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# Memorandum

**DATE:** December 16, 2019

**TO:** Envision 2040 – 4-Year Review Task Force

**FROM:** Erik Schoennauer

**SUBJECT:** Urban Village Horizons & Job Density Requirements

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**Key considerations for moving all Urban Villages into the current Horizon 1:**

- A) **Horizons Designed to Limit Housing Production:** It is important to remember that the primary purpose of the residential Horizon policy construct was to limit residential development by metering out residential allocation on a very controlled and limited basis. In fact, City Staff recently concluded, “...the Planning Horizons for Urban Villages may limit the speed at which residential development may occur...”, as indicated in the Staff’s *Four-Year Review Progress Report*.

At a time when our City is trying to increase housing production, it is not helpful to keep in place a policy construct that is designed to limit housing production.

The Staff argues that Horizon 1 has sufficient residential units to satisfy the City’s needs. This may be mathematically true. But, this argument does not reflect the reality of how the housing market works. There must be a very wide and diverse selection of possible building sites for developers and investors to actually find and secure a possible location to pursue. Furthermore, the argument does not reflect the simple fact that San Jose has significantly under-producing housing during the first 8 years of the policies of the *Envision 2040 General Plan*.

**B) Chronic Under-Production of Housing:** By any measurement, San Jose is under-producing housing. The lack of new housing supply is the primary cause of high home prices, high rents, and homelessness.

(Please see attached chart with the City's data on residential building permits issued during the 8 years of the *Envision 2040 General Plan*.) Below are the key data points that demonstrate that San Jose is not meeting the needs or the goals of our City:

- City Council Goal: 5,000 units per year
- Envision 2040 Planned Capacity: 4,138 units per year
- RHNA Overall Goal: 3,500 units per year
- Envision 2040 Average Production: 3,125 units per year
- 2018 Total Building Permits: 2,973 units
  
- Urban Village Planned Capacity: 2,089 units per year
- Urban Village Average Production: 1,188 units per year

When the City is not meeting its housing production goals, it is not helpful to keep in place policies that unnecessarily limit housing and make residential development more difficult.

**C) High Density Housing Is Fiscally Positive For General Fund:** During the last 4-Year Review Task Force, the City Staff confirmed that residential projects over 50 units/acre are fiscally positive for the City's General Fund. Generally, the higher the density, the more fiscally positive the development is. And, if you add in any amount of mixed-use commercial space, the fiscal benefit grows. (Please see attached chart with City Staff's analysis of several real world projects.)

If high density residential and mixed-use development is fiscally positive for the City's General Fund, then why keep in place policies that unnecessarily limit housing and make residential development more difficult.

### *Signature Project Job Density Criteria*

Urban Village development is under-performing the planned capacity in the *Envision 2040 General Plan*. The GP planned for a capacity of 2,089 units per year in the urban villages, yet the City has only approved an average of 1,188 units per year in urban villages.

In the initial 8 years of the *Envision 2040 General Plan*, no Signature Projects have been completed and occupied. Only 2 Signature Projects are under construction. And, only 6 Signature Projects total have received Planning approval in 8 years.

The City has consistently heard from developers that the required amount of commercial space makes it difficult to finance mixed-use development and discourages projects from moving forward. What the City's data does not show is all of the times that a developer never submitted a formal application to the City, because the numbers simply do not pencil. Those of us in the development industry know that more projects have died because of these high jobs requirements than have been approved.

The only two Signature Projects that have actually started construction would not even meet Staff's newly proposed extra jobs requirement.

The lack of Signature Project and mixed-use urban village development hurts both the City's housing and jobs goals.

Since Signature Project development is sluggish, it would not be helpful to further increase the required amount of commercial space. Instead, Signature Projects should be required to "meet the average density of jobs/acre planned for the developable portions of the entire Village Planning area."



ERIK SCHOENNAUER  
(408) 947-7774  
es@stanfordalumni.org



# Property Tax From Higher Value and More Dense Development Turns Fiscally Positive

	The Axis	The 360	One E. Julian	Morrison Park	Winchester Urban Village	South-western Village
Units/Acre	266	201	43	56	63	49
Net Revenue Per Person/Employee	\$234	\$326	\$90	\$128	\$123	\$158

SOURCE: San Jose Department of Planning, Building, and Code Enforcement & Office of Economic Development (2015)