE VALLEY
SPECIFIC PLAN

DATE: May 31, 2005

Approved *Kay Winer*

Date *5/31/05*

District: 2
SNI: None

REASON FOR SUPPLEMENT

This memorandum responds to questions raised at the Rules Committee on May 25, 2005. Although the items on the Council agenda pertain to the funding and contract administration of the Coyote Valley Specific Plan (CVSP), a couple of Committee members had questions regarding development phasing issues. While this memorandum seeks to address these questions, the financing and phasing topics are not on the agenda for Council's consideration.

BACKGROUND

In August 2002, the Council voted unanimously to initiate a specific plan for the Coyote Valley. At that time, the Council appointed a twenty-member task force and agreed to 16 vision and outcome statements. Mayor Ron Gonzales and Councilmember Forrest Williams co-chair the task force. Several of the outcome statements refer to "triggers" and phasing issues.

In September 2004, the Council accepted the first progress report on the CVSP and reaffirmed the vision and outcome statements. At that time, the Council reinforced the importance of a financially feasible plan for private development, recognizing that the City expected the property owners/developers to pay the upfront infrastructure costs.

In January 2005, the Council accepted the second progress report and expressed interest in the specific financing and phasing approach to implement the Plan. In particular, Vice Mayor Chavez looked forward to creative approaches that had not yet been pursued with the City's other adopted specific plans. Staff responded that this analysis would begin this year.

At the Rules Committee on May 25, 2005, Vice Mayor Chavez reiterated her interest in a response to the financing and phasing question. In addition, Councilmember Chirco requested clarification between "at will build" versus triggers.

ANALYSIS

The Task Force, staff, and the consulting team are continuing to work on the phasing and financing issues. Given their complexity and the keen interests of many stakeholders, these issues are not expected to be resolved quickly. This memorandum provides a status of this work.

What are "Triggers"?

The San Jose 2020 General Plan contains development "triggers" which must be satisfied before any specific plan and residential zoning for Coyote Valley can be approved. These triggers require 5,000 jobs, 1993 service levels, and fiscal stability with the State. In other words, the triggers seek to ensure job creation and fiscal stability before opening a new growth area at the southern end of San Jose. The triggers demonstrate the City's commitment to responsible growth, ensuring high quality services to existing neighborhoods as well as the new Coyote area. Triggers for job growth, revenue creation, and fiscal stability also indicate the need for Coyote Valley to be fiscally self-sustaining.

What is "At Will Build"?

In contrast, "at will build" would allow developers to build according to the specific plan depending upon their own business interests without triggers (i.e., policy limitations) set by the City Council. The "at will build" approach has worked well for infill locations where new investment catalyzed revitalization.

This approach may not work well in Coyote Valley given the City's track record in attracting housing development before job growth.

What is "Phasing of the Willing"?

The infrastructure costs for the new Coyote Valley community are substantial and require a thoughtful financing plan. Pursuant to the San Jose 2020 General Plan and Council direction, these costs are to be borne by private property owners or developers, not the City. Infrastructure investment should occur in a logical sequence to allow orderly growth of Coyote Valley. The "phasing of the willing" acknowledges the need for a financing program that is flexible to allow property owners that are ready to build to pay their fair share of financing assessments and proceed to construction. Not all 260 property owners in the planned urban portion of Coyote Valley may be ready to develop their properties for some time. This is because some of them are residents and/or long time owners. Instead of "phasing of the willing," this concept could be called "financing of the willing."

What is the Task Force Discussing about the Triggers?

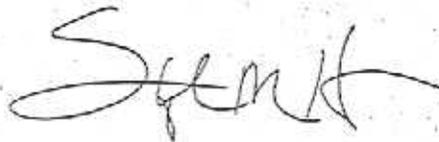
Item Number 12 of the Council's CVSP Vision and Outcome Statements says that the "plan must develop trigger mechanisms to ensure that increments of housing may not move forward until the appropriate number of jobs are constructed in a parallel timeline to maintain a jobs/housing balance in Coyote Valley." This statement suggests that the General Plan triggers may be modified as part of the CVSP process. It also indicates that the current 5,000-job trigger could unleash all of the 25,000 housing units which may not result in a fiscally stable community over the build out of the Specific Plan.

As a result, on April 28, 2005, the co-chairs of the Coyote Valley Specific Plan Task Force issued a memorandum elaborating on the vision and outcome statements particularly as they related to phasing (see Attachment 1). When introducing this memorandum at the May 9th Task Force meeting, Mayor Gonzales carefully explained that the ideas are starting points for discussion and could be changed substantially based on Task Force discussion. The Mayor also emphasized that the points intended to reinforce and/or strengthen the City's key goals for Coyote Valley in terms of job creation, greenbelt preservation, affordable housing production, etc.

The Mayor then facilitated an engaging discussion amongst Task Force members on the first few points. At its next meeting on June 20th, the Task Force is expected to continue its discussion of the memorandum. In August, the Task Force is scheduled to begin refining these points. After the Task Force has completed its work on these points, the Council is likely to consider them as part of a future progress report on the Specific Plan.

COORDINATION

The preparation of this supplemental memorandum was completed in coordination with the City Attorney's Office.



STEPHEN M. HAASE, DIRECTOR
Planning, Building and Code Enforcement

Attachment:

1. Memorandum from Mayor Ron Gonzales and Councilmember Forrest Williams dated April 28, 2005 regarding CVSP Timing and Logistical Requirements Discussion.



Memorandum

TO: Coyote Valley Specific
Plan Task Force

FROM: Mayor Ron Gonzales
Councilmember Forrest Williams

SUBJECT: CVSP Timing and Logistical
Requirements Discussion

DATE: April 28, 2005

Approved *RD for PG*
EM for FW

Date *4/28/05*

When the City Council initiated the Coyote Valley Specific Plan process in 2003, it also approved 16 statements about vision and expected outcomes to serve as guidelines for the Task Force. Among these was the direction to address the issue of General Plan "triggers" related to the timing and phasing of future development. Historically, these triggers would allow development to occur in specific increments only after specific prerequisites were achieved.

We believe we must include updated practical guidelines for the timing of potential development in our recommendations to the City Council. With that in mind, we have prepared a very rough draft of "timing and logistical requirements" regarding the Coyote Valley phasing plan as a beginning point for Task Force discussion. These are reflected in our notes to the vision and outcome statements (Attachment I) and specific discussion points (Attachment II)

1. **Development requirements:** Phasing has been broadly defined in the Council's 16 outcome statements regarding Coyote Valley, but these leave room for a more detailed phasing plan specific to the CVSP. Attachment I includes highlighted text accompanying the outcome statements that suggests how each statement could lead toward more specific requirements for development.
2. **Phasing of infrastructure, industrial development, housing, and services:** The Task Force has discussed the concept of "phasing by the willing" with planning staff, and they are prepared to let the market dictate who and what will go first. Attachment II is our first attempt to develop a set of specific triggers or requirements based on the Council's vision and outcome statements. We aimed at providing maximum flexibility to allow market forces to drive actual implementation of the plan within the policy goals and requirements originally established by the City Council.
3. **Stakeholder and public involvement in a Development Requirement Plan:** We must continue our strong commitment to work with the community in this matter. Steps should include a community workshop similar to what we held at the earlier planning stages of the CVSP. By bringing this to the community now, we can identify and address questions and concerns sooner so that development requirements will have public support and be effective to achieve our long-term goals for Coyote Valley.

ATTACHMENT I

*Coyote Valley Specific Plan
Vision and Expected Outcomes
August 2003*

1. The plan will include Central and North Coyote for land planning and will include South Coyote in the infrastructure financing mechanism only. South Coyote (Greenbelt) is included only to determine financing and other mechanisms to secure this as a permanent Greenbelt.
 - ~~Permanent protection of the South Coyote Greenbelt is an extremely high priority.~~
2. The line (Greenline) between Central and South shall not be moved.
 - ~~Greenbelt permanence is an extremely high priority, and therefore its boundaries cannot change.~~
3. The line between North and Central could be erased to allow for mixed-use throughout as long as 25,000 housing units in Central and 50,000 jobs in North remain as a base. Then, jobs can be added in Central Coyote and housing in North Coyote to achieve mixed-use or develop a property owner agreement to "trade" jobs and housing counts to achieve mixed-use goal.
4. The overall development character of North and Central Coyote Valley should be very urban, pedestrian and transit-oriented community with a mixture of housing densities, supportive businesses and services and campus industrial uses.
 - ~~Fees and development offsets should be based upon a per-acre basis, not a per-unit basis, to encourage higher density development.~~
5. The Specific Plan should plan for the extension of light rail and heavy rail into Central Coyote and use these facilities to orient development.
6. We shall maximize efficient land usage; i.e., the 25,000 units and 50,000 jobs are both minimums. In North and Central Coyote combined, the total development potential is at least 50,000 jobs and at least 25,000 housing units. Through the Specific Plan process, we shall determine the distribution of that potential across north and south, including mixed-use concepts.
 - ~~Fees and development offsets should be based upon a per-acre basis, not a per-unit basis, to encourage higher density development.~~
7. It will be important to distinguish that the 50,000 jobs referenced are primarily industrial/office jobs, not the additional retail support or public/quasi-public jobs (e.g., City workers) that must also be accommodated in the Plan area for a vibrant, mixed-used, urban community.
 - ~~Only Industrial/Office jobs are to be included in calculating job/housing ratios that are used for new triggers.~~
8. Identify locations for public facilities (libraries, parks, schools, etc.) in the land use plan as well as include these facilities in the financing plan.
 - ~~PDO/PIO and School Impact Fees/School agreements need to provide resources for development of these public facilities.~~

9. North and Mid-Coyote should contain a rich system of parks, trails, and recreation areas.
 - PDO/PIO fees and any other dedications should provide resources for park and recreation facilities.
10. The identification of financing measures for the needed capital improvements to support the planned levels of development.
 - An assessment district of some type shall be in place to fully fund public infrastructure.
11. The plan must be financially feasible for private development.
 - This goal is to keep fees low AND recognize that job-creating development will be less capable of carrying additional costs, and therefore new fees/triggers must be borne by residential development.
12. The plan must develop trigger mechanisms to ensure that increments of housing may not move forward until the appropriate number of jobs are constructed in a parallel timeline to maintain a jobs/housing balance in Coyote Valley.
 - New housing cannot receive final approvals for occupancy without proportionate completion of job development.
13. The Task Force should review the potential to utilize "subregions" of the valley that will incorporate jobs and housing that can move forward when the subregion has ability to finance the appropriate infrastructure. Residential projects will be issued building permits in parallel with the development of jobs when either the projects are purely mixed-use in their construction or the jobs and housing are constructed simultaneously.
 - Subregions (phases) are not required to have geographic continuity.
14. The plan should seek mechanisms to facilitate the permanent acquisition of fee title or conservation easements in South Coyote.
 - Residential development in the plan shall provide a specific offset of land or easements acquired based on a ratio of new residential acreage to South Coyote land that is not already publicly held or has development on it. This will require clear definitions of existing development for this purpose i.e. if there is one house on a 20 acre parcel how much of the 20 acres may be able to have a conservation easement placed upon it?
15. The plan should allow the current General Plan budget triggers to be changed to triggers based upon the Valley or its subregions' jobs and housing revenues covering the General Fund cost of services.
 - Council has already approved moving away from 1993 service-level trigger model in the current General Plan.
16. The plan shall include a requirement that will mandate 20 percent of all units be "deed-restricted, below-market-rate units."
 - A trigger must be included that requires 20% of all residential development be affordable and include the City's current ratio of production goals for Low- and Very Low-income housing.

DRAFT

For Discussion Purposes

ATTACHMENT II

Coyote Valley Specific Plan Timing and Logistical Requirements

1. Prior to the issuance of any building permits in each phase, the City's Budget Director must certify that the next phase of development will not increase the burden on General Fund services for current residents and businesses.
2. Development of jobs and housing must occur concurrently at a ratio of two jobs for every housing unit completed (i.e. house #2 may not be delivered until job #2 has already been completed.). Development phases could allow large increments of housing to be built only when simultaneous construction of job-related development at this two-to-one ratio is occurring in parallel.
3. Residential development must provide for the acquisition X¹ acres of South Coyote Greenbelt in fee title or as conservation easements for every acre of residential development with less than 40 dwelling units per acre.
4. Residential development of market-rate and deed-restricted affordable units must be built concurrently at a ratio of four to one. Affordable units, which are counted against this ratio, may not receive City or Redevelopment Agency subsidy.
5. Residential development phases must include average densities that are within X² of the units per acre of the average densities required by the specific plan for the first 30 percent of build out. Thereafter, any density range can proceed.
6. The only jobs that may be counted for the job/housing development ratio include "driving industry" jobs and "business-serving industry" jobs as described in 2003 San Jose Economic Development Strategy. This would exclude jobs in the fields of retail/consumer services and civic services, such as government, non-profit, utilities, education, etc, from the calculation of the ratio.
7. Fair-share contributions for all infrastructure through an assessment district, developer turnkey activity, or other mechanisms must be completed using standard City procedures.
8. Fair-share contributions to an assessment district must be structured so that they are weighted on the basis of acreage, NOT units or square feet produced. The goal is to use land in the most efficient way possible.

¹ Our suggestion is that staff and our consultants be requested to do an analysis of the number of acres that are designated for residential development under 40 units per acre and compare that number to the number of acres in the South Coyote Greenbelt. Greenbelt acreage would include land that is currently undeveloped, or land that is not being "used" by development at this time (i.e. if there is a 50-acre parcel with one home on it we could determine that there are 45 acres or some other amount which might be able to have a conservation easement placed upon it).

² It would be reasonable to suggest that it will not be possible to have the exact housing densities in any one phase of implementation. We would recommend that early phases call for densities to be within close proximity of the average densities called for in the overall plan so that we do not have all the low density housing developed first and leave higher densities for later.

9. Development may occur in ANY increment and in any location as long as it conforms to the Specific Plan's land use and design guidelines.