



Department of Planning, Building and Code Enforcement
801 North First Street, Room 400
San José, California 95110-1795

Hearing Date/Agenda Number:
P.C. 08/11/04 Item:

File Number:
GP03-04-04

Council District and SNI Area:
4 – N/A

Major Thoroughfares Map Number:
51

Assessor's Parcel Number(s):
244-20-002, 014, 037, 038

Project Manager: David Tymn

GENERAL PLAN REPORT

2004 Summer Hearing

PROJECT DESCRIPTION:

General Plan amendment request to change the Land Use/Transportation Diagram designation from Industrial Park to Medium High Density Residential (12-25 DU/AC).

LOCATION:

Southwest corner of Lundy Avenue and McKay Drive (1240 and 1290 McKay Drive and 1750 Ringwood Avenue)

ACREAGE: 17.38

APPLICANT/OWNER:

The Riding Group/ Sobrato Interests, Philips Semiconductors Inc.

GENERAL PLAN LAND USE / TRANSPORTATION DIAGRAM DESIGNATION:

Existing Designation: Industrial Park

Proposed Designation: Medium High Density Residential (12-25 DU/AC)

EXISTING ZONING DISTRICT(S): IP – Industrial Park

SURROUNDING LAND USES AND GENERAL PLAN DESIGNATION(S):

North: Industrial park – Industrial Park

South: Industrial park and vacant residential – Industrial Park

East: Post office – Public/Quasi Public

West: Church and residential – Medium Density Residential (8-16 DU/AC)

ENVIRONMENTAL REVIEW STATUS:

Lundy Avenue/McKay Drive Residential Project General Plan Amendment and Planned Development Rezoning Environmental Impact Report pending.

PLANNING STAFF RECOMMENDATION:

No Change to the General Plan.

Approved by:

Date:

PLANNING COMMISSION RECOMMENDATION:

CITY COUNCIL ACTION:

CITY DEPARTMENT AND PUBLIC AGENCY COMMENTS RECEIVED:

- Parks and Recreation Commission – See attached
- Department of Public Works –See attached

GENERAL CORRESPONDENCE:

Letter from Teikoku Pharma Co. – The letter dated April 1, 2004 indicates concerns about new residential development next to their existing facilities.

- Letter from Santa Clara County Housing Action Coalition – The letter dated July 14, 2004 indicates support for the proposed General Plan amendment.
- Letter from Independence High Neighborhood Association – The letter dated July 22, 2004 indicates support for the proposed General Plan Amendment.
- Letter from Berryessa Citizens Advisory Council – The letter dated May 28, 2004 indicates that they will not support the proposed General Plan amendment.

ANALYSIS AND RECOMMENDATIONS:

RECOMMENDATION

For the reasons stated in the report, staff recommends no change to the General Plan.

The proposed General Plan amendment is inconsistent with long standing General Plan policies regarding the location of residential land uses and would not support the retention of a strong economic base as discussed in the recently adopted *Economic Development Strategy*. Residential use of the site does not compensate for the loss of employment land on this site (and potentially other sites), and could increase pressure on remaining businesses to modify operations. This General Plan amendment proposes to place residential uses in a predominantly industrial area, which could place undue hardships on the industrial uses, and will likely subject residents to noise, air quality, and traffic impacts from the surrounding uses.

The amendment proposes housing on a site that is located in an area that, if preserved, can continue to provide highly paid jobs in Driving Industries, as well as providing mid-tier level jobs associated with Business Support Industries. Residential conversion of this site will likely pressure additional conversion within the surrounding contiguous area and north of McKay Drive, and would result in a marginal living environment for future residents with ongoing conflicts with adjacent businesses.

This amendment proposal for Medium High Density Residential (12-25 DU/AC) development does not meet General Plan policies for the appropriate location of new residential development; moreover, this proposed amendment could deter future economic development of surrounding industrial properties.

The cumulative effect of approving all of the pending General Plan amendments analyzed in the EIR would result in an overall increase in the planned number of dwelling units (434 units based on General Plan methodology) and a decrease in jobs (774 jobs) and would, thereby worsen the City's jobs/housing imbalance.

PROJECT DESCRIPTION

This is a privately initiated General Plan amendment to change the *San Jose 2020 General Plan* Land Use/Transportation Diagram designation from Industrial Park to Medium High Density Residential (12-25 DU/AC) on a 17.38-acre site located at the southwest corner of Lundy Avenue and McKay Drive (1240 and 1290 McKay Drive and 1750 Ringwood Avenue). The proposed General Plan amendment has been filed concurrently with a Planned Development Rezoning application (File No. PDC04-001). The Planned Development zoning would allow up to 304 single-family attached and multi-family attached residences, which is a net density of 21.6 dwelling units per acre.

BACKGROUND

The amendment site consists of four parcels. Three of the parcels are occupied by two unoccupied research and development buildings, which include parking lots and landscaping, and the fourth parcel is a vacant, unimproved lot.

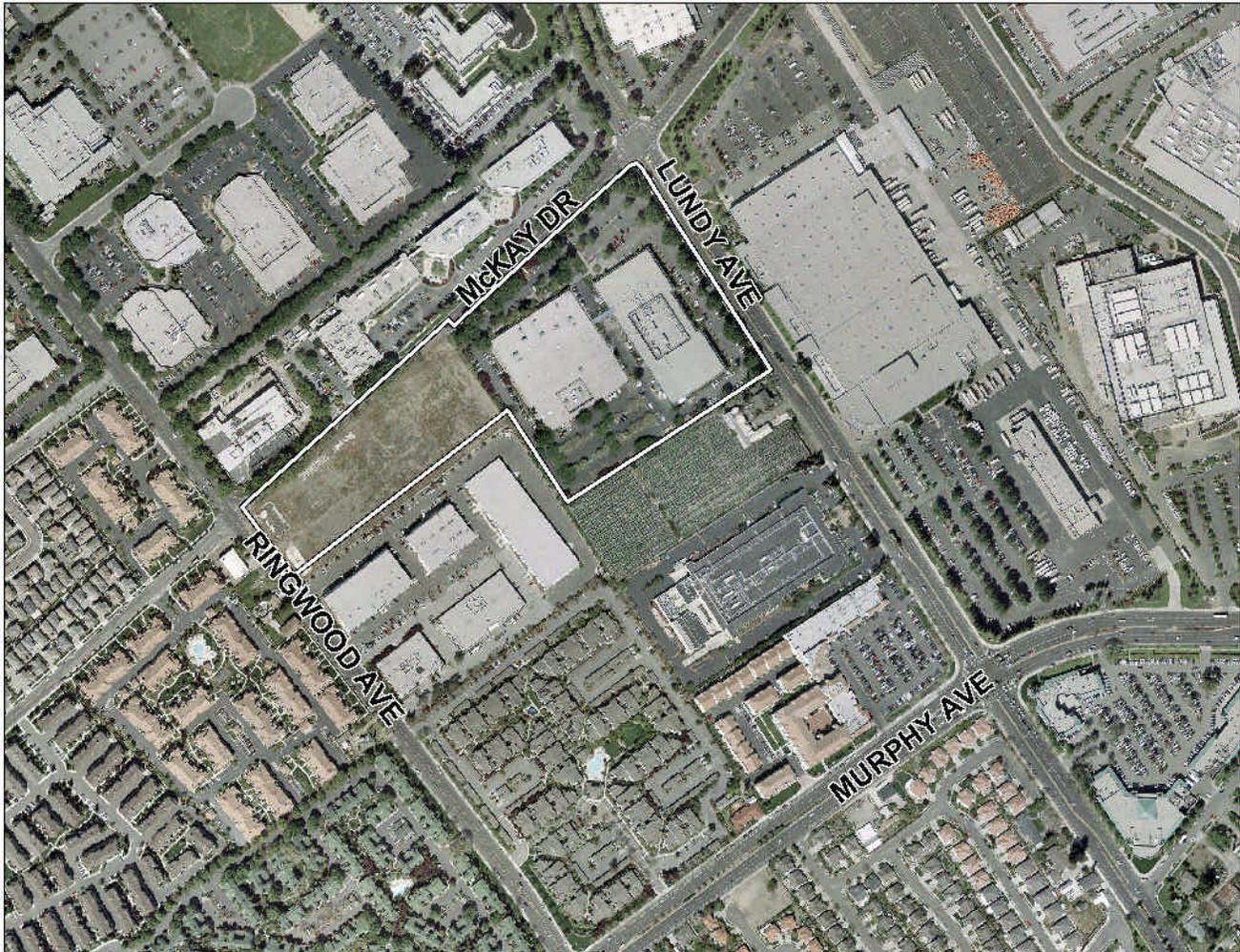
Site and Surrounding Uses

The site is located on the southwest corner of Lundy Avenue and McKay Drive. Lundy Avenue is designated a minor Arterial (80-106 ft.) on the General Plan Land Use/Transportation Diagram, providing vehicular access to much of the larger industrial areas in North San Jose. Uses adjacent to the site include existing industrial park, research and development businesses to the north, the San Jose main post office facilities to the east, industrial park uses and an existing unoccupied residence on a large lot to the south, and a small church, and single-family detached and attached residential to the west.

The subject site has an existing General Plan land use designation of Industrial Park. Properties to the north, across McKay Drive, have land use designations of Industrial Park. To the east, across Lundy Avenue, the property is designated Public/Quasi-Public; the area to the south is designated Industrial Park, and to the west across Ringwood Avenue the area is designated Medium Density Residential (8-16 DU/AC) (see map).

Proposed Planned Development Rezoning

The Planned Development (PD) Rezoning File No. PDC04-001 has been filed concurrently with the General Plan amendment. Both items are scheduled for Planning Commission hearing on August 11. The proposed rezoning includes 304 single-family attached and multi-family attached residences, a 1.25-acre public park, and street improvements on a portion of McKay Drive along the northwesterly boundary of the site. A portion of the south side of McKay Drive currently does not have curb, gutter, and sidewalk improvements. The General Plan Land Use/Transportation Diagram designates McKay Drive as a Major Collector (60-90 feet).



ANALYSIS

Evaluation of Industrial Land Conversions

In December 2003 the San Jose City Council adopted an *Economic Development Strategy* prepared by the City's Office of Economic Development. This strategy identifies strategic initiatives for the City to implement in order to strengthen its economic future. The *Strategy* acknowledges the importance of land use policies and decisions as they relate to the economy. The *Strategy* identified three primary classifications of employment in San Jose: Driving Industries, Business-Support and People-Serving.

The "Framework, as a Guideline, for Evaluating Proposed Conversions of Employment Lands to Other Uses" (the Framework), divides the City's inventory of industrial areas into three categories: 1) those to promote or facilitate conversion; 2) those to consider for conversion under certain circumstances; and 3) those to preserve for Driving and Business Support industries. The North San Jose 5 subarea, which includes the subject site, falls in the third category, to be preserved for Driving and Business Support

industries and to be protected from conversion. In this category of the Framework, the City Council added that conversions to residential might be considered if the proposal would accomplish any of four objectives. Those objectives and Planning Staff's evaluation of them are as follows:

- *Complete a transition to existing neighborhoods within or adjacent to the subarea.* The amendment site does not complete a transition to an existing neighborhood. In contrast, the site is almost completely surrounded by industrial land uses and the Lundy Main Post Office.
- *Buffer and provide uniformity to existing neighborhoods within or adjacent to the subarea.* Per the comment above, the amendment site is surrounded almost exclusively by industrial uses, and, therefore cannot create uniformity with the existing surrounding neighborhood;
- *Further the City's smart growth policies.* The project would locate new residential development in close proximity to an existing employment area and other community services. However, the proposed amendment does not meet General Plan policies for the appropriate location of new residential development. Location of new residential uses could deter future economic development of surrounding industrial properties.
- *Aid in revitalizing declining neighborhoods within or adjacent to the subarea.* The surrounding area is not characterized as a neighborhood in decline, and thus, this criteria would not apply.

Based on the above, the proposed General Plan amendment only partially satisfies one of the four objectives included in the Framework for consideration of conversion of industrial lands within the North San Jose 5 subarea.

The Framework identifies key criteria that need to be evaluated when considering conversion of employment lands. The following is an analysis of the proposed amendments based on the established criteria.

The amendment site is located in an area with light industrial uses, and Business Support industries, as well as residential uses. The proposed conversion to Medium High Density Residential (12-25 du/ac) could be considered compatible with the adjacent residential development across Ringwood Avenue but would result in the loss of lands designated for light industrial uses, and business support industries, and would potentially allow development of a large number of new residential units next to incompatible light industrial. The San Jose Zoning Ordinance permits some noise and traffic-intensive industrial operations, as well as some 24-hour operations, in the industrial zones regardless of proximity to residential uses. Specific permitted uses depend on the industrial zoning district in which the operations are located. The intensity of uses allowed in industrial districts is the fundamental reason why residential uses and industrial uses are incompatible.

The City's smart growth policies encourage managed growth, fostering economic and housing development and open space preservation. This amendment proposal for Medium High Density Residential (12-25 DU/AC) development, does not meet General Plan policies for the appropriate location of new residential development; moreover, this proposed amendment could deter future economic development of surrounding industrial properties.

Staff believes the proposed amendment on the subject site raises serious concerns, as more fully described in the following analysis.

1. Economic contribution of the subarea

The proposed amendment is located in the area identified in the Economic Development Strategy as employment subarea North San Jose 5 (see attached map), generally bounded by Highway 101 on the south and Highway 880 on the west. This area is the largest employment subarea in San Jose and is particularly important to San Jose's economy because it contains both Driving Industries to fuel the economy and Support Industries to sustain it. This special mix of businesses provides opportunity for growth in industry and employment for all levels.

With approximately 29,000 jobs shared between Driving Industries (43%) and Support Industries (57%), this portion of North San Jose includes jobs related to electronic component manufacturing (37%), transportation/distribution (13.5%), industrial suppliers (21%), and business services (12%). People-Serving Industries and most Business-Support Industries benefit by being near their customer base, as well as one another.

This sub-area is adjacent to a larger contiguous area of employment lands with additional sub-areas located to the west and south. The subject amendment is proposed in the middle of this sub-area, and would result in an island of residential use, almost completely surrounded by existing industrial uses.

2. Consistency with the City's Policies, Goals, and Strategies

The *San Jose 2020 General Plan* has seven Major Strategies that together provide the "vision" for San Jose, particularly related to its future growth and development. Two of the seven Major Strategies are Economic Development and Housing.

Economic Development Major Strategy

The proposed amendment to residential is inconsistent with the Economic Development Major Strategy. Economic development is a fundamental priority for future growth of the City. Since 1975, San Jose's General Plan has had strong strategies, goals, and policies to foster economic development. *The San Jose 2020 General Plan* continues to reiterate the importance of economic development through the Economic Development Major Strategy. The Economic Development Major Strategy calls for identifying opportunities for expanding the community's economic base, promoting a balance between "driving" industries and the service/supplier firms that support them, and actively marketing San Jose as a location for a wide range of businesses. As noted previously, this area is the largest employment subarea in San Jose and is particularly important to San Jose's economy because it contains both Driving Industries to fuel the economy and Support Industries to sustain it. This special mix of businesses provides opportunity for growth in industry and employment for all levels. The conversion of the subject site from industrial use would eliminate its potential contributions to the City's economic and employment base.

Housing Major Strategy

The City's General Plan seeks to create a well-balanced community. The need for economic development is as important as providing housing for the City's residents. San Jose recognizes the continuing strong demand for housing here and throughout the region. The General Plan's Housing Major Strategy encourages facilitating housing opportunities of all types and price ranges for its residents. This Major Strategy calls for planning for residential land uses at appropriate locations and densities. As described elsewhere in this report, the amendment site is not considered an appropriate location for residential development.

General Plan Housing Element

Given the City's significant residential holding capacity, the proposed change to residential on this site provides only an incremental increase in dwelling units with relatively little benefit (304 dwelling units) to the City's General Plan Housing Major Strategy. San Jose has continued to be proactive in its efforts to meet the community's housing needs through a variety of innovative development strategies, including proactively planning for mixed-use and transit-oriented development and providing significant financial assistance to the construction of new units through Housing Department and Redevelopment Agency programs. As discussed in the Housing Element of the General Plan, adopted by the City Council in April 2003, the City has sufficient land and established policies to meet and exceed its regional share housing allocation of 26,114 units. As of July, 2004, the City has a housing holding capacity of approximately 48,000 units, well in excess of the City's expected share, demonstrating the City's commitment to planning for housing.

San Jose continues to be a leader in providing housing for the City's residents, consistently producing the largest share of new housing in the County. Since 1980, San Jose has averaged approximately 3,300 residential building permits a year. Even with the recent downturn in the economy, San Jose's housing production has remained strong. In the past five years, approximately 23,500 residential units were built or under construction. This represents an average of approximately 4,700 units a year, which is well above the historical annual average for the past 23 years.

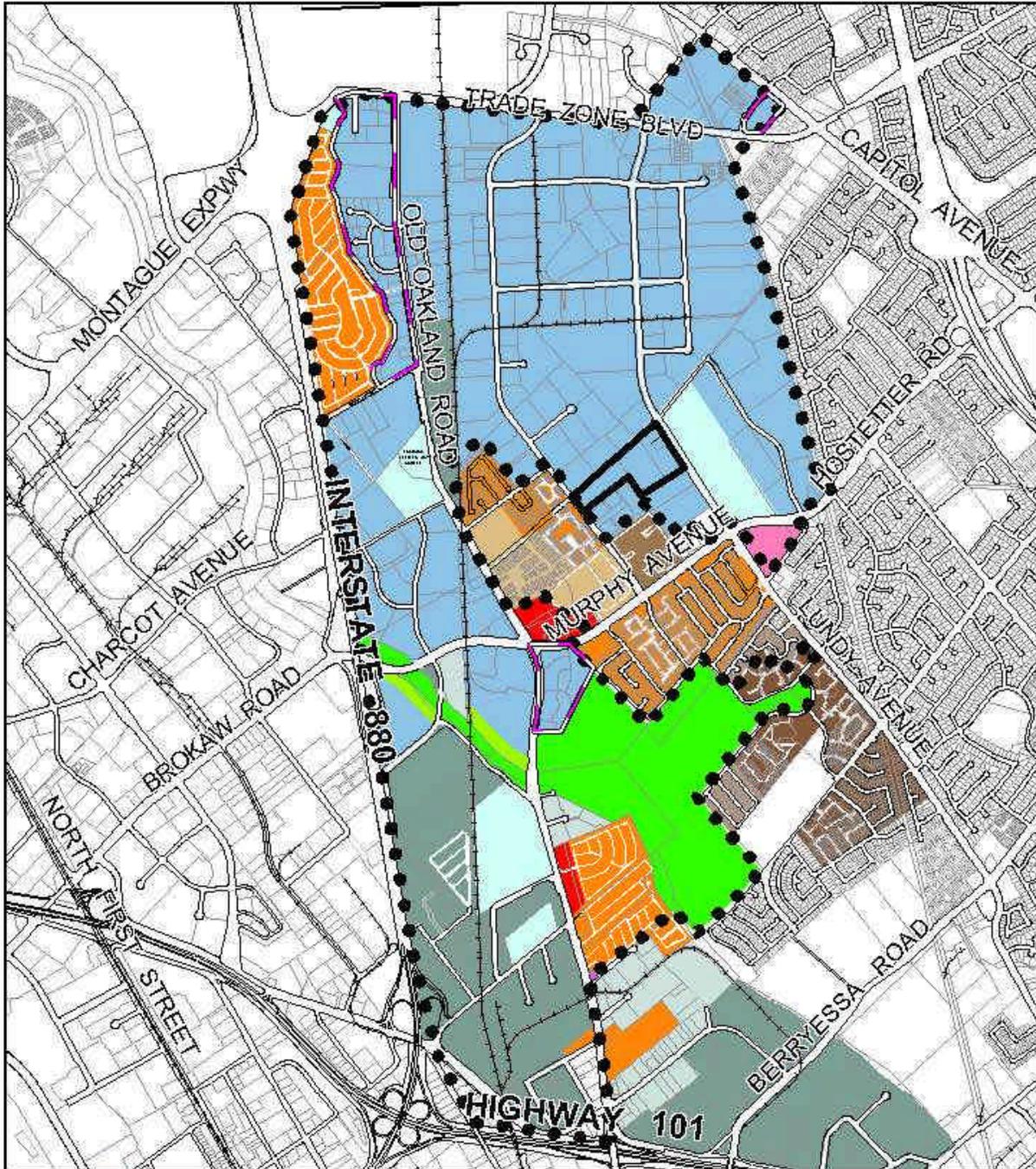
Although the City does have a substantial amount of land planned for residential uses and a large residential holding capacity, factors such as ownership and land assembly requirements may affect the viability of development of that land in the near future. In contrast, many of the industrial sites being considered for conversion are in single ownership with willing owners in the economic downturn ready to sell to residential developers, thereby making these industrial sites appear more inviting for residential development in the short term. This phenomenon doesn't make the existing planned residential sites any less viable; it is a reflection of market forces at work in a slow economy.

General Plan Goals and Policies

The proposed General Plan amendment is inconsistent with several General Plan goals and policies. Economic Development Policy No. 1 seeks to reduce the City's jobs/housing imbalance. San Jose continues to be a housing rich community, providing and producing much of the housing growth in the County. While the City continues its efforts to facilitate housing for all segments of the population, it must also be able to foster economic development that helps generate employment opportunities for its residents.

The proposed amendment would be inconsistent with both General Plan industrial and residential land use policies intended to protect industrial uses. New single-family residential should not be proposed as adjacent neighbors to existing industrial uses.

GP03-04-04




CITY OF
SAN JOSE
EST. 1850 • 408.438.4300
Department of Planning, Building
and Code Enforcement
Planning Services Division

-  SITE
-  North San Jose 5 Sub Area


N
Scale 1" = 1970'
Quad: 51

Economic Development Strategy

The Economic Development Strategy identifies the North San Jose 5 subarea as particularly important to San Jose's economy because it contains both Driving Industries to fuel the economy and Support Industries to sustain it. This special mix of businesses provides opportunity for growth in industry and employment for all levels. Driving Industries in San Jose serve customers nationally and globally, and include sectors with specialized expertise and strong concentrations of employment relative to the national average. These sectors tend to have relatively high rates of productivity and pay above-average wages. Although Driving Industries constitute only one-third of the City's employment base, one job in the Driving Industries supports the creation of two or more jobs in the Business-Support and People-Serving Industries. Support Industries are an important source of mid-tier jobs in areas such as transportation/distribution, industrial supplier/manufacturing, and financial services. The North San Jose 5 subarea includes significant amounts of employment in the transportation/distribution (13.5%), industrial suppliers (21%), and business services (12%). For San Jose to remain competitive, the City must have an available supply of land for both Driving Industries and Support Industries.

3. Proximity to existing neighborhoods and areas in transition

The subject site is located in "block" that is a mix of Industrial research and development, neighborhood serving commercial businesses and residential. This block is bounded by Lundy Avenue, McKay Drive, Ringwood Avenue and Murphy Avenue, and north of McKay Drive. The area to the west across Ringwood Avenue is made up of single-family detached, single-family attached and multi-family residential development. The amendment site does not complete a transition to an existing neighborhood. In contrast, the site is almost completely surrounded by industrial land uses and the Lundy Main Post Office.

4. Proximity to Compatible and Incompatible Land Uses

As previously noted, the site is surrounded by a combination of industrial and non-industrial uses. The surrounding industrial General Plan land use designations allow uses that may be incompatible with residential uses. The Industrial Park designation is an exclusive industrial designation intended for a wide variety of industrial uses such as research and development, manufacturing, assembly, testing, and offices.

The proposed designation of Medium High Density Residential (12-25 DU/AC) is typified by one and two story apartments, town homes and condominiums. It is a designation that can be used to transition from single-family residential to higher density residential.

Development of single-family attached and multi-family attached residential uses on the subject site would result in inherent land use compatibility conflicts. Additional housing in this area would compromise the integrity of the lands for industrial use and also the livability of the new residential development.

Uses allowed by the existing General Plan designations and zoning districts on and near this site can include intensive outdoor activities, heavy truck use, hazardous materials use and storage, and operations that may emit odors, dust, and noise at levels that could have negative impacts on nearby residential neighborhoods. Complaints by residents could result in limitations on current businesses as well as those that presently do not exist in the area. Restrictions placed on the operations on existing and future businesses could impact the viability of this employment area for future economic development. Recent

experience in other transition areas in North San Jose has proved problematic and resulted in inadequate buffering between conflicting land uses. The Draft EIR for the General Plan amendment concludes that the proposed change in General Plan land use designation of the site and proposed specific development project could result in restrictions on the existing industrial businesses in the area, which could impact their viability.

General Plan Industrial Land Use Policy # 11 states that because of the importance of retaining viable industrial supplier/service lands and the inherent incompatibility between residential or non-industrial uses and industrial uses, new land uses that may restrict development reserved exclusively for industrial uses should not be allowed to locate adjacent to these areas. Similarly, Residential Land Use Goals and Policies seek to protect neighborhoods from incompatible uses. *Residential Land Use Policy #2* states that residential neighborhoods should be protected from the encroachment of incompatible activities or land uses that may have negative impacts on the residential living environment.

Converting the subject site to housing sets up land use incompatibilities. McKay Drive is designated on the General Plan Land Use/Transportation Diagram as a Major Collector to be widened ultimately to a minimum 60-foot wide street to accommodate truck traffic. This intent is inconsistent with establishing a safe pedestrian-friendly neighborhood for families. Truck traffic serving industrial areas often occurs in the evening and early morning hours. When residential units are situated on the street, complaints about the noise and speed of the trucks are generated, and residents start requesting traffic calming measures.

In summary, this General Plan amendment proposes to place residential uses in a predominantly industrial area, which could place undue hardships on the industrial uses, and will likely subject residents to noise, air quality, and traffic impacts from the surrounding uses. By placing new residential uses in an industrial area, staff believes there will be limited protection from the activities of the existing uses. Both the *Residential Design Guidelines* and the *Industrial Design Guidelines* identify design techniques to help mitigate impacts resulting from a residential/industrial interface. However, the nature of the uses would still likely result in negative impacts. Industrial developments could create an environment inconsistent with the setting desirable for residential development, and could jeopardize neighborhood stability.

5. Potential inducement of additional conversions to residential use.

The proposed conversion of the 17.38-acre site from Industrial Park to Medium High Density Residential (12-25 DU/AC) is also being analyzed in the context of the larger surrounding area. Issues include: the compatibility between the proposed and existing/planned uses; the economic implications; and the potential for further conversions of nearby sites. As discussed above, there are potential economic implications with a reduction in industrial lands, and potential land use conflicts with the addition of residential uses in an industrial area.

Staff believes the proposed change will be a catalyst for additional industrial conversions on adjacent properties. The residential uses to the west of this site occurred in 1990 with City Council approval of General Plan land use changes from Industrial Park to a mix of various residential and commercial land use designations. This series of amendments created approximately 42 acres of a contiguous residential area from Murphy to Wayne Avenues, east of Oakland Road to Ringwood Avenue. Ringwood Avenue was generally determined to be the line between residential uses to the west and industrial to the east and north.

There were two General Plan amendments that re-designated Industrial Park land to allow residential on the east side of Ringwood Avenue. GP95-04-07 allowed High Density Residential (25-50 DU/AC) at the northerly corner of Ringwood Avenue and Murphy Avenue, and, GP91-04-03 applied the Mixed Use with No Underlying Designation, which facilitated the residential and commercial development at the westerly corner of Lundy Avenue and Murphy Avenue.

Industrial park lands were converted in 1996 when another amendment was approved from Industrial Park to Medium Density Residential (8-16 DU/AC) on 12.8 acres, north of Wayne Avenue. At that time, staff indicated that this piece would be the logical completion of the residential area north of Murphy Avenue and west of Ringwood Avenue.

The subject site is located on the south side of the McKay Avenue, but near the previously mentioned converted residential sites. If this amendment is approved, the remaining industrial area bounded by Lundy Avenue, McKay Drive, Ringwood Avenue and Murphy Avenue may become threatened and less viable for business operations as complaints from residents arise, forcing these businesses to relocate elsewhere. The 4.8-acre vacant parcel to the south is particularly vulnerable and the 6.7-acre parcel further to the south adjacent to the shopping center facing Murphy Avenue could also face similar pressure for conversion in the future, resulting in a total of at least 11.5 additional acres potentially threatened for conversion. Staff is also concerned that the area to the north of McKay Drive may be pressured to convert to residential uses, given the lagging economy and the future restrictions industrial users may encounter as new residents move into the subject site.

6. Proximity to compatible employment uses (e.g., office/ R&D).

This criteria addresses the potential to create alternate commute (bike/walk to work) opportunities. The majority of nearby jobs would be considered driving industries consisting of industrial manufacturing and assembly uses, office and Research and Development jobs. Residents of a future residential development would have the ability to walk or bike to nearby jobs.

7. Availability of neighborhood services, and residential and commercial mixed use drivers

General Plan policies state that public and private development should be located and designed to improve the character of the existing neighborhood and provide places and opportunities for interaction among residents. New residential development should be located where it is supportive and can relate to existing neighborhoods. The subject proposal does not integrate with an existing neighborhood, in that there is no existing residential directly adjacent to the site. The nearest residential is across Ringwood Avenue to the west.

One of the measures of quality of life is access to services and facilities, including neighborhood-serving retail, parks, libraries, schools, public transportation, and other civic and cultural amenities. Additionally, there should be adequate service levels for public safety such as police and fire services. Specific public services are discussed below:

- *Proximity to Neighborhood Services*

Parkland, open space and recreational facilities are important amenities for residential developments. There is no existing City neighborhood or community park within a reasonable

walking distance from the project site. District 4 has ten neighborhood parks. Townsend Park and Flickinger Park are the closest San Jose parks to the site, and each are approximately one mile from the site. To comply with the City's Parkland Dedication/Parkland Impact Ordinance, the Planned Development Rezoning for this site proposes a 1.25-acre "turn key" park as part of the proposed development of the site. The park would be located mid-block on McKay Drive and would be developed by the applicant and then the land would be dedicated to the City of San Jose.

Neighborhood-serving uses such as restaurants, supermarkets, and retail stores are located less than a half mile away at the east and west corners of Murphy Avenue and Lundy Avenue. There is also a commercial shopping center located at the northerly corner of Murphy Avenue and Old Oakland Road. These retail areas serve many of the residents in the Berryessa area. In addition to this, the San Jose main branch of the United States Post Office is located directly across Lundy Avenue adjacent to the site.

- *Schools*

The amendment site is located within the Eastside Union High School District and the Orchard Elementary School District. Orchard Elementary, which offers grades kindergarten through eighth grade and is located less than a mile from the subject site. Students in this district attend Independence High School, which is located approximately 3 miles from the site. New residential development is required to pay school impact fees to offset the cost of serving students from the proposed development.

Orchard Elementary School is currently under enrolled and has the capacity to accommodate additional students. While schools are an important element of a residential community, the school itself is located in an industrial area as well. Independence High school had an enrollment of 4,161 students during the 2002-2003 school year and would be able to accommodate the students generated as a result of the proposed land use change.

8. Public Benefit

If approved, this amendment would allow additional housing units in the City of San Jose and a 1.25-acre public park is included in the accompanying Planned Development Zoning currently on file for the amendment site. No extraordinary public improvements or infrastructure are anticipated to be included in the future residential use of the site.

9. Adequacy of Fire/Police service levels

- *Fire and Police Service Levels*

It is anticipated that there will be adequate fire and police service for the project. The closest fire station is located approximately 0.6 miles from the site. The proposed residential project would be required to meet current codes, including features that would reduce potential fire hazards. The San Jose Police Department would also review the residential project to help ensure that it is designed appropriately to deter criminal activity and maximize resident safety.

The Police Department anticipates that there will be increased calls for police services in the area but would not require construction of new police facilities. The anticipated increased calls for service included traffic accident with no injuries, auto burglary and vandalism.

10. Utilization of bicycle and pedestrian facilities, and promote pedestrian access

The current surroundings provide safe walking routes for residents and a pedestrian-friendly atmosphere. There are existing sidewalks on Lundy Avenue and Ringwood Avenue that would allow potential residents of this site to walk to the facilities listed above in the *Proximity to Neighborhood Services* section. If development is approved for this site, McKay Drive would be improved to complete the sidewalk connection from Ringwood Avenue to Lundy Avenue on the south side of the street. The setting is therefore consistent with *Residential Land Use Policy #24*, which states that new residential developments should create a pedestrian-friendly environment by connecting features of the development with safe, convenient, accessible, and pleasant pedestrian facilities. These connections should be made between the new development and the adjoining neighborhood, transit and nearby commercial areas. Bus routes provided by the Valley Transportation Authority serve the site on Lundy Avenue and on Murphy Avenue. However, the site is not within walking distance to an existing or planned light rail or BART station.

11. Potential fiscal impact

According to the *Towards the Future* report, individual conversion projects, unless very large, are not expected to result in significant fiscal impacts; however, the cumulative loss of industrial and commercial land would reduce the City's overall tax base. If this amendment is approved and other sites are later converted, then the cumulative fiscal impact to the City is expected to be significant.

Since the approval of the Framework, a total of 55 acres of industrially-planned land has been approved for conversion to other uses, 45 acres of which have been approved for residential use. A total of 16 applications for industrial conversion are pending, affecting over 700 acres.

The future project proposed on the site would result in a permanent conversion of industrial land to residential uses and would include the demolition of viable industrial buildings. Unlike the situation with a Mixed Industrial Overlay designation, which allows a variety of uses that are more easily converted back to industrial use, the land use would not revert back once the land use changes to residential.

There is a potential for a ripple effect in the surrounding industrial lands. The City has already received requests for conversions and Mixed Industrial Overlay on nearby sites. If the subject site converts to residential, there may be a larger area, approximately 21 acres, (within the area bounded by Lundy Avenue, McKay Drive, Ringwood Avenue and Murphy Avenue) that could ultimately convert as well.

Fiscal Impact Analysis Prepared by the Applicants

The applicants commissioned the preparation of a Fiscal Impact Analysis addressing the proposed General Plan amendment and future residential development of the site. A copy of that report is attached. Planning staff review of the study identified one area of concern regarding the assumptions for revenue generation from the existing and future uses of the site. The study concludes that the future residential use of the site will generate greater annual revenues than the costs associated with serving residential

development. Staff's concern is that the study does not appear to take into account the existing and potential future revenues that would be associated with full industrial use of the property. The actual revenue potential for future residential use of the property should be discounted, or reduced by the revenue potential that would accrue from industrial use of the site in order to more accurately depict the fiscal value of residential over industrial use of the property.

Alternative Locations

As discussed in the Draft Environmental Impact Report, there are comparably sized nearby sites, including pending HOS III (Housing Opportunity Study) sites that are more suitable for residential development. On a Citywide basis, the City's HOS has already converted other sites for housing purposes and is continuing to identify sites that meet the City's Housing Goals and Policies, particularly for Transit-Oriented and Mixed Use development.

When the City does recommend approval of industrial conversion to housing units, it is with the intent of getting the most housing capacity and fiscal benefit from the conversion. The proposed conversion would yield 21 DU/AC, where as nearby HOS III sites are intended to yield densities as high as 45 DU/AC. The high-density approach the City proposes is a much more land efficient method of achieving housing near employment.

North San Jose Area Development Policy

Purpose of Policy

The North San Jose Area Development Policy, adopted in 1988, includes five primary elements:

1. A Transportation Demand Management (TDM) program.
2. Cooperatively funded transportation capitol improvements.
3. A Level of Service Policy that incorporates an area-wide average of intersection conditions.
4. A floor area ratio (FAR) cap on new commercial and industrial development in the area.
5. A housing strategy to internalize commute trips in the Policy area.

The applicant's fiscal impact study points out that the square footage available for jobs on this site will not be "lost" if this site is permitted to convert to residential. The North San Jose Area Development Policy provides a mechanism to allow transferring the amount of potential building square footage lost at this location into a pool that can be used elsewhere in the North San Jose area, likely in areas focused on Driving Industries. However, trading out Business-Support job-related square footage, on this site for Driving Industry square footage on N. First Street for example, still results in a loss of job potential in a specific job category. It is not a trade that helps maintain a healthy distribution of employment or a way of maintaining services for Driving Industries. The North San Jose Area Development Policy is designed to mitigate traffic impacts, and not address the need for a healthy distribution of Driving Industry jobs and Business Support jobs in the North San Jose area.

ENVIRONMENTAL REVIEW

An Environmental Impact Report (EIR), entitled *Lundy Avenue/ McKay Drive Residential Project General Plan Amendment and Planned Development Rezoning*, was prepared for the proposed project and provides both a program level and project level environmental review appropriate to address and evaluate the environmental impacts of the project appropriate for the adoption of the proposed General Plan amendment and PD rezoning. The Draft EIR (DEIR) was circulated from May 27 to July 12, 2004 for public review and comment on the adequacy of the environmental review during this time period.

The DEIR analyzed the project and its environmental setting, identified potentially significant environmental impacts, and proposed mitigation measures to reduce significant impacts to less than significant levels where possible, for the following issues:

1. Land Use
2. Transportation
3. Noise
4. Hydrology, Drainage and Water Quality
5. Biological Resources
6. Hazardous Materials
7. Air Quality
8. Geology and Soils
9. Cultural Resources
10. Utilities and Service Systems
11. Energy
12. Public Services
13. Growth Inducing Impacts
14. Cumulative Impacts
15. Agricultural Resources

The DEIR identifies as “Less Than Significant with Mitigation” issues regarding Noise, Hydrology, Drainage and Water Quality, Biological Resources, Transportation, Visual and Aesthetics, Hazardous Materials, Geology and Soils, Agricultural Resources and Cultural Resources. “Less Than Significant with Mitigation” assumes that the impacts of the proposed project will not exceed the significance thresholds contained in the DEIR given the mitigation measures included in the project.

“Significant Unavoidable Impact” assumes that impacts of the project would exceed the significance thresholds even with changes or mitigation included in the project. The DEIR identifies “Significant Unavoidable Impacts” regarding Land Use and Air Quality. The DEIR identifies “Significant Unavoidable Cumulative Impacts” regarding Air Quality and Land Use, Cumulative Land Use impacts include: 1) the worsening of the City’s jobs/housing imbalance and 2) decreasing the ability of the City to provide and maintain public services and facilities.

Project Impacts

The EIR concluded that the proposed General Plan amendment and rezoning would result in two significant unavoidable impacts at a project level: land use and air quality. If the proposed Planned Development rezoning project is constructed on the site it could result in future limitations being placed on existing industrial development in the area. This could impact the viability of the larger industrial area and could place pressure on the larger area to be converted to residential uses. These impacts reinforce the inconsistency of proposed amendment with General Plan policies, as previously described.

The second significant, unavoidable impact is to air quality. The air quality impacts of the proposed General Plan amendment exceed the projections in the 2000 Clean Air Plan (CAP). The proposed amendment causes a technical inconsistency, because it would increase the population base beyond that

assumed in the 2000 CAP. If a project is inconsistent with the population projections, it must be considered to have a potentially significant impact on regional air quality under the Bay Area Air Quality Management District threshold standards.

Cumulative Impacts

Cumulative impacts, as defined by CEQA, refer to two or more individual effects, that when combined, are considerable, or that compound or increase other environmental impacts. Cumulative impacts may result from individually minor, but collectively significant projects taking place over time. The purpose of the cumulative analysis is to allow decision makers to understand better the potential impacts that might result from approval of past, present, and reasonably foreseeable future projects, in conjunction with the proposed project.

The EIR concludes that the proposed amendment would have a significant, unavoidable cumulative impact on public services and facilities. The combined effect of the conversion of industrial lands to residential uses from all currently pending General Plan amendments could have a significant cumulative impact on public services and the proposed project could significantly contribute to this impact.

As discussed earlier, the proposed project results in a significant, unavoidable air quality impact. This impact will exist until the ABAG projections are updated to include the revised land use designations, and the regional air quality plan is updated to reflect those projections. The cumulative effect of approving and implementing all proposed General Plan amendments would add dwelling units not included in the Clean Air Plan. The proposed land use amendment for the site will contribute to the cumulatively considerable impacts on regional air quality.

Project Alternatives

The EIR, as required by CEQA, identifies alternatives to the project. The EIR evaluated a “no project” alternative, a location alternative, and a project design alternative. The “no project” alternative assumes redevelopment of the site with industrial uses, which would result in fewer land use, air quality, traffic, and noise impacts, but would not meet the project objectives of developing new residences. The EIR also evaluated a “project design” alternative, which included fewer units and a revised street plan, which could reduce traffic, noise and land use impacts by providing additional buffering for the residences from industrial uses, and meet the project objective to develop new residences. Although the significant unavoidable air quality and land use impacts would remain the same as the proposed project, the “project design” alternative was determined to be the environmentally superior alternative when compared to the proposed project.

The Draft Environmental Report also considered four alternative locations, which are part of the City’s Housing Opportunity Studies III. Three sites on Capitol Avenue between McKee Road and Hostetter Road. These alternatives would avoid the amendments significant land use compatibility issues associated with the adjacent industrial uses and the significant cumulative impacts of the project on the City’s jobs/housing imbalance and on public services and utilities. These sites have direct access to Light Rail Transit. The remaining site is located at the south side of Berryessa Road east of Jackson Avenue. This location would also avoid the project’s significant land use compatibility impacts associated with the adjacent industrial uses. This site however is potentially affected by higher ambient noise generated from Interstate 680.

CONCLUSION

The proposed General Plan amendment is inconsistent with long standing General Plan policies regarding the location of residential land uses and would not support the retention of a strong economic base as discussed in the recently adopted *Economic Development Strategy*. Although there continues to be a pent up demand for housing (as recognized in the *Economic Development Strategy*, the Housing Element, and other city documents), the relatively few number of units to be yielded from this amendment (as compared to the City's available residential capacity) does not compensate for the loss of employment land on this site (and potentially other sites), and the expected pressure on remaining businesses to modify operations. The amendment proposes housing on a site that is located in an area that, if preserved, can continue to provide highly paid jobs in Driving Industries, as well as providing mid-tier level jobs associated with Support Industries.

Planning staff believes the addition of residential development at this location could be detrimental to the existing industrial users. Residential conversion of this site will likely pressure additional conversion within the surrounding contiguous area and north of McKay Drive, and would result in a marginal living environment for future residents with ongoing conflicts with adjacent businesses.

PUBLIC OUTREACH

The property owners and tenants within a 1000-foot radius of the amendment site were sent a newsletter regarding the two community meetings that were held on June 24 and 30, 2004 to discuss the proposed General Plan amendment. Notices were also sent for a Public Scoping Meeting for the Environmental Impact Report on April 1, 2004. The owners and tenants also received a notice regarding the public hearings to be held on the EIR and subject amendment before the Planning Commission on August 11th and City Council on September 21st. In addition, the community can be kept informed about the status of amendments on the Department's web site, which contains information on the Environmental Review and General Plan processes, each proposed amendment, EIR status and documents, staff reports, and hearing schedule.

On July 1, 2004, the Riding Group/ Morley Bros. LLC (the applicant for the proposed Planned Development Rezoning) held a community meeting to discuss the proposed land use change and proposed 304-unit residential development. Four community members expressed their general support for the proposed housing. No comments in opposition were received.