CITY OF
SAN JOSE
CAPITAL OF SILICON VALLEY

Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL

FROM: Joseph Horwedel

SUBJECT: **EVERGREEN*EAST HILLS VISION STRATEGY STUDY SESSION**

DATE: April 20, 2007

Approved [signature] Date 4/23/07

COUNCIL DISTRICT: 5, 7, and 8
SNI AREA: West Evergreen
K.O.N.A
East Valley/680

RECOMMENDATION

Planning Staff recommends that the City Council:

1. Accept the Evergreen*East Hills Vision Strategy Update.

2. Direct staff regarding all the policy options outlined in staff's report, including staff's preferred Policy Option #5 (no change to the General Plan), or

3. If the Council would like to move forward with the Evergreen*East Hills Vision Strategy and the update to the Evergreen Development Policy, direct staff to pursue either Policy Option #3 (retain 120 acres of Campus Industrial) or Policy Option #4 (retain all 320 acres of Campus Industrial).

PURPOSE OF THE STUDY SESSION

The overall purpose of the Study Session is to prepare the Council for its upcoming consideration of the Evergreen*East Hills Vision Strategy (EEHVS), scheduled for May 15, 2007. Specifically, the Study Session would provide an opportunity for the Council to become familiar with the elements of the proposed EEHVS, including:

- An overview of the developers' voluntary payment for transportation investments and some community amenities;
- The proposed updated traffic policy that would allow additional housing in Evergreen; and
- Proposed land use changes and associated policy options

The Council is expected to provide direction on the proposed policy options at the Study Session (see Attachment 1 for Study Session agenda). This is necessary to enable the staff to negotiate over such an agreement as necessary for the Council to take action on the proposed Evergreen Development Policy, pending General Plan Amendments, and future rezonings.

OUTCOMES

Per the attached agenda, the Evergreen*East Hills Vision Strategy (EEHVS) Study Session has the intended outcomes of:

1. Understanding the key elements of the EEHVS;
2. Discussing the results of the fiscal and financial analyses performed on the proposal;
3. Engaging with key property owner and community stakeholders on the elements of the EEHVS, specifically the balance between new housing development and the phasing of transportation investments and community amenities; and
4. Receiving direction from the City Council on the EEHVS policy options to guide negotiations with the property owners.

BACKGROUND

The planning area for the Evergreen Visioning Project/Smart Growth Strategy (and now referred to as the Evergreen*East Hills Vision Strategy) is generally bounded by Hellyer Avenue, Highway 101, Story Road, and the Urban Growth Boundary in eastern foothills (see Attachment 2). Within this area, four "opportunity sites" are the focus of the effort:

- 80-acre Arcadia property
- 112-acre Pleasant Hills Golf Course
- 320-acre Campus Industrial area
- 27-acre portion of the Evergreen Valley College

The Evergreen*East Hills Vision Strategy is a comprehensive land use and transportation planning effort to guide infill housing development in the Evergreen and East Hills area in balance with transportation improvements and amenities voluntarily paid for by the housing developers of four opportunity sites.

As of March 2007, the developers of the opportunity sites are volunteering to contribute at total of $221.45 million (previously $250 million) to the City in order to construct various transportation projects (i.e., Highway 101) and community amenities (e.g., community centers, ball fields, little league fields, etc.), above what the City could typically require through standard exactions and fees. Additionally the developers are proposing to dedicate approximately 67 acres of land for the purposes of public parks, schools, and community amenities above what the City could typically require under the City's Parkland Dedication Ordinance (38 acres).

The overall goal is to enhance quality of life in the area in light new housing development and its associated traffic impacts. Elements of the Vision Strategy include: an update to the Evergreen Development Policy (i.e., traffic policy); General Plan land use and text amendments; and a funding agreement.

Evergreen*East Hills Vision Strategy Task Force

From 2003 until May 2005, a Task Force of community members, local business owners, and school representatives worked with the District 8 Council Office and City staff to try to come to consensus on an updated Evergreen Development Policy with the specific number of housing units, amount of retail, transportation investments, and community amenities for the study area. In June 2005, the Council modified the process to have a Council appointed Task Force with representatives from the original community Task Force as well as individuals from the adjoining Council Districts, the developers/property owners of the four sites, and labor. The Council also adopted specific outcomes for the process to guide the Task Force's work (see Attachment 3). To acknowledge the reconfigured Task Force, the planning effort was renamed to Evergreen*East Hills Vision Strategy (EEHVS).

In the fall of 2006, the Task Force concluded its work. Due to the diverse viewpoints on the Task Force, there was not consensus around a single set of recommendations for land use, community amenities, and other variables. Instead, the Task Force forwarded one primary and several alternative recommendations to the Planning Commission and City Council. The primary Task Force recommendation considered that the following development capacities could provide enough developer revenue to pay for the transportation investments and amenities proposed as part of the EEHVS "package." This recommendation was the result of a vote of 13 yes votes, 9 no votes, and 1 abstention, with 7 Task Force members absent. Four of the "no" votes submitted alternative recommendations which are included in the EEHVS Council Binder distributed for the December 12, 2006, City Council hearing.

PROJECT SITE	Residential Units (up to)	Commercial/Office Square Footage (up to)
Arcadia	1,800	100,000
Pleasant Hills Golf Course	600	50,000
Evergreen Valley College	300	100,000
Campus Industrial (IDS/Legacy/Berg)	900	0 Maintain 120 acres Campus Industrial
"Pool" Units	400	N/A
Total	**4,000 units**	**300,000 SQFT**

In addition to the land use intensities listed above, the primary Task Force recommendation included additional direction, summarized below:

(1) Ensure sufficient land dedicated for a K-6 school on the Arcadia site and a K-8 school on the former Pleasant Hills Golf Course site and the Campus Industrial site

(2) Encourage joint use of schools and public parks to the maximum extent possible

(3) Reserve land in the opportunity sites for the construction of a high school campus that provides a quality education with adequate capacity by meeting the State of California Standards for the development of a 1,800-student school with associated sports fields and parking structures.

(4) Require at least 19% of total residential development provide units at an affordable rate (below market)

Planning Commission Recommendation

On November 10, 2006, the Planning Commission recommended (7-0-0) that the City Council adopt either the Staff recommendation or the developers' proposed land uses for the Four Opportunity Sites, detailed in the below table, or a reconciled alternative.

PROJECT SITE	DEVELOPER PROPOSAL (Fall 2006)		STAFF RECOMMENDATION (Fall 2006)	
	Residential Units (up to)	**Commercial/Office Square Footage (up to)**	**Residential Units (up to)**	**Commercial/Office Square Footage (up to)**
Arcadia	1,875	150,000	1,875	300,000
Pleasant Hills Golf Course	825	0	650	30,000
Evergreen Valley College	500	195,000	500	195,000
Campus Industrial (IDS/Legacy/Berg)	2,000	0	1,275	0 Maintain 120 acres Campus Industrial
"Pool" Units	500	N/A	500	70,000
Total	**5,700 units**	**345,000 SQFT**	**4,800 units**	**595,000 SQFT**

The Planning Commission also recommended approval of the proposed revised Evergreen Development Policy (EDP) with the following components:

(1) Construct the Arcadia community center in Phase 2;

(2) Limit the size of a grocery story on the Evergreen Valley College site to 20,000 square feet

(3) Include the Task Force amenity prioritization (included in the December Council Binder as Prioritization H)

(4) Reserve 40 acres on the Campus Industrial site for a high school

(5) Incorporate specific conditions for the residential pool units:

a. Residential pool units be a minimum of 500 units (not a maximum)

b. Excess units from the opportunity sites should go to the residential pool

c. Pool units should be available immediately after Evergreen Development Policy approval

d. Pool criteria should be flexible to ensure participation of all potential infill parcels

City Council Action

On December 12, 2006, the City Council considered the EEHVS and voted (10-0-0) to uphold the Planning Commission's certification of the Final Environmental Impact Report and to defer the remainder of the Evergreen policy and land use discussion to 2007. The deferral allowed for the completion of a Fiscal Impact Study to analyze the impact on City's ability to fund and manage ongoing services and maintenance resulting from the proposed project and a Financial Analysis (evaluates the developers' voluntary offer to pay for the "package"), as well as a requested a Study Session prior to the Council's consideration of the Evergreen*East Hills Vision Strategy.

The memorandum also contained direction for completing the negotiation with the property owners on a legally binding agreement for the voluntary contributions. Finally, the memorandum raised a series of questions that need to be addressed prior to the consideration of the EEHVS by Council. Attachment 4 contains responses to these questions as well as responses to other issues raised in the December memorandum.

ANALYSIS

As previously referenced, the subject study session is intended provide an opportunity for staff, as well as the developers and community members, to engage in a discussion around the elements of the EEHVS as well as the findings of the fiscal and financial analyses. Additionally, staff has included discussion and summaries of the various policy alternatives available to the City Council for consideration at the scheduled May 2007 hearing date.

Recent EEHVS project updates and other citywide planning efforts have occurred since the City Council considered the EEHVS project in December 2006. These updates and additional policy considerations are summarized below.

New Citywide Planning Efforts

The EEHVS planning effort brought forward a variety of citywide issues that include: funding of new infrastructure, ongoing operating and maintenance costs, industrial conversion, and the balancing of new residential development with job growth. Since the conclusion of the Task Force process in the fall, other citywide planning efforts are starting or about to start that typically address the aforementioned citywide issues. These planning efforts include the General Plan Update process and the City's parks and facilities master plan also known as the Greenprint.

Fiscal Analysis

Maintenance of San José's infrastructure facilities (streets, sewer lines, storm drains, etc.) is an important component of the urban services provided by the City, as well as life and safety services which include Police and Fire. Well maintained infrastructure and high quality services make a city a desirable place to live and work, and contributes to its prosperity.
The results of the draft Fiscal Impact Study, completed by Keyser Marston, will be discussed at the Study Session (see Attachment 5 for a working draft of this Study).

The Study examined four land use scenarios:

- Existing General Plan: 217 units, 4.66 million square feet of Campus Industrial, and 0 square feet of retail/professional office
- Property Owners' Proposal: 4,730 units, 0 million square feet of Campus Industrial, and 495,000 square feet of retail/professional office
- Retain 120 acres of Campus Industrial: 4,300 units, 4.66 million square feet of Campus Industrial, and 525,000 square feet of retail
- Retain 320 acres of Campus Industrial: 4,300 units, 4.66 million square feet of Campus Industrial, and 525,000 square feet of retail

Preliminarily, the consultants have indicated that all scenarios perform at a fiscal deficit; however, the existing General Plan scenario performs better than the other alternatives that contemplate additional housing because many City services are driven by population. These results do not assume any assessment district or other maintenance agreement, even though these arrangements are becoming commonplace in California. The consultants conclude that such fiscal arrangements are feasible and could render each of the scenarios neutral.

Financial Analysis

Keyser Marston has also completed a Financial Analysis (see Attachment 6). For purposes of the Analysis, the property owners identified their proposed individual contributions, which include cash payments, land dedication, school fees, and park improvements. While these contributions are certainly above and beyond typical requirements, the contributions are unique to each site and are not expected to all occur in the short term. Of the $221.5 million, it is expected that approximately $174 million would be forthcoming in the immediate term given the interest on the part of the Pleasant Hills Golf Course and Campus Industrial site to develop first. It is likely that the remaining contributions would occur in the future.

The developers are proposing cash contributions to the City as well as other contributions. These are described by site below:

Opportunity Site (Gross Acres)	**Cash to City**	**Land Dedications over PDO**	**Land Dedication Improvements**	**School Fees over Existing**	**Total Proposal**
Campus Ind. (320 acres)	$137.1 M	$2.2 M	$0	$6.0 M	**$145.3 M**
Pleasant Hills (114 acres)	$37.1 M	$27.2 M	$9.5 M	$19.7 M	**$93.5 M**
Arcadia (81 acres)	$38.3 M	$4.4 M	$0	$2.6 M	**$45.3 M**
College (27.1 acres)	$9.0 M	$0	$0	$0.7 M	**$9.7 M**
TOTAL	**$221.5 M**	**$33.8 M**	**$9.5 M**	**$29.0 M**	**$293.8 M**

Although the developers indicate that the proposal is a total package, it is informative that the contributions are not proportional on a net developable acre basis, as shown in the table below. An explanation of the "net developable acre" is defined in the working draft of the consultants report:

PROPOSAL PER NET DEVELOPABLE ACRE					
Opportunity Site (Net Developable Acres)	**Cash to City**	**Land Dedications over PDO**	**Land Dedication Improvements**	**School Fees over Existing**	**Total Proposal**
Campus Ind. (270 acres)	$508,000	$8,000	$0	$22,000	**$538,000**
Pleasant Hills (82 acres)	$452,000	$332,000	$116,000	$240,000	**$1,140,000**
Arcadia (54.4 acres)	$704,000	$81,000	$0	$48,000	**$833,000**
College (21.5 acres)	$419,000	$0	$0	$32,000	**$451,000**
AVERAGE	**$518,000**	**$79,000**	**$22,000**	**$68,000**	**$687,000**

While the developers indicate that the proposal is an entire package that cannot be split apart, analysis of the individual contributions indicate that on a per acre basis, there may be capacity for additional dollar contributions or concessions in the form of additional affordable housing and/or retention of employment lands; however, the property owners are unlikely to contribute any further. Details of the draft Analysis will be discussed at the Study Session.

Lack of a Funding Agreement

As referenced above the developers of the four opportunity sites have volunteered to contribute at total of $221.5 million to the City in order to construct various transportation projects and community amenities (community centers, ball fields, little league fields, etc.), above what the City could typically require through standard exactions and fees. Although a significant contribution offer, this is a reduction in the amount from the previous offer to contribute a total of $250 million for the subject and limits the amount of community amenities that could be provided for the Evergreen East Hills community.

The Funding Agreement is a critical item that is necessary in order to secure the developers' financial contribution to the City of San Jose for the aforementioned transportation projects and community amenities. Completion of the Funding Agreement prior to any City Council legislative action including General Plan amendment, Policy adoption and rezoning is necessary due to a lack of nexus between the developers' offer of a voluntary financial contribution and the residential development proposed.

City staff has attempted to coordinate with the developers to finalize the required Funding Agreement since fall 2006. In October 2006, the City sent the developers a draft copy of the referenced Funding Agreement with little or no response and/or comments back on the draft. During November, staff met numerous times with the developer representatives and their attorney to finalize the documentation of their offer. In December, staff was informed that the owners did have substantive comments on the draft. However, they did not authorize the release of the comments to the City Attorney's Office and notified the City that the property owner representatives that City staff had been working with were not authorized to finalize the subject Funding Agreement. Subsequently, staff recommended deferral of the project partially based on the incomplete Funding Agreement.

On April 4, 2007, City staff received a draft proposal from the developers, detailing their voluntary offer to the City of San Jose and requesting for the initiation of Development Agreements between the City of San Jose and the four separate opportunity sites. Staff is concerned that the current proposal reinforces a pattern of changing voluntary contributions and land dedications, particularly after working directly with the City's consultants to articulate their proposal for the Financial Analysis.

The City Attorney's Office has reviewed the April proposal, and has concerns regarding the document and its ability to serve as a legally binding agreement to commit the developers to their financial contribution and land dedication proposals. Additionally, staff has concerns regarding developers' request to enter into development agreements for their site specific projects, in that San Jose's practice has been only to enter into development agreements for those projects that contain a significant economic development benefit to the City. As primarily a housing proposal, the EEVHS does not meet the City's established criteria for entering into such agreements.

Land Use Policy Considerations

Although the developers' offer to contribute a significant amount of dollars to City for the construction of various transportation projects and community amenities, it is still vital that major land use and policy decisions be reviewed on the basis of achieving the vision of the City's General Plan and consistency with all its applicable Major Strategies and goals and policies.

After further review of the proposed project, staff has concerns regarding the proposed development and its consistency with the following General Plan Major Strategies and City goals and policies:

- <u>Sustainable City Major Strategy:</u> The successful creation of a more sustainable development patterns throughout the City help ensure that the City is able to maintain the infrastructure and services necessary to sustain San Jose's economy and quality of life. Increased depletion of the City's lands designated for economic development and the increase in the construction of housing impacts the City's resources needed to maintain the City's overall quality of life.

- Economic Development Major Strategy: Economic development is a fundamental priority for future growth not only in order to improve the City's financial position but also to provide employment opportunities for San Jose's residents and to provide adequate urban services for its residents.

- Level of Service Policy: City services and facilities are directly related to growth and development. Providing adequate services and facilities are essential to the successful development of individual projects and to the City's ability to accommodate economic development citywide. Conversion of lands dedicated to economic development would have an impact on the City's resources to manage, maintain and operate its services and facilities. Additionally, industrial conversions and the growing housing unit stock occurring throughout the City are expected to have a cumulative negative fiscal impact to San Jose.

- Transportation Policy: The provision of an adequate transportation system to serve all areas of San Jose is a primary planning issue in the community. The subject project would further impact existing vehicle congestion at five intersections in the Evergreen area, reducing Level of Service from the City standard of LOS "D" to LOS ratings of "E" and "F". Even with no housing on the Campus Industrial site and new housing on the remaining three opportunity sites, several intersections would be below LOS D. For this reason, an update to the Evergreen Development Policy is required to acknowledge the acceptance of this traffic condition in Evergreen. The amenity package is an attempt to offset the traffic concerns; hence, the importance of a binding agreement to deliver the amenities with the transportation investments.

  In addition, if employment opportunities are removed from the Campus Industrial site, the opportunity for a "reverse commute" would also be eliminated. The reverse commute was intended to better utilize existing roadways by designating land for jobs in the southern and eastern portions of the City.

POLICY OPTIONS

Due to the policy issues raised above, staff has identified five policy options for Council consideration in the Study Session. Staff looks forward to Council's discussion and direction regarding these options as the basis for negotiating a legally binding agreement regarding the voluntary contributions and dedications.

***Option #1*: Developer Proposal:** Update the Evergreen Development Policy with the Developers' revised development proposal of up to 4,730 residential units on four opportunity sites, up to 545,000 square feet of commercial/ professional office uses, and up to 500 background/ "pool" units to be developed on sites other than the four opportunity sites.

> **Pros: On the assumption that the City and the developers are able to agree to the terms of a binding funding agreement**, the developers would pay for significant transportation investments and other community amenities that the City could not typically require from standard nexus and development exactions. Although these

community investments and facilities may be built without the project, the proposed "package" would bring the subject investments online sooner.

Cons: The trade-off for allowing additional development in the EDP area is: (1) the increase in traffic congestion on the local roadways and gateways; and (2) the loss of a significant amount (320 acres) of employment lands and its associated long term tax base.

Option #2: Primary Task Force Proposal: Update the Evergreen Development Policy with the Primary Task Force Recommendation for up to 3,600 residential units, up to 300,000 square feet of commercial/professional office uses, and up to 400 background/"pool" units.

Pros: The Primary Task Force alternative proposes to retain up to 120 acres of the Campus Industrial designated land and thereby preserving potential for future jobs in the Evergreen area and its associated benefits. Additionally, the Primary Task Force alternative recommends incorporating affordable housing on all of the four opportunity sites (19% overall) in addition to the proposed background/"pool" units.

Cons: The Task Force recommendation to reserve land for a new high school could potentially preclude the development of future industrial uses and/or the development of units needed to generate sufficient funds by the developers to fund the EEHVS "package" referenced in this report.

Option #3: Retain 120 acres of Campus Industrial Lands: Update the Evergreen Development Policy to allow for the development of up to 4,300 residential units on the four opportunity sites, up to 595,000 square feet of retail commercial/office space, and 500 "pool" units. This option includes the preservation of 120 acres of lands designated as Campus Industrial with the possible addition of the Mixed Industrial Overlay designation to allow for more flexible use of these lands for schools or places of worship as well as employment uses.

Adding the Mixed Industrial Overlay would allow more flexibility to the permitted uses on the subject site. Under the Mixed Industrial Overlay a mix of compatible commercial uses and public/quasi-public uses could be developed, in addition to campus industrial uses in accordance with the base designation. Inclusion of the Mixed Industrial Overlay designation would maintain a portion of the site for economic development consistent with the Goals and Policies outlined in the San Jose 2020 General Plan. The Developer Recommendation would convert all of the 320 acres to housing and result in a loss of over 10,000 potential future jobs in the area. Although the recommendation to retain on a portion of the Campus Industrial designated land in the Evergreen area would still result in a loss of jobs it would retain the potential to yield approximately 3,800 high to medium skilled jobs. The retention of some amount of Campus Industrial land is important to secure the long term viability of the Hitachi site with other lands to create a "critical mass" of employment lands.

Pros: This option would provide an opportunity for office and research and development jobs in the retained 120 acre Industrial Campus area; add flexibility as to development potential for the owners of the Campus Industrial lands; increase opportunity for future recreation on the Pleasant Hills Golf Course site; and provide development opportunities for the Arcadia and College sites.

Cons: The developers have stated that the retention of approximately 120 acres of Campus Industrial designated land would preclude them from funding the previously referenced transportation investments and community amenity "package." Staff is coordinating with other State and regional agencies to look at other alternatives to fund a portion of the Highway 101 improvements without developer money. This would require the use of $10 million from the City's Local Streets Program, reducing money available for street maintenance.

Option #4:* *Retain all 320 acres of Campus Industrial Lands: Update the Evergreen Development Policy to allow additional residential units on three of the four opportunity sites (3,025 residential units, up to 595,000 square feet of retail commercial/office space), and up to 1,775 "pool" units (transferring those from the Campus Industrial site to the residential "pool"), while maintaining all 320 acres of land currently designated as Campus Industrial.

Pros: This alternative recommendation would continue to achieve the EEHVS purpose to accept the voluntary contribution to fund transportation projects in the Evergreen area by allowing development on the former Pleasant Hills Golf Course site, the Arcadia site, and the Evergreen Valley College site, and maintain the potential for over 10,000 industrial based jobs in the Evergreen area. Increasing the amount of "pool" units would further residential options in the Evergreen area on non-opportunity sites.

This alternative would allow the City Council to review future General Plan Amendments regarding "pool" unit allocation. In addition, the industrial lands in the Evergreen area would be analyzed in the context of the General Plan Update process.

Cons: The Financial Analysis prepared for this project indicates that approximately $135 million dollars of the cash contribution is coming from the lands currently designated as Campus Industrial. Therefore, if these properties are not converted or some portion not converted it is assumed that the financial contribution from the property owners would be decreased by half. This would mean that only the base transportation improvements required under the Final Environmental Impact Report would be funded and no dollars would be contributed toward community amenities with the exception of those funds "freed" by acquiring state transportation bonds from Proposition 1B. Staff is coordinating with other State and regional agencies to look at other alternatives to fund a portion of the Highway 101 improvements without developer money. This would require the use of $10 million from the City's Local Streets Program, reducing money available for street maintenance.

A supplemental Environmental Impact Report (EIR) and a subsequent update to the EDP would be needed to remove any required transportation mitigation measures which are identified in the certified EIR and are directly attributed to the Campus Industrial development.

Option #5: No Action; Defer to the General Plan Update: Do not update the Evergreen Development Policy and defer the consideration of additional housing development opportunities in the EDP area to the comprehensive General Plan Update for the reasons listed above.

> **Pros:** Considering additional development in the Evergreen area as part of the General Plan update would be the appropriate forum to study growth issues within a citywide context of fiscal impacts, economic forecasts, etc. Additionally, the City would be able to complete a citywide sports facility study and Greenprint update to determine future land requirements for parks and recreation. Once land is developed, particularly for housing, the opportunity to consider other options is eliminated. This option acknowledges that there is no legally binding agreement to achieve the voluntary contributions. For this reason as well as the other concerns raised in this memorandum, staff is currently recommending this option.
>
> **Cons:** If the proposed EDP update is deferred to the General Plan update, the developers and some members of the community would perceive the EEHVS process as a waste of time and money. The developers funded the EEHVS planning effort; however, their funding only "bought" the completion of a process and not a particular outcome. If the EDP update is postponed, the developers would likely not offer to pay for transportation investments and community amenities beyond typical nexus requirements. However, the City and the developers have been unable to negotiate a binding funding agreement for such improvements and amenities which is the cornerstone of the proposal. Transportation investments would occur through public funding. Community amenities would be implemented at some point; however, the timing and funding of the identified amenities would be unknown.

Policy Option Conclusions

Last fall, staff supported Policy Option #3 (retention of 120 acres of Campus Industrial), assuming that the property owners' voluntary contribution would be secured by a legally binding agreement and that the opportunity to do additional comprehensive long range planning was not in the foreseeable future. Policy Option #3 attempted to balance additional housing development, the voluntary contribution for transportation and amenity investments, and the retention of some amount of industrial land. A new revision to the proposed Evergreen Development Policy is attached to illustrate the Policy's elements based on this Option (see Attachment 7). Depending upon the direction from the Council at the Study Session, the Policy would be revised accordingly for Council's consideration at its May 15th meeting.

Since last fall, the Council has had study session discussions regarding the long term fiscal health of the City and the importance of protecting employment lands. Employment lands generate significant revenue for the City. As discussed at the Council at the March 2007 Employment Lands Study Session, staff is proposing to strengthen the Employment Lands Framework to secure the City's prime employment lands. Due to the ongoing inquiries from developers who are considering to apply for additional conversions, a clear policy framework should be established to address the continuing conversion pressure. The Framework revision is expected to come back to the Council for consideration at its May 15, 2007 afternoon session.

In light of the ongoing conversion pressure and the recent Council discussions regarding the fiscal health of the City, staff believes it is premature to convert all of the Evergreen Campus Industrial area prior to examining its potential in the citywide context of the upcoming General Plan Update.

Staff currently recommends Policy Option #5 (no change to the General Plan) as the preferred action by the City Council based on the reasons discussed in this memorandum and summarized below:

- Loss of employment lands and their incremental impacts are better analyzed as part of the General Plan Update; and
- The developers' "all or nothing" proposal would require that all the industrially designated lands to be converted in order to commit the funding necessary to implement the EEHVS project; and
- Lack of a completed and signed Funding Agreement.

If the Council would like to update the Evergreen Development Policy and move forward a portion of the Evergreen*East Hills Vision Strategy, staff recommends that Council provide direction to pursue either Policy Option #3 (retain 120 acres of Campus Industrial) or Policy Option #4 (retain all 320 acres of the Campus Industrial lands). These options assume a legally binding agreement with the property owners regarding some form of voluntary contributions and dedications.

PUBLIC OUTREACH/INTEREST

☐ **Criteria 1**: Requires Council action on the use of public funds equal to $1 million or greater. **(Required: Website Posting)**

☐ **Criteria 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)**

✓ **Criteria 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)**

As discussed early in this memo, extensive outreach has occurred throughout the process. A variety of opinions have been expressed throughout the process. These view points span the policy options listed above. The Study Session provides an opportunity for these viewpoints to be expressed during the panel discussion and open forum agenda items.

This memorandum and other materials associated with the proposed Study Session will be posted on the City's website to facilitate the public's ability to watch, attend and/or address the Council at the Study Session.

Additionally, 2,600 petitions opposed to a new grocery store on the Evergreen Valley Community College site is available for review at the City Clerk's Office.

COORDINATION

This memorandum was coordinated with the City Attorney's Office. The preparation for the Study Session involves many City departments, including Transportation; Public Works; Parks, Recreation, and Neighborhood Services; Housing; Redevelopment Agency; City Attorney's Office; Office of Economic Development; and City Manager's Office. Department directors and/or their staff, as appropriate, will be available to participate in the discussion with Council, property owners, and the community at the Study Session.

Laurel Prevetti

for JOSEPH HORWEDEL, DIRECTOR
Planning, Building and Code Enforcement

For questions please contact Laurel Prevetti, Assistant Director, at 408-535-7901

Attachments
1. Study Session Agenda
2. Study Area Map
3. Task Force Outcomes
4. Responses to Questions/Issues Raised in the December 12, 2006 memorandum from Councilmembers Cortese, Reed and Pyle
5. Working Draft Fiscal Study
6. Working Draft Financial Analysis
7. Revised Draft Evergreen Development Plan

Attachment 1

CITY COUNCIL STUDY SESSION
on the
EVERGREEN-EAST HILLS VISIONING STRATEGY

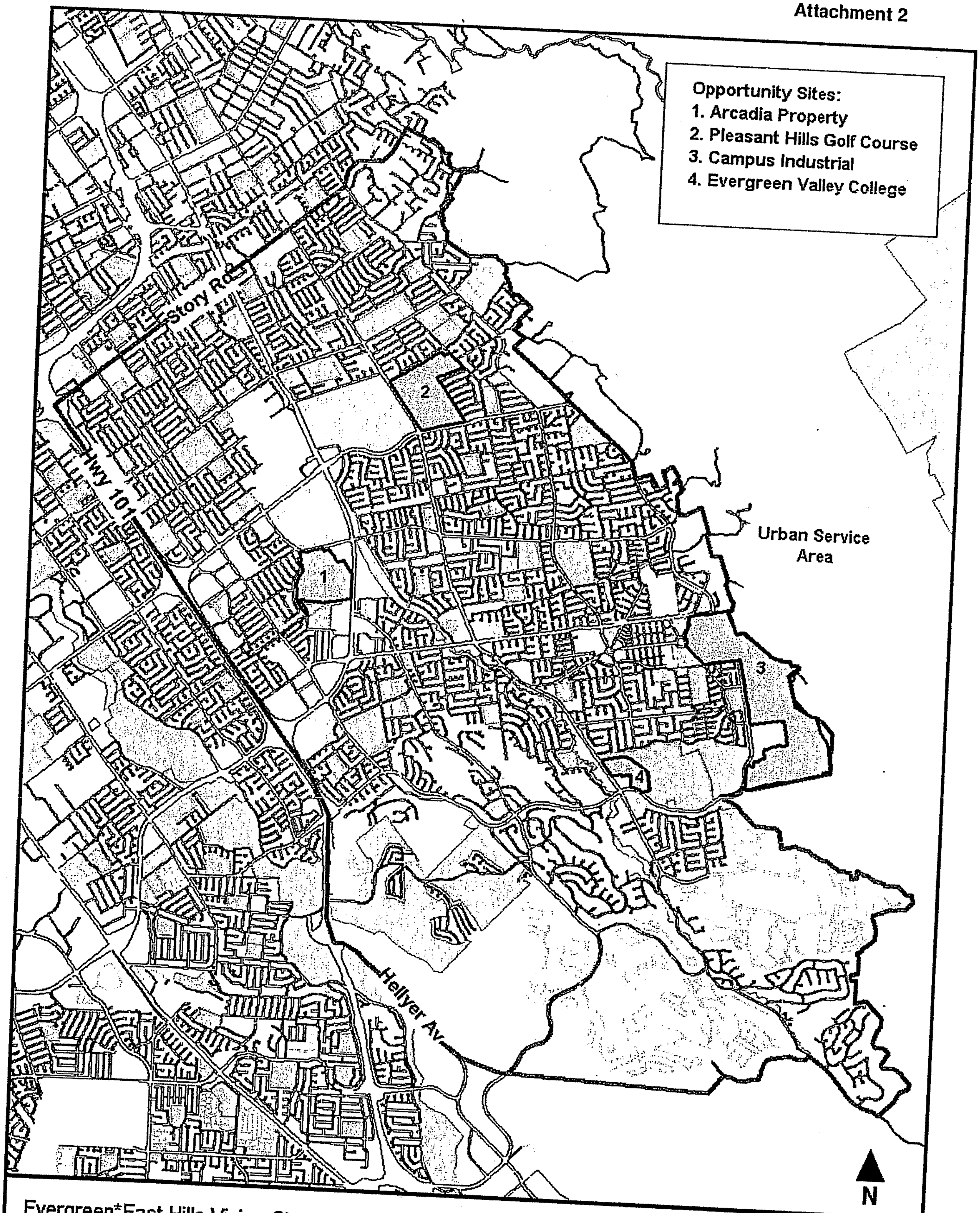
City Hall, Council Chambers
April 30, 2007
1:00 – 5:00 p.m.

AGENDA

Expected Outcomes of the Study Session:
- *Understand the key elements of the EEHVS*
- *Discuss the results of the fiscal and financial analyses performed on the proposal*
- *Engage with key property owner and community stakeholders on EEHVS*
- *Receive direction from the City Council on the EEHVS policy options*

1. Opening Remarks	**1:00 – 1:15 p.m.**
2. Overview of the Evergreen*East Hills Vision Strategy	**1:15 – 1:45**
3. Results of the Fiscal and Financial Analyses	**1:45 – 2:45**
4. Panel Discussion with Major Property Owners and Community Members	**2:45 – 4:15**
5. Range of Policy Options and Council Direction	**4:15 – 4:45**
6. Public Comments	**4:45 – 5:00**
Adjourn	**5:00 p.m**

Attachment 2



Evergreen*East Hills Vision Strategy Project Area

EVERGREEN • EAST HILLS VISION STRATEGY
Vision and Expected Outcomes
(Approved by City Council 6-21-05)

1. Use the Guiding Principles (dated November 2003) as a basis for a vision of improved quality of life and enhanced livability by fostering vibrant commercial/business, mixed use, and residential areas linked by various transportation modes and community amenities. These Principles are incorporated by reference in their entirety in this Key Outcomes document.

2. Maintain the delicate balance of the "three legged stool" between new development, transportation improvements, and community amenities.

3. Create a financially feasible plan with the appropriate use of Community Facilities District(s), developer contributions, and other mechanisms for the completion of transportation improvements and community amenities.

4. Explore the creation of affordable and mixed income housing to meet the needs of all household types by meeting the inclusionary housing requirements on sites in Redevelopment Project Areas and through other mechanisms, such as an inclusionary requirement on lands being converted from industrial uses.

5. Create opportunities for both home-ownership and rental units throughout the study area, and ensure a balance of ownership and rental housing on the Arcadia site.

6. Explore opportunities to increase workplace density on existing industrially zoned land to create mixed-use opportunities, utilizing information provided in the "Trade-Off Analysis."

7. Capture new retail and commercial opportunities while strengthening all existing retail including the commercial center at the Evergreen Village.

8. To the fullest extent possible, work with affected school districts to ensure adequate school capacity without sacrificing a high quality education environment.

9. Establish a ten-year supply, or "bank", of residential unit allocations beyond the four opportunity sites to facilitate infill and reuse development in the study area.

10. Protect, enhance, and/or restore natural resources, particularly streams, watersheds, and trees, as part of all private and public development (including parks, trails, etc.).

EVERGREEN*EAST HILLS VISION STRATEGY
CITY COUNCIL STUDY SESSION
April 30, 2007
ATTACHMENT 4
COMMUNITY QUESTIONS

a. Amenities questions:

1. What are the dollar costs of amenities?

   Answer: Estimated costs were provided to the Task Force and the public on December 14, 2005, in a document entitled, "Draft – Potential Amenities".

2. Where is the independent financial analysis of amenities?

   Answer: All cost estimates for the amenities are calculated by City staff based on the general descriptions of the amenities listed in the document referenced above.

3. How does the new developer funding ($225M) affect the proposed list?

   Answer: It is unclear at this point how the reduced contribution of $221 (previous amount was $225M, reduced from $250M) will affect the amenity list. This will depend on the Council direction on whether this is a maximum number or whether the goal is to have an approved list of amenities that must be built without consideration of total cost. Assuming the now $221 million contribution is a maximum number, it is likely that fewer amenities would be constructed without help from outside funding such as grants and bonds.

4. How will amenities be phased in over time?

   Answer: Funding for amenities is outlined in the Draft EDP document on the EEHVS website. Actual timing for the construction of amenities will be determined by when and where development first occurs and the availability of land and funding.

5. Given phasing, what are the current costs given what the community (H) proposed?

   Answer: Preliminary costs were provided at the December 14, 2005, Task Force meeting and is available on the EEHVS website (see comment/answer #1).

6. How is inflation accounted for in dealing with paying for amenities over a phased period of time?

   Answer: Inflation increases are being considered as part of a Funding Agreement and the EDP policy.

7. How can the City guarantee amenities will be paid for if highway improvements increase in cost?

   Answer: Securing funding for transportation investments and/or amenities would be addressed through a Funding Agreement between the City of San Jose and the developers/property owners. Additional funding agreements may be required with the Santa Clara Valley Transportation Authority.

8. Can we guarantee the actual list of amenities, rather than a static total dollar figure (~~$225M~~ now $221M)?

   Answer: City staff will take this under consideration. However, the actual cost of the amenities will not be know until time of construction and acquisition of any real property that may be required. Additionally, the property owners are only offering a dollar contribution amount not a list of amenities.

9. What are the operations and maintenance provisions for amenities, and how will this be paid for over time?

   Answer: City staff is still evaluating issues related to operations and maintenance.

10. What are the contractual arrangements with the developers for money allocation at each stage of the process?

    Answer: Money allocation or payment schedule to the City for each stage of the process is outlined in the Draft EDP and will be incorporated into the Funding Agreement between the City and the property owners/developers of the Four Opportunity Sites.

b. Industrial conversion questions:

1. How will industrial conversion on the Campus Industrial site affect the city's tax revenue stream?

   Answer: A Fiscal Study is being prepared by Keyser-Marston to determine what the affect would be on the City's tax base.

2. How will industrial conversion affect a jobs/housing balance, which is a city principle?

   Answer: Converting approximately 320 of Campus Industrially designated land would eliminate the potential for over 10,000 new jobs in the Evergreen area.

3. How will industrial conversion affect service demands in Evergreen?

   Answer: The Environmental Impact Report (EIR) analyzed service demand impacts from the new development and concluded that new development would increase the need for services like Fire and Police however, the impact was found to be less-than-significant. However, the conclusion of "less-than-significant" impact was predicated on the addition of a ladder truck company at a Fire Station 36 to be constructed on the corner of Old Silver Creek and Yerba Buena. Additionally, a Fiscal Impact Study is being prepared to look at the developments impact on provided City services on a citywide basis. Results will be discussed a the April 30, 2007, City Council Study Session.

4. Once this land is converted to residential, where will the city find other industrial land options in this area to create a counter-commute and to attract industry?

   Answer: As industrial conversions occur throughout the City the options to create additional industrial land becomes impractical. The City has already proactively increased industrial and employment land capacity in North San Jose and the Downtown area, in addition to industrial development planned for Coyote Valley and Edenvale. Specific to the Evergreen area, there is no land sufficient enough in size and location which could be converted to an industrial designation.

5. How can we protect expansion possibilities for Hitachi?

   Answer: Through appropriate site design many incompatible functions of an industrial use located next to residential developments can be mitigated.

c. Transportation improvement questions:

1. How much does ITS cost?

   Answer: Preliminary cost estimates price the completion of the Intelligent Transportation System within the Evergreen Development Policy boundaries at $4 million.

2. Currently, what will the "mandatory" traffic improvements (Hwy 101 +) cost, and what guarantees are there against inflation?

   Answer: A preliminary cost estimate for all Base Improvements price the improvements at roughly $112 million. Staff is continuing to coordinate with the appropriate parties to address cost increases due to inflation.

3. If state money pays for the highway improvements, can reimbursed funds goes into paying for amenities, rather than into the City's General Fund?

   Answer: Yes, the current Draft of the EDP and the Draft Funding Agreement with the owners assumes this scenario.

4. What will be the effect of having four lanes vs. two lanes on proposed major traffic arteries?

   Answer: The decrease from 4 lanes to 2-lanes would reduce capacity on those roadways; however, this would not result in significant additional traffic impacts.

5. What is the fiscal analysis of VTA for Capitol Expressway in terms of its being a traffic corridor and its effect on Arcadia site?

   Answer: N/A

d. Open space questions:

1. Per Planning's proposal, what guarantees can be put in place for open space on the Pleasant Hills golf course site to remain so in perpetuity?

   Answer: This would be achieved through a policy action by the City Council when this project is considered in 2007.

2. Will there be public access to the private open space?

   Answer: Private Open Space assumes the property would remain in private ownership and therefore, there would be no enforcement to provide public access to the property. Public access could be provided by the property owner voluntarily but cannot be mandated by the City.

3. How will maintenance be paid for in the private open space?

   Answer: Private Open Space assumes the property would remain in private ownership and therefore, maintenance of the property would be the responsibility of the property owner or an owners' association.

4. What is the ramification of 40% private open space on PHGC from a City impact perspective, and how can we ensure that this land doesn't flip?

   Answer: Should the property remain under private ownership there are no legal provisions to prohibit the sale of the land to a new owner. However, the land use designation approved for this portion of the site would be the limiting factor as to the type and intensity of uses which could occur.

e. Sunshine guideline questions:

1. Has the public been adequately informed about all of these issues on a timely basis?

   Answer: Yes, staff have diligently ensured complete public outreach by posted all corresponded, memos, staff reports, and public notices of meetings and project announcements and sending notices of the availability of these documents via the EEHVS email list of interested parties. Additionally, staff noticed all public hearings via U.S. Standard Mail and published such meetings in the local news publication.

2. The public has not seen the funding agreement and independent fiscal analysis, when can these be made available?

   Answer: The public will be noticed when these documents have been completed. To date (December 8, 2006) the Funding Agreement with the property owners is not finalized and the Fiscal Analysis is anticipated to be completed in March 2007.

3. How can we ensure that the remaining process be open and balanced?

   Answer: The City is committed to meeting and going beyond the Council's Public Outreach Policy and the expectations of open government under the Sunshine Ordinance.

4. In terms of new data received from developers and independent sources, how can the community be keep informed of these changes, and in unit numbers and associated reduction in developers' fees?

   Answer: Through the EEHVS website Announcements page, or by contacting the City Planning Division directly at (408) 535-7800.

5. Has the City Council been open with the public concerning Council members' meetings with developers?

   Answer: Staff has no knowledge of such meetings and therefore refer this question for response to various Council Offices.

6. Once all the information is obtained and analyzed, how can the community be re-engaged before a final proposal is presented to the City Council?

Answer: Planning staff will continue to coordinate a public outreach campaign and will hold at least one additional community meeting prior to the City Council hearing considering adoption of the plan. A City Council Study Session on the EEHVS project will also be held on April 30, 2007 which is a public meeting and open to public testimony.

f. High School land reservation questions: - The last 6 questions should be answered by ESUHSD before a complete proposal can be made.

1. How does a potential ESUHSD boundary change fit in terms of the City Council's EEHVS guiding principle to have neighborhood schools?

   Answer: Boundary changes by a school district would not impact the guiding principles associated with the EEHVS project.

2. If the ESUHSD chooses Edenvale or RY Ranch for a land option in the future, how will this affect the City's policies concerning industrial lands and Greenline?

   Answer: Locating a new high school in Edenvale could foreseeably jeopardize the longevity of industrial uses and expansion of the area as an employment center. Likewise, locating a new high school outside the City's Urban Growth Boundary would not be consistent with the City's policies to limit growth to existing urban areas, protection of the hillsides and sensitive wildlife areas, and decreasing development pressures on the City's urban fringes.

3. What is the ESUHSD position about land reservation? (Currently they maintain they do not need land inside the opportunity sites, but rather further south east.)

   Answer: The ESUHSD staff has stated publicly that they would not say "no" to land reservation but do not feel this location will meet their needs; however, a response as to the ESUHSD Board's position, we refer to the ESUHSD.

4. What is the expected need for a new high school based on EEHVS units?

   Answer: The ESUHSD has stated that the student generation rates from the proposed EEHVS units would not meet the California State Guidelines for construction or receiving monies for the construction of a new high school and that because other schools in the District are under-enrolled there is existing capacity within the District.

5. What is the maximum capacity of each high school?

   Answer: The California Department of Education determine school capacity thresholds. Please contact the District and visit the State's Department of Education for this information: http://www.cde.ca.gov/index.asp

6. What are the acceptable boundary changes?

   Answer: District boundary changes are not under the discretion of local municipalities.

7. What is the ESUHSD's long-term policy concerning land options for a new high school?

   Answer: Long-term policies of the ESUHSD are not governed by the City and would need to be obtained from the District.

8. Has the school district identified future land options?

   Answer: The ESUHSD has only indicated that they are interested in a site in southern San Jose and outside the boundaries of the Evergreen Development Policy area. The District has not provided City staff with specific information as to a desired location for a future high school.

g. Pool unit questions:

1. What are the ramifications of proposed pool unit wording?

   Answer: Staff is continuing to research this question.

2. There is currently no nexus for pool allocations and amenities, and can we get a nexus study?

   Answer: The amenity "package" is a voluntary contribution by the Four Opportunity Sites for projects that the City could not typically require dedication for or require the construction of and therefore, the requirement of the Four Opportunity Sites to deliver the "package" is through a Funding Agreement. However, a traffic nexus study was prepared for the "pool" units and found that a Traffic Impact Fee could and will be required by the "pool" units to pay for impacts directly attributed to those units. Additionally, the "pool" units will be subject to the City's Parkland Dedication and Parkland Impact Fee Ordinance of which money or land dedication requirements will further enhance the public amenities throughout the greater Evergreen area.

3. Will excess pool allocations be put into the pool immediately?

   Answer: The amount of "pool" units, their allocation, and phasing will be determined by the City Council when the project comes before the Council in 2007. A draft proposal as to the timing of "pool" unit allocation is incorporated in the current Draft EDP, but this may change according to policy direction received from the Council.

h. The EVCC College site:

1. Is the proposed grocery and commercial activity for the college site compatible with the college board's mission and the EEHVS guiding principles and desired outcomes?

   Answer: It is assumed that since the School Board is the applicant proposing to construct commercial uses that it is part of their mission. However, no information has been provided to City staff to confirm this.

2. Is this appropriate use for development on the college site in terms of the City's needs and General Plan guidelines?

   Answer: The development of commercial uses on the college would be consistent with the Economic Development Goals and Policies of the City and help increase sales tax revenue to help pay for public services.

i. Other Questions:

1. How will the CFD be structured (overview should be fine)?

   Answer: The current proposal by the property owners does not anticipate the formation of a Community Facilities District (CFD).

2. What is the formula for calculating TIF for the background pool units?

   Answer: A Traffic Impact Fee study was prepared for the "pool" units and is available on the EEHVS website Announcements page.

3. What is the process around collecting and applying these funds, and can these funds offset the mandatory traffic requirements after they have started construction?

   Answer: Impact Fees are paid at the time a developer applies for their Building Permits. Yes, these funds could offset mandatory traffic improvements if the improvements overlap.

4. Will all new development be subject to an additional Municipal Funding District to fund ongoing M&O of the amenities?

   Answer: It is anticipated that a special district will be required for the proposed project to provide ongoing maintenance of the expected enhanced landscaping, open space and water features a few of which are on the amenities list. The use of these districts for maintenance in the City has been limited to facilities such as enhanced landscape in streets, lakes and water quality features, and enhanced streetscapes and parkways. In addition, staff continues to exploring opportunities to fund ongoing O&M of the park, library and facility related public amenity improvements proposed as part of the EEHVS project. Recommendations will be made with staff's report to the City Council in March 2007.

5. Can you please report out the recommendations from the other boards and commissions who have commented on the task force recommendations?

   Answer:

   <u>Parks Commission:</u> The Parks and Recreation Commission issued a memorandum with their recommendation on October 4, 2006. This memorandum can be viewed and downloaded from the EEHVS website.

   <u>Housing Advisory Commission:</u> The Housing Advisory Commission's recommendation is available on the EEHVS website.

   <u>Planning Commission:</u> The Planning Commission's recommendation and hearing synopsis can be downloaded from the Evergreen website.

6. Will the "pool" units be able to move forward without the EEHVS project/"package"?

   Answer: No, approval of the "pool" units assumes all the background/base transportation improvement be constructed which amount to approximately $112 million. The cost of these improvements would not be financially feasible for smaller infill properties to absorb and the majority of the improvements has no nexus to the pool units and require voluntary funding by the owners of the four opportunity sites.

7. Are there restrictions written into the Policy that would limit the ability of "pool" properties from participating in the growth of Evergreen?

   Answer: The Draft EDP includes provisions to ensure all remaining properties that are large enough to accommodate additional units have the ability to participate in the future growth of the Evergreen Area. Specifically, measures have been drafted to retain 25% of the "pool" units for smaller properties that could only accommodate four (4) or fewer units while the remaining "pool" units could be allocated to larger sites with more density and mixed use opportunities.

8. Can staff have more direction on exactly when the "pool" units would be able to apply for permits?

   Answer: The current Draft of the EDP identifies that the "pool" units could begin pulling their necessary development permits in Phase II, after the initial funding obligation of the Four Opportunity Sites is secured.

CITY COUNCIL QUESTIONS

1. Respond to the speculation of ESUHSD seeking land outside the UGB or properties currently zoned industrial, and inform the Council on the consequences of either of these two possibilities.

   Answer: State law exempts school districts from adhering to local land use policies when the use of the land is for educational purposes (which is broadly defined under State law). Therefore the school district could locate a new high school outside the City's Urban Growth Boundary or on properties currently planned for and zoned for industrial use. Although state law exempts school districts from adhering to local land use policies if the use is for educational purposes, the City would not be in support of located a new high school in these areas as this would not be consistent with City policies related to growth management, the urban growth boundary and urban service area, economic development, and industrial land uses.

2. Please explain if the following text on page 34 of the draft EDP is legally binding: "*The Opportunity Site Owners shall have no entitlement to develop their Opportunity Sites in the event that they fail to enter into an agreement with the City and Santa Clara Valley Transportation Authority, or fail to make payment according to such an agreement, for the owners' funding of the construction of the Traffic Improvements to Hwy 101 as described herein and in the manner and timing specified herein.*"

   Answer: The transportation improvements including those to Interstate 101 and various intersections in the greater Evergreen area are considered a fundamental requirement for any approved development. Due to the assumption that these improvements will be funded and constructed as part of the EEHVS, the project cannot move forward if the property owners/developers fail to secure the funds to complete these base improvements and enter into all required agreements with the appropriate agencies to complete these improvements.

3. What are the implications of requiring green building standards as opposed to suggesting such standards? (EEHVS Binder to Council: Tab J: Appendix C)

   Answer: The Green Building Design Measures listed as Appendix C to the Updated Evergreen Development are intended to assist those involved in the design, construction, review and approval of development in the Evergreen Development Policy area to promote energy saving and resource conservation as the City continues to grow in the 21st century. The proposed updated policy guidelines are intended to have built-in flexibility in the application of the guidelines to promote creative and alternative solutions for individual projects to meet the intent of the guidelines. Therefore, as written the guidelines would not have any significant implications on feasibility of development.

   Additionally, many current construction projects already include significant design components that are included in the draft design guidelines such as: installing energy star appliances, energy efficient HVAC units, use of recycled materials, water saving devises, storm water control measures, and the like. Therefore, requirement of these measures would additionally have minimal impact on development and several of these measures are already required as mitigation associated with the Certified Final EEHVS Environmental Impact Report.

4. Does the library master plan recommendation of a Southeast Branch Library in Evergreen already anticipate additional growth?

   Answer: Staff is continuing to research this item.

5. Identify "other locations" for transportation improvements as noted in item AE (EEHVS Binder to Council: Tab J: Appendix D).

   Answer: A Transportation/Operations Analysis was prepared by Hexagon Transportation Consultants, Inc. in Spring 2006. The report analyzed various transportation corridors in the greater Evergreen area including all signalized and unsignalized intersections, in addition to an analysis on weekend traffic operations. This report is the basis for identifying the "other" transportation improvements included new signals that will be warranted as development occurs.

6. Specify the amount of funding required to complete Lake Cunningham Regional Skate Park (EEHVS Binder to Council: Tab J: Appendix D: Item C)

   Answer: The total funding required to complete the Lake Cunningham Regional Skate Park is estimated at $4,500,000. Of the estimated costs approximately $1,037,000 are available through the Proposition 12 – Per Capita Program and the remaining $3,463,000 would be funded by the EEHVS contribution monies.

7. Can concepts such as one-way HOV lanes, Bus Rapid Transit and the phasing of Capitol Expressway improvements be explored so as to mitigate traffic circulation while Highway 101 improvements are underway?

   Answer: The Highway 101 project investments and light rail construction along Capitol Expressway are expected to occur within similar near-term time frames, which do not provide opportunities for projects such as one-way HOV lanes and development of a Bus Rapid Transit Corridor. The construction of the light rail project still requires further policy action by the Santa Clara Valley Transportation Authority. However, the tentative scheduled starting date is 2008. The 101 project is tentatively scheduled to begin in 2009. The City will explore all phasing options for those projects and the additional improvements to Capitol Expressway to help balance project and neighborhood needs including traffic circulation.

8. Can community review of the Evergreen Development Policy (see page 34 of draft EDP) be scheduled to occur sooner than before Phase IV begins, such as an annual review from the date of the first building permit being pulled?

   Answer: The community review can occur sooner than Phase IV; however, since development permits cannot be issued until Phase II and with "lag-time" for the construction process and occupation of the new homes, it is likely that affects of the updated EDP would not be able to be seen until later phases.

9. Please explain the reference "preserved area of private recreation-designated land" (Page 5, Planning Director's memo to City Council).

   Answer: This reference is associated with the Pleasant Hills Golf Course site and staff's recommendation to preserve 40% of the site designated as Private Recreation. The entire site (112 acres) is currently designated as Private Recreation on the City's 2020 General Plan Land Use/Transportation Diagram. In response to the community and the City's concerns regarding the loss of open space staff is recommending that approximately 45 acres retain the existing designation of Private Recreation. Essentially this means no change to the 2020 General Plan Land Use/Transportation Diagram on approximately 45 acres located on the Pleasant Hills Golf Course site.

10. Please provide a grand total of all sources of funds for any improvement as part of the EEHVS including: Developer Fees, Proposition 1B, C&C, Fire Bond (for new fire station at Pleasant Hills), Library Bond (for Southeast Branch Library), Proposition 40 (for regional skatepark), etc.

    Answer:

    Transportation
    The total cost to construct the required Highway 101 improvements are anticipated to be approximately $104 million based on escalation estimates of construction costs to the year 2010. Funding sources are broken down by: $30 million from State Transportation Bonds; $8 million from Federal Grant money; $50 million from the proposed EEHVS project; $3 million from past Evergreen projects; and $13 million from VTA funds.

    Although state funds for the construction of the required Highway 101 improvements have not been secured, City staff have been coordinating with various regional and state departments to secure those monies ($30M) ahead of the EEHVS project consideration by the City

Council on May 15, 2007. Should the state funds from Proposition 1B secured by the for the required highway improvements, those funds would offset the dollar contribution from the developers and could allow for additional funding of either amenities, affordable housing, or funding of maintenance for the additional communities facilities constructed as part of the EEHVS project.

Amenities
Possible other funding sources for amenity projects include; $914,000 Park Trust Fund for Sports Fields, $483,000 Park Trust Funds for Ocala Ball Fields, and $29,000 Park Trust Funds for Thompson Creek Park Chain and Trail improvements.

Staff is continuing to research other possible funding sources for community facilities and amenities (i.e., library, fire station, and a community center).

Additionally the City Council provided direction to staff regarding the Funding Agreement between the developers and the City of San Jose. Although a completed Funding Agreement has not been finalized with the developers of the Four Opportunity Sites, staff has analyzed the below direction as to how they would be addressed in such an agreement.

a. Require that Proposition 1B money offset a possible Community Facilities District:

   The proposed revision to the Evergreen Development Policy does incorporate language which would allow for monies currently earmarked for the Base Transportation improvements to be transferred to construct community amenities should the City acquire State or other regional funding for the required base improvements.

b. Require that a Level of Service "D" be maintained for all intersections impacted by pool unit allocations which have not currently exceeded that level:

   Staff has reviewed the traffic report prepared for this project and has determined that applying this standard to the pool units is not feasible. This is due to the fact that the impacted intersections are an underlying assumption of approving the project and the residential pool units are already considered a contributing factor to the lower level of service standards, as analyzed in the Final Environmental Impact Report.

c. Integrate affordable housing details into the Funding Agreement which would commit a minimum of 40% affordable units on the Evergreen Valley College site and 20% on the Arcadia site:

   The proposed Funding Agreement to the developers does incorporate the establishment of affordable housing units on the Evergreen Valley College site, in addition to those required by State Redevelopment Law for the Arcadia site. However, despite the residential development capacity allowed on the Evergreen Valley College site by a Funding Agreement, the Evergreen Community College District Board of Trustees may take action at any time to change the uses contemplated by the EDP and utilize this site for solely educational purposes as may be authorized by state law. This would preempt local land use jurisdiction over this site and would cause a reduction in the amount of affordable housing required.

d. Incorporate the needs of the Evergreen School District and the Mount Pleasant School District into the Funding Agreement:

Although staff has not been able to finalize the Funding Agreement with the developers it is the assumption of staff that a Funding Agreement will require specific dedication of land for the sole purpose of meeting the elementary school districts needs.

e. Discontinue the planning process if a satisfactory financial resolution has been completed between the developers of the Four Opportunity Sites and the East Side Union High School District, which should include the reservation of land on one of the Four Opportunity Sites or a specific location within the District's boundaries:

   Recent letter of intent from Carl Berg indicates that the developers have negotiated an acceptable plan with each of the effected school districts, including the East Side Union High School District. However, staff have not seen any of these agreements and is not purview to any additional land dedication for a future high school.

f. Include specific assumptions as part of the proposed community amenity list, which include assumptions regarding:

   - Phasing of payments to bring amenities and other infrastructure on-line concurrent with development:

     Staff has incorporated a revised development and payment schedule in the draft EDP which would provide payments early in the process to ensure transportation projects and community amenities are constructed as the policy area builds out.

   - Providing pedestrian bridges at Eastridge and Thompson Creek (or Nieman area) and from Pleasant Hills to Lake Cunningham Park should be accounted for by either public or private funding sources:

     Staff have evaluated preliminary costs for overcrossing construction at approximately $8 million for a Nieman overcrossing and $6 million for a Thompson Creek overcrossing. Both overcrossing options are available for the City Council to consider as part of the amenity list to include in a revised EDP.

   - Securing land for the Evergreen Southeast Branch Library (part of library bond approved by the voters in 2000) should be specifically identified prior to adoption of the Funding Agreement, without sacrificing any existing parkland or community centers and without any offset to PDO/PIO fees:

     Staff has incorporated the dedication of two (2) acres of land on the Evergreen Valley College site of the South East Branch Library. However, the recent letter from Carl Berg which summarizes the property owners' proposal does not incorporate land dedication for the subject library.

   - Terms of any joint use agreements must be brought forward in draft form to the City Council prior to approval of the Funding Agreement for any facility recommended for joint use by the City and any school district. These agreements must be reviewed with local residents, neighborhood associations, and SNI NAC, and meet the approval of both the City and the District.

     City staff have had ongoing meetings with the Evergreen Elementary School District regarding joint-use possibilities on the Arcadia site. Discussions with the school district have indicated that joint-use options are limited, primarily due to the timing that construction of such facilities would be built and the desire of the

Task Force and the residents to construct the Arcadia Community Center as early in the process as possible. Therefore, that fact that the two facilities may be built years apart and the resulting limited amount of joint use options, the parties have agreed that a shared parking lot is the most viable option and would make the most efficient use of the land to maximize property for specific school uses.

Additionally, staff did meet with the Mount Pleasant School District in March 2007. Discussions with the school district will continue with the goal of ultimately finalizing a joint-use agreement which is beneficial to both parties and makes the most efficient use of the land.

Actual joint-use agreements would not be drafted or finalized until development permits are being reviewed for each corresponding site, as typical City practice. Further joint-use agreements and planning would require additional community outreach.

- A minimum of 45 acres set-aside for parkland and greenbelt open space on the Pleasant Hills Golf Course site is required. This may include perimeter buffer areas, neighborhood parks, playgrounds, sports fields, community centers, etc., but not educational or public safety facilities:

  The developers of the former Pleasant Hills Golf Course site have been responsive in reducing their proposed residential units from 825 to 665 units on the subject and have increased the amount of opens space on the subject, with the intent of meeting the above direction. Although the new proposal of passive and active open space areas currently total approximately 37 acres, this does represent an increase from their original proposal, with buffers from adjacent uses.

- Land for Fire Station 21 (part of the Public Safety Bond approved by the voters in 2002) is being donated by the property owners. Therefore, bond funds originally identified for land acquisition should be appropriated in the Public Safety CIP and earmarked for completion/expansion of public safety projects within the EDP area.

  Although staff has not been able to finalize the Funding Agreement with the developers it is the assumption of staff that a Funding Agreement will require specific dedication of land for the sole purpose of meeting the need to relocate Fire Station #21.

- Staff should bring back to council a supplemental memo once the independent Fiscal Impact Analysis and the Financial Study is complete for the EEHVS project.

  Staff have formal agreements with an independent economic firm (Keyser Marston Associates) which is analyzing the fiscal impacts that may result from the proposed EEHVS project. Additionally, the subject consulting firm is evaluating the financial contribution and assumption of each of the Four Opportunity Sites as it relates to the proposed funding of transportation and community amenity projects. Findings of the subject reports will be available prior to City Council consideration of the EEHVS project.

KEYSER MARSTON ASSOCIATES

ADVISORS IN PUBLIC/PRIVATE REAL ESTATE DEVELOPMENT

WORKING DRAFT

MEMORANDUM

ADVISORS IN:
REAL ESTATE
REDEVELOPMENT
AFFORDABLE HOUSING
ECONOMIC DEVELOPMENT

SAN FRANCISCO
A. JERRY KEYSER
TIMOTHY C. KELLY
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ROBERT J. WETMORE

LOS ANGELES
CALVIN E. HOLLIS, II
KATHLEEN H. HEAD
JAMES A. RABE
PAUL C ANDERSON
GREGORY D. SOO-HOO

SAN DIEGO
GERALD M. TRIMBLE
PAUL C. MARRA

To: Ms. Laurel Prevetti, Assistant Director
Planning Services
City of San Jose

From: Keyser Marston Associates, Inc.

Date: April 20, 2007

Subject: Draft Preliminary Estimates of Annual General Fund Impacts to be generated by Evergreen East Hills Development

In accordance with your request, Keyser Marston Associates, Inc. (KMA) has undertaken a preliminary evaluation of the annual fiscal impacts on the City's General Fund to be generated by the development of the Evergreen East Hills area. KMA has evaluated the annual recurring impacts upon build-out of each of the four areas that comprise the Evergreen East Hills Project under three different development scenarios. A summary of the three alternative scenarios are as follows:

	Scenario 1 – Existing General Plan	*Scenario 2 – Property Owners' Proposal*	*Scenario 3 – City Staff Proposal*
Residential Units	217 units	4,730 units	4,300 units
Industrial	4.66 million square feet	0 square feet	1.77 million square feet
Retail/office	0 square feet	495,000 square feet	525,000 square feet

When reviewing these preliminary findings, it is important to keep in mind that the analysis is an evaluation of impacts upon build-out of the entire program. As such, it does not reflect impacts resulting from varying absorption rates. This consideration is significant to the Evergreen East Hills analysis because impacts of residential development are significantly different than the impacts of industrial development. Because many City services are driven by population, the cost of providing services to residential developments is typically significantly greater than the cost of providing services to industrial areas. And, in development scenarios that consist of a mix of

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residential and industrial (Scenarios 1, and 3) the revenues from the industrial development can serve to off-set the cost of providing services to the residential units.

While Scenarios 1 and 3 provide for a significant amount of industrial development, there is no indication that industrial development will actually proceed concurrently with residential development. Because of market conditions and the consideration that industrial development has not already occurred on the sites despite their availability, there is a relatively high probability that residential development will proceed at a faster rate and precede the industrial development. To account for this possible scenario, KMA has also evaluated a variation of Scenario 3, which reflects the assumption that residential development occurs but the industrial development does not. This additional scenario is identified as Scenario 3a.

These estimates should be viewed as preliminary draft estimates due to the following: 1) City staff has not yet completed a review of the findings of this analysis; and 2) there are some assumptions that we are still in the process of verifying.

Draft Preliminary Estimates

Annual Impacts Without Property Owner Assessments/Exactions – As shown on Table 1, it is estimated that each of the four development scenarios will generate a recurring annual net deficit to the City's General Fund unless a portion of annual maintenance costs and services are funded by property owners. The estimated annual deficits absent a system of assessments are as follows:

	Estimated Annual Net General Fund Revenues (Expenses) Upon Build-out With Enhanced Police Service Standards but Without Property Owner Exactions	Estimated Annual Net General Fund Revenues (Expenses) Upon Build-out With Existing Police Service Standards but Without Property Owner Exactions
Scenario 1	($1,031,000)	($465,000)
Scenario 2	($3,638,000)	($1,670,000)
Scenario 3	($3,185,000)	($1,212,000)
Scenario 3a	($3,628,000)	($1,906,000)

As shown, providing for an enhanced level of police protection has a significant impact on the size of the projected annual fiscal deficit. For Scenarios 2 and 3 the marginal difference is approximately $2 million per year. Another key driver of the deficit is the consideration that property taxes to be generated by the Arcadia site will not be available to the General Fund to fund service expenses because the site is located within a redevelopment project area. The deficit associated with the Arcadia site accounts for over 50% of the projected deficit for the entire Evergreen East Hills area.

Scenario 1 is estimated to generate the smallest annual deficit. However, the probability of this industrial scenario being built in the near term is low. Scenario 3 is anticipated to generate the next smallest annual deficit, but similar to Scenario 1 these findings are driven by the assumption that 1.8 million square feet of industrial space will be built concurrent with the residential development. Without the industrial space, Scenario 3 would generate an annual deficit consistent with the deficit projected for Scenario 2.

Annual Impacts With Property Owner Assessments/Exactions – It is common for property owners to bear a portion of the annual cost to maintain infrastructure serving a neighborhood. The financing structures that are used consist of assessment districts, such as a landscaping and lighting district, and special taxes. As shown on Table 1, if a portion of annual maintenance costs were to be borne by the property owners through a combination of property tax assessments and special taxes, each of the development scenarios would be, at a minimum, fiscally neutral to the City's General Fund. If fiscal neutrality is established as the requirement, it is estimated that an average assessment equal to .04% to .14% of assessed value would be required to meet the condition of neutrality, depending on the service level for police protection services. The estimated assessment required for each scenario to reach neutrality is as follows:

	Estimated Annual Assessment/Special Tax as a Percent of Assessed Value Required to Achieve Fiscal Neutrality assuming Enhanced Police Service Standards	Estimated Annual Assessment/Special Tax as a Percent of Assessed Value Required to Achieve Fiscal Neutrality assuming Existing Police Service Standards
Scenario 1	.07%	.03%
Scenario 2	.11%	.05%
Scenario 3	.10%	.04%
Scenario 3a	.14%	.07%

The current average tax rate in the Evergreen Areas does not exceed 1.2%. With an additional assessment/tax to cover a portion of the cost to service the area, it is estimated that the average all-in tax rate in the Evergreen Area would not exceed 1.24% to 1.34%. While this tax rate range and strategy should be further discussed with the property owners, it is not inconsistent with the tax rates borne by other residential neighborhoods.

Major Revenue Sources and Expense Categories – The revenue and expense estimates for Scenarios 1, 2, and 3 are presented in Table 2. The most significant sources of General Fund revenues are: property taxes; property taxes in-lieu of motor vehicle license fees; and sales taxes. For Scenario 2, property taxes account for approximately 38% of General Fund revenues, VLF revenues (including property taxes in-lieu of VLF) account for 20%, and sales taxes account for approximately 17% of General Fund revenues.

The key expense categories include: police protection, fire protection, road maintenance, and library operating expenses. For Scenario 2, police protection expenses are estimated to range from $2.4 to $4.3 million annually (21% to 34% of General Fund expenses), fire protection expenses are estimated to total $2.1 million, road maintenance costs are estimated to total $2.6 million and the cost to operate additional library space is estimated to total $1.2 million annually.

Impacts of Each of the Four Development Areas - As shown on Table 2, each of the four development areas is anticipated to generate an annual deficit to the General Fund under the assumption that police protection service levels are enhanced. The Arcadia site is anticipated to generate the largest deficit ($1.3 to $1.9 million annually under Scenario 2) because this site is located within a redevelopment project area and will therefore not generate any property tax revenue to the General Fund.

Key Differences between Fiscal Analysis Prepared by CBRE for the Campus Industrial area and the Subject Fiscal Analysis - The methodology used by the CBRE fiscal impact analysis of the campus industrial site differed from the methodology used in this fiscal impact analysis of the entire Evergreen East Hills area. Major differences include the following:

- This analysis has estimated additional expenses associated with public safety (fire and police), road maintenance, park maintenance and operations, and library operations based on the specific needs of the Evergreen Project as established by the EIR, the project's design, and City policy. The CBRE analysis estimated annual costs in these categories using an "average cost" approach based on the City's existing budget and per capita ratios. This difference in approach has a significant impact on the magnitude of the annual expense to the General Fund to serve the area.

- This analysis also includes motor vehicle license fee revenues as a revenue source to the General Fund, while it appears that the CBRE analysis excluded these revenues as a source.

Key Assumptions

Fire Department Expenses – The analysis assumes that a ladder truck company is staffed to serve the development. The annual cost to staff the ladder truck is estimated at $2.1 million per year. This assumption is consistent with the findings of the EIR and the City's adopted service standards.

Police Department Expenses - Two service levels have been analyzed. The first reflects the Police Department's request that a service standard of 1.82 officers per 1,000 residents be established. The second reflects current service standards in the City. As shown on Table 2, it is estimated the service standard desired by the Police Department would result in an annual cost of $4.3 million for Scenario 2. In comparison, maintaining existing service levels would cost approximately $2.4 million per year.

Park Operating and Maintenance Expenses – Included in the analysis is the annual cost to operate and maintain all parks, recreational facilities, and open space being proposed by the owners' amenity package. For park and open space facilities proposed on the opportunity sites, 100% of estimated operating and maintenance costs have been allocated to the development site in which the park will be located. For park and open space facilities not located on opportunity sites, though funded by the developers' proposed package, estimated annual operating and maintenance costs have been allocated to each development site based on its proportionate share of population within 2-miles of the location of the park. The cost of operating the Lake Cunningham regional-serving park included in the owners' amenity package has not been allocated to any of the development sites, based on direction from the Parks and Recreation Department.

Property Taxes Generated by the Arcadia site -- It is our understanding that the Arcadia site is located within a redevelopment project area. As a result, incremental property taxes beyond the amount generated in the base year will be allocated to the Redevelopment Agency and will not be available to the General Fund.

Library Expenses – The analysis assumes that a need for 8,000 sf of library space is generated by residents in Scenarios 2 and 3, based on General Plan service level requirements and confirmation from Library Department staff. Annual employee costs, maintenance costs per square foot, and costs to update computer systems and materials were provided by Library Department staff, resulting in a total yearly expense of $1.2 million.

Sales Tax Revenues – Revenues were estimated based on taxable resident spending, taxable employee spending, and taxable sales from new retail establishments, as in the Coyote Valley Specific Plan Fiscal Impact Analysis. San Jose's capture rate of spending from each of these sources is based on estimates in the Coyote Valley and Campus Industrial fiscal impact analyses, as well as KMA's experience in similar projects.

Parks, Recreation, and Neighborhood Services Expenses – If San Jose secures $30 million in transportation bond funds, additional monies will be available for Community Amenities. Maintenance costs that would be generated by any additional amenities have not been modeled.

TABLE 1
SUMMARY OF ESTIMATED ANNUAL IMPACTS ON GENERAL FUND AT BUILDOUT
ALTERNATIVE DEVELOPMENT SCENARIOS
EVERGREEN EAST HILLS
FISCAL IMPACT ANALYSIS
CITY OF SAN JOSE, CALIFORNIA

WORKING DRAFT 4/19/2007

Recurring Annual General Fund Impact	SCENARIO 1 Industrial Development (Existing)	SCENARIO 2 Residential Development (Developer)	SCENARIO 3 Resid. + Indust. Development (City staff)	SCENARIO 3A No Industrial Develops
Revenues	$4,309,000	$9,180,000	$9,212,000	$7,679,000
Expenses				
Police I - Departmental Request	$5,340,000	$12,818,000	$12,397,000	$11,307,000
Police II - Existing Levels of Service	$4,774,000	$10,850,000	$10,424,000	$9,585,000
Net Impact before a Portion of Expenses are Privatized				
Police I - Departmental Request	($1,031,000)	($3,638,000)	($3,185,000)	($3,628,000)
Police II - Existing Levels of Service	($465,000)	($1,670,000)	($1,212,000)	($1,906,000)
Net Impact with a Portion of Expenses Privatized				
Police I - Departmental Request	$0	$0	$0	$0
Police II - Existing Levels of Service	$0	$0	$0	$0

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TABLE 2
SUMMARY ESTIMATE OF ANNUAL GENERAL FUND IMPACTS
EVERGREEN EAST HILLS
FISCAL IMPACT ANALYSIS
CITY OF SAN JOSE, CALIFORNIA

WORKING DRAFT 4/19/2007

SCENARIO 1 - Industrial Development (Existing)	Arcadia	EVCC	PHGC	Campus Indust.	Total
RECURRING GENERAL FUND REVENUES					
Secured Property Tax	$0	$0	$0	$1,753,000	$1,753,000
Unsecured Property Tax	$0	$0	$0	$125,000	$125,000
Construction and Conveyance Tax	$5,000	$0	$0	$21,000	$26,000
Sales Tax (1% local share)	$65,000	$0	$0	$328,000	$393,000
Use Tax	$0	$0	$0	$256,000	$256,000
Public Safety Tax	$3,000	$0	$0	$0	$3,000
Motor Vehicle License Fees	$97,000	$0	$0	$794,000	$891,000
Franchise Tax	$27,000	$0	$0	$149,000	$176,000
Utility Tax	$51,000	$0	$0	$275,000	$326,000
Fines, Forfeitures, Penalties	$9,000	$0	$0	$47,000	$55,000
Business License Tax	$0	$0	$0	$280,000	$280,000
Gas Tax	$13,000	$0	$0	$0	$13,000
Other Licenses / Permits	$0	$0	$0	$8,000	$8,000
Other Deptartmental Fees / Charges	$0	$0	$0	$3,000	$3,000
TOTAL	$271,000	$0	$0	$4,038,000	$4,309,000
RECURRING GENERAL FUND EXPENSES					
General Government	$7,000	$0	$0	$41,000	$48,000
Public Safety - Fire Protection	$326,000	$0	$0	$1,774,000	$2,100,000
Public Safety - Police Protection I	$168,000	$0	$0	$1,174,000	$1,342,000
OR					
Public Safety - Police Protection II	$120,000	$0	$0	$655,000	$776,000
Capital Maint. - General Services	$10,000	$0	$0	$55,000	$65,000
Capital Maint. - Transportation	$324,000	$0	$0	$858,000	$1,183,000
Capital Maint. - Landscaping	$128,000	$0	$0	$298,000	$426,000
Capital Maint. - Sewer	$12,000	$0	$0	$20,000	$32,000
Community Services - Library	$0	$0	$0	$0	$0
Community Services - PRNS	$30,000	$0	$0	$0	$30,000
Community Services - PBCE	$0	$0	$0	$0	$0
City-Wide Expenses	$17,000	$0	$0	$95,000	$112,000
Vehicle M&O Transfer	$0	$0	$0	$1,000	$2,000
TOTAL - POLICE I	$1,023,000	$0	$0	$4,317,000	$5,340,000
TOTAL - POLICE II	$975,000	$0	$0	$3,799,000	$4,774,000
NET ANNUAL IMPACT - POLICE I	($752,000)	$0	$0	($279,000)	($1,031,000)
NET ANNUAL IMPACT - POLICE II	($704,000)	$0	$0	$239,000	($465,000)

SCENARIO 2 - Developer Proposed Residential Development	Arcadia	EVCC	PHGC	Campus Indust.	Total
RECURRING GENERAL FUND REVENUES					
Secured Property Tax	$0	$201,000	$744,000	$2,575,000	$3,521,000
Unsecured Property Tax	$0	$5,000	$0	$0	$5,000
Construction and Conveyance Tax	$15,000	$4,000	$19,000	$61,000	$99,000
Sales Tax (1% local share)	$498,000	$162,000	$222,000	$708,000	$1,590,000
Use Tax	$4,000	$7,000	$0	$0	$11,000
Public Safety Tax	$20,000	$6,000	$10,000	$27,000	$63,000
Motor Vehicle License Fees	$311,000	$94,000	$353,000	$1,120,000	$1,879,000
Franchise Tax	$178,000	$55,000	$87,000	$220,000	$540,000
Utility Tax	$329,000	$101,000	$160,000	$407,000	$998,000
Fines, Forfeitures, Penalties	$56,000	$17,000	$27,000	$69,000	$170,000
Business License Tax	$27,000	$17,000	$0	$0	$44,000
Gas Tax	$78,000	$22,000	$40,000	$102,000	$242,000
Other Licenses / Permits	$4,000	$1,000	$2,000	$4,000	$10,000
Other Deptartmental Fees / Charges	$3,000	$1,000	$1,000	$4,000	$9,000
TOTAL	$1,522,000	$694,000	$1,667,000	$5,297,000	$9,180,000
RECURRING GENERAL FUND EXPENSES					
General Government	$49,000	$15,000	$24,000	$60,000	$147,000
Public Safety - Fire Protection	$693,000	$213,000	$337,000	$857,000	$2,100,000
Public Safety - Police Protection I	$1,437,000	$444,000	$696,000	$1,768,000	$4,345,000
OR					
Public Safety - Police Protection II	$784,000	$241,000	$382,000	$970,000	$2,376,000
Capital Maint. - General Services	$66,000	$20,000	$32,000	$82,000	$201,000
Capital Maint. - Transportation	$406,000	$0	$514,000	$1,669,000	$2,589,000
Capital Maint. - Landscaping	$74,000	$0	$187,000	$565,000	$827,000
Capital Maint. - Sewer	$10,000	$0	$30,000	$83,000	$123,000
Community Services - Library	$395,000	$111,000	$205,000	$522,000	$1,232,000
Community Services - PRNS	$221,000	$2,000	$316,000	$364,000	$904,000
Community Services - PBCE	$0	$0	$0	$1,000	$1,000
City-Wide Expenses	$114,000	$35,000	$55,000	$140,000	$344,000
Vehicle M&O Transfer	$2,000	$0	$1,000	$2,000	$5,000
TOTAL - POLICE I	$3,467,000	$840,000	$2,398,000	$6,113,000	$12,818,000
TOTAL - POLICE II	$2,814,000	$637,000	$2,084,000	$5,315,000	$10,850,000
NET ANNUAL IMPACT - POLICE I	($1,945,000)	($146,000)	($731,000)	($816,000)	($3,638,000)
NET ANNUAL IMPACT - POLICE II	($1,292,000)	$57,000	($417,000)	($18,000)	($1,670,000)

SCENARIO 3 - City Proposed Residential + Industrial Development	Arcadia	EVCC	PHGC	Campus Indust.	Total
RECURRING GENERAL FUND REVENUES					
Secured Property Tax	$0	$201,000	$692,000	$2,513,000	$3,406,000
Unsecured Property Tax	$0	$5,000	$1,000	$48,000	$54,000
Construction and Conveyance Tax	$17,000	$4,000	$18,000	$51,000	$90,000
Sales Tax (1% local share)	$514,000	$162,000	$207,000	$632,000	$1,515,000
Use Tax	$4,000	$7,000	$2,000	$97,000	$111,000
Public Safety Tax	$21,000	$6,000	$10,000	$20,000	$56,000
Motor Vehicle License Fees	$359,000	$94,000	$329,000	$1,105,000	$1,887,000
Franchise Tax	$183,000	$55,000	$83,000	$219,000	$539,000
Utility Tax	$338,000	$101,000	$153,000	$404,000	$996,000
Fines, Forfeitures, Penalties	$57,000	$17,000	$26,000	$69,000	$169,000
Business License Tax	$27,000	$17,000	$2,000	$106,000	$153,000
Gas Tax	$80,000	$22,000	$38,000	$75,000	$215,000
Other Licenses / Permits	$4,000	$1,000	$1,000	$6,000	$12,000
Other Deptartmental Fees / Charges	$3,000	$1,000	$1,000	$4,000	$9,000
TOTAL	$1,607,000	$694,000	$1,562,000	$5,349,000	$9,212,000
RECURRING GENERAL FUND EXPENSES					
General Government	$50,000	$15,000	$23,000	$60,000	$147,000
Public Safety - Fire Protection	$713,000	$213,000	$322,000	$852,000	$2,100,000
Public Safety - Police Protection I	$1,464,000	$441,000	$659,000	$1,781,000	$4,345,000
OR					
Public Safety - Police Protection II	$805,000	$241,000	$364,000	$963,000	$2,372,000
Capital Maint. - General Services	$68,000	$20,000	$31,000	$81,000	$200,000
Capital Maint. - Transportation	$406,000	$0	$514,000	$1,459,000	$2,380,000
Capital Maint. - Landscaping	$74,000	$0	$187,000	$529,000	$791,000
Capital Maint. - Sewer	$10,000	$0	$30,000	$66,000	$106,000
Community Services - Library	$458,000	$125,000	$217,000	$433,000	$1,232,000
Community Services - PRNS	$222,000	$2,000	$315,000	$207,000	$746,000
Community Services - PBCE	$0	$0	$0	$1,000	$1,000
City-Wide Expenses	$117,000	$35,000	$53,000	$139,000	$343,000
Vehicle M&O Transfer	$2,000	$0	$1,000	$2,000	$5,000
TOTAL - POLICE I	$3,584,000	$852,000	$2,351,000	$5,611,000	$12,397,000
TOTAL - POLICE II	$2,925,000	$651,000	$2,056,000	$4,793,000	$10,424,000
NET ANNUAL IMPACT - POLICE I	($1,977,000)	($158,000)	($789,000)	($262,000)	($3,185,000)
NET ANNUAL IMPACT - POLICE II	($1,318,000)	$43,000	($494,000)	$556,000	($1,212,000)

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TABLE 2 (continued)
SUMMARY ESTIMATE OF ANNUAL GENERAL FUND IMPACTS
EVERGREEN EAST HILLS
FISCAL IMPACT ANALYSIS
CITY OF SAN JOSE, CALIFORNIA

WORKING DRAFT 4/19/2007

	SCENARIO 3A - City Proposed Residential + Industrial Development				
	Arcadia	EVCC	PHGC	Campus Indust.	Total
RECURRING GENERAL FUND REVENUES					
Secured Property Tax	$0	$201,000	$692,000	$1,847,000	$2,740,000
Unsecured Property Tax	$0	$5,000	$1,000	$0	$6,000
Construction and Conveyance Tax	$17,000	$4,000	$18,000	$44,000	$83,000
Sales Tax (1% local share)	$514,000	$162,000	$207,000	$508,000	$1,391,000
Use Tax	$4,000	$7,000	$2,000	$0	$13,000
Public Safety Tax	$21,000	$6,000	$10,000	$20,000	$56,000
Motor Vehicle License Fees	$359,000	$94,000	$329,000	$804,000	$1,586,000
Franchise Tax	$183,000	$55,000	$83,000	$162,000	$483,000
Utility Tax	$338,000	$101,000	$153,000	$300,000	$892,000
Fines, Forfeitures, Penalties	$57,000	$17,000	$26,000	$51,000	$151,000
Business License Tax	$27,000	$17,000	$2,000	$0	$47,000
Gas Tax	$80,000	$22,000	$38,000	$75,000	$215,000
Other Licenses / Permits	$4,000	$1,000	$1,000	$3,000	$9,000
Other Deptartmental Fees / Charges	$3,000	$1,000	$1,000	$3,000	$8,000
TOTAL	**$1,607,000**	**$694,000**	**$1,562,000**	**$3,816,000**	**$7,679,000**
RECURRING GENERAL FUND EXPENSES					
General Government	$50,000	$15,000	$23,000	$44,000	$132,000
Public Safety - Fire Protection	$796,000	$238,000	$360,000	$706,000	$2,100,000
Public Safety - Police Protection I	$1,458,000	$437,000	$658,000	$1,292,000	$3,844,000
OR					
Public Safety - Police Protection II	$805,000	$241,000	$364,000	$714,000	$2,123,000
Capital Maint. - General Services	$68,000	$20,000	$31,000	$60,000	$179,000
Capital Maint. - Transportation	$406,000	$0	$514,000	$1,065,000	$1,985,000
Capital Maint. - Landscaping	$74,000	$0	$187,000	$418,000	$680,000
Capital Maint. - Sewer	$10,000	$0	$30,000	$55,000	$95,000
Community Services - Library	$458,000	$125,000	$217,000	$433,000	$1,232,000
Community Services - PRNS	$222,000	$2,000	$315,000	$207,000	$746,000
Community Services - PBCE	$0	$0	$0	$0	$1,000
City-Wide Expenses	$117,000	$35,000	$53,000	$103,000	$307,000
Vehicle M&O Transfer	$2,000	$0	$1,000	$1,000	$4,000
TOTAL - POLICE I	**$3,661,000**	**$872,000**	**$2,388,000**	**$4,385,000**	**$11,307,000**
TOTAL - POLICE II	**$3,008,000**	**$676,000**	**$2,093,000**	**$3,807,000**	**$9,585,000**
NET ANNUAL IMPACT - POLICE I	**($2,054,000)**	**($178,000)**	**($826,000)**	**($569,000)**	**($3,628,000)**
NET ANNUAL IMPACT - POLICE II	**($1,401,000)**	**$18,000**	**($531,000)**	**$9,000**	**($1,906,000)**

Prepared by: Keyser Marston Associates, Inc.
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MEMORANDUM

To: Laurel Prevetti, Deputy Director
Planning Services
City of San Jose

From: Keyser Marston Associates, Inc.

Date: April 19, 2007

Subject: EEHVS Property Owner Group Proposal: Evaluation of Financial Contributions

Purpose

The Evergreen East Hills Vision Strategy (EEHVS) is a planning effort begun in 2003 to guide infill development in the Evergreen and East Hills area. It has been the goal of the EEHVS to balance housing and commercial development with transportation improvements and community amenities.

Keyser Marston Associates, Inc. (KMA) has been retained by the Planning, Building, and Code Enforcement Department of the City of San Jose to evaluate a limited portion of the EEHVS: the December 12, 2006 proposal by the Property Owners Group and subsequent refinements. The purpose of the assignment is to assist City staff in clarifying the financial aspects of the benefits package offered and in evaluating the reasonableness of the financial contributions relative to the entitlements being requested.

Organization

This memo contains the following sections:

I. Executive Summary – Summarizes the detailed memo contents.

II. Requested Entitlements – Describes the entitlements requested by the Property Owners Group.

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III. Property Owners Group Proposal – Describes the components, value, and timing of the components within the proposal.

IV. Analysis of Package Relative to Entitlements – Evaluates the reasonableness of the Property Owners Group proposal relative to the entitlements being requested and explains the basis of comparison between the four opportunity sites.

I. Executive Summary

The package presented by the Property Owners Group includes:

1. cash to the City,
2. land dedications beyond PDO (park dedication ordinance) requirements,
3. private funding of park improvements, and
4. payments to schools above existing fees.

The value of the total package is approximately $293.8 million. The position of the Property Owners Group is that the package is a single proposal. The package is not to be viewed as individual properties with individual proposals. The components include:

1. The cash to the City component is $221.5 million. Of the $221.5 million, $130.7 million is required before any development can occur. Funding of the initial payment is from Campus Industrial and Pleasant Hill property owners.

2. Land dedications above the PDO requirement are 29 acres. The land is dedicated at no cost. The total dedication is 67 acres. Additionally, 15 acres of the Campus Industrial site will be offered to the school district at fair market value. EVCC seeks to be relieved of its PDO obligation of 2 acres.

3. Private funding will improve 19 acres of park land. This funding is in addition to the cash to the City.

4. For the Mt. Pleasant Elementary School District, $20 million of private financing for a new elementary school will be structured as part of the package. For the East Side Union High School, the Property Owners Group has agreed to pay $2.63 per square foot, while existing fees are $1.07. Evergreen elementary school fees will remain at the current level.

With respect to cash to the City, two important aspects should be recognized:

1. The Property Owners Group is committing to cash, not to funding specific projects. It is the City's decision on how the funds are to be spent. It is expected at this time that the majority of the first $130.7 million will be expended on transportation improvements.

2. Timing of the components in the Property Owners Group proposal after the first $130.7 million is tied to when development occurs.

   a. Campus Industrial and Pleasant Hills property owners intend to pay in the near term, after the initial $130.7 million, another $43.5 million. This amount is not tied to a specific date.

   b. The Arcadia and EVCC obligations to fund $47.3 million in cash to the City should not be expected in the near term. Amenities funded by these cash contributions should not be anticipated until there is more clarity on when the funds would be received by the City.

In general, there should be an appropriate time-based adjustment to the amount of the cash proposal to recognize there is no specific date for the funding, other than the initial $130.7 million.

The Property Owners Group package was evaluated for reasonableness relative to the entitlements being requested. Our conclusion is that the Pleasant Hills and Arcadia property owners are offering significant contributions relative to entitlements. Evergreen Valley Community College's contribution is reasonable. The Campus Industrial property owners' contribution relative to the entitlements requested is less than Pleasant Hills and Arcadia and could be enhanced. The imbalance in the Campus Industrial contribution suggests that more funds or land dedications than proposed might be available. However, the Property Owners Group, comprised of the owners of the four opportunity sites, indicates that the package is a single proposal and additional contributions should not be expected. Campus Industrial is funding $137.1 million in cash to the City (over 60% of the total cash to the City) and is a key contributor to the initial $130.7 million cash contribution.

II. Requested Entitlements - Project Summary

The opportunity sites proposed for development as part of the EEHVS represent approximately 542 gross acres distributed on four properties in the Evergreen neighborhood:

Opportunity Site	Gross Site Acres
Campus Industrial	320.0
Pleasant Hills	114.0
Arcadia	81.0
EVCC	27.1
Total	**542.1 ac**

The Property Owners Group is requesting land entitlements for approximately 4,730 residential units and 495,000 commercial square feet. These are allocated among the opportunity sites as follows:

Opportunity Site	Residential Units	Commercial Square Feet
Campus Industrial	1,690	0
Pleasant Hills	665	0
Arcadia (20% affordable)	1,875	300,000
EVCC (40% affordable)	500	195,000
Total	**4,730 units**	**495,000 sf**

III. Property Owners Group Proposal

A. Single Proposal

The position of the Property Owners Group is that the package is a single proposal. The package is not to be viewed as individual properties with individual proposals.

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Opportunity Site	Cash to City	Total Package
Campus Industrial	$ 137.1 M	$ 145.3 M
Pleasant Hills	37.1 M	93.5 M
Arcadia	38.3 M	45.3 M
EVCC	9.0 M	9.7 M
Total	**$221.5 M**	**$293.8 M**

1. *Cash to City*

The $221.5 million of cash to the City is explained above.

The following text elaborates on the balance of the contributions. In summary, the estimated value of the balance of the proposal package is $72.3 million, based on assumptions regarding land values, park improvement costs, and existing school fees. Timing of the balance of contributions varies by site and contribution type.

2. *Land Dedications Above PDO Requirement*

Land dedications above those required by the City's PDO are to be used for a variety of purposes, including parks, community centers, schools, and other amenities. Land dedications are at no cost to the City.

Opportunity Site	Land Dedications	PDO Requirement	Land Dedications Above PDO
Pleasant Hills	32 ac	7 ac	25 ac
Campus Industrial	19 ac	17 ac	2 ac
Arcadia	16 ac	12 ac	4 ac
EVCC	0 ac	2 ac	-2 ac
Total	**67 ac**	**38 ac**	**29 ac**

The Property Owners Group will provide 29 acres of land dedications above the PDO requirement, worth approximately $33.8 million. This value is based on estimated land value of $25 per square foot.

Opportunity Site	Land Dedications above PDO	Land Dedication Value
Pleasant Hills	25 ac	$27.2 M
Campus Industrial	2 ac	$2.2 M
Arcadia	4 ac	$4.4 M
EVCC	-2 ac	$0.0 M
Total	**29 ac**	**$33.8 M**

There are two points that should be recognized:

- Campus Industrial property owners are committed to make available 15 acres to the school district that is not listed on the above table. Based on a meeting with the property owners, it is our understanding that the school district is being offered the 15 acres at a value of approximately $25 million (approximately $38 per sq.ft. of the land area). It is our understanding that the source of funds for the school to purchase the site has not been identified at this time. If the school does not commit to purchase the 15 acres within an agreed upon timeframe, approximately one year after being offered the site, then it is our understanding that the property owner can develop the 15 acre site with residential. Whether the site is sold to the school district or not, it would appear that the value of the 15 acres as residentially zoned land is being realized by the property owner. Therefore, we have not included the 15 acres as part of the land dedication.

- EVCC is requesting exemption from any land dedication, which is estimated by City staff to be 2 acres. Therefore, in the presentation of land dedication for EVCC, the 2 acres have not been considered.

3. Private Funding of Park Improvements

Private funding of park improvements on dedicated land is in addition to the cash to the City. The Pleasant Hills property owner is the only one making this offer. This ownership group will contribute an estimated $9.5 million of improvements on 19 acres of dedicated land, or $500,000 per acre.

Opportunity Site	Land Dedication Improvements	Value of Improvements
Pleasant Hills	19 ac	$9.5 M
Campus Industrial	0 ac	$0.0 M
Arcadia	0 ac	$0.0 M
EVCC	0 ac	$0.0 M
Total	**19 ac**	**$9.5 M**

4. Payments to Schools above Existing Fees

The Pleasant Hills property owners will make a contribution to the Mt. Pleasant Elementary School District, and all of the property owners will make payments to the East Side Union High School District, above existing fees. The value of this additional school funding is discussed below.

Elementary School Districts

There are two elementary school districts affected by the opportunity sites. Pleasant Hills will be in the Mount Pleasant Elementary School District, and the other three sites in the Evergreen Elementary School District. The Pleasant Hills property owners will provide funding above existing fees to the Mount Pleasant Elementary School District to finance a new elementary school. There will be no payments or contributions in excess of existing fees to the Evergreen Elementary School District.

The Pleasant Hills property owners will structure private financing for $20 million towards the cost of a new elementary school. The school will be built on land dedicated by the same ownership group (11 acres of Pleasant Hills' 32 acres of dedications described above).

The Pleasant Hills property owners' school contribution over existing fees has an estimated net value of $17.6 million (the calculation is summarized in Table 1). Existing fees in the Mt. Pleasant Elementary School District are $1.75 per square foot. It is estimated that Pleasant Hills' new units will be 2,060 square feet in size on average, or 1.4 million square feet in total. Based on this square footage estimate, existing fees would be $2.4 million. The actual amount will vary based on the number and sizes of residential units developed.

The other three opportunity sites intend to pay the existing $2.50 per square foot required in the Evergreen Elementary School District. No additional payments are planned.

East Side Union High School District

All four opportunity sites lie within the East Side Union High School District. The Property Owners Group has agreed to pay $2.63 per square foot in fees, while existing fees are $1.07 per square foot. Property owner payments will thus be $1.56 per square foot over existing fees. With an estimated 7.4 million square feet in new residential development (about 1,550 square feet per unit), this translates to $11.4 million in additional high school district fees above existing, as shown in Table 1. The actual amount will vary based on the number and sizes of residential units developed.

Summary – Contributions to Schools

Total school fee payments proposed by the Property Owners Group above existing school fees are $29 million ($17.6 million from the Pleasant Hills owners for the Mt. Pleasant Elementary School District, plus $11.4 million among all the property owners for the East Side Union High School District). Existing school district fees were provided by the property owners.

	School Payments Over Existing Fees		
Opportunity Site	**High School**	**Elementary School**	**Total**
Pleasant Hills	$2.1 M	$17.6 M	$19.7 M
Campus Industrial	$6.0 M	$0.0 M	$6.0 M
Arcadia	$2.6 M	$0.0 M	$2.6 M
EVCC	$0.7 M	$0.0 M	$0.7 M
Total	**$11.4 M**	**$17.6 M**	**$29.0 M**

5. *Summary of Components by Opportunity Site.*

The proposal components by Opportunity Sites are summarized below:

Opportunity Site	Cash to City	Land Dedications over PDO	Land Dedication Improvements	School Fees over Existing	Total Proposal
Campus Indus.	$137.1 M	$2.2 M	$0.0 M	$6.0 M	**$145.3 M**
Pleasant Hills	$37.1 M	$27.2 M	$9.5 M	$19.7 M	**$93.5 M**
Arcadia	$38.3 M	$4.4 M	$0.0 M	$2.6 M	**$45.3 M**
EVCC	$9.0 M	$0.0 M	$0.0 M	$0.7 M	**$9.7 M**
Total	**$221.5 M**	**$33.8M**	**$9.5 M**	**$29.0 M**	**$293.8 M**

C. Timing of Benefits in Package

1. Cash to City

Early in the process, the minimum obligation of $130.7 million in cash to the City will be funded by the Campus Industrial and Pleasant Hills property owners. Since no development on any of the opportunity sites can move forward without this funding, the Property Owners Group indicates that this funding will occur in the very near term.

Of the $130.7 million, approximately $117 million is intended to fund transportation improvements, according to City staff. The balance of $13.7 million would then be available for community amenities including parks and recreational facilities. The Property Owners Group agrees that if the City should be successful in obtaining funding from State Transportation Bonds for transportation improvements, the Property Owners Group funding to the City will remain unchanged and the City will have additional funds for transportation improvements or amenities.

Campus Industrial and Pleasant Hills property owners represent that they expect to fund an additional $43.5 million in the near term above the minimum obligations, so that the total near term cash to the City will be $174.2 million.

The timing of development on Arcadia and EVCC is unknown. Therefore, the remaining obligation of $47.3 million in cash to the City from these property owners should not be expected in the near term.

2. Land Dedications Above PDO Requirement

Most land dedications are expected early in the process from the Campus Industrial, Pleasant Hills, and Arcadia owners. Pleasant Hills will dedicate approximately 32 acres and Campus Industrial 19 acres. Arcadia will provide approximately 4.7 acres for a Community Center and joint use school park early in the process, before this opportunity site is developed.

The remaining 11.3 acres on the Arcadia property will be dedicated as development occurs. Timing of this dedication is unknown.

3. Private Funding of Public Improvements

Pleasant Hills property owners indicate that most land dedications will occur early in the process. Presumably the timing of improvements on 19 acres will also be early in the process, but this timing needs to be verified.

4. School Payments Over Existing Fees

The timing of the structuring of the $20 million in private financing for the new Mount Pleasant elementary school has not been provided by the Pleasant Hills property owner.

All of the Property Owners Group will fund the East Side Union high school fee payments above existing fees as development occurs.

IV. Analysis of Package Relative to Entitlements

A. Per Developable Acre

The method agreed upon with the Property Owners Group to assist City staff in understanding the financial aspects of their proposal was to convert the package to a contribution per developable acre. Developable acres are the gross land acres after deductions to recognize obligations for land dedication, affordable housing, and non-buildable acreage (e.g. topographically constrained areas).

The contribution was calculated per developable acre for several reasons, including: (1) the conversion to developable acres relates the significant sum of money and other benefits to the entitlements being requested; (2) developable acres recognize that land is being entitled for commercial development as well as residential development; and (3) developable acres are the income-producing land that has value to the Property Owners Group.

It was agreed not to present the contribution as a per residential unit figure for a number of reasons. The approach based on residential units does not recognize the request for commercial entitlements. In addition, the approach does not recognize differences in density and housing type (for sale or apartment) between Opportunity Sites. The property owners are free to select density (up to the maximum entitlement) and to choose between for sale units, apartments, or a combination of both.

B. Market Rate Developable Acres Calculation

The starting gross area of the opportunity sites is 542.1 acres. To determine developable acres, the following deductions were made:

1. Land Dedications: 67 acres of land dedications (including PDO requirements), and
2. Non Buildable land: 31.0 acres of non-buildable land.

This results in 444.1 developable acres:

Opportunity Site	**Gross Site Acres**	**Less: Land Dedications**	**Less: Non-Buildable Land**	**Estimated Developable Acres**
Campus Indus.	320.0	19	31	**270**
Pleasant Hills	114.0	32	0	**82**
Arcadia	81.0	16	0	**65**
EVCC	27.1	0	0	**27**
Total	**542.1 ac**	**67 ac**	**31 ac**	**444.1 ac**

Land dedication estimates were provided by the City and the Property Owners Group.

The breakdown of non-buildable land, as provided by the Campus Industrial property owners and confirmed by City staff, is as follows:

	Non-Buildable Land
Ravine/restricted Areas	24.1
Debris Basins/Trails	6.9
	31.0

Campus Industrial property owners are committed to make available 15 acres to the school district. For reasons previously stated in this analysis, we have not deducted the 15 acres in the determination of developable acreage.

Of the developable land, 419.1 acres are for residential development and 25 acres for commercial development:

Opportunity Site	**Residential Acres**	**Commercial Acres**	**Developable Acres**
Campus Industrial	270.0	0	**270.0**
Pleasant Hills	82.0	0	**82.0**
Arcadia	53.0	12	**65.0**
EVCC	14.1	13	**27.1**
Total	**419.1 ac**	**25.0 ac**	**444.1 ac**

Twenty percent of residential units at Arcadia and 40% of units at EVCC will be affordable. It was estimated that a proportional share of land would be required to provide the affordable residential units.

Opportunity Site	Total Residential Acres	% Affordable	Affordable Acres
Campus Industrial	270.0	0%	**0.0**
Pleasant Hills	82.0	0%	**0.0**
Arcadia	53.0	20%	**10.6**
EVCC	14.1	40%	**5.6**
Total	**419.1 ac**		**16.2 ac**

The proportional share of land for affordable units on the Arcadia and EVCC properties was deducted from the developable acreage because affordable units cannot afford to carry the proposed financial contribution to the City. In the case of EVCC, 40% of the units are being proposed as affordable apartments. EVCC anticipates that the affordable apartments have a financing gap of approximately $3.5 million and do not support a land value. In the case of Arcadia, 20% of the apartments must be affordable, with 8% at Very Low Income affordability levels and 12% at Low to Moderate Income affordability levels. In summary, the financial contribution to the City from the Arcadia and EVCC properties would be carried by the market rate residential units and the commercial.

Opportunity Site	Developable Acres	Less: Affordable Acres	Market Rate Developable Acres
Campus Industrial	270.0	0.0	**270.0**
Pleasant Hills	82.0	0.0	**82.0**
Arcadia	65.0	10.6	**54.4**
EVCC	27.1	5.6	**21.5**
Total	**444.1 ac**	**16.2 ac**	**427.9 ac**

The proposal components by Opportunity Sites summarized below were converted to a dollar amount per market rate developable acre.

Opportunity Site	Cash to City	Land Dedications over PDO	Land Dedication Improvements	School Fees over Existing	Total Proposal
Campus Indus.	$137.1 M	$2.2 M	$0.0 M	$6.0 M	**$145.3 M**
Pleasant Hills	$37.1 M	$27.2 M	$9.5 M	$19.7 M	**$93.5 M**
Arcadia	$38.3 M	$4.4 M	$0.0 M	$2.6 M	**$45.3 M**
EVCC	$9.0 M	$0.0 M	$0.0 M	$0.7 M	**$9.7 M**
Total	**$221.5 M**	**$33.8M**	**$9.5 M**	**$29.0 M**	**$293.8 M**

Per developable acre, the proposal is:

	Property Owners Group Package Per Developable Acre				
Opportunity Site	Land Dedications Above PDO	Land Dedication Improvements	School Fees over Existing	Cash to City	Total Proposal
Pleasant Hills	$332,000	$116,000	$240,000	$452,000	**$1,140,000**
Arcadia	$81,000	$0	$48,000	$704,000	**$833,000**
Campus Indus.	$8,000	$0	$22,000	$508,000	**$538,000**
EVCC	$0	$0	$32,000	$419,000	**$451,000**
Average	**$79,000**	**$22,000**	**$68,000**	**$518,000**	**$687,000**

V. Conclusion

The $293.8 million total proposal package averages approximately $687,000 per market rate developable acre over all four opportunity sites.

The total $293.8 million package value allocated among the four opportunity sites per market rate developable acre is as follows:

Opportunity Site	Total Package Per Developable Acre
Pleasant Hills	$1,140,000 /Ac
Arcadia	833,000 /Ac
Campus Industrial	538,000 /Ac
EVCC	451,000 /Ac
Total	**$687,000 /Ac**

The $221.5 million in cash to the City allocated among the four opportunity sites by market rate developable acre is as follows:

Opportunity Site	Cash to City Per Developable Acre
Arcadia	$704,000 /Ac
Campus Industrial	$508,000 /Ac
Pleasant Hills	$452,000 /Ac
EVCC	$419,000 /Ac
Total	**$518,000 /Ac**

As stated in the Executive Summary, the benefit package is not balanced among the four owners. In terms of cash to the City, the highest is Arcadia ($704,000 per acre) followed by Campus Industrial ($508,000 per acre), Pleasant Hills ($452,000 per acre) and EVCC ($419,000 per acre). With respect to the total proposal, Pleasant Hills ($1,140,000 per acre) and Arcadia ($833,000 per acre) are the highest followed by Campus Industrial ($538,000 per acre) and EVCC ($451,000 per acre).

The owners acknowledge the imbalance. We have not been provided information on how the allocation of obligations between the Property Owners Group was determined.

Our conclusion is that Pleasant Hills and Arcadia are proposing significant contributions per developable acre in terms of the total package. EVCC, while the lowest, is a community college and a lesser contribution would be expected. Campus Industrial is contributing, in terms of the total package, less per developable acre than Pleasant Hills and Arcadia. The imbalance in the Campus Industrial contribution suggests that more funds or land dedications than proposed might be available from the Campus Industrial property owners. However, as mentioned above, the Property Owners Group indicates that the package is a single proposal and additional contributions should not be expected. Campus Industrial is funding $137.1 million in cash to the City (over 60% of the total cash to the City) and is a key contributor to the initial $130.7 million cash contribution.

TABLE 1
SCHOOL PAYMENTS
EVERGREEN EAST HILLS
SAN JOSE, CA

DRAFT
04/19/2007

Source: Evergreen Owner's Group Package, Feb. 14 2007 and meetings Feb. 16 2007 and Mar. 28, 2007; school existing district fees per SummerHill, March 2007.

	Entitled Units	Average Unit SF	EEHVS Payments	Less: Existing Fees	EEHVS above Existing
Mt. Pleasant Elementary			*$20,000,000*	*@ $1.75 per SF*	*@ $12.85 per SF*
Pleasant Hills	665	2,060	$20,000,000	$2,400,000	$17,600,000
East Side Union High School			*@ $2.63 per SF*	*@ $1.07 per SF*	*@ $1.56 per SF*
Campus Industrial	1,690	2,265	$10,100,000	$4,100,000	$6,000,000
Pleasant Hills	665	2,060	$3,600,000	$1,500,000	$2,100,000
Arcadia	1,875	900	$4,400,000	$1,800,000	$2,600,000
EVCC	500	900	$1,200,000	$500,000	$700,000
	4,730	1,551	$19,300,000	$7,900,000	$11,400,000
Total			**$39,300,000**	**$10,300,000**	**$29,000,000**

Prepared by: Keyser Marston Associates, Inc.
Filename: 19081.004/school-payments.xls; 4/19/2007; jj

KEYSER MARSTON ASSOCIATES
ADVISORS IN PUBLIC/PRIVATE REAL ESTATE DEVELOPMENT

WORKING DRAFT

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REDEVELOPMENT
AFFORDABLE HOUSING
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KATHLEEN H. HEAD
JAMES A. RABE
PAUL C. ANDERSON
GREGORY D. SOO-HOO

SAN DIEGO
GERALD M. TRIMBLE
PAUL C. MARRA

MEMORANDUM

To: Laurel Prevetti, Deputy Director
Planning Services
City of San Jose

From: Keyser Marston Associates, Inc.

Date: April 19, 2007

Subject: EEHVS Property Owner Group Proposal: Evaluation of Financial Contributions

Purpose

The Evergreen East Hills Vision Strategy (EEHVS) is a planning effort begun in 2003 to guide infill development in the Evergreen and East Hills area. It has been the goal of the EEHVS to balance housing and commercial development with transportation improvements and community amenities.

Keyser Marston Associates, Inc. (KMA) has been retained by the Planning, Building, and Code Enforcement Department of the City of San Jose to evaluate a limited portion of the EEHVS: the December 12, 2006 proposal by the Property Owners Group and subsequent refinements. The purpose of the assignment is to assist City staff in clarifying the financial aspects of the benefits package offered and in evaluating the reasonableness of the financial contributions relative to the entitlements being requested.

Organization

This memo contains the following sections:

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4. For the Mt. Pleasant Elementary School District, $20 million of private financing for a new elementary school will be structured as part of the package. For the East Side Union High School, the Property Owners Group has agreed to pay $2.63 per square foot, while existing fees are $1.07. Evergreen elementary school fees will remain at the current level.

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The value of the total package is approximately $293.8 million. The cash to the City component is $221.5 million. Of the $221.5 million, $130.7 million is required before any development can occur.

Opportunity Site	Cash to City	Total Package
Campus Industrial	$ 137.1 M	$ 145.3 M
Pleasant Hills	37.1 M	93.5 M
Arcadia	38.3 M	45.3 M
EVCC	9.0 M	9.7 M
Total	**$221.5 M**	**$293.8 M**

1. *Cash to City*

The $221.5 million of cash to the City is explained above.

The following text elaborates on the balance of the contributions. In summary, the estimated value of the balance of the proposal package is $72.3 million, based on assumptions regarding land values, park improvement costs, and existing school fees. Timing of the balance of contributions varies by site and contribution type.

2. *Land Dedications Above PDO Requirement*

Land dedications above those required by the City's PDO are to be used for a variety of purposes, including parks, community centers, schools, and other amenities. Land dedications are at no cost to the City.

Opportunity Site	Land Dedications	PDO Requirement	Land Dedications Above PDO
Pleasant Hills	32 ac	7 ac	25 ac
Campus Industrial	19 ac	17 ac	2 ac
Arcadia	16 ac	12 ac	4 ac
EVCC	0 ac	2 ac	-2 ac
Total	**67 ac**	**38 ac**	**29 ac**

The Property Owners Group will provide 29 acres of land dedications above the PDO requirement, worth approximately $33.8 million. This value is based on estimated land value of $25 per square foot.

Opportunity Site	Land Dedications above PDO	Land Dedication Value
Pleasant Hills	25 ac	$27.2 M
Campus Industrial	2 ac	$2.2 M
Arcadia	4 ac	$4.4 M
EVCC	-2 ac	$0.0 M
Total	**29 ac**	**$33.8 M**

There are two points that should be recognized:

- Campus Industrial property owners are committed to make available 15 acres to the school district that is not listed on the above table. Based on a meeting with the property owners, it is our understanding that the school district is being offered the 15 acres at a value of approximately $25 million (approximately $38 per sq.ft. of the land area). It is our understanding that the source of funds for the school to purchase the site has not been identified at this time. If the school does not commit to purchase the 15 acres within an agreed upon timeframe, approximately one year after being offered the site, then it is our understanding that the property owner can develop the 15 acre site with residential. Whether the site is sold to the school district or not, it would appear that the value of the 15 acres as residentially zoned land is being realized by the property owner. Therefore, we have not included the 15 acres as part of the land dedication.

- EVCC is requesting exemption from any land dedication, which is estimated by City staff to be 2 acres. Therefore, in the presentation of land dedication for EVCC, the 2 acres have not been considered.

3. *Private Funding of Park Improvements*

Private funding of park improvements on dedicated land is in addition to the cash to the City. The Pleasant Hills property owner is the only one making this offer. This ownership group will contribute an estimated $9.5 million of improvements on 19 acres of dedicated land, or $500,000 per acre.

Opportunity Site	Land Dedication Improvements	Value of Improvements
Pleasant Hills	19 ac	$9.5 M
Campus Industrial	0 ac	$0.0 M
Arcadia	0 ac	$0.0 M
EVCC	0 ac	$0.0 M
Total	**19 ac**	**$9.5 M**

4. Payments to Schools above Existing Fees

The Pleasant Hills property owners will make a contribution to the Mt. Pleasant Elementary School District, and all of the property owners will make payments to the East Side Union High School District, above existing fees. The value of this additional school funding is discussed below.

Elementary School Districts

There are two elementary school districts affected by the opportunity sites. Pleasant Hills will be in the Mount Pleasant Elementary School District, and the other three sites in the Evergreen Elementary School District. The Pleasant Hills property owners will provide funding above existing fees to the Mount Pleasant Elementary School District to finance a new elementary school. There will be no payments or contributions in excess of existing fees to the Evergreen Elementary School District.

The Pleasant Hills property owners will structure private financing for $20 million towards the cost of a new elementary school. The school will be built on land dedicated by the same ownership group (11 acres of Pleasant Hills' 32 acres of dedications described above).

The Pleasant Hills property owners' school contribution over existing fees has an estimated net value of $17.6 million (the calculation is summarized in Table 1). Existing fees in the Mt. Pleasant Elementary School District are $1.75 per square foot. It is estimated that Pleasant Hills' new units will be 2,060 square feet in size on average, or 1.4 million square feet in total. Based on this square footage estimate, existing fees would be $2.4 million. The actual amount will vary based on the number and sizes of residential units developed.

The other three opportunity sites intend to pay the existing $2.50 per square foot required in the Evergreen Elementary School District. No additional payments are planned.

East Side Union High School District
All four opportunity sites lie within the East Side Union High School District. The Property Owners Group has agreed to pay $2.63 per square foot in fees, while existing fees are $1.07 per square foot. Property owner payments will thus be $1.56 per square foot over existing fees. With an estimated 7.4 million square feet in new residential development (about 1,550 square feet per unit), this translates to $11.4 million in additional high school district fees above existing, as shown in Table 1. The actual amount will vary based on the number and sizes of residential units developed.

Summary – Contributions to Schools
Total school fee payments proposed by the Property Owners Group above existing school fees are $29 million ($17.6 million from the Pleasant Hills owners for the Mt. Pleasant Elementary School District, plus $11.4 million among all the property owners for the East Side Union High School District). Existing school district fees were provided by the property owners.

	School Payments Over Existing Fees		
Opportunity Site	**High School**	**Elementary School**	**Total**
Pleasant Hills	$2.1 M	$17.6 M	$19.7 M
Campus Industrial	$6.0 M	$0.0 M	$6.0 M
Arcadia	$2.6 M	$0.0 M	$2.6 M
EVCC	$0.7 M	$0.0 M	$0.7 M
Total	**$11.4 M**	**$17.6 M**	**$29.0 M**

5. *Summary of Components by Opportunity Site.*

The proposal components by Opportunity Sites are summarized below:

Opportunity Site	**Cash to City**	**Land Dedications over PDO**	**Land Dedication Improvements**	**School Fees over Existing**	**Total Proposal**
Campus Indus.	$137.1 M	$2.2 M	$0.0 M	$6.0 M	**$145.3 M**
Pleasant Hills	$37.1 M	$27.2 M	$9.5 M	$19.7 M	**$93.5 M**
Arcadia	$38.3 M	$4.4 M	$0.0 M	$2.6 M	**$45.3 M**
EVCC	$9.0 M	$0.0 M	$0.0 M	$0.7 M	**$9.7 M**
Total	**$221.5 M**	**$33.8M**	**$9.5 M**	**$29.0 M**	**$293.8 M**

C. Timing of Benefits in Package

1. *Cash to City*

Early in the process, the minimum obligation of $130.7 million in cash to the City will be funded by the Campus Industrial and Pleasant Hills property owners. Since no development on any of the opportunity sites can move forward without this funding, the Property Owners Group indicates that this funding will occur in the very near term.

Of the $130.7 million, approximately $117 million is intended to fund transportation improvements, according to City staff. The balance of $13.7 million would then be available for community amenities including parks and recreational facilities. The Property Owners Group agrees that if the City should be successful in obtaining funding from State Transportation Bonds for transportation improvements, the Property Owners Group funding to the City will remain unchanged and the City will have additional funds for transportation improvements or amenities.

Campus Industrial and Pleasant Hills property owners represent that they expect to fund an additional $43.5 million in the near term above the minimum obligations, so that the total near term cash to the City will be $174.2 million.

The timing of development on Arcadia and EVCC is unknown. Therefore, the remaining obligation of $47.3 million in cash to the City from these property owners should not be expected in the near term.

2. *Land Dedications Above PDO Requirement*

Most land dedications are expected early in the process from the Campus Industrial, Pleasant Hills, and Arcadia owners. Pleasant Hills will dedicate approximately 32 acres and Campus Industrial 19 acres. Arcadia will provide approximately 4.7 acres for a Community Center and joint use school park early in the process, before this opportunity site is developed.

The remaining 11.3 acres on the Arcadia property will be dedicated as development occurs. Timing of this dedication is unknown.

3. *Private Funding of Public Improvements*

Pleasant Hills property owners indicate that most land dedications will occur early in the process. Presumably the timing of improvements on 19 acres will also be early in the process, but this timing needs to be verified.

4. School Payments Over Existing Fees

The timing of the structuring of the $20 million in private financing for the new Mount Pleasant elementary school has not been provided by the Pleasant Hills property owner.

All of the Property Owners Group will fund the East Side Union high school fee payments above existing fees as development occurs.

IV. Analysis of Package Relative to Entitlements

A. Per Developable Acre

The method agreed upon with the Property Owners Group to assist City staff in understanding the financial aspects of their proposal was to convert the package to a contribution per developable acre. Developable acres are the gross land acres after deductions to recognize obligations for land dedication, affordable housing, and non-buildable acreage (e.g. topographically constrained areas).

The contribution was calculated per developable acre for several reasons, including: (1) the conversion to developable acres relates the significant sum of money and other benefits to the entitlements being requested; (2) developable acres recognize that land is being entitled for commercial development as well as residential development; and (3) developable acres are the income-producing land that has value to the Property Owners Group.

It was agreed not to present the contribution as a per residential unit figure for a number of reasons. The approach based on residential units does not recognize the request for commercial entitlements. In addition, the approach does not recognize differences in density and housing type (for sale or apartment) between Opportunity Sites. The property owners are free to select density (up to the maximum entitlement) and to choose between for sale units, apartments, or a combination of both.

B. Market Rate Developable Acres Calculation

The starting gross area of the opportunity sites is 542.1 acres. To determine developable acres, the following deductions were made:

1. Land Dedications: 67 acres of land dedications (including PDO requirements), and
2. Non Buildable land: 31.0 acres of non-buildable land.

This results in 444.1 developable acres:

Opportunity Site	Gross Site Acres	Less: Land Dedications	Less: Non-Buildable Land	Estimated Developable Acres
Campus Indus.	320.0	19	31	**270**
Pleasant Hills	114.0	32	0	**82**
Arcadia	81.0	16	0	**65**
EVCC	27.1	0	0	**27**
Total	**542.1 ac**	**67 ac**	**31 ac**	**444.1 ac**

Land dedication estimates were provided by the City and the Property Owners Group.

The breakdown of non-buildable land, as provided by the Campus Industrial property owners and confirmed by City staff, is as follows:

	Non-Buildable Land
Ravine/restricted Areas	24.1
Debris Basins/Trails	6.9
	31.0

Campus Industrial property owners are committed to make available 15 acres to the school district. For reasons previously stated in this analysis, we have not deducted the 15 acres in the determination of developable acreage.

Of the developable land, 419.1 acres are for residential development and 25 acres for commercial development:

Opportunity Site	Residential Acres	Commercial Acres	Developable Acres
Campus Industrial	270.0	0	**270.0**
Pleasant Hills	82.0	0	**82.0**
Arcadia	53.0	12	**65.0**
EVCC	14.1	13	**27.1**
Total	**419.1 ac**	**25.0 ac**	**444.1 ac**

Twenty percent of residential units at Arcadia and 40% of units at EVCC will be affordable. It was estimated that a proportional share of land would be required to provide the affordable residential units.

Opportunity Site	Total Residential Acres	% Affordable	Affordable Acres
Campus Industrial	270.0	0%	**0.0**
Pleasant Hills	82.0	0%	**0.0**
Arcadia	53.0	20%	**10.6**
EVCC	14.1	40%	**5.6**
Total	**419.1 ac**		**16.2 ac**

The proportional share of land for affordable units on the Arcadia and EVCC properties was deducted from the developable acreage because affordable units cannot afford to carry the proposed financial contribution to the City. In the case of EVCC, 40% of the units are being proposed as affordable apartments. EVCC anticipates that the affordable apartments have a financing gap of approximately $3.5 million and do not support a land value. In the case of Arcadia, 20% of the apartments must be affordable, with 8% at Very Low Income affordability levels and 12% at Low to Moderate Income affordability levels. In summary, the financial contribution to the City from the Arcadia and EVCC properties would be carried by the market rate residential units and the commercial.

Opportunity Site	Developable Acres	Less: Affordable Acres	Market Rate Developable Acres
Campus Industrial	270.0	0.0	**270.0**
Pleasant Hills	82.0	0.0	**82.0**
Arcadia	65.0	10.6	**54.4**
EVCC	27.1	5.6	**21.5**
Total	**444.1 ac**	**16.2 ac**	**427.9 ac**

The proposal components by Opportunity Sites summarized below were converted to a dollar amount per market rate developable acre.

Opportunity Site	**Cash to City**	**Land Dedications over PDO**	**Land Dedication Improvements**	**School Fees over Existing**	**Total Proposal**
Campus Indus.	$137.1 M	$2.2 M	$0.0 M	$6.0 M	**$145.3 M**
Pleasant Hills	$37.1 M	$27.2 M	$9.5 M	$19.7 M	**$93.5 M**
Arcadia	$38.3 M	$4.4 M	$0.0 M	$2.6 M	**$45.3 M**
EVCC	$9.0 M	$0.0 M	$0.0 M	$0.7 M	**$9.7 M**
Total	**$221.5 M**	**$33.8M**	**$9.5 M**	**$29.0 M**	**$293.8 M**

Per developable acre, the proposal is:

	Property Owners Group Package Per Developable Acre				
Opportunity Site	**Land Dedications Above PDO**	**Land Dedication Improvements**	**School Fees over Existing**	**Cash to City**	**Total Proposal**
Pleasant Hills	$332,000	$116,000	$240,000	$452,000	**$1,140,000**
Arcadia	$81,000	$0	$48,000	$704,000	**$833,000**
Campus Indus.	$8,000	$0	$22,000	$508,000	**$538,000**
EVCC	$0	$0	$32,000	$419,000	**$451,000**
Average	**$79,000**	**$22,000**	**$68,000**	**$518,000**	**$687,000**

V. Conclusion

The $293.8 million total proposal package averages approximately $687,000 per market rate developable acre over all four opportunity sites.

The total $293.8 million package value allocated among the four opportunity sites per market rate developable acre is as follows:

Opportunity Site	Total Package Per Developable Acre
Pleasant Hills	$1,140,000 /Ac
Arcadia	833,000 /Ac
Campus Industrial	538,000 /Ac
EVCC	451,000 /Ac
Total	**$687,000 /Ac**

The $221.5 million in cash to the City allocated among the four opportunity sites by market rate developable acre is as follows:

Opportunity Site	Cash to City Per Developable Acre
Arcadia	$704,000 /Ac
Campus Industrial	$508,000 /Ac
Pleasant Hills	$452,000 /Ac
EVCC	$419,000 /Ac
Total	**$518,000 /Ac**

As stated in the Executive Summary, the benefit package is not balanced among the four owners. In terms of cash to the City, the highest is Arcadia ($704,000 per acre) followed by Campus Industrial ($508,000 per acre), Pleasant Hills ($452,000 per acre) and EVCC ($419,000 per acre). With respect to the total proposal, Pleasant Hills ($1,140,000 per acre) and Arcadia ($833,000 per acre) are the highest followed by Campus Industrial ($538,000 per acre) and EVCC ($451,000 per acre).

The owners acknowledge the imbalance. We have not been provided information on how the allocation of obligations between the Property Owners Group was determined.

Our conclusion is that Pleasant Hills and Arcadia are proposing significant contributions per developable acre in terms of the total package. EVCC, while the lowest, is a community college and a lesser contribution would be expected. Campus Industrial is contributing, in terms of the total package, less per developable acre than Pleasant Hills and Arcadia. The imbalance in the Campus Industrial contribution suggests that more funds or land dedications than proposed might be available from the Campus Industrial property owners. However, as mentioned above, the Property Owners Group indicates that the package is a single proposal and additional contributions should not be expected. Campus Industrial is funding $137.1 million in cash to the City (over 60% of the total cash to the City) and is a key contributor to the initial $130.7 million cash contribution.

TABLE 1
SCHOOL PAYMENTS
EVERGREEN EAST HILLS
SAN JOSE, CA

DRAFT
04/19/2007

Source: Evergreen Owner's Group Package, Feb. 14 2007 and meetings Feb. 16 2007 and Mar. 28, 2007; school existing district fees per SummerHill, March 2007.

	Entitled Units	Average Unit SF	EEHVS Payments	Less: Existing Fees	EEHVS above Existing
Mt. Pleasant Elementary			*$20,000,000*	*@ $1.75 per SF*	*@ $12.85 per SF*
Pleasant Hills	665	2,060	$20,000,000	$2,400,000	$17,600,000
East Side Union High School			*@ $2.63 per SF*	*@ $1.07 per SF*	*@ $1.56 per SF*
Campus Industrial	1,690	2,265	$10,100,000	$4,100,000	$6,000,000
Pleasant Hills	665	2,060	$3,600,000	$1,500,000	$2,100,000
Arcadia	1,875	900	$4,400,000	$1,800,000	$2,600,000
EVCC	500	900	$1,200,000	$500,000	$700,000
	4,730	1,551	$19,300,000	$7,900,000	$11,400,000
Total			**$39,300,000**	**$10,300,000**	**$29,000,000**

Attachment 7
DRAFT
Evergreen Development Policy

City of San Jose
April, 2007

NOTE: Please refer to the EEHVS Binder from the December 12, 2006, City Council hearing for all attachments to this Draft Evergreen Development Policy.

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I. BACKGROUND

This policy, entitled, *The Evergreen Development Policy (EDP)*, is an update of the original EDP adopted in 1976 as amended from time to time.

Evergreen Development Policy Area Boundaries

The updated *Policy* area boundaries (the "EDP Area") match the original boundaries of the *Evergreen Development Policy*, defined as the land within San Jose's Urban Service Area Boundary, south of Story Road, east of U.S. Highway 101, and north of the intersection of U.S. Highway 101 and Hellyer Avenue (see Figure 1).

The Policy area overlaps with portions of the East Valley/680 Communities, K.O.N.A. and West Evergreen Strong Neighborhood Initiative (SNI) planning areas and fully incorporates the Evergreen Specific Plan area and the Silver Creek Planned Residential Community. Portions of the EDP Area are also designated as Redevelopment Project Areas.

Purpose of Original Evergreen Development Policy

The original *Evergreen Development Policy* (EDP) was adopted in August 1976 to address the issues of flood protection and traffic capacity in the EDP area. The EDP was based on City analyses, which concluded that transportation and flood protection deficiencies constituted substantial constraints to development in the EDP Area. The 1976 EDP established the policy framework for dealing with the buildout of the EDP area as identified by the General Plan at that time, and identified specific programs for correcting the service deficiencies. Since the adoption of the EDP, growth in the EDP area has been limited by the availability of urban services, particularly the capacity of the transportation and flood control systems. In particular, the goal of the EDP was to limit the construction of new residential units so that a traffic Level of Service "D," consistent with the City's General Plan policies, would be maintained at key boundary (screenline) intersections.

(Insert Figure 1 – Map of EDP Area)

Summary of Previous Updates

1991 Evergreen Specific Plan (ESP):

Under the OEDP, the screenline intersections reached their maximum traffic capacity in 1989, effectively preventing additional residential development. At that point, however, there was potential for the construction of almost 4,000 new residential units based on existing General Plan land use designations [if this is not the 2020 General Plan, than please give the title and when adopted here]. Of the almost 4,000 potential residential units, 3,000 were within a sub-area of the OEDP, called the *Evergreen Planned Residential Community* (EPRC).

In 1990, the City Council initiated the *Evergreen Specific Plan* (ESP) for the EPRC to create a unique suburban area with a mix of lot sizes, housing types, some retail, parks, schools, and other amenities. The ESP was the catalyst to revise the OEDP, and through that effort, the City was able to identify additional traffic mitigation measures to support the construction of the new residential units. Traffic analysis performed in conjunction with the preparation of the ESP, quantified the amount of traffic capacity required to allow full development of the remaining vacant lands in Evergreen, and identified potential street improvements which could provide the required capacity. In 1991, the City Council approved the ESP and revised the OEDP to be consistent with the ESP.

1995 OEDP Amendment:

The OEDP was again revised in 1995 to provide the policy framework for the build-out of the EDP Area consistent with the General Plan at that time [if this is not the 2020 General Plan, than please give the title and when adopted here].. With the goal of maintaining the basic traffic LOS "D" and hundred-year flood projection standards of the 1976 OEDP and 1991 OEDP Amendment, those standards were preserved as prerequisites to project approvals. The 1995 OEDP Amendment identified the remaining watersheds and street system improvements required to allow 4,759 residential units to proceed. A Benefit Assessment District (No. 91-209SJ Aborn-Murillo) was formed to provide a cost-sharing plan to finance and construct the extensive infrastructure network enhancements necessary to facilitate the planned and potential dwelling units identified by the San José 2020 General Plan [this is the first mention of the 2020 GP. Please name the previous references to the General Plan as 2020, if accurate, or rename as appropriate. See previous comments.] and the ESP. In 1998, the Benefit Assessment District was augmented and updated through the formation of Community Facilities District No. 4 as a result of changes to the laws governing special districts. Both the Benefit Assessment District and the Community Facilities District remain in effect.

1998 OEDP Amendment:

A minor amendment was made to the OEDP[I remove this reference because I don't think the OEDP was adopted by ordinance and because this is the first mention of an ordinance.] in August 1998 to refine the traffic analysis methodology in order to facilitate small-scale, non-residential development. Following this amendment, traffic analysis methodology was no longer based upon screenline intersections, but based upon traffic measurements at all affected intersections.

II. PURPOSE AND GOALS

The primary purpose of the updated *Evergreen Development Policy* (EDP) is to replace the original EDP, as amended, and to provide a new comprehensive policy framework for new development within and built out of the EDP Area. Each of the appendices attached to the EDP are incorporated into this EDP. The EDP land use strategy was developed through a community based process and is intended to promote the long-term vitality of land uses within the EDP Area. The EDP links together new development with the offer of providing new infrastructure and amenities by the developers and property owners in the EDP Area.

The EDP is consistent with the City's 2020 General Plan, specifically supporting the General Plan goals of protecting the City's Urban Growth Boundary/Greenline through the promotion of infill development, and the provisions of General Plan Level of Service Policy No. #5. The City's Level of Service Policy No. #5 provides alternative standards for determining conformance with the City's Level of Service policy for transportation facilities. The primary reason for adopting an Area Development Policy is to manage the traffic congestion associated with near term development in the EDP Area and simultaneously promote development consistent with the General Plan goals and neighborhood visions. This Area Development Policy allows continued development of the EDP Area while balancing the community's needs for amenities and transportation mobility. In exchange for an exceeded LOS standard, the Policy provides a mechanism to construct transportation system investments and desired neighborhood amenities funded by private development beyond the City's typical scope for such in a manner that is explained more fully herein.

The EDP serves as the guiding policy document for new residential development tied to specific transportation and amenity investments. The EDP establishes specific traffic Level of Service (LOS) standards for the Evergreen area and identifies development capacity for a specific amount of new residential, commercial and other development types. The LOS standards established within the EDP are intended to correspond to the eventual traffic conditions that will result from implementation of the Policy as determined through a traffic analysis prepared during the development of the EDP. The EDP also links the timing of the construction of specific transportation improvements and community amenities with new housing development and sets forth Guiding Principles and establishes general land use and architectural design guidelines for new development in the EDP Area. The major features of the EDP are incorporated into the City's General Plan. A companion document, the EDP Funding Agreement, sets forth specific details for the implementation of the EDP in the form of a contract between key participating property developers and the City.

The preparation of this EDP was enabled through the voluntary participation of several key property owners, including those who have applied for an amendment to the EDP to enable residential development on their sites within the EDP Area. These key property owners are combining resources to fund infrastructure and amenity improvements in a manner that differs from what may otherwise be constructed through the standard City development entitlement process in order to provide a benefit to he community to balance the inability to completely mitigate traffic congestion in the EDP Area.

The EDP builds upon several prior planning efforts, including the work of the Evergreen Visioning Project, the Evergreen•East Hills Vision Strategy (EEHVS) planning process, the Strong Neighborhood Initiative program and the Knight Program in Community Building Evergreen-Eastridge area charrette. Funding of transportation investments and amenities in the EDP Area was offered to the City by the key property owners, and the transportation investments and amenities included as part of the EDP Policy were identified through these efforts and drawn directly from the adopted SNI *Improvement Plans*, the City's adopted *Greenprint* and the products of the Evergreen Visioning Project (EVP) and the Knight Program charrette.

The goals of the EDP are to:

- Support the community-based vision to guide future development in Evergreen, including a clear concept of the future character of the area.
- Provide development capacity for specific amounts of new residential, commercial and other land uses.
- Identify and establish a mechanism to fund the transportation improvements needed to support this new development capacity.
- Identify and fund community amenities consistent with the vision of the EEHVS.

All new development within the EDP area should be consistent with the Guiding Principles and the desired Outcomes set forth in Appendix A, which is were endorsed by the City Council in June of 2005, as part of the EEHVS planning process. The Guiding Principles state that all new development in EDP area should be sustainable, of high quality, and improve the overall livability of the area. New residential development should create housing opportunities for a wide range of household types and income levels. Infrastructure and services should support the planned levels of residential and non-residential development. New development in transit corridors should incorporate transit-oriented development concepts, and all development should support vibrant land uses linked by various transportation modes and community amenities.

III. LAND USE

General Land Use Concepts

The Evergreen Development Policy Land Use Policies are intended to:

- Guide development to appropriate locations within the Evergreen Development Policy Area.
- Provide appropriate flexibility for new development capacity.
- Maintain the current location of the Urban Growth Boundary
- Facilitate infill development within the Urban Growth Boundary.
- Promote transit-oriented development along the Capitol Corridor to support the Capitol Light Rail expansion.
- Facilitate walking, bicycling, and transit use.
- Promote a diversity of housing options within neighborhoods.
- Protect, enhance, and/or restore natural features.

Affordable Housing

Consistent with Key Outcome No. #5 (see Appendix A – Vision and Expected Outcomes and Guiding Principles for Land Use and Transportation Planning) the EDP Policy is intended to create housing opportunities for a wide range of household types and income levels. For this reason the Four Opportunity Sites shall provide a fair share of affordable housing which meet the goal of this policy to provide affordable housing thresholds as established in the associated Agreement with the City on affordable housing. Although only two of the opportunity site (Arcadia and Evergreen Valley College) have specific requirements described below, supplying affordable units as part of all residential development is encouraged within the EDP area.

<u>Arcadia Site:</u>
The Arcadia Site will be required to provide a minimum of 20% affordable housing units under the requirements of the California Redevelopment Law and adopted San Jose policy regarding the income distribution of the units.

<u>Evergreen Valley College Site:</u>
Under the EDP, the development of the Evergreen Valley College Site requires construction of a minimum of 40% of its total units as affordable/deed-restricted housing per the associated Affordable Housing Agreement between the City and the Property Owners of the Four Opportunity Sites.

Despite the residential development capacity allowed on the Evergreen Valley College site by the EDP, the Evergreen Community College District Board of Trustees may take action at any time to change the uses contemplated by the EDP and utilize this site for solely educational purposes as may be authorized by state law, which may preempt local land use jurisdiction over this site. This would cause a reduction in the amount of affordable housing required by the EDP for the Major Opportunity Sites. In order to further insure compliance with the goals of the EDP, all affordable housing on the Opportunity Sites shall be constructed at the same time and in the same proportion (1 affordable unit for every 5 market rate units).

RETAIL STRATEGY

Consistent with Key Outcome No. #4 (see Appendix A – Vision and Outcomes and Guiding Principles for Land Use and Transportation Planning in Evergreen) the EDP is intended to foster vibrant commercial/business, mixed use, and residential areas including added opportunities for post offices, health care, entertainment and other retail uses. The Guiding Principles and Design Guidelines incorporated as an attachment to this Policy also encourages mixed-use development.

DEVELOPMENT CAPACITY

This Policy establishes a specific amount of land use_development capacity for the EDP Area. All new development entitlements for properties located within the EDP Area must be consistent with these provisions.

Existing Development Capacity

All properties with established development capacity in the form of existing construction onsite, existing entitlements, allocation of development capacity under the previous policy or assigned trips in the City's Approved Trips Inventory (ATI) retain the rights to that development capacity in terms of the associated traffic generation (trips) under the original EDP as amended. Existing trip allocations for a property will be credited for any development or redevelopment of that property, including proposed changes in use (e.g., existing commercial or industrial trips can be credited to a new residential project that displaces the commercial or industrial use). Development beyond the existing trip allocation will require new allocation as provided in the following provisions of this Policy. As of November 2006, unconstructed allocations under the previous policy are 518, as set forth in Appendix H of this Policy.

Major Opportunity Sites

The EDP allows new development capacity for the Four Opportunity Sites located within the EDP Area. These four sub-areas, referred to as "Major Opportunity Sites" represent the largest, most readily identifiable sites available for new development or redevelopment within the Evergreen Development Policy area and as such warrant unique treatment. The four Major Opportunity Sites are the "Arcadia Property", the

Pleasant Hills Golf Course, the "Campus Industrial" site and 27 acre portion of the Evergreen Valley Community College campus, as depicted on Figure 1.

Arcadia Property
The Arcadia Property is an 81-acre site located just south of Eastridge Mall. It is bounded by Quimby Road to the north, Capitol Expressway to the east, Leyva Middle School and Meadowfair Park to the south, and single-family residences to the west.

This Policy allows for the development of up to 1,875 residential units on this site. Of these, a maximum of 50 may be single-family detached homes. A mix of rental and ownership housing must be provided on this site. In order to address neighborhood compatibility policies, traditional single-family detached residential units shall be developed along the westerly edge of the site, adjacent to the existing neighborhood. This Policy also allows for the development of up to 300,000 square feet of commercial square footage on the Arcadia Property.

Pleasant Hills Golf Course
The 114-acre Private Pleasant Hills Golf Course is located east of Lake Cunningham Park. The golf course operation was close in 2004. It is bounded by single-family residences to the north, Vista Verde Drive to the east, Tully Road to the south, and White Road to the west. The site has a General Plan land use designation of Private Recreation, and is unincorporated. Development of the property for any use other than private recreation requires annexation and a General Plan Amendment. Development of this site will require the dedication of approximately 1-acre of land for the relocation of Fire Station #21, beyond the land dedication requirements described below and entitled, "Relationship to Parkland Dedication Ordinance/ Park Impact Ordinance."

This Policy allows for the development of up to 665 residential units on this site. This Policy also allows for the development of up to 30,000 square feet of commercial square footage on the Pleasant Hills Golf Course.

Campus Industrial
This 320-acre site is comprised of 16 parcels located in the eastern foothills on the easterly side of Yerba Buena Road adjacent to the *Evergreen Specific Plan* Area. It is bounded by parks and single-family residences to the north and west, the Urban Growth Boundary to the east, an office/research and development complex (Hitachi Headquarters) and a riparian corridor to the south.

This Policy allows for the development of up to 1,275 residential units on approximately 200 acres and the development of an industrial campus on approximately 120 acres at a maximum Floor Area Ratio of 0.40. The 120 acres designated as Campus Industrial is overlaid with the Mixed Industrial Overlay designation. This overlay designation allows for an appropriate for a mixture of primarily industrial with compatible commercial or public/quasi-public uses, or may be developed entirely with industrial uses in accordance with the base designation. Examples of non-industrial uses include, but are not limited to, primary or secondary schools, hotels and motels, churches, free standing daycare centers, big box retailers, large gymnasiums, sports or arts instruction facilities, and hospitals.

Evergreen Valley Community College

The Evergreen Valley Community College Opportunity Site is a 27-acre portion of the Evergreen Valley Community College campus located at the northeast corner of Yerba Buena Road and San Felipe Road. It is bounded by Evergreen Creek to the north, the College campus to the east, Yerba Buena Road to the south and San Felipe Road to the west except the site borders an existing commercial development located immediately adjacent to the intersection of Yerba Buena and San Felipe Roads. This Policy allows for the development of up to 500 residential units on this site.

This Policy also allows for the development of up to 195,000 square feet of commercial square footage on the Evergreen Valley Community College Opportunity Site. This commercial square footage may be used for either retail or commercial office development, but may not be allocated a supermarket greater than 20,000 square feet.

Despite the development capacity allowed on this site, the Evergreen Valley College District Board of Trustees may take action at any time to change the use contemplated by the EDP and utilize this site for solely educational purposes as my be authorized by state law, which may preempt local land use jurisdiction over this site.

The dedication of approximately 2-acre of land for the construction of a library facility, beyond the land dedication requirements described below entitled, "Relationship to Parkland Dedication Ordinance/ Park Impact Ordinance," is required as part of this policy at a time certain identified in the corresponding Funding Agreement.

New Residential Development Unit Pool

This Policy establishes capacity for the development of up to 500 residential units within the Policy area in addition to the capacity allocated to the four specific properties referred to as "Major Opportunity Sites". This capacity is held in a pool that may be allocated to any property other than the Opportunity Sites per the allocation criteria set forth in this Policy. Of this pool, **25%** (125 units) is intended for allocation to only small development projects of 8 units or less. The remaining 75% may be allocated to projects of any size with the approval of a rezoning, development permit or subdivision, whichever comes first. Any type of residential development, including single-family and multi-family residential projects can be allocated units out of this pool. The total amount of residential development allowed under this Policy is the total of this pool and the amount of development specified above for the Four Opportunity Sites. This Policy does not allow for any additional residential development beyond these specific allocations.

New Commercial/Industrial Development Square Footage Pool
This Policy establishes capacity for the development of up to 65,000 square feet of new commercial development within the Policy area in addition to the capacity allocated to the four specific properties referred to as "Major Opportunity Sites". This capacity is held in a pool that may be allocated to any other property per the allocation criteria set forth in this Policy. Typical commercial development includes retail and commercial office projects. New development of such uses will require allocation from this pool or, if this pool is exhausted, trip allocation may be granted for new commercial development from the Other (Non-residential) Development Trip Pool.

Additionally, commercial and industrial development not built-out on the Four Opportunity Sites may be transferred to and allocated to non-opportunity sites under this policy.

Other (Non-residential) Development Trip Pool
This Policy also contains provision for other non-residential development beyond the specific amounts of residential and commercial capacity described above through a non-residential trip pool of 500 trips. The number of peak-hour PM trips generated by any proposed non-residential development will be evaluated and must be able to draw the required number of trips from this pool in order to be entitled. This pool provides capacity for a wide variety of uses, excluding residential, and is primarily intended to allow for new cultural and institutional uses not otherwise addressed in the Policy. Commercial development beyond the scope described above may also make use of this trip pool.

Public Use Exemption
Public uses, including City, County, State or Federal development projects (e.g. police stations, fire stations, libraries, neighborhood parks, post offices, schools and transit facilities) are considered exempt from the traffic policies included within this document and do not require pool allocation.

IV. TRANSPORTATION POLICY AND STANDARDS

OVERVIEW

The City has an adopted Transportation Policy that establishes a citywide Level of Service (LOS) standard of "D" for signalized intersections. Geographic segments of the City with adopted Area Development Policies, as well as the Downtown, have unique, generally more permissive standards that vary from the citywide standard in recognition of special circumstances or superseding City goals that make maintaining an LOS of "D" impractical.

Under the previous EDP, an LOS of "D" was also established as a long-term goal for the EDP Area. Particular land uses were incorporated into the previous EDP so that at full build-out all EDP intersections would reach this LOS standard. A key component of the land use plan was the development of a significant industrial job base on the Campus Industrial Opportunity Site to establish a reverse commute pattern within the Policy area. Providing a job base within the EDP Area was projected to improve traffic conditions by decreasing the need for EDP Area residents to commute out of the EDP Area on heavily congested routes. Because residential development within the Policy area was implemented while the Campus Industrial site remained largely undeveloped, the LOS "D" standard was not met.

LEVEL OF SERVICE STANDARDS – EDP AREA PROJECTS

In place of the citywide LOS Standard, the Policy establishes a specific amount of development capacity for new residential, commercial and other forms of development and corresponding transportation infrastructure improvements. Combined with existing land uses, development of the Major Opportunity Sites and use of all pool capacity, is projected to result in the LOS conditions. As indicated on below, some intersections within the EDP Area are projected to operate at an LOS of "E" or "F" following full implementation of the EDP. All other EDP Area intersections are projected to maintain LOS "D" or better for AM and PM traffic conditions.

As a result, additional analysis of traffic impacts is not anticipated to be necessary for development occurring under the EDP. However, all development projects within the EDP Area will still be subject to traffic operational analysis upon application for land use permits.

Table 1. Intersection LOS Standards

Intersection	LOS Standards
- Capitol Ex/Silver Creek Rd	AM E PM D
- Capitol Ex/Ocala Ave	AM E PM D
- Capitol Ex/Story Rd	AM F PM E
- Capitol Ex/Capitol Ave	AM D PM E
- San Felipe Rd/Yerba Buena Rd	AM E PM F
- San Felipe Rd/Nieman Blvd	AM E PM C

Level of Service Standards – Projects Outside of the EDP Area

If the traffic analysis for a new development project located outside of the EDP Area determines that the project will generate traffic within the EDP Area, the impact of that traffic will be evaluated according to the Citywide Transportation Policy and will need to include mitigation measures or other actions as required by the citywide policy. The City's Transportation Policy, as notably revised in June of 2005, requires that new development not create a significant impact at a signalized intersection. Generally any development project that causes an intersection to drop below LOS "D" or add a significant amount of traffic to an intersection already operating at LOS "E" or "F" must include improvements to the affected intersection that would fully mitigate the project's impacts. In June 2005, the City created a process whereby the City may, after evaluating, balancing and considering other City goals pursuant to the, designate any such affected intersection as a "protected intersection" which is an alternative to requiring improvement of the intersection in exchange for other traffic related improvements.

Transportation Demand Management (TDM) Measures

All new development within the EDP Area is required to incorporate transportation demand management (TDM) elements into facility design, to the extent possible, to reduce the demand for single-occupancy vehicles during peak commute periods. A list of possible TDM measures is included as Appendix D to the EDP.

V. SCHOOLS

This Policy is consistent with the following City General Plan policies related to school facilities within the EDP Area:

- The City supports a system of open communication between the City, the public school districts and the development community in order to coordinate the activities of each to achieve the highest quality of education for all public school students.
- The City encourages school districts and residential developers to engage in early discussions regarding the nature and scope of proposed projects and possible fiscal impacts and mitigation measures. These discussions should occur as early as possible in the project planning stage, preferably immediately preceding or following land acquisition.
- The City should cooperate with school districts in identifying and evaluating the impacts of population and demographic changes which may affect the need for new schools, may lead to school closures, may require the re-opening of closed schools or may lead to the decision that existing school sites should be preserved for meeting future needs.
- The City should support legislative efforts to create suitable and adequate means of funding the construction of school facilities needed for a growing population.
- The City and school districts should cooperate in the joint planning, development, and use of public school facilities combined with other public facilities and services, such as open space, recreation facilities, libraries, fire stations, and community service/ programs. The City should provide all pertinent information on General Plan amendments, rezonings and other development proposals to all affected school districts in a timely manner. because current state law limits the exactions that can be imposed by cities for development impacts on schools by making the statutory school fee the exclusive means of mitigating impacts on school facilities. Current state law provides that a local agency may not deny or refuse to approve a legislative or adjudicative act, or both, involving, but not limited to, the planning, use, or development of real property or any change in governmental organization or reorganization on the basis that school facilities are inadequate.
- The City should encourage the use of available school facilities for childcare purposes.

VI. TRANSPORTATION INFRASTRUCTURE

OVERVIEW

A key element of the EDP is the construction of new transportation infrastructure projects concurrent with the construction of new development within the EDP Area. These transportation projects are divided into four categories: **Project Transportation Improvements, Transportation Mitigation Measure Improvements, Transportation Amenities and Site Operational Improvements.** These improvements will be implemented through provisions set forth in this Policy, the associated Funding Agreement with the property owners of the Four Opportunity Sites, a Traffic Impact Fee, and/or as part of the entitlement process. Additionally, a Nexus Study has been prepared to establish the relationship between new development of the background/"pool" units and the Project Transportation and Transportation Mitigation Measure improvements to be funded through the Traffic Impact Fee. The Project Transportation Improvements and Transportation Mitigation Measures are also referred to collectively as the "Base Improvements."

PROJECT TRANSPORTATION IMPROVEMENTS

The Project Transportation Improvements are incorporated into the traffic analysis and environmental review that form the basis of the Transportation Policy and Standards set forth in this Policy. The set of base transportation infrastructure improvements are funded voluntarily by the developers of the Opportunity Sites beyond the scope of typical development-funded transportation mitigation programs. Consequently, their implementation is a foundational element for any utilization of the Policy's development capacity, and their funding must occur prior to or concurrently with the development of the Opportunity Sites. The full funding for these improvements is provided through the Funding Agreement. A detailed explanation of these improvements is included as Appendix E to this Policy.

The specific improvements are:

1) *Operational Improvements on U.S. 101 between 280/680 & Yerba Buena Road:* This improvement is identified in the *US 101 Corridor Study* completed by the Valley Transportation Authority (VTA) in 2004. The improvement includes increased mainline and ramp capacity and the conversion of the full cloverleaf interchanges at Tully Road and Capitol Expressway to partial cloverleaf designs. In the northbound direction, the design includes adding an HOV lane to the Tully on-ramp, adding a mixed-flow lane to the Capitol on-ramp, and providing two mixed-flow on-ramps from Yerba Buena (separating Yerba Buena from Capitol). In the southbound direction, the design includes an auxiliary lane from Tully Road to Capitol Expressway and a mainline lane from I-280 to Capitol.

2) *White Road Improvements:* White Road is proposed to be widened and restriped to its full planned six-lane configuration from south of Ocala Avenue to Quimby Road; and from Stevens Lane to Aborn Road. The improvements include but are not limited to sidewalk, bike lanes, pavement, and a landscaped median island. Additional through and/or turn lanes will be added at the intersections with Ocala, Tully, Norwood, Quimby, Stevens, and Aborn.

3) *Reconfiguration of Ocala Avenue between Capitol Expressway and White Road:* Ocala Avenue will be widened to four lanes, two in each direction, between Capitol Expressway on the west and White Road on the east, a distance of approximately 0.7 miles. The work will occur within the existing right-of-way and the "widening" will consist of restriping a short segment of pavement just west of White Road.

4) *Improvements along Capitol Expressway between Quimby Road and U.S. 101:* The existing High Occupancy Vehicle (HOV) lanes between U.S. 101 and Nieman Boulevard will be converted to "mixed-flow" lanes, meaning that their use during weekday peak commute periods will no longer be restricted to vehicles with two or more occupants. [Note: Independently of this project, the planned and approved Capitol Expressway LRT extension will be removing the HOV lanes on Capitol Expressway between Nieman Boulevard and I-680.] Other improvements on Capitol Expressway between U.S. 101 and Quimby Road will consist of the addition of sidewalks, landscaping of the median, the addition of street lights, the planting of trees, pavement work, and traffic signal upgrade/modification. All work will occur within the existing right-of-way. The timing of these improvements will coincide with the LRT project and/or the relinquishment of Capitol Expressway from County jurisdiction to City jurisdiction.

5) *Intersection Improvements:* Additional through and/or turn lanes and operational improvements are included at fourteen intersections in order to provide additional capacity and reduce delay. The intersections include White Road/Ocala Avenue/Marten Avenue, White Road/Tully Road, White Road/Norwood Avenue, White Road/Quimby Road, White Road/Stevens Lane, White Road/Aborn Road/San Felipe Road, Yerba Buena Road/San Felipe Road, Yerba Buena Road/Silver Creek Road, King Road/Tully Road, Aborn Road/Ruby Avenue, Capitol Expressway/Quimby Road, Capitol Expressway/Aborn Road, Capitol Expressway/Silver Creek Road, and Capitol Expressway/McLaughlin Avenue.

6) *New Traffic Signals/Modifications:* The City of San Jose determines the need for new traffic signals based on a system of "warrants," which analyze whether a traffic signal at a particular location would reduce traffic delays, reduce accidents, or help pedestrians. This Policy includes installation of traffic signals at the highest priority locations based upon improvements for safety and efficiency and

based on existing and projected future traffic volumes. New traffic signals or signal modifications are planned for the intersections at Ruby Avenue/Norwood Avenue, I-680 Ramps (N)/Jackson Avenue, Ruby Avenue/Tully Road, Story Road/Clayton Road, Marten Avenue/Flint Avenue/Mt. Rushmore Drive, Quimby Road/Scottsdale Drive, Nieman Boulevard/Daniel Maloney Drive, Story Road/Lancelot Lane, Ocala Avenue/Hillmont Avenue, and Ocala Avenue/Adrian Way. Staff may conduct additional signal warrant studies in the future to confirm that these intersections are warranted prior to installation.

TRANSPORTATION MITIGATION MEASURE IMPROVEMENTS

The Transportation Mitigation Measure Improvements address specific traffic impacts associated with full build-out of the Policy's development capacity and will directly benefit traffic flow within the Policy area. Although their construction was not initially proposed by the developers of the Opportunity Sites, they were identified as necessary traffic mitigation through the traffic analysis prepared for this Policy. Their construction will be funded or caused to be funded by the property owners of the Opportunity Sites, under the terms of the Funding Agreement and by using fees collected from a Traffic Impact Fee applied to all new residential pool allocations. Because development on the four Opportunity Sites is subject a separate Agreement that includes a fair contribution towards traffic mitigation, development on the Opportunity Sites is not subject to the Traffic Impact Fee. Additional details of the Traffic Impact Fee are discussed below in the Implementation Section. The specific mitigation measures are:

1) Capitol Expressway and Quimby Road: A northbound right-turn lane and an eastbound right-turn lane will be added to this intersection.

2) Nieman Boulevard and Yerba Buena Road: A second westbound left-turn lane will be added to this intersection.

3) Tully Road and McLaughlin Avenue: An exclusive northbound right-turn lane will be added to this intersection.

TRANSPORTATION AMENITIES

Some transportation improvements provide a benefit to traffic flow, pedestrian safety or other factors that has not been specifically quantified in existing City policy or standard traffic analysis practices. Examples include a proposed Intelligent Transportation System (ITS) Network, construction of sections of the Thompson Creek Trail, new bike lanes, transit system enhancements and traffic calming measures. Selected improvements in this category are listed with the other Amenities below and will be funded according to the Phasing Plan and subject to availability of funding.

SITE OPERATIONAL IMPROVEMENTS

Additionally, some local transportation infrastructure improvements will need to be built as development occurs on specific properties. These improvements address local circulation needs or implement established improvement plans and are not specifically identified in this Policy. Their construction will be implemented through the application of standard development review and entitlement procedures.

VII. COMMUNITY AMENITIES

OVERVIEW

The second key element of the EDP is the construction of amenities identified by the community as necessary for the quality of life in the EDP Area. These amenities include new parklands and recreational facilities of general benefit to the local community. The funding for these amenities is linked to the entitlement of new development on the four Opportunity Sites as outlined in the Phasing Plan included within the Implementation section of this Policy and specifically detailed in the Funding Agreement.

The construction of the Amenities will occur over time as private development projects are implemented. While preliminary cost estimates have been prepared for most of the Amenities identified in this Policy, projected construction costs will be refined once design work is completed and ultimately determined at time of construction. The developers of the four Opportunity Sites, through this Policy, must provide a specific amount of money for the design and construction of Amenities. The timing of the availability of that funding will not be determined until issuance of the pertaining entitlements as set forth in the Phasing Plan. Some amenities are located on specific Opportunity Sites and their full implementation may be difficult or impractical ahead of the development of the site. The specific timing for the construction of the Amenities will need to be flexible to allow for practical application of the Policy.

The Amenities have been placed into four groups, identified as Tier 1 through Tier 4. Tier 1 amenities are considered the most important to the community and their funding and construction will be given the highest priority. Tier 2 and Tier 3 follow in sequential order of importance. While the amenities within each Tier are also ranked, the order of their implementation may vary from that ranking based upon the availability of funding and other factors. The implementation of all Tiered amenities shall be at the sole discretion of the City in order to maximize the funds available at any given time. However, to the fullest extent practical, priority will be given to the ranking of each tier, in addition, further community outreach will occur for the specific planning/programming of amenity facilities prior to construction.

Because the preliminary cost estimate for the full Amenity List exceeds the anticipated funding available, it is expected that only a portion of the Amenity List can be fully funded through the implementation of this Policy. Descriptions of these Amenities are included as Appendix F of this Policy.

TIER 1 AMENITIES

AMENITY	APPROX. COST
Community Center (Arcadia Site)	$34.5M
Sports Fields (Arcadia airport approach zone)	$7.2M
Sports Fields (former Pleasant Hills Golf Course)	$6.3M
Youth Sports Fields (Campus Industrial site)	$5.0M
Community Aquatic Center	$6.0M

TIER 2 AMENITIES

Sports Fields (Campus Industrial site)	$4.5M
Open Space & Trail Connections - Thompson Creek Trail - Upper Silver Creek - Fowler Creek Trail	$13.5M
New Traffic Signals and other transportation investments	$8.0M
Neighborhood Park Improvements (Meadowfair Park)	$6.0M
New Neighborhood Park Improvements (former Pleasant Hills Golf Course)	$2.0M

TIER 3 AMENITIES

New Neighborhood Park Improvements (Campus industrial)	$2.0M
Intelligent Transportation System (ITS)	$4.0M
Lake Cunningham Improvements	$4.0M
Youth Sports Field (former Pleasant Hills Golf Course)	$5.0M
Youth Sports Field (August Boeger Jr. High/Fernish Park)	$5.0M

TIER 4 AMENITIES

Traffic calming investments	$5.0M
Street Trees	$1.0M
Nieman Pedestrian Overcrossing	$8.0M
Lake Cunningham Pedestrian Overcrossing	$6.0M
Median Landscaping	$5.0M

TOTAL AMENITY COST	$138.0M

RELATIONSHIP TO PARKLAND DEDICATION ORDINANCE/ PARK IMPACT ORDINANCE

All residential development within the EDP area, including the Four Opportunity Sites, is subject to the provisions of the City's Parkland Dedication Ordinance (PDO) and Park Impact Ordinance (PIO), Chapters 19.38 and 14.25, respectively, of the San José Municipal Code. The intent of this section is to ensure that the package of parkland and amenities associated with the development of the Four Opportunity Sites does not only meet the minimum PDO and PIO obligation, but also extend beyond those typically implemented through the PDO and PIO process.

Based on the development capacity stipulated in the above Land Use section, the Four Opportunity Sites will be required to dedicate unimproved land for neighborhood and community serving park uses as stipulated in the table below.

Opportunity Sites	Total Units (SFD, SFA, MF)*	Gross Land Dedication Required (acres)**
Arcadia	1,875	13.75
Pleasant Hills Golf Course	665	6.8
Evergreen Valley College	500	3.4
Campus Industrial	1,275	13.2
TOTAL	**4,315**	**37.15**

Note(s): * SFD = Single Family Detached/ SFA = Single Family Attached/ MF = Multi-Family
** Acreage is rounded to the nearest tenth of an acre.

Land dedications from the Opportunity Sites will be used for neighborhood parks and amenities consistent with the intent of the City of San Jose's PDO and PIO requirements. The precise obligations under the PDO and PIO for the Four Opportunity Sites will be determined as development of those sites proceed and will depend on the specific number and type of residential units developed, the number and types of credits that each development may be eligible to receive, and upon the acceptance of the land dedication by the City in accordance with the PDO and PIO. Should each individual Opportunity Site not be able to fulfill its PDO and PIO obligation through land dedication alone, then the funding for improvements of specific park sites and amenities identified on the preceding amenity list would be considered for credit(s) subject to the requirements of the PDO and PIO.

Alternatively, if each Opportunity Site cannot independently satisfy its respective obligation under the City's PDO and PIO, as described above, the property owner group and/or developers of the Four Opportunity Sites have the option to enter into a parkland agreement that will require the satisfaction of their respective parkland obligations cumulatively rather than on a project-by-project basis. Entering into such cumulative parkland agreement, if applicable, will be required as part of the first phase of development. Additional parkland agreements may be required for individual sites in order to receive private recreation credits and for turnkey park improvements consistent with the PDO and PIO in place at the time of development.

Implementation of the PDO and PIO on sites other than the Four Opportunity Sites will be used to provide parklands in addition to the specific improvements identified on the Amenity List in the EDP or to provide an additional funding source to allow construction of additional items on the Amenity List.

VIII. IMPLEMENTATION

REVIEW OF NEW DEVELOPMENT PROJECTS

All new development within the EDP Area will be subject to the City's standard procedures and policies for the review of new development within the City of San Jose. Projects should conform to the General Plan, applicable design guidelines and other policies and regulations unless specifically provided for otherwise in this Policy or the accompanying Funding Agreement. Additionally, all new development within the EDP Area should be consistent with the site design, architectural design and other items set forth in the Vision and Expected Outcomes, and Guiding Principles incorporated as Appendix A of this Policy and the Guiding Principle Design Guidelines incorporated as Appendix B.

ALLOCATION OF DEVELOPMENT CAPACITY

Allocation of the development capacity provided through this Policy is determined according to the criteria set forth in this section. The traffic impact analysis completed in connection with the EEHVS EIR includes all development in the following sections and no further traffic impact analyses is required; except that all development projects within the EDP Area remain subject to requirements for traffic operational analysis per the discretion of Director of Public Works. Allocations are made at the time of initial Planning entitlement approval (the first of either Planned Development Zoning, Development Permit, Vesting Tentative Map, or equivalent action) and remain in place unless all such entitlements expire.

Development of the Opportunity Sites is constrained by the Phasing Plan included in the Implementation Section of this Policy. Development utilizing allocation from a development pool may not be issued prior to the start of construction of the required Highway 101 improvements. Any property owners seeking residential entitlements ahead of Highway 101 construction can voluntarily become a party to the EEHVS Funding Agreement and will be required to contribute "___" dollars per residential unit, in addition to the required Evergreen Traffic Impact Fee.

All new development within the EDP Area, including development on the Opportunity Sites and projects that make use of existing allocations, existing trip credits, or allocation of new development pool capacity must:

- Further the Major Strategies, Goals and Policies of the City of San Jose General Plan
- Be consistent with the Guiding Principles for Land Use and Transportation Planning in the EDP Area (Appendix A)
- Be substantially consistent with the Guiding Principle Design Guidelines (Appendix B)
- Not require modification of the Urban Service Area or Urban Growth Boundary boundaries.
- Not create significant adverse effects upon the environment, including but not limited to; projects that must not require significant grading or other alteration of the natural environment.

Existing Allocations
Allocations and development rights existing at the time of adoption of this Policy remain in place and do not require any further consideration.

Properties with Existing Residential Use or Other Uses
Existing properties that have existing residential or non-residential uses will be allowed to apply their traffic generation equivalency to proposed new developments provided the existing use is legally permitted and the proposed use is consistent with applicable City policies and ordinances without additional allocation under this Policy.

Opportunity Sites
The opportunity sites are allocated development capacity as described in the Land Use section above and according to the provisions in the following Phasing Plan. Additional residential allocation may not be made to the Opportunity Sites.

Residential Pool Allocation
Residential development capacity for new projects outside of the Opportunity Sites will be allocated at the time of the City's approval of a Planning development permit or zoning action on the specific pool site. Once allocated, units are removed from the Residential Development Unit Pool and no longer available for allocation to other properties. Generally allocation is granted on a chronological basis at time of a development permit or zoning according to the provisions below. Residential projects exceeding 4 units will not be given an allocation and will not be able to construct until construction begins on the required Highway 101 improvements; however, any property

owner seeking residential entitlements ahead of Highway 101 construction can voluntarily become a party to the EEHVS Funding Agreement and will be required to contribute "___" dollars per residential unit, in addition to the required Evergreen Traffic Impact Fee.

All allocation from this pool is subject to the Phasing Plan. If a permit or zoning expires or is replaced by a new entitlement, any unused allocation is returned to the appropriate pool and becomes available for new projects. All projects receiving allocation from the Residential Development Unit Pool are subject to the Traffic Impact Fee.

Twenty-five percent (**125** Units) of the initial Pool Capacity is reserved for small projects of 4 units or less and may not be allocated to larger projects. The remaining 75% (**375** Units) may be allocated to any project, provided that it meets at least two of the following criteria:

1. Consistency with General Plan – projects receiving allocation must further the Major Strategies, Goals and Policies of the City of San Jose General Plan.
2. Affordable Housing – projects which incorporate affordable housing in excess of minimum compliance with this policy and with other City requirements. In order to meet this criterion, a project must have at least 20% of units reserved to be available for LI, VLI and/or ELI families in addition to fulfillment of any other City requirements. Developments may fulfill their obligation as required by this policy by opting to pay an in-lieu fee equivalent to the percentage of units required as affordable.
3. Mixed-Use and Transit Oriented Design – projects that incorporate mixed-use elements (e.g. ground floor retail with office or residential above), to foster bicycle and/or pedestrian and transit use through density and site design features.
4. Environmental Sustainability – projects that utilize green building measures. To meet this criterion, a project must incorporate a significant portion of the Green Building design actions listed in Appendix C of this document or comparable actions that become available with technological advances, so as to qualify for LEED certification or incorporate a comparable level of Green Building Design measures.
5. Diverse Housing Types – projects that increase the range of housing options available to EDP area residents. In order to meet this criterion, at least 50% of the units in a project must be either attached units or detached units with varying scales of living area.
6. Cultural Resources – projects that incorporate significant cultural resources, either through preservation and integration of identified historic structures or through the creation of a new cultural resources (e.g. community center, museum).

Commercial/Industial and Other (Non-residential) Pool Allocation
Non-residential development capacity for new projects outside of the Opportunity Sites is allocated from the corresponding pools to properties as follows. Square footage or trips are removed from the appropriate pool at issuance of any Planning permit or zoning action and no longer available for allocation to other properties. Generally allocation is granted on a chronological basis at time of permit or zoning.

Projects outside of EDP area
New projects outside of the EDP Area, which may impact gateway intersections, will be subject the City's Level of Service Policy 5-3: Transportation Impact Policy.

Unforeseen future projects
Any development projects beyond the scope of the EDP Policy and EEHVS EIR will require an update to the EDP Policy and additional environmental review. Impacts upon intersections outside of the EDP Area will be subject to City Level of Service (LOS) standards.

FUNDING OF IMPROVEMENTS

Property owners or developers will be required to provide funding for the transportation improvements and community amenities prior to the issuance of permits for new development per the phasing plan. This funding will be the obligation of the property owners of the Opportunity Sites through payments made according to the Phasing schedule outlined below. The precise terms of this funding obligation are set forth in the separate Funding Agreement. Developers of the residential units outside of the four Opportunity Sites and within the EDP Area will also contribute towards the funding of the transportation improvements and community amenities through a Traffic Impact Fee (TIF) and fulfillment of Parkland Dedication Ordinance (PDO) and/or Park Impact Ordinance (PIO) requirements. The total funding available for the Base Transportation Improvements and Amenities included within the Phasing Plan is $250 Million (2006 dollars), utilizing revenue from two sources: Developer Contribution and the TIF.

The majority of the Transportation Improvements and Amenities included within this Policy will be financed through contributions collected from the property owners and/or developers of the Opportunity Sites prior to the issuance of entitlements for new development on those sites. As outlined in the Phasing Plan, the first payment is required within six (6) months of approval of the first Rezoning for either the former Pleasant Hills Golf Course site or the Campus Industrial site. Additionally, the property owners of the Opportunity Sites must complete with the City of San Jose (signed and executed) three separate agreements: (1) a funding agreement for the full design and construction costs of the US 101 Highway improvement; (2) as described in the section entitled: "Relationship to Parkland Dedication Ordinance/Park Impact Fee Ordinance, a parkland dedication agreement to assure the Four Opportunity Sites meet the requirements of the City's PDO/PIO on a cumulative basis and other subsequent agreement for possible private recreation credits on individual project; and (3) an Affordable Housing Agreement. Additional requirements for each phase are listed in the Phasing Schedule

Construction of the Base Improvements (Project Transportation Improvements and Transportation Traffic Mitigation Measures) shall be fully funded by the Four Opportunity Sites, regardless of their cost. Should alternate sources of funding become available to construct the required Base Improvements (i.e., State Bonds), the original Base Improvement funding provided by the Four Opportunity Sites will be available for the construction of improvements listed on the preceding amenity list (adding to the funding already committed for amenity purposes) and/or may be used to fund future operation and maintenance costs associated with these facilities.

Opportunity Site owners may apply to the City to establish a Community Facilities District (CFD) as a financing mechanism for the Improvements and Amenities, which formation is in the discretion of the City Council. Funding must be provided with entitlements for each site, per the Phasing schedule regardless of any timeline for the possible formation of a CFD. Additionally, in accordance with all of the requirements of Title 14 of the San Jose Municipal Code for City-Private Developer Contracts, the Director of Public Works may enter into turnkey construction agreements with the Opportunity Site developers for some of the Improvements or Amenities. Turnkey construction agreements may be substituted in place of the required Opportunity Site developer funding for the corresponding facility on the Improvements or Amenities prescribed above, at the discretion of the Director of Public Works.

Traffic Impact Fee (TIF)
The development of residential pool units, pursuant to the EDP excepting the Four Opportunity Sites will be subject to a Traffic Impact Fee. Non-residential development projects are not subject to the Traffic Impact Fee. The Traffic Impact Fee is based upon a fair-share contribution towards the cost of providing transportation improvements that directly mitigate the traffic impacts associated with the development of the residential pool units. Because traffic generation rates are different for multi-family and single-family development types, the Traffic Impact Fee amount is tied to the type of development.

The TIF shall be adopted by the City Council by ordinance. Residential development on the Opportunity Sites is not subject to the TIF because the TIF covers the contribution toward Improvements that mitigate the impacts of the Residential Pool Units.

Funds collected through the TIF shall be used to fund the Transportation Improvements and Transportation Traffic Mitigation Measures. Because these items will have been fully funded at the conclusion of Phase 2, any TIF monies collected subsequently will be used to reimburse the funding amenities. The total projected revenue from the TIF is project to be *TBD (approximately $3-6 Million).*

DEVELOPMENT AND FUNDING SCHEDULE

PHASE	PROJECT SITE	1ST PAYMENT	PAYMENT AMOUNT	2ND PAYMENT	PAYMENT AMOUNT
1	Pleasant Hills Golf Course Campus Industrial - Berg - IDS - Legacy	Due w/in 6 months of rezoning approval of either one or both sites if processed together	$130.7M	Due w/in 6 months of development permit approval of either one or both sites if process together	$43.5M
2	Evergreen Valley College	Due w/in 6 months of rezoning approval	$9.0M		
	Arcadia	Due w/in 6 months of rezoning approval	$38.3M		
	Residential Pool Units (500)	Pool units approvals shall not be issued prior to the start of construction of the required Highway 101 improvements. Any property owners seeking residential entitlements ahead of Highway 101 construction can voluntarily become a party to the EEHVS Funding Agreement and will be required to contribute "___" dollars per residential unit, in addition to the required Evergreen Traffic Impact Fee.			

Table Note: Estimates shown in this table are based on 2006-dollar amounts and will be adjusted annually based upon inflation of construction costs. The estimated cost value of the base improvements in Phase I and II is based on limited project descriptions and will need to be refined following completion of design work for those improvements.

COMMUNITY REVIEW

The City will conduct a review of the implementation of this Policy with the community in the EDP Area, five (5) years from the date of the 2007 policy update. All participating Task Force and community members will be invited to participate in a progress report and evaluation of the Policy outcomes. Any recommendations from this review will be used to consider a possible update of this Policy accordingly.

Timing of Development Under EDP

No development within the EDP Area shall occur until it complies with all of the requirements of the EDP and all other entitlements required for such development.

Additionally, the owners of the Opportunity Sites shall not be entitled to any legislative or discretionary land use entitlement affecting the potential development of the Opportunity Sites until the owners of the Opportunity Sites have entered into an agreement with the City to fund the Improvements and Amenities in the manner specified herein, which agreement shall be recorded against each of the Opportunity Sites and shall be binding upon the Opportunity Site owners' successors in interest, if any. The Opportunity Site Owners shall have no entitlement to develop their Opportunity Sites in the event that they fail to enter into an agreement with the City and the Santa Clara Valley Transportation Authority, or fail to make payment according to such an agreement, for the owners' funding of the construction of the Traffic Improvements to Hwy 101 as described herein and in the manner and timing specified herein.