

**TO: Envision San José 2040
Task Force**

FROM: Andrew Crabtree

**SUBJECT: January 25, 2010
TASK FORCE MEETING**

DATE: January 20, 2010

This memo provides information to assist you in preparing for the January 25, 2010 Envision San José 2040 Task Force Meeting. Links to the referenced documents and other resource materials (e.g., reading materials and correspondence) are posted on the Envision website.

Agenda Item 3 – Review General Plan Structure and Scope

The Task Force will have a brief discussion to review and focus on the purpose and future use of the General Plan and how the Envision Work Program provides the structure to guide the development of the General Plan document . As the City’s “Constitution and as expressed in the Draft Vision, the General Plan is a very broad and high level policy document that provides a unified, comprehensive vision, supported by goals and policies to inform all of the City’s decision making processes. Very importantly, the General Plan is the City’s primary land use and transportation plan and its policies will shape the City’s future physical form. While the Task Force will continue to review the draft General Plan Goals, Policies and Implementation Actions which will provide high level guidance for the City’s wide-ranging programs and activities, increasingly, as the Task Force moves forward, emphasis will be given to discussion of the appropriate mix of land uses and how General Plan policies can shape those land uses. This focused discussion over the next several Task Force meetings will be leading up to a selection of a Preferred Land Use Scenario in March and a recommended Land Use / Transportation Diagram in May.

Draft Goals, Policies and Implementation Actions that have been reviewed by the Task Force are available on the Envision website presented as a draft General Plan Table of Contents at:

http://www.sanjoseca.gov/planning/gp_update/draftplan.asp

Agenda Item 4 – Housing Development

The Task Force will consider the role of new housing development in the achievement of the Envision goals, including the review of proposed Goals, Policies and Implementation Actions for Housing and Residential Land Use.

Task Force members should note that they are being provided with a variety of Resource Materials that provide background information on these different topics and which may be particularly helpful for the Task Force decision making process. One of these reports, “Transit Oriented Development: Moving from Rhetoric to Reality”, provides a useful articulation of how multiple emerging needs in our community can be met through an emphasis upon urban, transit-oriented development:

Three major trends characterize metropolitan America at the beginning of the 21st Century. The first trend is the resurgence of investment in America's downtown areas... The second equally powerful trend is the continuing growth and emerging maturity of America's suburbs, many of which are struggling to become cities in their own right... The third trend is a renewed interest in transit use and transit investment. ...At the convergence of these three trends is the realization that a substantial market exists for a new form of walkable, mixed-use urban development around these new rail or rapid bus stations and transit stops. Changing demographics are creating a need for a diversification of real estate projects, and for the type of development known variously as transit villages or transit-oriented development is beginning to receive serious attention in real estate markets as diverse as the San Francisco Bay area, suburban New Jersey, Atlanta, Dallas and Chicago. These transit-oriented developments have the potential to provide residents with improved quality of life and reduced household transportation expenses while providing the region with stable mixed income neighborhoods that reduce environmental impacts and provide real alternatives to traffic congestion. New research clearly shows that this kind of development can reduce household transportation costs, thereby making housing more affordable.¹

Some key topic areas relating to Housing that Task Force members may want to consider in preparation for discussion at the Task Force meeting are:

- 1) Role in the selection of a Preferred Land Use Scenario;
- 2) Response to population growth and changing demographics;
- 3) Role of new housing development in "placemaking";
- 4) Social equity and complete communities;
- 5) Connection between new housing and new retail development;
- 6) Density of housing to support transit ridership and sustainability;
- 7) Fiscal implications of new housing and mixed-use developments; and
- 8) Alignment of Housing Goals, Policies and Implementation Actions with the Envision goals.

This memorandum briefly discusses issues and concerns related to these seven topics areas.

Selection of a Preferred Land Use Scenario

In April of 2009 the Task Force and City Council selected four Land Use Study Scenarios to be used as the basis of environmental and economic analysis leading to the selection of a Preferred Land Use Scenario. Continued use of the City's current General Plan through 2040 is also being analyzed for comparison purposes and to fulfill CEQA (California Environmental Quality Act) requirements. As staff worked with the consultants preparing the analysis of each scenario, it was agreed that the City's contracts with the consultant would allow key analyses to also be provided for one additional Land Use Study Scenario. Staff reviewed the Task Force votes collected for the scenario selection process and asked the consultants to also consider "Scenario H" which received the next highest number of votes from Task Force members and also represents a good point of comparison with the other selected

¹ Transit Oriented Development: Moving from Rhetoric to Reality; Dena Belzar and Gerald Autler, Strategic Economics, A Discussion Paper Prepared for The Brookings Institution Center on Urban and Metropolitan Policy and The Great American Station Foundation, June 2002

scenarios. Using these six scenarios as a starting point, the Task Force will need to identify a Preferred Land Use Scenario by the end of March 2010. The Preferred Land Use Scenario will include some amount of job and housing growth capacity within the range analyzed for the six study scenarios. The location of the job and housing growth capacity for the Preferred Land Use Scenario should be consistent with those principles already established within the study scenarios.

As described and discussed previously with the Task Force, the six Land Use Study Scenarios under analysis are:

- **Scenario GP2020** – Represents the full job and housing growth capacity documented to exist within the City’s current General Plan. This scenario has less job and housing growth capacity than any of the other study scenarios. It also has less job and housing growth capacity than needed to meet the projected demand for either use in 2040. If at the end of the Envision process the City decides not to adopt a new General Plan, then the City would continue to use the current General Plan. Accordingly, this is considered to be the “No Project” scenario as required by CEQA. Full realization of this scenario’s job and housing capacity would result in a Jobs/Employed Resident ratio of 1.1.
- **Scenario 1 (“C”)** – Provides a slight increase in job and housing growth capacity over the current General Plan, with more emphasis placed on job growth, resulting in capacity for a Jobs/Employed Resident ratio of 1.2. The proposed amount of housing growth capacity would accommodate the construction of 3,000 new dwelling units per year through the Plan timeframe, consistent with the average rate of residential construction experienced in San Jose during the past 10 years.
- **Scenario 2 (“E”)** – Provides additional housing growth capacity above the amount in Scenario 1 and a similar amount of job growth capacity. Accordingly its Jobs/Employed Resident ratio, 1.1, is lower than Scenario 1, but the same as Scenario GP 2020.
- **Scenario 3 (“K – ABAG”)** – This scenario aligns with the most recent ABAG (Association of Bay Area Governments) growth projections for job and housing demand for San Jose through 2035. This scenario has the most housing growth capacity of the study scenarios in combination with slightly less employment growth capacity than either Scenario 1 or Scenario 2, but slightly more than Scenario GP2020. Full realization of this scenario’s job and housing capacity would result in a Jobs/Employed Resident ratio of 1.0.
- **Scenario 4 (“J”)** – This scenario places strong emphasis on job growth, providing capacity that would allow the City to more than double the City’s current number of jobs. Full realization of this scenario’s job and housing capacity would result in a Jobs/Employed Resident ratio of 1.5, representative of San Jose evolving into a regional job center.
- **Scenario H** – As noted above, this fifth alternative scenario has been added to provide for additional scope of analysis for the Task Force to use in the selection of a Preferred Land Use Scenario. Scenario H includes the amount and location of residential development included in Scenario 2, with additional job capacity, resulting in a Jobs/Employed Resident ratio of 1.2.

All six of these scenarios strongly concentrate new job and housing development capacity within close proximity to existing or planned transit facilities. This emphasis has already been established within the City’s current General Plan (Scenario GP2020), in which more than half of the job growth capacity is located within the Downtown (19%) or North San Jose (33%) and almost two-thirds of the housing growth capacity is located within the Downtown (10%), North San Jose (26%) or a Specific Plan Area with close proximity to transit (24%). Each of the land use study scenarios incorporates the existing General Plan growth capacity with all additional capacity provided at transit-oriented locations. The following table summarizes the distribution of growth capacity by scenario.

Table: Amount of Growth Capacity and % within Transit-Oriented Location by Scenario

Scenario	GP2020	1-C	2-E	3-K	4-J	H
Job Growth Capacity	255,550	346,550	360,550	339,530	526,050	431,550
% TOD	58%	61%	59%	56%	59%	59%
Housing Growth Capacity	82,110	88,650	135,650	158,970	88,650	135,650
% TOD	55%	67%	62%	54%	67%	62%
Jobs/Employed Resident	1.1	1.2	1.1	1.0	1.5	1.2

Consistent with the Task Force and community vision to focus new job and housing development into compact, walkable “Villages” and “Corridors” with a high level of urban amenities (e.g., high quality design incorporating mixed-use neighborhood-oriented retail and other services), all of the new job and housing growth capacity in each scenario is allocated to an identified Village or Corridor growth area. More detailed information on the geographic distribution of growth in each scenario, as approved by the Task Force and City Council, is available on the Envision website at: http://www.sanjoseca.gov/planning/gp_update/scenarios.asp.

Response to Population Growth and Changing Demographics

A fundamental reason to provide housing growth capacity within the General Plan is to accommodate growing population demand. Because social and demographic factors other than the availability of housing, will play a larger role in determining population growth and demand, particularly in the near term, constraining housing supply would likely increase housing costs and could increase overcrowding of the existing housing supply, particularly in lower income areas. Conversely, a relatively large and affordable supply of housing can support a higher population growth rate within San Jose and may cause a larger share of the region’s housing demand to be met in San Jose as other communities continue to constrain their own housing production.

Based upon population growth projections prepared by ABAG, the regional agency responsible for preparing projections used to support policy making by State and regional agencies, San Jose’s population is projected to grow by more than 400,000, to approximately 1.45 million by 2040, generating a demand for approximately 160,300 new dwelling units.

As we have seen in previous Task Force presentations, the significant population increase which will be experienced in San Jose over the next 30 years will be driven by a structural demographic shift towards growth in the 18-35 and 65+ age categories. The high projected demand for more housing capacity is also tied to the trend in decreasing household size, with the result that more dwelling units are needed to accommodate the same population. In another trend, the number of employees per

residence is also decreasing, so that even without population growth, there will be additional demand for housing to accommodate the existing number of employed residents.

To meet the full spectrum of residential needs and preferences of the overall population and of specific subgroups, the City must plan for a diverse range of housing types, locations, and costs. Those in the 18-35 years of age category increasingly seek to live and work in places that provide an urban experience, are walkable and linked to transit, and are close to restaurants, entertainment, shopping, and other amenities. Those who are 65 years and older require housing options that allow them to age in place in their communities, are close to service amenities (such as health care and retail), and that are closely linked to multiple transportation options that facilitate mobility for non-drivers. Communities that provide seniors with freedom, dignity, access, and mobility are essential to their quality of life.

The on-going provision of housing is a key component for building neighborhoods that meet these multiple lifestyle needs and preferences. At the same time, bringing housing together with other uses increases accessibility to services and amenities, which is attractive to all residents and particularly beneficial for seniors. By planning new housing capacity within the Preferred Land Use Scenario that meets the housing needs triggered by the major shifts in San Jose's demographics, the City can work toward the creation of a vibrant, desirable, and accessible community for all ages.

Housing and "Placemaking"

The development of urban "Villages," either as an enhancement of existing neighborhoods or as new, larger, somewhat self-sufficient hubs (also connected to the surrounding neighborhoods), is one of the key concepts expressed by the community and the Task Force so far through the Envision process. The Task Force should recall that the Envision Land Use / Transportation Scenario Guidelines address this concept through multiple goals including:

3. Create walkable and bike friendly "neighborhood villages" (e.g., The Alameda): Enhance established neighborhoods by integrating a mix of uses within or adjacent to neighborhoods including retail shops (e.g., grocery stores), services, employment opportunities, public facilities and services, housing, places of worship, parks and public gathering places.
4. Create complete and vibrant "regional hubs": Integrate a mix of high density housing, employment, and services within existing key commercial areas (e.g., the Oakridge area) to create dynamic urban settings.

The "Village" concept relies upon the addition of new housing in order to provide the concentrated population of residents necessary to support locations of expanded retail development and to create adequate pedestrian activity to foster a vibrant urban setting. New housing development should be of high-quality and sustainable design, high-density (e.g., 60 to 200 DU/AC), mixed-use, and should include open / public space and other amenities in order to fulfill this vision.

Social Equity and Complete Communities

San Jose is an extraordinarily diverse community both culturally and socioeconomically. To best meet the needs of this diverse population, our City must provide housing options for people of all incomes and for those with special needs. This can be done by facilitating the provision of various housing types, tenure, prices, and locations. In particular, affordable housing options close to transit, retail,

services, and other amenities for seniors, lower-income households, and individuals with special needs are vital for complete communities that promote inclusiveness, accessibility, and mobility. Because transportation costs play an important role in determining community affordability and discretionary income levels, locating housing near transit can reduce commute costs and thereby result in a resident population with more buying power. This is especially important for current employees in lower-income jobs who cannot afford to live in San Jose and who therefore must commute from farther distances to get to work. Providing housing options in San Jose near transit can accomplish multiple social goals: it increases the affordability of working and living in the City; it supports a demographically diverse community; it allows employees more options to live closer to or in the same community as where they work; and through reduced housing costs it can increase local purchasing power and the containment of sales tax revenue.

Retail Connection

Development of new housing units can support additional retail development through two means. First, since the viability of retail is closely tied to the total disposable income of the population living within walking distance or likely to pass by on a daily basis, increasing the population within the vicinity of a retail site (or increasing access to the site for a greater population), will increase the amount of viable retail that can be located on that site. Note that the increasing demand for retail associated with increasing population on a scenario-by-scenario basis was reflected in the Job Growth Projections and Employment Land Demand Report provided to the Task Force in March of 2009: http://www.sanjoseca.gov/planning/gp_update/meetings/03-23-09/FinalJobProjectionsReport.pdf. Second, providing opportunities for new housing development can lead to the redevelopment of existing, and potentially underutilized or underperforming properties for mixed-use projects, thereby providing new retail or expanding the existing amount of retail on particular sites.

Based on recent analysis of the residential support needed to enable new neighborhood-oriented retail, depending on the average income of the residents, between 1,000 to 2,000 new dwelling units within a 10-15 minute walking distance are needed to support one-block (approximately 30,000 square feet) of new neighborhood-oriented retail (1,000 if higher than average income, and 2,000 if below average income). A 100,000 square foot neighborhood center would require three times the amount of residential units in the same area, and a neighborhood grocery store requires approximately 4,000 high-density housing units to support it. San Jose's existing retail deficiency, as well as the pedestrian-orientation of the new housing and mixed-use development can also influence retail demand. For new mixed-use retail space to be viable, experience in San Jose in recent years shows that it must be designed well in order to meet the needs of a variety of potential retail and service activities. Providing additional housing can thus help to meet the General Plan goals of increasing the number of San Jose residents that are within reasonable walking distance to retail and services.

Housing Density to support Transit Ridership and Sustainability

The Task Force should consider how the proposed Land Use Plan should be designed to provide density to support existing and planned transit investments with increased ridership. The direct relationship between density and the success of transit operations is well documented (as discussed in the Task Force Resource Materials).

In order to be well utilized, transit lines must connect large amounts of residential development in close proximity to a station with similarly large amounts of employment development, also in close proximity to a station. Existing research indicates that concentration of employment uses plays a

slightly greater role than residential uses in supporting transit use. Focusing on the development of employment uses in proximity to transit also plays an important role in achieving other Envision goals, such as promoting San Jose as a regional employment center and improving the City’s fiscal condition. The value of employment uses near transit is further confirmed by the outcome of the Envision traffic analysis which shows that the scenarios with highest employment also have higher transit use. Ultimately, both employment and housing must be intensified in order to best support transit use throughout the day and help create a more sustainable city.

As noted above, all of the Land Use Study Scenarios locate new growth capacity on sites with transit services, with preference given first to heavy rail (e.g., BART, Caltrain, High Speed Rail), and then to light rail, and then to other transit corridors. The following table summarizes the projected bus, light rail and BART ridership for each scenario in terms of daily boardings. Bus ridership reflects daily boardings for the top 15 bus lines operating in San Jose. Higher ridership rates improve the transit system farebox recovery rate (e.g., the percentage of the transit system operation and maintenance costs that would be covered by collected fare revenue) and support further potential expansion of the transit system, which in term can lead to increased ridership. In order to quantify the farebox recovery rate, additional information on projected operating costs is needed from the Santa Clara Valley Transportation Authority.

Table: Projected Aggregate Transit Ridership (Daily Boardings) by Scenario

Scenario	GP2020	1-C	2-E	3-K	4-J	H
Job Growth Capacity	229,000	320,000	334,000	312,980	499,500	405,000
Housing Growth Capacity	70,000	90,000	137,000	160,315	90,000	137,000
Jobs/Employed Resident	1.1	1.2	1.1	1.0	1.5	1.2
Bus Ridership	131,294	156,424	154,226	144,144	219,390	175,535
LRT Ridership	120,864	150,836	155,263	146,655	213,306	186,434
Total BART Ridership	187,226	191,176	185,403	190,132	202,538	179,594

(The General Plan will establish transit ridership goals in order to achieve our City’s desire to reduce our automobile dependence and to increase our use of other transit mode splits. The Task Force is scheduled to discuss transit mode split goals further at the February 8th Task Force meeting.)

The design and location of new housing should be carefully considered in order to support the Envision goal for Environmental Leadership, implementation of the City’s Green Vision, fulfillment of mandated Green House Gas reduction targets, and the reduction of vehicle-miles-traveled. According to the Bay Area Air Quality Management District, San Jose and the Silicon Valley region experiences 40.1 million vehicle-miles-traveled per day. As a result, automobile travel produces 35 percent of the region’s total greenhouse gas (GHG) emissions, the single largest emitter of GHG among all sources. Therefore, significant changes in land use planning are required to achieve our City’s environmental goals. As already emphasized in all of the Land Use Study scenarios, new housing should be concentrated in close proximity to transit at high densities to support walkability and be incorporated with retail, jobs, and other uses to reduce the need for automobile travel. As addressed through other Green Building policies, the design and construction techniques for new housing should progressively implement principles of environmental sustainability. Limiting the use of new housing capacity to

higher density development (e.g., 60 to 200 DU/AC) in the best locations nearest transit options will help us to reach our city's environmental goals.

Fiscal Implications

To improve our City's fiscal balance, as a fundamental consideration in the selection of a Preferred Land Use Scenario the Task Force should give careful consideration to the potential fiscal impacts of the different land uses as well as the physical form that the land uses take. As discussed previously by the Task Force, cities in the Bay Area rely in large part upon commercial and industrial land uses to fund municipal services. Those cities with a greater share of their land dedicated to commercial and industrial use have a better fiscal condition. San Jose's fiscal problems in part are a result of the City's high share of residential land use.

While the Task Force will be provided with a detailed fiscal analysis of the City's existing conditions and of the alternative Land Use Study Scenarios prior to the February 22nd Task Force meeting, it is already well documented that stand-alone housing generally results in a negative direct impact upon the City's fiscal condition. The average costs associated with the services provided for housing are greater than the average revenue generated by the same land use. Additionally, low-density development creates significant opportunity costs to our City by not maximizing the development and revenue-generating potential of land. At significantly high densities associated with more urban (i.e., podium and high-rise) forms, revenues increase and overall service costs can decrease, minimizing the negative fiscal impacts of high-density residential land use. High residential densities are also one of the key factors for making walkable, urban retail locations economically viable, as it brings in the necessary population and buying power to support smaller scale retail. The incorporation of a significant amount of retail as part of mixed-use projects provides additional sales tax and property tax revenue for the City and can offset the cost of services enough that a new development would result in a net positive fiscal impact.

Because a new mixed-use development project which incorporates a significant amount of retail in combination with new housing, can result in a net fiscal benefit and/or may help to achieve other City goals, the General Plan Housing policies should establish a performance oriented approach toward the evaluation of new housing development proposals to carefully consider how effectively the proposed housing will meet fiscal and other community goals. Given that a noteworthy portion of the identified Village and Corridor growth area land is currently occupied by aging, potentially 'underperforming' commercial space, opportunities exist for fiscally beneficial, mixed-use projects. Such existing commercial land uses currently make a positive fiscal contribution (e.g., moderate revenue with low costs), but may contribute less than what could be achieved with a new, retail focused, mixed-use project (e.g., high revenue with moderate costs). In other cases, there may be opportunities to replace aging low- or medium-density housing with fiscally superior mixed-use high-density housing. Future analysis of projects on a case-by-case basis can be used to determine if a project will provide a fiscal benefit through a significant increase in taxable retail activity along with a significant increase in property value. The fiscal performance of a project can then be considered in combination with an evaluation of the project's ability to achieve multiple General Plan goals.

Alignment of Housing Goals, Policies and Implementation Actions with the Envision Goals

The Task Force packet includes draft Goals, Policies and Implementation Actions for the Housing and Residential Land Use sections of the General Plan. These draft policies include new policies and revisions to existing policies in order to address the Envision "Village" concept as well as address the

emerging issues discussed above. While the Task Force discussion should emphasize discussion of these emerging issues, the Task Force will also be asked to review and consider these policies as part of the Task Force meeting. In order to stand the test of time and to provide an effective, disciplined framework for the achievement of the Task Force and community's vision for our city's future, it is critically important that the proposed General Plan text clearly articulate policies that direct new housing growth to occur at locations and in a form consistent with this vision.

These seven topic areas are closely interrelated, and increasingly, evidence suggests that the City's goals for all can be best addressed by strongly focusing new housing capacity into the development of well designed, walkable, transit-oriented, mixed-use, high-density communities. Higher-density housing can best meet the demand of San Jose's changing population demographics and is demonstrably preferable for the City's fiscal health. Urban housing product types at sufficiently high densities are necessary to allow the development of walkable main-street style retail, to support investment in transit infrastructure, and for the creation of vibrant places. The Task Force members should carefully consider how each of these elements should be defined for our city.

Agenda Item 6 - Task Force Recommendations (vote on motions as needed)

Following an opportunity for comment by members of the public (Agenda Item 5), the Task Force will then have an opportunity to further discuss and vote on recommendations related to the topics discussed for Agenda Item 4.

Reading Materials

To prepare for the discussion on Housing, the Task Force is provided with the following reading materials in addition to this memorandum:

- "Bay Area Burden" Urban Land Institute Report
- "Bay Area Burden: Key Findings" Urban Land Institute Report
- "Winds of Change, Adapting our Communities to the Changing Realities of the 21st Century," by Don Weden.

Links to these materials are posted on the Task Force page of the Envision website.

Resource Materials

To provide additional background materials for Monday's meeting, a considerable number of resource materials are included in the meeting packet related to Housing Development. These materials are not required reading but are provided for those interested in exploring or understanding a specific topic further.

Task Force Correspondence

No correspondence from Task Force members has been provided for this meeting.

Public Correspondence

No correspondence from members of the public has been provided for this meeting.

Next Meetings

The next meeting is scheduled for Monday, February 8, 2010. This meeting is scheduled to focus on a continuing discussion of how Economic Development, Housing and Transportation can together be used to implement the Envision goals. This Task Force meeting will also provide an opportunity to further comment on the proposed Goals, Policies and Implementation Actions for each of these topic areas.

If you have any questions, please contact either me or Susan Walton. I can be reached by phone at (408) 535-7893 or by email at: andrew.crabtree@sanjoseca.gov. Susan can be reached by phone at (408) 535-7847 or by email at: susan.walton@sanjoseca.gov.

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