

COUNCIL AGENDA: 11-18-14  
ITEM: 4.2

# Memorandum

**TO:** HONORABLE MAYOR AND  
CITY COUNCIL

**FROM:** Toni J. Taber, CMC  
City Clerk

**SUBJECT:** SEE BELOW

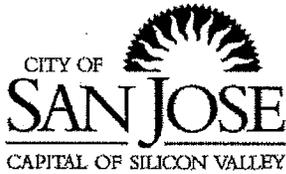
**DATE:** 11-6-2014

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**SUBJECT: AMENDMENT TO THE NORTH SAN JOSE DESIGN GUIDELINES**

**RECOMMENDATION**

As recommended by the Committee on Economic Competitiveness on November 3, 2014, adopt a resolution to amend the North San José Design Guidelines to incorporate the changes described in the memorandum to the Committee on Economic Competitiveness dated October 24, 2014.



# Memorandum

**TO:** COMMITTEE ON ECONOMIC  
COMPETITIVENESS

**FROM:** HARRY FREITAS  
KIM WALESH

**SUBJECT:** NORTH SAN JOSE DESIGN  
GUIDELINES

**DATE:** October 24, 2014

Approved

Date

10/22/14

**COUNCIL DISTRICT:** 3 and 4

## RECOMMENDATION

1. Direct staff to amend the North San Jose Design Guidelines to incorporate the changes described in this memorandum; and
2. Forward a recommendation to City Council to adopt the amended North San Jose Design Guidelines.

## BACKGROUND

On September 24, 2013, the City Council directed staff to return prior to the end of the calendar year to provide analysis and recommendation as to whether and how the North San Jose Design Guidelines should be amended or modified, based on staff's experience implementing them thus far.

On December 17, 2013, the City Council adopted a resolution amending the North San Jose Area Development Policy to provide additional flexibility with respect to the Design Guidelines for campus style development within the Policy boundaries by adding the following language:

*Recognizing the need for campus style development in North San Jose and demands that specific tenants may have for "build to suit" development, the City Council intends that there be substantial flexibility given in the application of the North San Jose Design Guidelines to achieve those tenants' unique requirements. This flexibility is given reflecting that those companies are focused on fostering creativity of their employees to spur innovation and that the City is encouraging a broad range of job opportunities. The design intent remains that the individual development projects in North San Jose add up over time to a more lively, connected great place for employees, residents, and visitors.*

October 27, 2014

COMMITTEE ON ECONOMIC COMPETITIVENESS

Subject: North San Jose Design Guidelines

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On April 8, 2014, the City Council directed staff to return to the Ad Hoc Committee for Economic Competitiveness in August 2014 with revised North San Jose Design Guidelines and a protocol to ensure the Guidelines are being applied so that they encourage driving industry companies to stay in San Jose and expand in San Jose.

On September 3, 2014, staff convened a charrette to discuss the Design Guidelines and consider appropriate interim design parameters that facilitate financially viable development in today's market and also further the long term vision and goals of the North San Jose Design Guidelines and Development Policy.

This memorandum outlines staff's analysis of the current climate for commercial/industrial development in Silicon Valley and potential barriers to new development in North San Jose, discusses the need for additional flexibility in the Guidelines, and then outlines the proposed text changes to the Design Guidelines document.

## ANALYSIS

The North San Jose Design Guidelines represent a comprehensive design vision for the full build out of the North San Jose Area Development Policy, and were intended to provide a means of implementing the Policy. The Guidelines set a standard for how we will accommodate development of almost 27 million square feet of industrial development over 30 years. The regional commercial real estate market is as active as it has been since the 'dot com' years, yet North San Jose has not attracted development in the same way as surrounding cities. While the City continues to invest in reducing barriers to new development, such as reducing the Traffic Impact Fee and embarking on a promotional campaign, some developers have indicated that the North San Jose Design Guidelines may represent an impediment to near term development; the guidelines do not elaborate on acceptable interim conditions as build out occurs over time.

Staff has worked to analyze the feasibility of new development in North San Jose to understand why development is not currently occurring in the same way as in surrounding communities. Based on some of the variables typically considered by developers in assessing development opportunities (including rents, land costs and construction costs) it is staff's opinion that development envisioned at the full build out of the Policy at 4 to 12 stories and an average FAR of 1.2, is not currently financially feasible. The consensus between staff's analysis, developer outreach, and the recent Design Guideline charrette is that the most likely form of development in the near term is at or around an FAR of 0.8. Most development in North San Jose as of this date has been developed at a 0.35 to 0.4 FAR.

By comparison, the development around Moffett Field in the City of Sunnyvale is being built at an FAR of between 0.5 and 0.8, and in the City of Santa Clara, high intensity office developments, which are allowed to build up to a 2.0 FAR, are currently being built between 0.5 and 0.9 FAR. Development in these cities has attracted a variety of new corporate users.

It is clear that the reality of the current real estate market is affecting the ability of developers to finance the types of projects that would conform to the current North San Jose guidelines. Many

of the developments that are currently being considered identify appropriate interim and phased development concepts that are grounded in the principles of the North San Jose Design Guidelines. The City therefore has the opportunity to spur activity in the market by stewarding significant development projects in a way that balances multiple objectives. This will have a net positive effect on the built environment, and more importantly the market economics of North San Jose, which should spur more development and investment interest.

As many recent projects have demonstrated, the commercial/industrial real estate market for driving industries across Silicon Valley is currently being defined by unique, active spaces that engage employees. New projects including Samsung Semiconductors Headquarters and the proposed project at North First Street and Daggett have incorporated significant open amenity space as an integral part of their design. In addition, the rehabilitation of many of the existing buildings across North San Jose, including those by MWest, TMG Partners, Boston Properties, Bixby Land Company, Ellis Partners and others, have incorporated significant investments in "placemaking" as a unique selling point for their development. The proposed guiding principles, as an example, will strategically reference flexibility around mid-block connections and the use of open spaces along major corridors, this may actually promote a proliferation of these types of amenities in a way that enhances the overall area during this interim period.

#### **Additional Flexibility in the Interim**

Interim conditions are not necessarily contrary to the City's long-term vision. However, clarification needs to be provided to ensure how interim conditions can accomplish high-quality design, functional building layouts, and enhanced pedestrian/multi-modal connectivity to facilitate the vision. Clarification on use and implementation of the Guidelines will provide additional understanding and predictability to the development review process to those considering investment in North San Jose. Development can be fostered in a way that balances the near-term investment opportunity (which will in turn create better market conditions) with flexible design standards that work towards the type of development considered appropriate for the area.

Staff is proposing to add information on interim development conditions within the Design Guidelines to act as a clear statement of intent as to the City's near term priorities for the review of commercial and industrial development projects within the Policy area. This new section is intended to convey clear guiding principles that address some of the perceived barriers to development for new projects. The guiding principles fall into five areas and cover:

- i. the intensity of new development,
- ii. building height,
- iii. mid-block connections,
- iv. placement of parking; and
- v. the street presence of new buildings.

Staff is proposing that the City Council adopt the Design Guidelines with these amendments as acknowledgement of the form and quality of urban design intended through interim stages and the full build out of the Policy.

### **Guideline Amendments**

The following amendments would be made directly in the North San Jose Area Design Guidelines document.

1. *Rename the document to the "North San Jose Area Design Guidelines" and make appropriate changes throughout.*

2. *Add to page 6:*

The intensification of North San Jose envisioned within this Policy is intended to be different from but complementary to development activity within the San José Downtown area. The proposed densities within the Core Area are still considerably lower than those existing or planned in the Downtown area. Additionally, the anticipated building and land use types differ in that Downtown will continue to be more attractive for housing ownership and high-rise office development while North San Jose will continue to provide for heavy and light industrial uses as well as mid-rise office development and primarily rental housing targeting area workers. Furthermore, the Downtown will continue to develop as the City's focal point for cultural and other civic activities.

3. *Amend page 7:*

The North San Jose Design Guidelines shall be reviewed periodically every three years to insure that they continue to work with tenant requirements and the real estate market.

4. *Add to page 7:*

Recognizing the need for campus style development in North San Jose and demands that specific tenants may have for "build to suit" development, the City Council intends that there be substantial flexibility given in the application of the North San Jose Design Guidelines to achieve those tenants' unique requirements. This flexibility is given reflecting that those companies are focused on fostering creativity of their employees to spur innovation and that the City is encouraging a broad range of job opportunities. The design intent remains that the individual development projects in North San Jose add up over time to a livelier, connected great place for employees, residents, and visitors.

5. *Add the following language after page 7:*

#### **Interim Development:**

These Guidelines promote a type of development that has not historically occurred in North San Jose. Building design, orientation, placement, and enhanced connectivity facilitate a walkable, active, and dense mix of uses over time. The intent is to provide recommendations and/or guidance on key design elements that allows for the attraction, retention and/or expansion of driving industry companies in San Jose and continued evolution to a walkable, active, mixed-use place.

Capturing new development opportunities requires flexibility, creativity and timeliness to be competitive in the ever changing real estate market. These Guidelines represent a long-term, desired evolution of North San Jose to "the regional hub of employment", and they are intended to facilitate development in a reasonable fashion that is financially

viable and achieves the goals of the Policy. Each site is unique and has its fair share of development challenges, and the guidelines provide a list of suggestions, concepts and opportunities to allow the Director to exercise a realistic direction in solving those challenges.

Key to the success of any long-term planning effort, strategic and flexible guidelines on appropriate interim conditions should be included to address current economic conditions at any one time. Flexibility for interim conditions does not represent a departure from the design foundation the guidelines provide to meet the long-term vision. Near-term guidelines provide predictability and support staff's application of the guidelines to balance multiple objectives, high-quality design and feasible development.

This section of the Guidelines is intended to provide guiding principles for near-term development in North San Jose over the next five years. These guiding principles build on the concepts outlined in the North San Jose Area Design Guidelines but recognize that near term development faces obstacles and challenges that limit the ability to fully implement the guidelines as intended for the full build out of the Policy. As such, this section outlines five areas that will help clarify the City's priorities, and allow development projects to focus on the most important concepts as the area undergoes transformation.

#### Density – Interim development at an average of 0.8 FAR

Currently, the Policy calls for an overall average density of 1.2 FAR in the Core Area. Based on analysis of near-term development opportunities and current market conditions, commercial development at this intensity may not be financially feasible initially. Under current market conditions, development up to an FAR of 0.8 is the most likely occur. Data has shown that current development is building out at 0.35 to 0.4 FAR in North San Jose, while activity is occurring in neighboring cities at 0.5 to 2.0 FAR. New development at a 0.8 FAR can further the vision of a more dense, connected and multi-modal environment throughout the Core Area by incorporating good architectural design, thoughtful site plan orientation and increased connectivity.

#### Height – Appropriate interim building height along major corridors

The Policy states that buildings are envisioned to be between 4-12 stories and the Design Guidelines state that new buildings should be at least four stories in height. At this early stage in the build out of the Policy, the lower end of the building height range is anticipated. While taller buildings are more desirable, buildings as low as three stories along major corridors (1<sup>st</sup> Street and Zanker) with thoughtful architectural design and strong building placement, could create signature buildings with urban "character" that not only respond to current development needs, but also improve the existing urban street presence at the same time. Allowing for buildings as low as three stories tall, will encourage development that balances the financial feasibility of the project with its end users' desires. These smaller projects will also be more likely to become opportunity sites ten to fifteen years from now when the market demands the actualization of much taller buildings.

Connectivity – Flexibility in design of mid-block connections

Breaking up super blocks in North San Jose with streets, paseos and plazas is an important strategy in the Design Guidelines and Development Policy. The Design Guidelines call out the cross sections of grid streets to have a 60 feet wide right of way, which would include a two lane street with parking and sidewalks on both sides of the street. The near term dedication and build out of these streets could potentially impede development opportunities within the Core, and tie up land area for years prior to a level of development that requires their full capacity. In an effort to provide a design that can flex with the build out of the site, the City has the flexibility to ask for an irrevocable offer of a 60' public streets, but in the interim the developer can incorporate publicly accessible private street elements including a smaller cross-section and different pavement treatments, with the understanding that a future public street could be constructed when either the remainder of the site or adjacent properties develop.

Street Wall – Design and use flexibility along major corridors

North San Jose Urban Design Guidelines call for the creation of a continuous street wall that limits large openings along major corridors. As the areas along major corridors begin to intensify, not all sites will develop to their full capacity in the near-term. This will require additional flexibility to ensure that a continuous street wall is developed over time, and that development capacity at potentially higher densities can occur in later phases. Principles that allow for separation or breaks in the continuous street wall should be considered in the interim condition. A break in the continuous wall can preserve future intensification opportunities, and provide “enhanced placemaking” opportunities through publicly open and/or active space that improve the pedestrian environment. For example, the street section included in the Guidelines requires a 15-foot wide private sidewalk in addition to a 12-foot or 10-foot wide public sidewalk. If the first 30-feet of a site and/or building, included active uses or amenities in lieu of the 15-foot private sidewalk, it would still allow for street-level activation to engage the public realm, which is the intent of the Guidelines while also balancing the needs of near-term development.

Parking and Open Space - Preservation of future development capacity

The Design Guidelines state that surface parking lots and parking structures should be located along the side and/or rear of buildings, away from street edges, and should provide screening with appropriate landscaping in the perimeter setback. As development occurs at 0.8 FAR, parking structures may not always be warranted to accommodate near-term commercial and/or industrial development. Dependent on site design and building layout, or breaks in the continuous street wall, large areas could be available for future intensification. These areas should strategically locate uses that activate the street frontage. Surface parking, while typically discouraged from having an exposure along a major corridor, could be appropriate if integrally designed and masked by active amenity space (urban pocket parks, common green/ad-hoc sports fields, civic plazas). Amenity space or minimal surface parking, which is visible from major corridors (primarily First Street), would be considered when it provides opportunities for future intensification of the site consistent with the overall intent of the Guidelines, and when all new development on the site meets the prescribed build-to lines.

6. *Amend page 22:*

Walking can be promoted by establishing a gridded system of streets, paseos and pathways with shorter block lengths in North San Jose.

Grid Streets are ~~mandatory~~ permissive but ultimately required for full build out of in the Core Area except for single-user campuses, but their alignment may vary when indicated on the North San Jose Grid Street Master Plan. The street may be private for a single user campus but should match public street design and be encourages to be open to the public.

## **CONCLUSION**

The provision of flexibility in the North San Jose Guidelines is part of a combined approach to promote new investment and development in North San Jose. Beginning with the City Council approved Traffic Impact Fee Incentive, and continuing through the “Bring Your Jobs to San Jose” marketing and promotion campaign, the City has made a firm commitment to increase the visibility and desirability of San Jose’s primary innovation district. Resetting expectations with relation to how we implement the guidelines to encourage near term development is intended to supplement this current call to action, by formally adopting the design guidelines as a clear statement as to the vision for the long term build out of North San Jose, and providing a clear statement of intent on how the City will implement those guidelines in the near term.

## **COORDINATION**

The preparation of this memorandum and the associated work was coordinated with the Department of Planning, Building and Code Enforcement, Department of Public Works, Office of Economic Development, Department of Transportation, and the City Attorney’s Office.

## **PUBLIC OUTREACH/INTEREST**

- ❑ Criterion 1: Requires Council action on the use of public funds equal to \$1 million or greater.  
(Required: Website Posting)
- ❑ Criterion 2: Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. (Required: E-mail and Website Posting)
- ❑ Criterion 3: Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. (Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)

While this action does not meet any of the above Criteria, this memorandum will be posted on the City’s website for the November 3, 2014 Committee for Economic Competitiveness Agenda.

**CEQA**

Resolution No. 72768 and Addenda thereto.

/s/  
HARRY FREITAS  
Director,  
Planning, Building & Code Enforcement

/s/  
KIM WALESH  
Director of Economic Development  
Chief Strategist

For questions please contact Jason Rogers, Division Manager, at (408) 793-5543, or Chris Burton, Assistant to the City Manager, at (408) 535-8114.