

November 14, 2016
Submitted Electronically

San Jose Planning Commission
200 E. Santa Clara Street
San Jose, CA 95113

Re: General Plan Four-Year Review Study Session and Item 7e

Dear Chair Abelite and San Jose Planning Commission,

We believe that *Envision San Jose 2040* is deeply important to the future of the San Jose, laying out an urban vision for the Bay Area's largest city. SPUR appreciated the opportunity to participate in the first four-year update to the Envision 2040 General Plan. We applaud the city for taking on an update to the general plan in such a thoughtful manner.

At the same time that the General Plan Review was underway, SPUR led three policy research efforts that are closely tied to the successful implementation of the general plan. These efforts:

- Recommend code changes will help implement San Jose's vision for downtown and urban villages (*Cracking the Code*);
- Recommend ways that San Jose can become fiscally strong city (*Back in the Black*);
- Identify ways San Jose can produce more housing for all income levels (*forthcoming*).

Through these parallel processes, SPUR developed a greater understanding of the challenges with implementing the vision set out in the Envision 2040 General Plan.

The ideas in this letter are intended to strengthen policies that are moving San Jose closer to a more urban future and retool those that are not. In this letter we offer the following:

- Principles that inform our thinking;
- Recommendations regarding this four-year review; and
- Recommendations to guide the long-term evolution of San Jose's General Plan.

I. Statement of SPUR's Principles Regarding the General Plan

SPUR believes in the vision in San Jose's general plan and we wrestled with all the same issues that the city has diligently considered in this process. We believe that the following principles should guide both near-term and long-term changes contemplated to the General Plan.

1. The central purpose of a general plan is to articulate the vision for the future of a city through physical form, land use and transportation. While a general plan can

lay the foundation for a city's fiscal health, it is only one piece of a strategy to achieve fiscal health. A general plan is a comprehensive, long-range statement of the city's values, which is used to guide the physical development of the city. San Jose has staked its future on a transformation to a dense, connected city, designed to attract and support an innovative workforce and offer a high quality of life. We strongly support this vision.

2. Great places are also fiscally strong places. Great places are those that integrate dense development and mixed land uses in ways that are designed for people and serve their daily needs within close proximity to their homes and jobs. A byproduct of great places is that they produce more revenue per acre than they require in public investment, which makes them productive and fiscally strong. When communities concentrate housing, jobs, retail and other uses over smaller areas, land is used more efficiently and land value grows. This allows for more concentrated production of property tax and sales tax revenue.

3. New development is an opportunity to create great places. Most of San Jose developed after the widespread adoption of the private car, which means that most neighborhoods do not have the type of urban fabric that supports walkable, transitable places. New development is an opportunity to integrate dense development and mixed land uses in ways that are designed for people and serve their daily needs.

4. Land that is viable for jobs should be planned for jobs, and at the right density and in consideration with industry and economic trends. Commercial lands play an important role in generating economic activity within the city's borders. We are sensitive to the fact that converting commercial lands to residential use is difficult to reverse, and that 2,300 acres of employment lands have already been converted to residential use and that only, leaving just 15 percent of the city's remaining lands for jobs. However, not all lands designated as commercial will be viable for that use, and not all jobs offer equal economic value to the city. Where land is viable for jobs, it should be planned and developed at the right density and in the context of broader industry trends to be of greatest value to the city.

5. Housing should be allowed to move forward in the right locations and at the right densities. We understand that San Jose has historically been a bedroom community for Silicon Valley and that the city has been grappling with a structural deficit caused in part by low property taxes relative to service consumption, coupled with insufficient sales and business tax revenue. Adopting a jobs-first general plan has been a central part of the city's strategy to correct these challenges.

However, as part of the general plan review process, the city reassessed its previous assumption that all housing is a fiscal negative, recognizing that newer high-density housing is either fiscally neutral or fiscally positive for the city. SPUR has analyzed the fiscal impact of housing in San Jose and agrees with this conclusion. With this new understanding, we think that San Jose should allow housing to move forward if it aligns

with the city's goals for focused growth. In other words, allow housing to move forward at the right densities and in the right locations.

Further, developing housing in the right places can be an important part of the city's strategy to grow jobs. A robust residential population makes an area more attractive to retailers, which generates local revenue from sales tax receipts. At the same time, employers increasingly want to locate in areas where they can find talented workers.

6. People need better ways to get where they need to go within, and between, their communities. Part of the solution is to support high-density growth near high-quality, frequent transit and in walking distance of amenities. The automobile will continue to play a role for many trips, but people want and deserve other options. We should prioritize growth near transit, and new development should be designed to meet the street in ways that support transit, biking and walking.

7. Zoning is the primary tool to translate the vision articulated in a general plan into the rules that guide development. Zoning laws are land use regulations that guide the use and form of new development and vary by district or sub-area of the city. Zoning guides the market so that new development takes the shape of what the community wants. It also provides clarity for developers. Where financially feasible, when coupled with assessment or improvement districts, zoning provides a way for the city to generate needed resources for public amenities. Most cities rezone areas of the city to match the vision set out in a plan, but San Jose uses zoning in an ad-hoc way—as proposals are submitted.

II. Near Term Recommendations for This Four-Year Update

- 1. We support creating a goal for affordable housing production in urban villages, but feel that it should be a specific number of units (rather than a percentage). The number of units should be ambitious yet achievable. We are concerned that the proposed 25% goal could have unintended consequences.** SPUR supports increasing the supply of housing for all income levels. However, we caution against establishing the goal without assessing what is feasible and in the absence of the financial resources needed to attain the goal.

Without sufficient resources to build affordable housing, San Jose runs the risk of seeming to be “behind” on its 25% affordability target—especially as more market-rate housing is built. In this way, adopting a percentage goal has the unintended consequence of setting up a competitive dynamic between market rate and affordable housing. However, market rate housing and affordable housing are not at odds with each other—both are needed. If the goals are set too high (or made into a requirement), and the development is deemed to be infeasible, then neither market-rate nor affordable housing will be created. If supply is not added, there is a risk that housing prices in San Jose will continue to rise.

Additionally, it may not be feasible to reach 25% affordability in each urban village individually. The market may support new development in some urban villages but not others, and the rents that new development can support will vary.

To summarize, we are wary of adopting a percentage goal because of the dynamic it sets up between market-rate and affordable housing; this dynamic has the potential to stall the production of housing. We would rather see the goal expressed as a total number of units and funding identified to achieve that goal. Additionally, the units should be spread out across all urban villages to give developers the flexibility they need so that affordable units (and market rate units) are produced.

2. **We support the Task Force’s direction to reduce the jobs-to-employed residents ratio to 1.1. We do not support the staff recommendation to increase the jobs target from 363,000 to 382,000.** We commend the city for setting ambitious goals. However, the jobs goal is a benchmark that is used to manage and phase the production of housing. Lowering the goal to 1.1 is a great first step that could support the production of more housing, if the market supports the requisite number of jobs to fulfill this goal. However, the analysis presented during the four-year review showed that 1.1 was still an ambitious goal. We hope that the city will regularly monitor progress towards this goal and adjust accordingly, but we believe that adding 19,000 more jobs now will overly restrict housing.

3. **There is tremendous vision and talent among city staff, but additional resources are needed to achieve the physical and economic transformation of the city.** While we are sensitive to the city’s strained fiscal condition, we believe that good planning is an investment in the city’s future that pays for itself in the long-run. For example, the Office of Economic Development needs resources to recruit and attract new businesses and the Planning Building and Code Enforcement Department needs additional resources and staff to complete urban village plans in the stated goal of one year. SPUR was a strong supporter of Measure G and hopes that new revenues will be dedicated to these important activities.¹

III. Recommendations to Guide the Next Annual- and Four-Year Review of the General Plan

1. **Establish minimum densities at key growth areas including downtown, the Diridon Station Area and North First Street as well as in urban villages, especially in transit station urban villages.** The areas immediately surrounding transit stations are major public investments. Adequate density at these locations is essential to shifting travel behavior over the long term. At the same time, it is important to maximize the use

¹ See SPUR’s proposed spending framework for Measure G: <http://www.spur.org/publications/policy-letter/2016-10-27/spur-proposes-spending-framework-san-jose-business-tax>

of each site. This is particularly important in downtown (which has a small footprint), around Diridon Station (where high densities are needed to support new investments) and in the North San Jose Area (where the city has already converted a lot of commercial and industrial acreage for residential uses). While the city found that 45 housing units per acre is fiscally positive, some growth areas such as the Diridon Station Area, downtown and transit station urban villages warrant higher densities.

- 2. Residential development that conforms to urban village plans should be allowed to move forward, regardless of horizon.** To enable job growth, the general plan both encourages commercial development and meters residential development. For example, new housing (outside of the signature project process) cannot be built in an urban village until the city completes and adopts an urban village plan and implementation plan, and that urban village is located in an active horizon.

The plan horizons are a way to conduct urban village plans in phases as staff resources permit. However, the city has received grant funding for urban villages that are in Horizons 2 and 3 and is thus working on plans that are not in the active horizon (Horizon 1). Even if these urban village plans were adopted with an accompanying implementation plan, housing would not be allowed to move forward in these horizons unless it were part of a signature project. We think that once an urban village plan and the accompanying implementation plan have been adopted, that housing be allowed to move forward regardless of horizon so long the proposed development conforms to the plan.

- 3. Use zoning proactively to get the type of development that is consistent with the general plan.** We encourage the city to rezone land to match existing plans instead of rezoning with project approvals. Most cities rezone areas of the city to match the vision set out in a plan, but San Jose does not use zoning in that way. In San Jose, zoning is typically revised in response to proposals through the planned development or signature project process. This means that General Plan concepts Urban Village plans are not yet written into the zoning code or map. It also means that the city can lose out on the public benefits they might have otherwise received if developers are able to obtain approvals without paying for public benefits. Although rezoning in advance of a development proposal requires resources, it can save time and create certainty for both developers and the city. We recommend that the city complete a rezoning process at the same time that urban village plans are adopted.
- 4. Implement your vision for downtown and urban villages by codifying minimum expectations for urban design.** New development can be designed to make streets and public spaces safe and interesting so that people want to spend time in them instead of passing through. While the city is setting a higher bar for good urban design than ever before, the city's urban design priorities are not always communicated in a clear and consistent way. Many of the city's urban design guidelines are outdated. Many projects must go through multiple levels of review and negotiation with city staff, and many go unreviewed, unless flagged by interested parties. Although the city has urban design

guidelines, they are aspirational and largely unenforceable. Guidelines are often ignored or deemed infeasible. This makes it difficult for the city to consistently get highest-quality urban design, and also creates unpredictability in the entitlements process. The transformation envisioned in the General Plan won't happen without updating and codifying the city's ground rules for good urban design.²

- 5. Prioritize growth near transit to support the city's mode shift and climate change goals.** If land use and transit do not move forward in close coordination, the city will not be able to achieve its mode-shift and climate change goals. We encourage the city to ensure that new growth is timed and shaped (through urban design standards) to support the success of major transit projects, such as BART to Silicon Valley Phase II, high-speed rail or VTA's Next Network. Transit urban villages are not in Horizon 1, which means that San Jose may miss out on opportunities to shift towards more sustainable travel behaviors today. We urge the city to prioritize urban villages in central San Jose and near transit and to ensure that new buildings in these urban villages support transit, walking and biking.

San Jose is at the forefront of cities that are trying to tackle growth, sustainability, and economic transformation at once. The shift towards a more urban future is not without growing pains, but it is essential for the future of the city's quality of life and environment and we commend San Jose for taking on this vision. Please feel free to contact us with any questions or comments.

Sincerely,



Teresa Alvarado
San Jose Director



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San Jose Policy Director

Cc:

Shirley Lewis, Co-Chair, City of San Jose General Plan Review Task Force
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² For specific recommendations on modifications to San Jose's code, please see Cracking the Code (http://www.spur.org/publications_pdfs/SPUR_Cracking_the_Code.pdf)