

SUPPLEMENTAL



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Joseph Horwedel

SUBJECT: EVERGREEN-EAST HILLS
VISION STRATEGY

DATE: December 8, 2006

Approved

Date

12/8/06

COUNCIL DISTRICT: 5, 7 and 8

SNI AREA: West Evergreen

K.O.N.A

East Valley/680

SUPPLEMENTAL MEMORANDUM

REASON FOR SUPPLEMENT

At its meeting on December 6, 2006, the Rules Committee requested that the Administration provide the City Council a schedule for the completion of the Evergreen-East Hills Vision Strategy effort. This memorandum proposes a schedule and also transmits correspondence from the property owners' attorney.

BACKGROUND

On December 6th, the Rules Committee voted to defer most of the Evergreen-East Hills Vision Strategy (EEHVS) items from the December 12, 2006 Council Agenda with exception of items 10.9(a) discussion of EEHVS and 10.9(b) certification of the Environmental Impact Report. As part of its motion, the Committee requested a schedule for the completion of the Evergreen effort.

ANALYSIS

Planning staff proposes the following schedule:

<u>Estimated Time Frame in 2007</u>	<u>Item</u>
Mid-December	<u>Complete scope of possible fiscal analysis:</u> Based on Council's December 12 th discussion, identify an appropriate scope of work for independent consultant analysis of EEHVS.
Early January	<u>Reconvene discussions between staff and the property regarding the voluntary funding of transportation improvements and amenities:</u> Based on Council's December 12 th discussion, restart discussions of the draft agreement.
Mid - January	<u>Council consideration of a minor amendment to the Funding and Reimbursement Agreement by and between the City of San Jose and certain Evergreen property owners regarding the Evergreen-East Hills Vision Strategy and related environmental documents:</u> This agreement is set to expire at the end of December 2006 and should be extended to continue to support the Evergreen planning effort. Staff is reviewing the budget, property owner payments to date, and expenditures to date to determine if additional funding is needed in addition to a time extension and other minor amendments.
Mid to Late January	<u>Community Meeting:</u> As appropriate, discuss the status of EEHVS and expectations of an upcoming Study Session.
Late January	<u>City Council Study Session:</u> Invite property owners/developers, community members and staff, as appropriate, to discuss the components of the EEHVS and the status of discussions with the property owners.
Early February	<u>Completion of Draft Funding Agreement for the Transportation Improvements and Amenities:</u> Complete the draft agreement, assuming that both parties are responding in a timely manner.
Early to Mid February	<u>Receipt of consultant's work on the Fiscal Analysis and preparation for Council hearing on EEHVS:</u> Discuss the report and its implications with the property owners. Convene a Community Meeting to discuss the results and implications.
March	<u>City Council Consideration of EEHVS</u>

December 8, 2006

Subject: Evergreen-East Hills Vision Strategy

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In addition, the property owners' attorney has submitted a "Request for Statement of Policy Direction" (see attached), which contains a description of the current proposal for the four Opportunity Sites (commonly known as the Pleasant Hill Golf Course, a portion of Evergreen Valley College, Arcadia, and Campus Industrial). This document also identifies issues for which they are seeking Council direction. These issues are similar to those outlined in a memorandum dated December 5, 2006 to the Rules Committee. After consultation with the owners' attorney, staff is transmitting the owners' Request to the Council as background for the issues discussion.

Staff would like to note that the owners present a different perspective on the total voluntary contribution for transportation improvements and amenities. From the owners' perspective, they proposed a total package worth \$235 million, of which they would voluntarily pay \$206 million over time and the balance of \$29 million would be paid by the future developers of the "pool" units (i.e., owners of land within the Evergreen Policy area other than the Opportunity Sites). From this perspective, they view their contribution as having increased to the current proposal of \$225 million.

In contrast, it is staff's recollection that the owners originally proposed to fund the total \$235 million when the Evergreen effort began in 2003. While \$225 million for transportation improvements and amenities is a unique, voluntary offer, staff considers the current proposal as a reduction from the original proposal.



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

Attachment

REQUEST FOR STATEMENT OF POLICY DIRECTION

The purpose of this Statement is to briefly describe the status of discussions between the City of San Jose (“City”) and the Evergreen-East Hills Vision Strategy Property Owners (“Owners”) regarding the development of the “Opportunity Sites” as set forth in the draft Evergreen Development Policy (“EDP”). This Statement will also request further direction to the City Planning Department with regard to specific items as set forth below. The City Council is being asked to certify the draft Environmental Impact Report for the Evergreen Project, approve the direction of the discussion as described below and to direct City staff to continue discussions with the Owners and to take reasonable steps to document the proposed agreements between the City and Owners. The approval of this Statement by the City Council is not intended to create any binding obligations upon the City and is solely intended to provide direction to City staff so that the City Council may fully review the EDP and various applications of the Owners at a subsequent City Council meeting.

STATUS OF DISCUSSIONS

The current status of discussions is predicated upon all of the Owners moving forward with the development of each of their Opportunity Sites. Should any development proposal on an Opportunity Site be abandoned, the proposal described below by the Owners would no longer be available.

Based on deliberations with City staff, the Owners recently revised the proposed development of the four (4) Opportunity Sites. They have decreased their prior proposal by nearly 500 units and have increased their collective share of funding for the proposed improvements and amenities from \$206,000,000 to \$225,000,000 (“Amenity Funds”). Additionally, they have increased their proposed total land dedication from 52 acres to 78 acres. The City has been advised by the Owners that they have proposed to the East Side Union High School District a funding commitment of \$2.63 per square foot, well above the \$1.07 per square foot state mandate.

The Owners are proposing development of a total of 4,730 housing units on the Opportunity Sites. In addition, the City is proposing up to 500 additional housing units to be allocated to various infill sites in the Evergreen Policy Area as determined by the City from time to time.

The allocation of the 4,730 housing units among the Opportunity Sites would be as follows:

Arcadia Site	1,875 units
Evergreen College Site	500 units
Pleasant Hills Site	665 units
Campus Industrial Site	1,690 units

Additionally, up to 300,000 square feet of commercial retail is proposed for the Arcadia Site and up to 195,000 square feet of commercial retail is proposed for the College Site.

The Owners proposal is further outlined in the November 28 memo from Bo Radanovich which is attached hereto.

After years of consideration by two task force groups and City staff, the City is considering a list of transportation improvements and community amenities which would be funded by a cash contribution from the Owners. The Owners have proposed to fund up to \$225,000,000 to the City. The City would be responsible for causing identified transportation improvements to be constructed and identifying and prioritizing various community amenities to be built. The Amenity Funds would be paid in phases by the Owners. The current proposed Development Phasing Schedule is included in the EDP and is attached hereto for reference. This Schedule connects the approval of building permits with funding of the Amenity Funds and identifies the type of transportation and community amenities to be constructed at each phase.

The Owners proposal to fund Amenity Funds contemplates that the City would approve the draft Environmental Impact Report for the Evergreen Project and would approve general plan amendments zoning and maps for the Owner's projects which would allow construction of the housing and commercial development described above.

REQUEST FOR DIRECTION

If the general terms of the discussions as described above are acceptable to the City Council, then the City Council is requested to give direction to City staff and the Owners to continue such discussions for the purpose of documenting such proposals so the City Council may consider the pending applications of the Owners for General Plan amendments and zoning entitlements. Such applications will be considered at a later date to be determined by the City. In this regard, the City Council is also requested to give further direction to City Staff and the Owners with regard to the following key issues regarding the development of the Opportunity Sites.

1. Campus Industrial Site Conversion/Retention. The Campus Industrial Sites consist of 320 total acres owned by three separate entities (Berg – 170 acres; IDS – 20 acres; Legacy – 120 acres). This area was originally designated as residential in San Jose's General Plan and was amended in the early 1980's to become Campus Industrial as part of the "Berryessa Swap". No development activity has occurred on the site since the early 1980's.

The proposal calls for 1690 mostly detached for-sale units (Berg – 900 units; IDS – 200 units; Legacy – 590 units). The prior proposal was for 2,000 units.

The Campus Industrial Sites will also include:

- 21± acres for New K-8 school site and joint use park
- 10-15± acres for additional New Neighborhood Parks (Berg – 5 acres; IDS – 2 acres; Legacy – 6 acres)

2. The Impact on Area Schools. The Evergreen Development Policy Area is served by three separate school districts: East Side Union High School District, Evergreen Elementary School District, and Mt. Pleasant School District. The Owners have conducted meetings with school districts and have stated that they have negotiated an acceptable mitigation plan with each of the affected school districts. As stated, the Owners have agreed to a funding commitment equal to \$2.63 per square foot to East Side Union High School District, significantly above the \$1.07 per square foot currently in place. The Owners will provide 21 acres of the Campus Industrial site for a new K-8 school site and joint use sports park. The Owners will provide 5 acres of land on the Arcadia site that is being proposed to be added to the existing 5 acres City owned Meadow Fair Park and 20 acres Evergreen School District's existing LeyVa Middle School campus. The combined Owner proposed Master Plan will deliver:

- New K-6 elementary school
- 30,000 square joint-use Community Center
- Joint-use play fields
- Little League Complex

The Owners have also proposed providing 11 acres for a new K-6/8 school site and joint-use park that will be privately funded by this site.

The joint-use agreements with the districts and the City will need to be negotiated to the satisfaction of the City.

3. Affordable Housing Policy. Currently, twenty percent (20%) of the Arcadia Site housing units are required to be set-aside as deed restricted affordable housing units that meet the City's affordable housing requirements for Redevelopment Areas. The College Site has proposed that forty percent (40%) of the units constructed on the site be reserved for affordable, deed restricted, units that meet the City's definition for affordable housing. An affordable housing policy is currently being discussed by City Staff and the Owners with regard to the Evergreen Development Policy Area.

Approval of the general terms of the Owner's proposal as described above is not intended to create any obligations on the part of the City to approve pending applications from any of the Owners but is intended to give direction to City Staff to proceed with further discussions consistent with the proposal stated herein in order to refine the proposal for future consideration by the City Council.



To: Mr. Joseph Horwedel, Director
Department of Planning, Building and Code Enforcement
City of San Jose

From: Bo Radanovich

Date: December 4, 2006

Re: Evergreen Opportunity Sites

Following is a brief outline of the revised proposed developments of the four opportunity sites in Evergreen. In summary, we have decreased our original proposal by nearly 500 units to 4730. In addition, we have increased our share of amenity funding from \$206 million to \$225 million (total package of \$250 million once “pool unit” contributions are included) and have increased our land dedication from 52 total acres to 78 acres.

With regards to the East Side Union High School District, the state mandate for our project is \$1.07 per square foot, we have increased our commitment to \$2.63 per square feet, or nearly two and a half times what the State mandate is.

Arcadia Site

This site is an 81 acre parcel on Capital Expressway across from the Eastridge Mall. The goal of this site is to create a high density Transit Oriented Mixed-Use Development consisting of 1,875 multi-family units and up to 300,000 square feet of commercial retail.

The site is in one of the City’s SNI/Redevelopment areas, and as such, 20% of the housing units will be set-aside as deed restricted affordable housing units that meet the City’s affordable housing requirements for Redevelopment areas.

The Arcadia site will also consist of:

- 11.25 acres for an active adult sports park
- 5 acres of land dedication from Arcadia that will be added to existing 5 acres City owned Meadow Fair Park and 20 acre Evergreen School District’s existing LeyVa Middle School campus. This master plan will deliver:
 - New K-6 school
 - 30,000 square foot joint-use Community Center with Evergreen School District

- Joint Use playing fields
- Little League Complex

Evergreen Valley Community College Site

This 26± acre site is currently owned by EVCC District and sits adjacent to District's existing shopping center. The District intends to retain ownership of the site and ground lease the site to developer(s).

The proposal includes 500 multi-family units, 40% of which are intended to be reserved for affordable, deed restricted, units that meet the City's definition for affordable housing. In addition, the site proposes to include up to 195,000 square feet of commercial retail and commercial office. Included in this request is the desire for a full service supermarket.

Pleasant Hill Golf Course

The PHGC site (KB Home/SummerHill) is a 114± acre site on the corner of White and Tulley that is the former Pleasant Hills Golf Course owned by the Duino family. The course has been closed for over two years.

The proposal calls for 665 detached (590) and attached (75) for-sale units with over 40% of the "net" site remaining as public benefit uses. Our original proposal was for 825 units.

The PHGC site will also include:

- New 11± acres K-6/8 school site and joint use park
- New 9± acres sports park
- New 5± acre Neighborhood Park and additional open space/buffer areas
- 1 Acre land dedication for new city fire station

Note that the K-6/8 elementary school will be entirely privately funded by this project. The school district will not have to pass a district-wide bond measure to construct the school.

Campus Industrial Sites

The Campus Industrial Sites consist of 320 total acres owned by three separate entities (Berg – 170 acres; IDS – 20 acres; Legacy – 120 acres). This area was originally designated as residential in San Jose's General Plan and was amended in the early 1980's to become Campus Industrial as part of the "Berryessa Swap". No development activity has occurred on the site since the early 1980's.

The proposal calls for 1690 mostly detached for-sale units (Berg – 900 units; IDS – 200 units; Legacy – 590 units). Our original proposal was for 2,000 units.

The Campus Industrial Sites will also include:

- 21± acres for New K-8 school site and joint use park
- 10-15± acres for additional New Neighborhood Parks (Berg – 5 acres; IDS – 2 acres; Legacy – 6 acres)

500 Residential pool units

Per the EDP these units will contribute a traffic impact fee of 6,000 – 12,000. We propose that pool allocation request that are less than 4 units be allowed to receive allocations in any phase of the EDP, but requests for more than 4 units allocations will not be granted until phase III. A request for allocations in excess of 4 units may be considered in Phase I or II if a voluntary contribution is made to the Transportation and Amenity package commensurate with what the Opportunity Sites are contributing (\$55,000-\$60,000)

Cash Contributions

The opportunity sites will provide funding per the Evergreen Development Policy for total a total of \$225 million to be spent on transportation improvements, and Community Amenities. \$130 million dollars will be provided prior to the issuance of the first building permit. The Task Force recommendation included a contribution from the opportunity sites of approximately \$213 million. We have increased our contribution to exceed their recommendation by \$12 million. The residential pool units under our proposal would contribute their share of the transportation and amenity fees, bringing the total package up to \$250 million.

<u>Summary</u>	<u>Original</u>	<u>Revised</u>
Arcadia	1875	1875 Units
EVCC	500	500 Units
PHGC	825	665 Units
Campus Industrial	2000	1690 Units
Background/Pool	<u>500</u>	<u>500</u>
	5700	5230

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DEVELOPMENT PHASING SCHEDULE

Phase	Entitlements/ Building Permits Issued	Transportation/ Community Amenities For Opportunity Sites	Opportunity Site Obligation to Fund/Construct (Estimated Cost in 2006 \$)
I	1 st PD Zoning Approval	Fund design work for Phase II Transportation & Community amenities components, including but not limited to, planning, property acquisition and design work.	<p style="text-align: center;">\$22M</p> <p style="text-align: center;">(\$19M is for Base Improvements & \$3M is for Amenities)</p> <p style="text-align: center;">And</p> <p>Completion of:</p> <ul style="list-style-type: none"> - The US 101 Funding & Construction Agreement - School/Park Joint-Use Agreements - Affordable Housing Agreement - Parkland Dedication Agreement (if applicable)
II	<p>Prior to the First Building Permit for the First Opportunity Site Unit</p> <p>100% of Pool Capacity</p>	<p>Fund construction for the following:</p> <p><u>Transportation (All Base Improvements):</u></p> <p><u>Community Amenities:</u></p> <ul style="list-style-type: none"> • TBD – based upon cost/funding available. <p>Fund various Phase III Transportation & Community Amenities components, including but not limited to, planning, property acquisition and design and construction work.</p>	<p>Secure funding for all design & construction of all Base Improvements (Estimated Value \$98M)</p> <p style="text-align: center;">And</p> <p>Contribution for Amenities of \$10M</p>
III	<p>Prior to obtaining Building Permits for more than 49% of the Opportunity</p>	<p>Fund construction for the following:</p> <p><u>Community Amenities:</u></p> <ul style="list-style-type: none"> • TBD – based upon cost/funding available <p>Fund various Phase IV Transportation & Community Amenities components, including but</p>	<p>Contribution</p> <p>\$25M + any additional amount needed for the Base Improvements</p>

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Phase	Entitlements/ Building Permits Issued	Transportation/ Community Amenities For Opportunity Sites	Opportunity Site Obligation to Fund/Construct (Estimated Cost in <u>2006</u> \$)
IV	Prior to obtaining Building Permits for more than 69% of the Opportunity Site units	Fund construction for the following: <u>Community Amenities:</u> <ul style="list-style-type: none"> • TBD – based upon cost/funding available Fund various Phase V Transportation & Community Amenities components, including but not limited to, planning, property acquisition and design and construction work.	Contribution for Amenities of \$25M
V	Prior to obtaining Building Permits for more than 79% of the Opportunity Site units	Fund construction for the following: <u>Community Amenities:</u> <ul style="list-style-type: none"> • TBD -- based upon cost/funding available Fund various Phase VI Transportation & Community Amenities components, including but not limited to, planning, property acquisition and design and construction work.	Contribution for Amenities of \$25M
VI	Prior to obtaining Building Permits for more than 89% of the Opportunity Site units	Fund construction for the following: <u>Community Amenities:</u> <ul style="list-style-type: none"> • TBD – based upon cost/funding available Fund various Phase VII Transportation & Community Amenities components, including but not limited to, planning, property acquisition and design and construction work.	Contribution for Amenities of \$25M
VII	Up to 95% of Opportunity Site Units	Fund construction for the following: <u>Community Amenities:</u> <ul style="list-style-type: none"> • TBD – based upon cost/funding available 	Contribution for Amenities of \$25M