

October 27, 2016

Hon. Mayor Liccardo and City Council  
San Jose City Hall  
200 E. Santa Clara Street  
San Jose, CA 95113

Re: Use of San Jose Business Modernization Tax (Measure G) Revenues

Dear Honorable Mayor Liccardo and Councilmembers:

San Jose is at a turning point, and it is palpable. SPUR believes it is critical that the relatively modest amount of revenue generated from Measure G be used to take advantage of a strong regional economy, a growing desire to live and work in urban places, and San Jose's once-in-a-lifetime investments in transit that will benefit San Jose's financial condition going-forward.

The purpose of this letter is to reassert SPUR's support for Measure G and share SPUR's recommendations about investing new business tax revenue.

SPUR strongly supported Measure B on the June 2016 ballot. SPUR has also endorsed and promoted Measure F on the November ballot. We are confident that the success of June's Measure B, and the potential passage of Measure F next month, will put the city in a better position to restore public safety personnel and general city services.

However, there are still many other core government services that have not been restored or adequately expanded. Business tax revenue should be used to support the economic and community development opportunities before the city.

SPUR recommends using the revenue from Measure G to support a narrow set of investments in the city's future.

- Add the capacity needed to implement the *Envision 2040* general plan.
- Support the creation of walkable, vibrant communities.
- Ensure that Diridon Station and the station area are the best they can be.

## 1. Use business tax revenue to implement the *Envision 2040* general plan.

San Jose is lucky to be experiencing a wave of development interest. Yet too much of San Jose's potential is locked up—hindered by a shortage of staff capacity in economic development, transportation, public works and planning departments.

While the city is exploring short-term process improvements that can help use limited staff time effectively, additional capacity is still needed. In our recent report on San Jose's fiscal condition, *Back in the Black*, SPUR found that most of San Jose's departments are thinly staffed compared to other large cities.

The following recommendations will help San Jose move at the speed of business while also appropriately preparing for and delivering on San Jose's unique opportunities.

- *Add resources to accelerate the city's planning processes.* Planning provides an essential framework for how cities should grow. However, it has been four years since the city adopted the general plan and no new urban village plans (initiated after 2011) have been completed. Without a completed and adopted plan, development in the urban villages cannot occur (with the exception of signature projects). Thus, incomplete plans impede new development. More capacity is needed to finish current plans, start new ones, and allow commercial and housing development to move forward. This includes ensuring that each urban village plan is staffed appropriately to support robust community engagement and in-depth input from additional city departments.
- *Add staff to the economic development department.* Additional capacity is needed in order to respond quickly to vacant retail and commercial properties, attract businesses that are interested in expanding or relocating to San Jose, cultivate a pipeline of prospective businesses, encourage property owners to lease or redevelop their properties, and promote business improvement districts.
- *Increase the city's internal urban design capacity.* Most of San Jose developed after the widespread adoption of the automobile, which means that extra effort is required to create the walkable communities that are key to achieving the city's goals. We suggest hiring a senior-level urban designer, providing additional urban design training for project review staff, and establishing a consistent measurable and objective urban design framework. With October designated as Urban Design Month in San Jose, it is an opportune time to harness the talent and enthusiasm of its growing urban design community who are working to make San Jose a destination of choice for today's workforce.

## 2. Use business tax revenue to support the creation of walkable communities.

Walkable communities deliver big returns for businesses and for cities.<sup>1</sup> Walkability emerges from the mix and density of land uses, the placement and orientation of buildings, the safety and quality of streets, and the accessibility of transit.

Streets that are safe, attractive and walkable provide the conditions for foot traffic that benefits business. In addition, vibrant public spaces are an increasingly important component of a city's economic development strategy. Companies are locating in places with many amenities and vibrant neighborhoods because today's workers, first and foremost, seek out jobs in places they want to live.

The following recommendations will help the city create more walkable communities that help residents and businesses thrive.

- *Establish physical planning standards that promote better urban design.* Each new building is an opportunity to create communities that are safer and more pleasant to walk, bike and take transit. SPUR recommends the city create enforceable standards for the physical shape and organization of buildings, streets, blocks and public spaces.

San Jose has urban design guidelines; however, many are outdated, do not reflect current practices and are not enforceable. Increasing the urban design capacity of the city would help make clear the minimum standards to provide developers with greater clarity, shorten the entitlement process, and help deliver better buildings to San Jose.

- *Make downtown a “park once and walk” district.* Most places in San Jose have significant parking resources. An oversupply of parking has many negative impacts: it adds costs to development, puts less development toward productive use and creates more auto congestion which makes streets less safe for pedestrians and bicyclists. SPUR strongly supports eliminating parking minimums, and letting the market decide how much parking to supply. The goal is to gradually shift away from requiring each building to provide parking for its own exclusive use and create conditions for people to feel more comfortable taking transit to downtown and walking to their destination.

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<sup>1</sup> Research shows a significant and growing “walkability premium”, with higher walkability ratings associated with higher residential and commercial rents, as well as more favorable lending conditions. Walkable areas are also more economically resilient. The Brookings Institution found that after the 2008 real estate collapse, homes in walkable urban neighborhoods experienced less than half the average decline in price from the housing peak in 2000. City Observatory and Zillow recently found that a 20-point increase in a home's WalkScores is correlated with a \$106,000 increase in home price, on average.

- *Make it easier to activate underutilized spaces.* This year, we have seen many of our parks, streets and paseos come to life for the Super Bowl, the Stanley Cup, Copa Centenario, CityDance, Viva Calle, San Jose Jazz Festival, the musical swings and more. More of this will help reinforce San Jose as the cultural and creative center of the South Bay. But the barriers today are too high, making it difficult to fill our neighborhoods with life on an ongoing basis. We encourage the city to streamline approval processes and reduce, subsidize or eliminate fees and other costs (e.g., permits, insurance and security) for events, programs or structures that activate public spaces and underutilized properties citywide.

### **3. Use the business tax revenue to ensure that Diridon Station and the Diridon Station Area are the best they can be.**

Diridon is one of the most important infrastructure and redevelopment projects in San Jose's history. SPUR has recently launched a multiyear project on Diridon Station and Station Area to help realize the best possible outcomes for transit and public life in San Jose. Our early research into stations around the world suggests that projects of this scale and complexity require dedicated resources to plan and execute key decisions related to station design, station access, station area development, transit service integration, and more.<sup>2</sup> Many of the most important decisions for Diridon will be made in the next 18-24 months—it is time to set the foundation for success.

- *Prepare to capture the value created by public investment.* New transit projects and better transit service at Diridon Station will create economic value. That value should be captured to help pay for other improvements to the public realm, such as building more complete streets, supporting small businesses, improving existing assets like the Guadalupe River Park and enhancing public spaces with public art and other features. We encourage the city to start exploring what it would take to establish a financial instrument for value capture, such as an enhanced infrastructure financing district, community facilities district, community services district and/or assessment district. Some of these tools may require voter approval or enabling legislation, which can take time.
- *Rezone the station area.* The building heights around Diridon Station are limited to 130 feet, and much lower in many places. This means that every parcel must be planned carefully, both in terms of use and intensity. To that end, we encourage the city to rezone areas in order to discourage development applications that come in below the allowable height. In addition, with a better

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<sup>2</sup> Lessons for Diridon: Rebuilding Rotterdam Centraal Station. <http://www.spur.org/news/2016-09-22/lessons-diridon-rebuilding-rotterdam-centraal-station>

understanding of the nature of the ownership and plans of existing property owners, the city and its partners can develop appropriate incentives and regulatory mechanisms to achieve the maximum possible reuse of the properties in the station area in order to support successful transit operations and integration with downtown San Jose.

- *Continue to explore the creation of a cross-cutting governance structure.* The city is working closely with its partners at VTA, CA High-Speed Rail Authority, BART and Caltrain on three studies and has established a staff-level intermodal working group. These efforts show a strong commitment to collaboration. However, two of the biggest reasons why large and complex capital projects like this one fall short of their promise is poor project governance and piecemeal decision-making. Now is the time to think comprehensively about the right governance structure with a strong mandate to coordinate and sequence transportation improvements (capital and service), operate and maintain Diridon Station, and leverage strategic partnerships to support place-making and economic development, and more.

The added revenue from Measure G is a chance for San Jose to add critical capacity in many city departments that will enable the city to capitalize on once-in-a-lifetime public investments in transit infrastructure and facilitate private investment that will provide the city with sustainable revenue and make San Jose a better place to live and work.

Thank you for your review and consideration of these ideas. Please do not hesitate to reach out to us with any questions or concerns.

Sincerely,



Teresa Alvarado  
San Jose Director



Laura Tolkoff  
San Jose Policy Director

cc: Norberto Dueñas Harry Freitas, Kim Walesh