CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

Memorandum

TO: RULES COMMITTEE

FROM: Joseph Horwedel

SUBJECT: **EVERGREEN-EAST HILLS VISION STRATEGY**

DATE: December 5, 2006

Approved [signature] Date 12/5/06

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

RECOMMENDATION

Planning Staff recommends that the Rules Committee accept the list of Outstanding Issues associated with the Evergreen-East Hills Vision Strategy as the framework for the discussion at the December 12, 2006 Council meeting.

BACKGROUND

The Administration has made a good faith effort to prepare the necessary materials for the City Council's consideration of the Evergreen-East Hills Vision Strategy (EEHVS) on December 5, 2006. A binder of relevant reports was distributed to the Council and the public on Monday, November 27, 2006. Absent from the binder is the funding agreement with the developers documenting their voluntary contributions for transportation improvements and amenities.

At the November 29th Rules Committee meeting, staff recommended deferral of the Evergreen items until Spring 2007 for three reasons:

- The Funding Agreement with the property owners, which secures their voluntary contributions toward improvements and amenities, was not complete
- The property owners provided revised housing unit preferences that have not yet been available to the Council or the community to review
- A thorough fiscal analysis has not been completed for EEHVS

After listening to the Evergreen owners express concern regarding the deferral and taking public testimony on the issue, the Rules Committee decided that the Council to should determine whether or not to defer action after a discussion of key issues. In addition, the Rules Committee requested that staff return to its December 6th meeting to review the issues.

ANALYSIS

The Council discussion on December 12th should focus on the following major outstanding issues:

- The Property Owners' Proposal: The property owners are proposing a total of $225 million to pay for transportation improvements and community amenities in exchange for housing development on four Opportunity Sites (i.e., Arcadia, Evergreen Valley College, Pleasant Hills Golf Course, and the Evergreen Campus Industrial lands). The property owners are preparing a letter to the City that documents the specific unit numbers requested for each site along with on-site dedications. The Council should discuss whether the basic tenets of this proposal are heading in the right direction, consistent with the Vision and Key Outcomes established by the Council in June 2005 (Attachment 1).

- Traffic: In light of the recently approved State Infrastructure Bond, the City has submitted a reduced Highway 101 proposal to the Metropolitan Transportation Commission that does not include the Yerba Buena interchange because of the uncertainty of property owner contributions. Department of Transportation staff will be present at the Council meeting to answer questions regarding the Bond process and other funding options.

- Affordable Housing: The property owners have indicated that they will comply with the affordable housing requirements for the Arcadia site since it is within the Strong Neighborhoods Initiative Redevelopment Project Area. In addition, 40% of the proposed units on the College site are expected to be "affordable"; however, the developers have not yet described the specific income distributions. Council should discuss the extent to which this proposal meets the Key Outcome of creating "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."

- Schools: The property owners have been working with the affected school districts to respond to their needs for new schools at the elementary and middle school levels and to make voluntary payments of higher impact fees to the East Side Union High School District. The Council should discuss how the proposal meets the Key Outcome to "ensure adequate school capacity without sacrificing a high quality education environment."

- Amenities and Public Facilities: The property owners are offering to "turn key" several community amenities (e.g., Arcadia Community Center) as well as dedicate land for a future library (on the College site) and fire station (on the Pleasant Hills Golf Course site). Staff from the Parks, Recreation and Neighborhood Services, Library and Fire Departments will be present to answer Council's questions about the amenities and public facilities.

- Employment Land Retention: One of the key issues of the EEHVS has been how much land, if any, should be retained for jobs and sales tax creation to generate citywide General Fund resources. One of the Key Outcomes is to "explore increased workplace density on existing industrially zoned land" and another Outcome focuses on "capturing new retail and commercial opportunities while strengthening all existing retail including the commercial center at the Evergreen Village." Planning together with the Office of Economic Development will be available to respond to Council discussion regarding these issues.

- Fiscal Impacts of EEHVS: In a related issue, the operations and maintenance costs associated with the amenities and new housing development should be explored prior to the decisions associated with the General Plan amendments. Staff is proposing to retain Keyser-Marston to evaluate these issues.

A chronology of events associated with each of these issues is attached for the Committee's and Council's consideration. Under separate cover, the Council should be receiving a letter from the property owners outlining their interests related to EEHVS. Upon receipt, this letter will be provided to the Council and will be made public.

PUBLIC OUTREACH

☐ **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)**

In addition to the extensive community outreach that has been described in other Council reports, a community meeting is scheduled for Wednesday, December 6, 2006 to provide an update on the EEHVS. The entire Task Force and mailing list have been invited to this meeting. Additional information can be found at www.sanjoseca.gov/planning/evergreen/.

COORDINATION

Preparation of this memorandum was coordinated with the City Attorney's Office, Office of Economic Development, and Departments of Housing, Fire, Library, Transportation, Finance, Public Works, Parks, and Recreation, and Neighborhood Services.

FISCAL IMPLICATIONS

If the Council decides that the work on the EEHVS should continue into 2007, the Council would need to consider an amendment to the Funding Agreement, which is paying for this planning effort. That agreement is currently set to expire on December 31, 2006. This Agreement comports with the earlier Council direction that long range land use planning should not be funded with General Fund monies. The property owners' contributions have allowed the planning process to occur in this timeframe as opposed to some time in the future.

CEQA

Not applicable.

JOSEPH HORWEDEL, DIRECTOR
Planning, Building and Code Enforcement
408/535-7800

Attachments:

1. Evergreen Vision and Key Outcomes
2. Evergreen-East Hills Vision Strategy Chronology

Pbcc005/EEHVS/Ccmemos/Rules 12-06-06

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.).

Attachment 2: Evergreen Chronology

Issue	Time Line
Highway 101 Improvements: Precondition to development	• Sept. 2003: Highway 101 was the top priority, however, the State "borrowed" transportation dollars to resolve budget shortfalls. It was estimated that it would be approximately ten years before the funds would be available. • 2006: Voters approve State Infrastructure Bonds; however, the Highway 101 project assumes developer contributions as part of the "match."
Transportation Improvements and Amenities: Foundational part of the "delicate balance" or "three legged stool" of new housing/traffic, transportation improvements and community amenities	• August 2003: Developers offering to pay voluntarily for a set package to be determined by the community/Council (original offer was $235 million above and beyond "normal fees, development requirements, and taxes" for transportation and amenities) in exchange for housing approvals on four Opportunity Sites (Campus Industrial, Pleasant Hills Golf Course, Evergreen Valley College, and Arcadia). • 2004: Staff prepares preliminary cost estimates of the base transportation improvements, including Highway 101 ($150 million) amenities (up to $82 million). • 2005 and 2006: Staff refined the cost estimates to account for increases in construction costs and improved amenity descriptions. These costs approached $250 million in 2006 dollars. • November 2006: The developers indicate that they are able to contribute $225 million in 2006 dollars.
Financial Viability	• August 2003: Councilmember Cortese indicated that "at some point the developers will need to open up their books to the community to allow for a real negotiation to occur." • June 2004: Community exercise with "play" numbers to understand how to get to a balance between growth and amenities. • January 2005: Councilmember Cortese requesting real numbers from the developers for the "negotiation with the community." Developers provide "proxy numbers. • Aug. 2005: Start of new Task Force, Councilmember Cortese again mentions the need for developer financials. Mentioned throughout Task Force process and developers are silent.

Issue	Time Line
Financial Viability (continued)	• October 2006: CMO requires financials. One pro forma forwarded in late October. • November 2006: Keyser-Marston agrees to review financial data. Only receives a real pro forma from one developer.
Affordable Housing	• Fall 2003: Original Task Force Guiding Principle about housing for all income segments. • 2004: Task Force tour of affordable and other developments for ideas for Evergreen. • April and June 2005: Raised by Council and included as a Key Outcome. • Discussed during the Task Force process in 2006 Developers met with Housing staff, first in 2005 and on two occasions in 2006, but did not advance a significant affordable housing proposal beyond meeting the existing affordable housing requirement on Arcadia and possibly building affordable housing on the Evergreen Valley College Site (no indication of income distribution of units). Developer has indicated that any other affordable housing requirements would need to be paid from the total contributions for Amenities.
Community Facility Districts	• 2004: Developers initiate discussions with Finance, Public Works and Planning about creating a CFD for the capital improvements. • 2005 onward: Community concerned that developers want to "pass on" the costs to homeowners. • Spring 2006: Developers agree that if a CFD is used, the developers would pay it off so homeowners aren't obligated financially. Community accepts this approach.
Retail	• 2004: Staff commissioned Retail Study. • 2005 onward: Reviewed results with Task Force. Grocery store on College site becomes focal issue.

Issue	Time Line
Industrial Conversion/Retention	• Oct. 2003: Discussed the need for "job generating" uses in the Original Task Force's Guiding Principles. • Dec. 2004: Discussed the retention of all 320 acres of Campus Industrial as part of the "no project" alternative for the EIR. • April 2005: Task Force discussed a "retain industrial" scenario with development occurring on the remaining Opportunity Sites. • April and June 2005: Council meetings on Evergreen where industrial conversion was discussed explicitly as an issue for the Task Force to resolve. • Ongoing discussions, culminating in Task Force recommendations in Sept. and Oct 2006 • Ongoing discussions at Council meetings, study sessions, etc.
Fiscal Effects	• Spring 2005: Developers offer to set up maintenance district. Development Cabinet discusses pros/cons of maintenance districts for Evergreen amenities. City Manager expresses concern about equity between new and old housing. • June 2005 Study Session: Discussion of industrial conversion and implied concerns about losing revenue generation. • August 2006: Developers share with Task Force (and reluctantly with Planning staff) CBRE fiscal impact analysis of the conversion of the Campus Industrial. Staff critique it internally only. True fiscal impacts appear to be best analyzed at a citywide level which is too big a task to ask developers to pay for. • October 2006: Staff express concerns about operations and maintenance costs associated with amenities. Developers "ok" with staff using part of the amenity money to seed a maintenance district. • November 2006: Keyser-Marston conducts peer review of CBRE study; Administration begins to scope more thorough study and explore funding options.

Schools	• Fall 2003: Original Task Force's Guiding Principle about school needs being addressed as a "basic need" not as an amenity. • 2004 – 2006: Ongoing discussion with Task Force with school officials; Elementary Districts clear on their needs; High School District vague. • 2006: Developers proposing providing land and other financial support for elementary and middle schools, but no land for high school. High School District says they need land "southeast" of Opportunity Sites. • November 2006: Developers mention that they will volunteer to pay higher school impact fees to High School District. Community insists on land reservation, which was supported by Planning Commission. Developers say this is a "deal killer."