

Coyote Valley Specific Plan Planning and Financing Q & A

Discussion with:

Coyote Valley Specific Plan Property Owners

Presented by:

City of San Jose

Economic & Planning Systems, Inc.

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Important Reminders

- City Council’s “expected outcomes” for Coyote Valley Specific Plan require that the plan be financially feasible for private development
- Plan will not be complete until project feasibility has been demonstrated

Discussion Issues:

- Property Owner Development Options through time
- Affordable Housing
- Public Land Dedication
- Infrastructure Cost Burden
- Status of Policy-Based Plan Elements

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Infrastructure Definitions

- Financing plan will include shared “Backbone” infrastructure and certain public facilities only:
 - Major streets
 - Major hydrology features
 - Major sewer and water lines
 - Parks/open space
 - Fire stations and other public facilities
- “In-tract” infrastructure still responsibility of builders of homes or commercial buildings
 - Local streets, local utilities, etc.

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What Options Do Property Owners Have During this Process?

- As each “next step” occurs, land should become increasingly valuable but obligations also increase, and success of “next steps” is not assured
- Property owners can:
 - **Retain** their property “as-is” indefinitely without bearing increased costs
 - May be asked to contribute some land for public infrastructure, but will be compensated
 - **Develop** their property, with associated investments in infrastructure
 - **Sell** some or all of their property to developers or other property owners

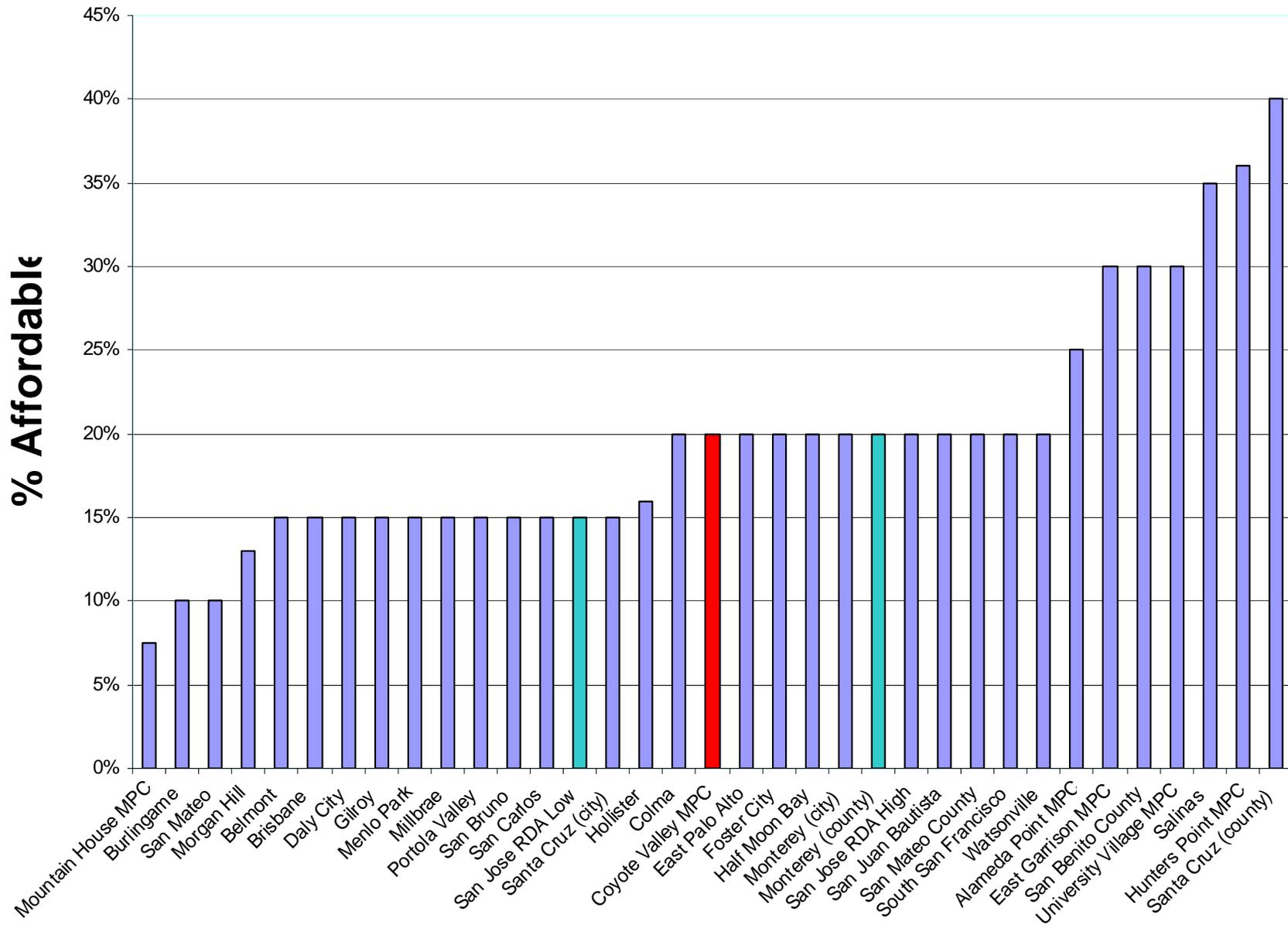
What is Coyote Valley's Affordable Housing Requirement?

- City Council's "Vision and Expected Outcomes" for Coyote Valley require **20%** affordable units (~5,000 units)
- Current strategy includes:
 - **Land dedication** for lowest-income affordable projects (3,600 units)
 - **Inclusionary units** for low-moderate income within certain market-rate projects (1,400 units)
 - **"In-Lieu Fees"** on market-rate units to support non-profit builders

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How Does the Affordable Housing Requirement Compare to Other Places?

- 20% affordable requirement in context
 - City of San Jose requires 15 – 20% affordable units in Redevelopment Areas
 - 20% is median inclusionary requirement among 34 jurisdictions or Master Planned Communities surveyed by EPS
 - Lowest is 8%, highest is 40%



Jurisdiction

How Much Land is Required for Public Purposes?

- Land dedications required for:
 - Schools
 - Parks & Open Space
 - Public Facilities
 - Roadways
 - Transit
 - Affordable Housing
- In latest plan, average private property would convey **35-40%** of land to public use

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How Will Each Property's "Fair Share" of Land Dedications Be Determined?

1. "Fair Share" obligations for each property owner will be determined based on demand for infrastructure and public facilities generated by uses on their property.

Example: housing will generate more need for school and park land than office development

2. The actual amount of land conveyed by any property owner will be determined by the location of public facilities in the plan.



How Will Each Property's "Fair Share" of Land Dedications Be Determined?

3. When public land designated on a property owner's land is more than their allocated "fair share," the property owner will be compensated for land above the fair share.
4. Compensation will come from Public Land Acquisition Fees paid by property owners who dedicate less than their allocated "fair share," and/or reductions in other infrastructure cost obligations.

How Will Land Dedications Be Managed or Enforced?

- Property owners are encouraged to meet land conveyance requirements through dedications and other private transactions as much as possible.

Examples:

- Owner A dedicates land to “City of San Jose”
 - Owner B purchases land directly from Owner A, uses that land to meet dedication obligation
 - Owner B pays fee to “Infrastructure Fund” that is then used to buy land from Owner A
- City may use eminent domain as last resort.

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What Are the Outstanding Issues on Land Dedication?

- Re-assess land needs following EIR
- Establish valuation methodology for public land
- Coordinate land dedication with overall infrastructure financing program

What Infrastructure Financing Obligations Will Property Owners Have?

- Numerous types of infrastructure are required:
 - **Public Facilities** (parks, open space, police/fire stations, schools, etc.)
 - **Backbone Infrastructure** (CVSP-serving streets, water/sewer, etc.)
 - **In-Tract Infrastructure** (within CVSP sub areas)
- Financing plan will address backbone and certain public facilities
- Remaining in-tract infrastructure will be obligation of project developers

How Are Infrastructure Costs Allocated Among Property Owners?

- Costs initially allocated based on demands created by entitled development
 - **Example #1:** Roadway costs based on trip generation from allowed development
 - **Example #2:** School and park costs more heavily borne by residential development than office or retail
- Allocations based on demand may be adjusted to ensure feasibility of all uses
 - Obligations may reflect differences in values between office, residential and retail land.

What Will My Infrastructure Cost Obligation Be?

- Overall costs will soon be updated in accordance with the EIR findings and plan revisions
- Parcel obligations will be based on the type of development entitled on each parcel
- Obligations may be based on land use category only or on density as well
- Obligations will also be adjusted over time for inflation and perhaps for market changes
- No investment will be required until property owner decides to exercise new development rights

Potential Cost Allocation Scenarios -- Illustrative Only*

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Land Use Category	Costs per Unit or Sq. Ft.	Costs per Acre
Residential	\$55,000	\$800,000
Mixed-Use	n/a	\$650,000
Commercial	\$4.70	\$205,000
Entire Project Average		\$620,000

*Actual costs and allocation method still to be determined.

Source: Economic & Planning Systems, Inc.
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What Constitutes a “Feasible” Infrastructure Cost Burden?

- Backbone infrastructure costs at **15-20% of finished value** (building + land)
 - Example: \$600,000 home could support \$90,000 to \$120,000 in backbone costs
- **3:1 & 4:1 Value-to-Lien Ratios** on land value
 - Example: \$1M in infrastructure costs must make land worth \$3-4M
- **Total tax/CFD burden cap at 1.75%**
 - “Prop. 13” 1.0% plus added assessments

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How Can My Financing Obligations Be Met?

- The financial obligations of property owners may be met in a variety of ways, including:
 - **financing districts** (passed on to tenants),
 - **building and dedicating** improvements, and/or
 - **payment** into an infrastructure financing fund.
- CVSP property owners will receive full credit against applicable City fees for improvements financed through the CVSP fee program.

When Will We Be Able to Develop Our Land?

- An approved phasing plan with an incremental development strategy will guide the order of infrastructure phasing.
 - Phasing subject to City policy on jobs/housing goals.
 - Current analysis assumes start near Bailey improvements and Town Center/Lake, then along Santa Teresa north and south, 101 connection through golf course in early years
- Phasing may shift based on property owners' willingness, but will still be logical extensions of previous investments.

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What are the Next Steps for the Financing Plan?

- Resolve Trigger/Concurrency Policies (Council Direction)
- Re-assess Infrastructure Costs and Land Dedication Requirements (incorporate any EIR mitigations)
- Allocate Cost Burdens by Land Use and Property
- Test Feasibility and Make Adjustments
- Establish Methodology For Public Land Acquisition
- Develop Detailed Financing and Implementation Program
- Ongoing Property Owners Meetings

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Update on Policy-Based Plan Elements

- Affordable Housing (refining strategy)
- Medical Clinics (analysis on-going)
- Agricultural Mitigation (EIR expected to out in late Fall)
- Fiscal Mitigation (analysis on-going)

Questions/ Comments

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