RESOLUTION NO. _____

A RESOLUTION OF THE COUNCIL OF THE CITY OF SAN JOSE AMENDING THE NORTH SAN JOSE AREA DEVELOPMENT POLICY TO ADD A TEMPORARY TRAFFIC IMPACT FEE INCENTIVE PROGRAM TO PROMOTE NEAR-TERM INDUSTRIAL DEVELOPMENT BY ALLOWING FOR REDUCTION IN THE AMOUNT OF TRAFFIC IMPACT FEE PAID BY THE DEVELOPER FOR QUALIFYING INDUSTRIAL DEVELOPMENT COMPLETED WITHIN A TIMEFRAME TO BE SPECIFIED IN A DEVELOPMENT AGREEMENT

WHEREAS, on June 21, 2005, the City of San José ("City") adopted the North San José Area Development Policy ("Policy") which established a policy framework to guide the ongoing development of the area as an important employment center for San José; and

WHEREAS, in order to provide certainty to developers with regard to the public infrastructure requirements and to fund roadway improvements to mitigate the impacts of increased traffic generated by new development under the Policy, the City adopted the North San José Traffic Impact Fee, codified in Chapter 14.29 of Title 14 of the San Jose Municipal Code; and

WHEREAS, the City desires to amend the Policy to include a short-term incentive program to secure near-term industrial development by allowing for a reduction in the amount of the traffic impact fee paid by the developer to five dollars per square foot, with the City to pay the balance of the traffic impact fee, for industrial development projects of greater than 200,000 square feet that are commenced and completed in the near-term; and

WHEREAS, the incentive would be a temporary and limited exception to the general traffic impact fee requirements and would be implemented through the negotiation and execution of a Development Agreement between each developer and the City, subject to approval of the City Council;

WHEREAS, the Policy, as amended, has been evaluated pursuant to the Environmental Impact Report prepared in accordance with the California Environmental Quality Act of 1970, as amended, for the North San Jose Area Development Policy certified by the Planning Commission on June 7, 2005 and upheld on appeal by the City Council on June 21, 2005 (hereinafter "FEIR") under File Nos. GPT04-04-06a, GPT04-04-06b, GP04-04-06a, and GP04-04-06b;

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SAN JOSE THAT:

1. The North San José Area Development Policy is hereby amended to add a temporary traffic impact fee incentive program until June 30, 2014 to promote near-term industrial development by allowing for reduction in the amount of the traffic impact fee paid by the developer to no less than five dollars per square foot, with the City to pay the balance of the traffic impact fee, for industrial development projects of greater than 200,000 square feet commenced between February 1, 2012 and June 30, 2014 and completed within an expedited timeframe as specified in a Development Agreement duly adopted and approved by City Council.

2. The amended North San José Area Development Policy dated January 2012, attached hereto and incorporated herein by reference as Exhibit "A", is hereby adopted in its entirety.

ADOPTED this _____ day of _____, 2012, by the following vote:

AYES:

NOES:

ABSENT:

DISQUALIFIED:

_____
CHUCK REED
Mayor

ATTEST:

_____
DENNIS D. HAWKINS, CMC
City Clerk

North San José Area Development Policy

City of San José

January 2012

EXHIBIT 'A'

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Attachments

Attachment A: Transportation Improvement Phasing Plan (to be added later)
Attachment B: North San José Deficiency Plan (to be added later)

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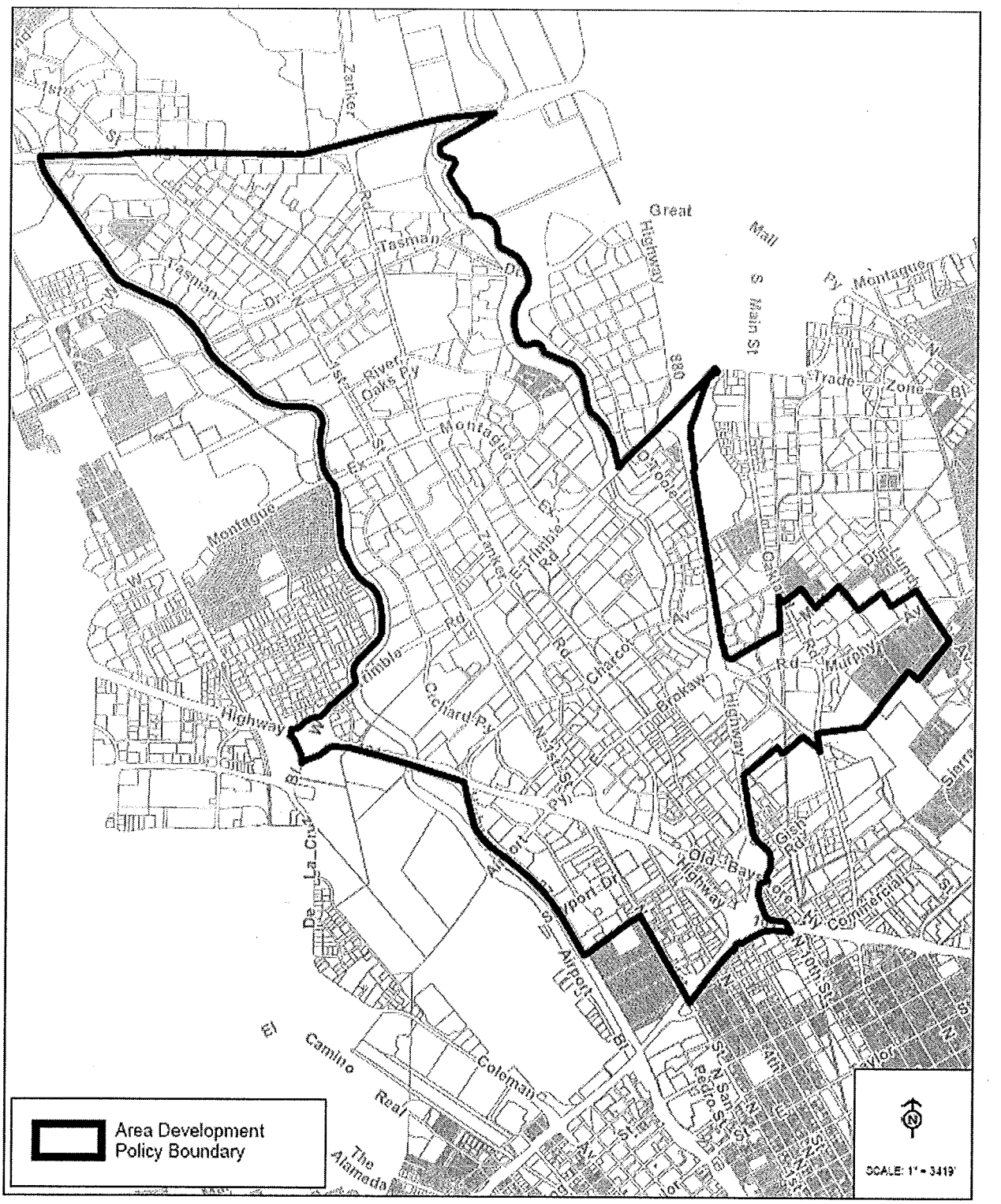
Figure 1 Policy Area Boundaries



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1. Background

The North San José area plays a vital role in the achievement of San José's economic goals. The Rincon de los Esteros Redevelopment Area and related policies were established to promote industrial growth in this northerly area of the City. Those goals are a critical part of the overall policies related to maintaining a healthy balanced economy and achieving a number of other objectives necessary to a large vital city. As a result of these policies, the North San José area has become the preeminent location for driving industrial uses within the City of San José. The core of this area, referred to as "Rincon de los Esteros," the "Innovation Triangle," or the San José portion of the "Golden Triangle," is the industrial park land located within San José north of US Highway 101, west of Interstate 880 or Coyote Creek and south of State Route 237. This area houses many high-tech industries, including some leading corporations that have located their headquarters along the North First Street and Zanker Road corridors. The area also includes a large number of supporting industrial uses and a smaller amount of commercial and residential development.

Due to regional traffic concerns identified in the mid-1980's, the City adopted policies that restricted the development intensity within the North San José area through a Floor Area Ratio (FAR) cap. Since 1988, this cap has been implemented through the North San José Area Development Policy. As a result of this cap, industrial development in North San José has been fairly uniform and low intensity in nature. In the year 2000 the overall average FAR for North San José industrial development was 0.34. Consequently, North San José industrial park development is characterized architecturally by low to mid-rise office buildings, one or two-story light manufacturing and research & development facilities, surface parking lots and generous amounts of landscaping. Consistent with this type of development, the block pattern is large and irregular and access into North San José is provided mostly from a limited number of regional freeways or expressways.

The North San José Area Development Policy establishes a policy framework to guide the ongoing development of the North San José area as an important employment center for San José. The Policy provides for full development of the previously adopted base Floor Area Ration (FAR) caps but also provides additional industrial development capacity for 20 million square feet of transferable floor area credits that can be allocated to specific properties within the Policy area. The Policy supports the conversion of specific sites from industrial to high-density residential, using specific criteria compatible with industrial activity. The Policy also identifies necessary transportation improvements to support new development and establishes an equitable funding mechanism for new development to share the cost of those improvements.

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Policy Area Boundaries

The Policy area boundaries generally match the current boundaries of the Rincon de Los Esteros Redevelopment Area (see Figure 1), including the area within San José north and west of Interstate 880 or the Coyote Creek, east of the Guadalupe River and south of State Route 237. The Policy area also includes an area east of Interstate 880 along Murphy Avenue as far as Lundy Avenue.

Participating Agencies

The North San José Area Development Policy and Deficiency Plan were written by the City of San José Department of Planning, Building and Code Enforcement, the Department of Transportation, the Redevelopment Agency, the Department of Economic Development, the Department of Public Works, the Department of Housing, and the City Attorney's Office. Input and assistance was also received from Santa Clara County Valley Transportation Authority (VTA).

2. Vision and Purpose

The City of San José is committed to the ongoing development of the North San José area as an important employment center and as a desirable location for high-tech corporations within San José as well as the Bay Area. Managing regional traffic patterns and establishing a framework for "smart growth" are also important goals of the City. This Policy establishes a framework to meet these goals:

- **Promote Economic Activity** – Provide additional long-term development capacity to support the creation of up to 80,000 new jobs along the North San José First Street corridor.

- **Promote Livability** – Add new housing and retail development in close proximity to new jobs, amenities and transit infrastructure.

- **Promote Long-term Vitality** - Establish fair-share funding mechanisms for infrastructure improvements necessary to support new development.

The North San José land area is a critical resource for San José in its continued efforts to grow industrial activity and to add well paying jobs within the City. Increased and improved utilization of this resource is a vital component of this effort. Large corporations have indicated that they want to locate within North San José and build at densities significantly higher than those historically allowed by the City's policies. Some companies already located within San José want to grow on their current sites. Policies that have historically limited development

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intensity within North San José create a barrier to that growth and act as a disincentive to the redevelopment of obsolete buildings. North San José provides a strategic location for job growth because of its proximity to the San José Norman Y. Mineta International Airport and the Downtown, along with a high degree of accessibility from several major freeways including Highway 101, Interstate 880, State Route 237 and State Route 87. The area is also well served by other transportation facilities including an existing light rail line and the Guadalupe River and Coyote Creek trail systems. This Policy provides an opportunity for more intensive development within North San José.

Regional growth projections indicate continuing demand for significant amounts of new residential and employment space throughout the County. An important goal of this Policy is to provide the opportunity and a supportive policy framework to allow a portion of this growth to occur within the urbanized North San José area reducing growth pressures at the City's periphery. Concentrating growth through redevelopment within North San José reduces impacts upon the City's cost of providing services and helps to protect environmental resources.

Intensified land use can accommodate the movement of people and goods when development follows an urbanized form and is located within a setting supported by an appropriate system of infrastructure. Urbanized areas are normally developed using a fine grid infrastructure that provides more accessibility and allows a greater number of people and goods to effectively move between residential, industrial and commercial areas than in a suburban setting. While the Policy does not support development intensities typical of San José's Downtown, the Policy does provide a tool for guiding the development in North San José towards a more urbanized form.

The Policy contains two primary land use changes for North San José:

1. Establishment of an industrial **Core Area** designation to support the development of a driving industry corporate center along the North First Street corridor and

2. Establishment of a **Transit/Employment Residential Overlay** (TERO) to allow expansion of supporting residential and commercial uses to promote livability.

Core Area

A key strategy of the City is to allow and encourage more intense development for "driving industry" businesses along the North First Street Corridor. (Driving industry businesses are businesses that sell goods and/or services outside of the region, bringing in significant revenues that help drive the San Jose economy.) The City envisions a very active corridor of mid-rise (4 - 12 story) industrial office buildings, utilizing headquarters or comparable quality architecture, fronting along North First Street between Brokaw Road and Montague Expressway in a 600-acre Core Area. Intensification of this Core Area will foster a concentration of high-tech businesses located so as to make best use of existing infrastructure resources. The Policy provides for the addition of 16 million square feet of new industrial development within this Core Area, resulting in an overall average 1.2 FAR.

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Transit/Employment District Residential

In order to support continued job growth in North San José, the Policy provides for the development of up to 32,000 new residential units, including at least 18,650 developed through the conversion of up to 285 acres of existing industrial lands within a proposed Transit/Employment Residential District Overlay area. New residential units would also be allowed through mixed-use development within the Core Area and on land with residential designations at the time this Policy was adopted. This residential development is intended to provide housing in close proximity to jobs to allow employees the opportunity to reduce their commute travel times, to make increased use of transit facilities, and to reduce overall traffic congestion. The Policy includes criteria that in conjunction with other City policies are intended to promote the establishment of successful new residential living environments as a result of land use conversions within the Policy area.

Relationship with Downtown

The intensification of North San José envisioned within this Policy is intended to be different from but complementary to development activity within the San José Downtown area. The proposed densities within the Core Area are still considerably lower than those existing or planned in the Downtown area. Additionally, the anticipated building and land use types differ in that Downtown will continue to be more attractive for housing ownership and high-rise office development while North San José will continue to provide for heavy and light industrial uses as well as mid-rise office development and primarily rental housing targeting area workers. Furthermore, the Downtown will continue to develop as the City's focal point for cultural and other civic activities.

3. Land Use

Land Use Policies – Industrial Uses

The Policy allows for a net total of 26.7 million square feet of new industrial development within the Policy Area as described below. Build-out of the Base and Transit Oriented Sites Floor Area Ratio (FAR) allowed under previously adopted policies would have potentially resulted in 6.7 million square feet of new industrial development. This Policy maintains this development potential and provides an additional 20 million square feet of industrial development capacity for allocation to properties within the Policy area.

Most of the new industrial/office/R&D development (16 million square feet) will be concentrated in an industrial Core Area located on both sides of North First Street, between

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Montague Expressway and US 101. This Core Area will ultimately have an overall average FAR of 1.2 with full implementation of the Policy, as described below. Development within the Core Area will be substantially denser than previous development in North San José. It is intended that the Core Area will be characterized by mid-rise four- to twelve-story structures built close to the street, designed to facilitate pedestrian access to the Light Rail Transit (LRT) stations along North First Street, and with parking structures behind them to serve automobile traffic.

The remaining new industrial/office/R&D development capacity (4 million square feet) plus the development capacity corresponding to build-out under previous policies (6.7 millions square feet) and any capacity made available through the demolition of existing structures is available for allocation to any property within the Policy area. This amount of development will result in only a small increase (approximately 5%) to the average Floor Area Ratio outside of the Core Area. The intent of this Policy is to use this allocation to support further intensification along the light rail corridors, to create flexibility for minor expansions on any property within the Policy area and to allow for intensification of specific sites that meet the criteria outlined below. In general, the industrial properties outside of the Core Area are anticipated to continue to support the land uses and intensities established under existing policies.

Base Floor Area Ratio (FAR)

In general, any industrial land within the Policy area may be developed up to a maximum FAR of 0.35, utilizing up to 6.7 million square feet of the Policy's industrial capacity. Development beyond this Base FAR is subject to the provisions found below. The FAR of any proposed development is calculated using the ratio of proposed gross building square footage to net site area square footage. (For properties where the square footage of existing buildings or entitlements exceeds 0.35 FAR, the amount of square footage in the existing buildings or entitlements is considered the base allowable FAR for the property. If an entitlement that exceeds the base FAR expires, the base FAR for the property reverts to 0.35 and the additional square footage may be reallocated to other properties per the provisions described below.)

Transit Oriented Sites

Development on sites located within 2000 feet of a light rail station may develop up to a maximum FAR of 0.40 provided that the sites incorporate site design measures to facilitate pedestrian access to nearby transit facilities. In addition to providing sidewalks along all public frontages, new buildings should be placed on the site in order to establish the best possible access from the transit facility to the building. Building entries should be provided at locations to facilitate pedestrian access. Properties that qualify for the base 0.40 FAR are indicated on Figure 2.

Additional Industrial Development Capacity

The Policy provides an additional 20 million square feet of new industrial development that may be allocated to qualifying properties as part of the Planning permit process. Details on how this square footage becomes available and how it may be allocated are provided in the Implementation section below.

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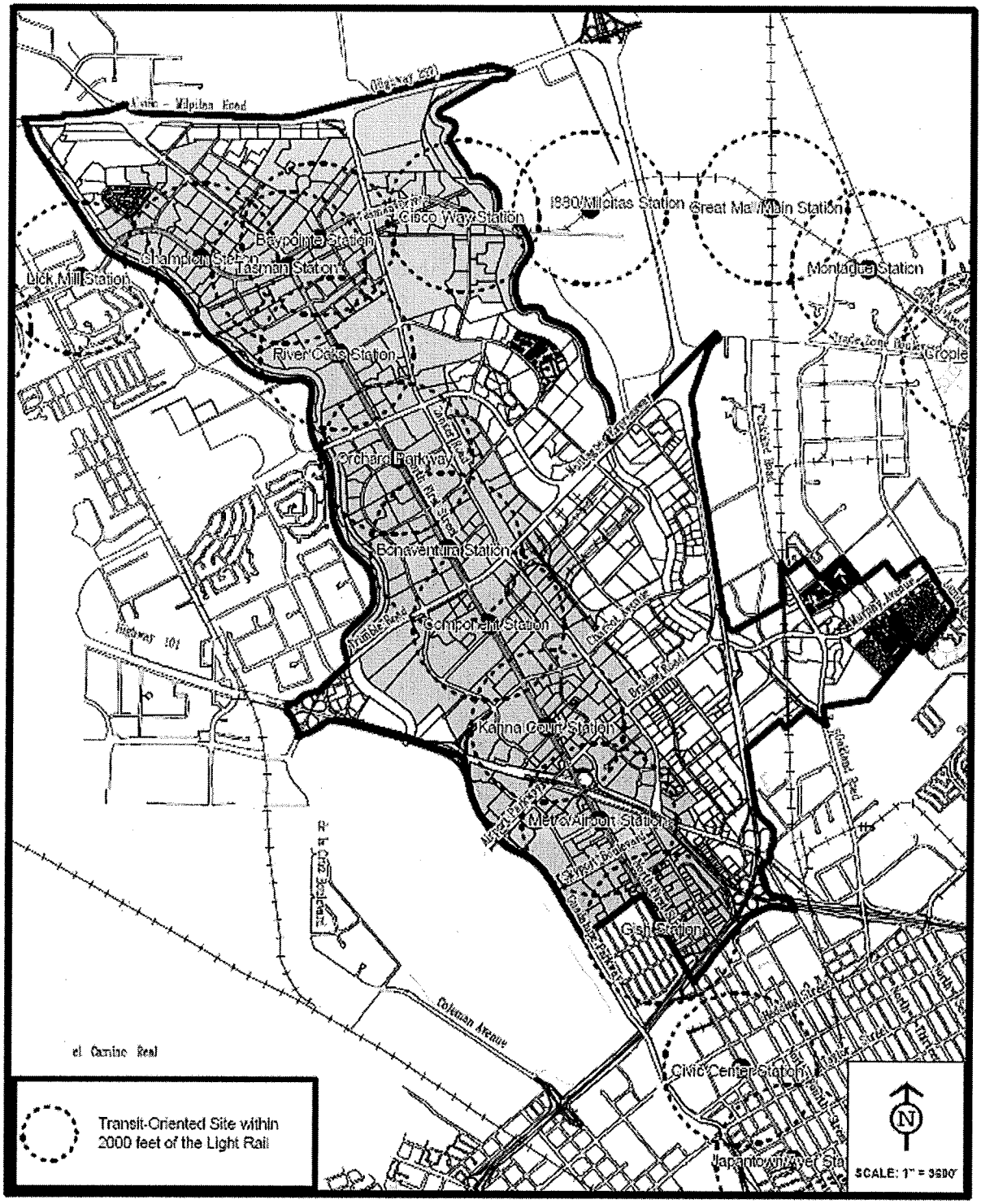
Figure 2 Transit Oriented Sites



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Low Intensity Industrial Uses

Uses that the City is able to determine have no impact or minimal impact upon peak hour traffic are not subject to a specific FAR cap and are not strictly considered as part of the 26.7 million square feet covered by the Policy. (These uses may require separate traffic analysis to confirm for the City that they are consistent with the Policy.) Low intensity industrial uses potentially include highly automated manufacturing facilities, warehouse, storage and distribution facilities, and buildings built primarily to house machines or utility equipment. As part of a proposed development it must be demonstrated to the satisfaction of the City that such uses generate less than or equivalent amounts of traffic corresponding to the subject property's base square footage and such uses must be developed with a site plan consistent with the proposed intensity of use (e.g. no more than 1.2 parking spaces per 1,000 square feet of net site area). The City must be able to confirm that adequate controls are in place through either site design measures or through enforceable permit conditions to ensure that the proposed use or possible future use of the property will not generate traffic levels exceeding those of the base allowable FAR. Low intensity uses are subject to the Traffic Impact Fee discussed below on a per-trip basis.

High Intensity Industrial Uses

It is possible to intensify the use or level of activity on an industrial property without adding building area. Such intensification is indicated when an increase in onsite parking is needed to serve the subject property. Any proposed development that includes a number of parking spaces that exceeds the City's minimum parking requirement for the subject use by more than 5% (e.g. the number of parking spaces exceeds 105% of the amount required by the Zoning Ordinance), shall be considered to be a high intensity industrial use and will require allocation of additional industrial square footage in correlation to the proposed number of additional parking spaces. City staff will evaluate the merits of any proposed intensification of use and parking and determine if such allocation is warranted and consistent with this Policy. Such allocation will be made according to the other provisions established within this Policy, including payment of the Traffic impact fee.

Core Area

This Policy reserves 16 million square feet of the 26.7 million square feet of industrial development capacity for new projects developed within the 600-acre Core Area designated on the City's General Plan Land Use / Transportation Diagram. To facilitate intensification within this area, rather than reserve an equal amount of development capacity (FAR) for every site, any proposed development within the Core Area may be allocated an unrestricted portion of this capacity per the criteria included elsewhere in this Policy. Full build-out of this square footage will result in an overall average 1.2 FAR. The Core Area designation also allows for ground level supporting commercial uses, which are highly encouraged. The Core Area designation includes restricted provisions for residential development within the Core Area. Such residential development should be integrated into a larger industrial development on the same property and preferably be managed or reserved for use by the industrial property owner. The intent of this provision is to allow industrial land owners to include residential uses in support of their on site industrial activities. Residential development within the core should have comparable form and

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density to the residential development allowed within the Overlay areas or be structurally integrated into a larger mixed-use development (e.g. a residential tower may be placed along with office towers on top of a retail podium).

Land Use Policies – Residential Uses

The conversion of industrial land to residential use generally is in conflict with the City's goal of promoting the North San José Policy area as an important employment center for the City. Conversion of industrial land to residential use diminishes the opportunity for new industrial development and can lead to incompatibility issues with regards to land use. The Policy however recognizes that the conversion of some industrial land to residential use within the Policy area is acceptable in order to reduce the impact upon regional traffic conditions caused by additional industrial development. Generally, the conversion of an industrial use to a residential use outside of the Policy area boundaries (any property south or east of Interstate 880 or north of State Route 237) does not provide a significant benefit to regional or North San José area traffic conditions and is not supported by this Policy.

This Policy provides for the development of up to 32,000 new residential dwelling units within the Policy area. The Policy allows for the conversion of 285 acres of existing industrial lands to residential use at minimum densities of either 55 DU/AC (utilizing up to 200 acres) or 90 DU/AC (utilizing up to 85 acres) resulting in a minimum of 18,650 new residential units within the TERO. Additional residential development may occur through development at higher densities within the overlay, area, through mixed-use (residential and industrial) development within the Core Area (up to 6,000 units), or through the development of properties in the Policy area with an existing residential General Plan designation. As new residential development also generates traffic within the Policy area, a fair-share traffic impact fee used to fund necessary traffic improvements will be collected at the time of Building Permit entitlement for all new residential development in the Policy area.

The Policy supports industrial to residential conversions only within the Transit/Employment Residential District Overlay (TERO) areas depicted in Figure 3. Proposed conversions within this area may or may not be appropriate based upon existing conditions at the time of the proposed conversion. Because residential conversions should result in the establishment of safe and cohesive residential neighborhoods, it may not be appropriate to convert a site to residential use in light of existing conditions at the time of the proposal. Proposed conversions should be evaluated through the zoning process for conformance with City policy and according to the following criteria.

Limits on Conversion

1. A maximum of 285 acres of land may be converted to residential use within the areas designated as Transit/Employment Residential Overlay on the City's General Plan Land Use / Transportation Diagram.

2. New residential density must have a minimum net density of 90 DU/AC on at least 85 of those acres. The remainder must have a minimum net density of 55 DU/AC.

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Compatibility with Industrial Uses

3. The site must not contain an existing important vital or 'driving' industrial use.

4. The site must not be located adjacent to an industrial use that would be adversely impacted by the residential conversion.

5. The site must not be located in proximity to an industrial or hazardous use that would create hazardous conditions for the proposed residential development (e.g. an adequate buffer must be provided for new residential uses from existing industrial uses) in order to protect all occupants of the sites, and to enhance preservation of land use compatibility among sites within the Policy area. A risk assessment may be required to address compatibility issues for any proposed industrial to residential conversion.

Services and Amenities

6. New parks, schools, community facilities and other supporting uses should be built within the Transit/Employment Residential District Overlay area to the extent feasible, but location of public facilities on land outside of the overlay area may be allowed to comply with other laws, policies and regulations. Suitable locations for these uses should be identified and included within a project when appropriate.

7. The site should be located within 1,000 feet of an existing neighborhood or community park (at least 3 acres in size). The proposed development should contribute toward the establishment of a new park (at least 3 acres in size) within 1,000 feet of the project site through compliance with the provisions of the City's Parkland Dedication Ordinance or voluntary donation. Staff will determine the most suitable site for a new park within the contiguous overlay area with the intent of identifying a centrally located and accessible park site. In some cases, the most suitable site to provide a centrally located park site or to support a joint school-park use within a particular overlay area may be more than 1,000 feet from some properties within that overlay area. All residential projects are subject to the Parkland Dedication Ordinance (PDO). Land dedication requirements will be consistent with the PDO in addition to the proximity requirement established in this Policy.

8. Master planning to identify sites for parks, schools and other public facilities as necessary must be completed within each of the seven new residential areas prior to any proposed conversion within that area.

Site Design

9. The proposed project must be designed to support transit use and pedestrian activity.

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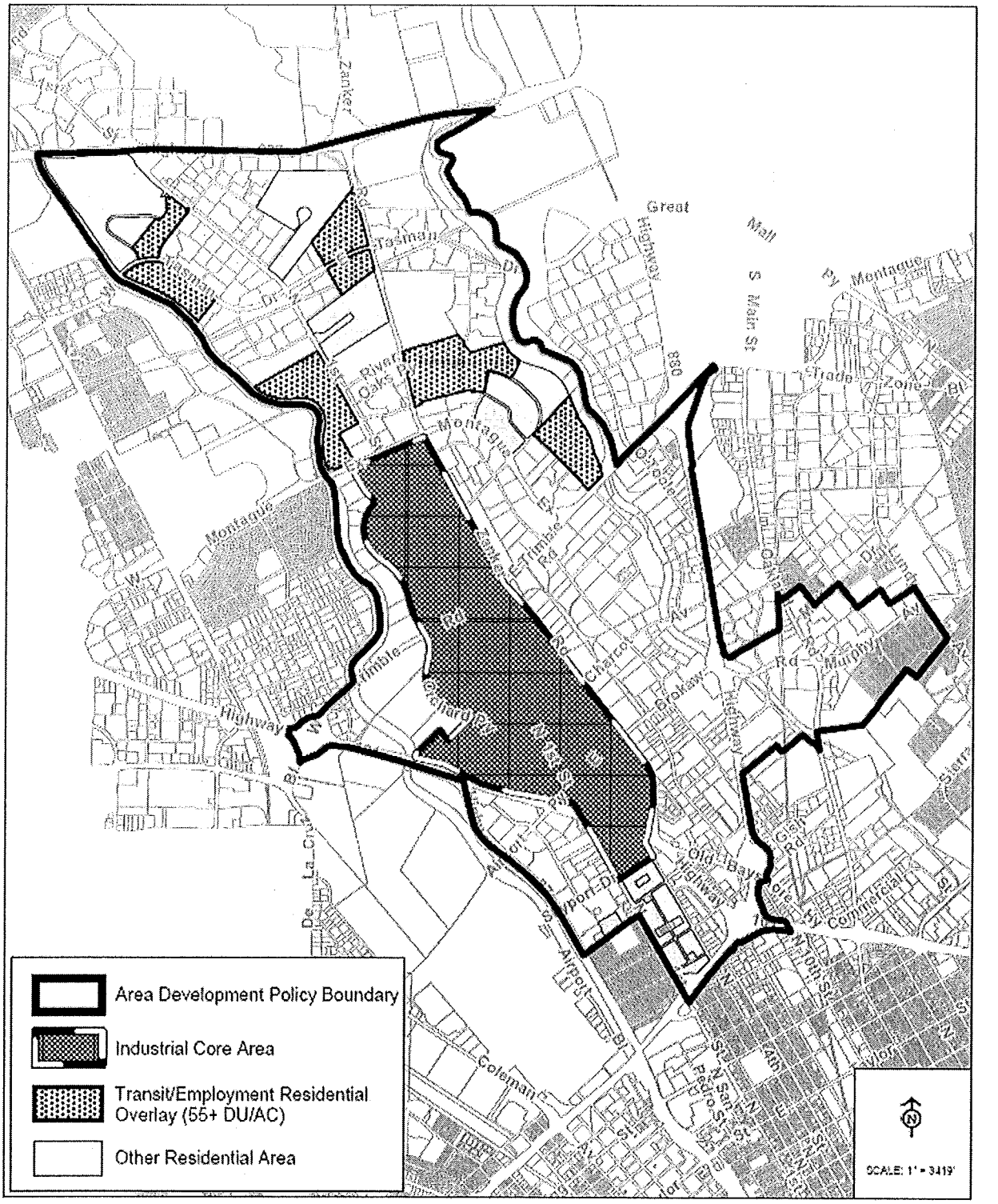
Figure 3 Residential Districts



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Residential Conversions should not occur in advance of the industrial intensification provided for by this Policy. The Phasing section below indicates the minimum amount of new industrial development that should be in place prior to the conversion of industrial land to residential use. In the event that the City receives applications for new residential entitlements that exceed the number of units available per the phasing plan, priority for granting entitlement related to residential development shall be based upon the following criteria listed in order of importance. This Policy gives priority to the project that most fully meets the highest ranking and the greatest number of these criteria.

Criteria for prioritization of proposed residential conversions:

1. The residential project will directly facilitate or enable the construction of a specific, related industrial development.
2. The proposed project includes on-site parklands that meet or exceed parkland dedication requirements and other applicable City standards or regulations.
3. The proposed project will assist in providing for a new school site.
4. The project provides a greater amount of affordable housing units beyond those required by City or Redevelopment Agency policy.
5. The proposed conversion site is located adjacent to existing residential use
6. The proposed project constitutes a vertically mixed-use project incorporating neighborhood serving commercial uses.
7. The proposed project reflects and incorporates strong transit-oriented design elements.
8. The proposed project exceeds the minimum density requirements.

Modification of the Residential Overlay

Modification of the Transit Employment Residential Overlay areas may be considered through either a publicly or privately initiated General Plan Amendment process. Such amendments should be reviewed for consistency with this and other City policies. This Policy limits the total acreage within all Transit Employment Residential Overlay areas which may be developed for residential use such that modifications to the Transit Employment Residential Overlay areas will not result in a net increase in the total amount of acreage that may be converted from employment to residential use within the Policy area.

Residential Services and Amenities

Land will also need to be converted from industrial use for supporting uses including parks, schools and other residential amenities consistent with the City's Parkland Dedication Ordinance (PDO) and Park Impact Ordinance (PIO) and other laws, policies and regulations. It is anticipated that implementation of the City's Parkland Dedication and Park Impact ordinances will result in the need for a significant amount of new parkland in the Policy area. A significant number of new park facilities will be necessary to meet the needs generated by the construction of 32,000 new housing units. The proposed amount of new residential development will also generate the need for new schools and other community facilities. As properties within the Overlay area are rezoned for residential use, suitable park sites and school sites should be

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identified on the subject or adjacent properties, as appropriate, so as to fulfill the Parkland Dedication Ordinance and/or Park Impact Ordinance requirements and other laws, policies and regulations. Planning for a new school site and/or development of other strategies to address the need for expanded school capacity should be completed prior to the addition of 50 elementary, junior high or high school students within the new residential overlay areas.

Evaluation of the need for a new fire station and new community policing center must be completed prior to the commencement of the third phase as outlined in the Policy's phasing program. Funding sources for land acquisition, design, and construction have yet to be determined but will not include the Traffic Impact Fees levied on property developers and owners. Planning for these facilities should begin once the second development phase has commenced. Findings and recommendations will be brought forward for City Council and Redevelopment Agency consideration when these facilities are evaluated and more fully described based on development needs in North San Jose.

New park facilities within the Policy area will need to include several new Neighborhood and Community Parks and other public recreational facilities such as a center park/plaza that acts as a focal point for the employment and residential communities, one or two larger community parks equaling approximately 30 to 40 acres, trails and trail connections, recreational facilities, sports fields and a mixture of passive and active open space areas for both residents and employees. The new Neighborhood Parks should be located on or in proximity to properties within the Transit/Employment Residential District Overlay. Accordingly, the "Floating Park" designation is applied to each of the residential overlay areas. Acquisition of land for park sites, rather than collection of funds, should be given priority in the implementation of the Parkland Dedication Ordinance and/or Park Impact Ordinance. In the implementation of the Policy's later Phases, PDO and PIO fees can be used to implement the other types of open space and recreational facilities, as described in the North San Jose Neighborhoods Master Plan. Land dedication will, at a minimum, be required from any development site 15 acres in size or greater. Land dedicated for public park use or other supporting uses is not counted as part of the 285 acres allowed to convert from industrial to residential use.

Parks should be located within convenient walking distance of all new residential development and should generally not be separated from residential areas by four-lane streets or other significant barriers in order to facilitate pedestrian safety and reasonable access to park facilities for all area residents. Neighborhood Parks should be at least five acres in size, but if the contiguous acreage of a single Residential Overlay area is less than 20 acres, a three-acre park within that area may be acceptable.

This Policy supports the use of innovative strategies to provide park and school facilities, including the development of joint school-park sites. The City will seek opportunities to proactively designate and/or acquire sites for public facilities, including existing Public/Quasi-Public lands within the Policy area. Because of the difficulty of implementing the construction of new parks within flood plain areas, proposed park sites should be avoided unless their ultimate construction can be guaranteed.

Private recreational areas should also be included within new residential development to provide additional recreational opportunities for local residents. Common open spaces within new

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residential development should be programmed with active uses, (e.g. tot-lots, basketball courts, etc.). Private recreational amenities should be linked with public spaces, enhanced streetscape linkages and other open space areas to create a visually connected open space network.

New parklands may also be required within the Core Area. Because the Core Area land uses are primarily industrial, parklands or open spaces within the Core Area should be designed for dual use in support of both industrial and residential development.

The City's goals for providing services and amenities within the Policy area, along with an implementation strategy to achieve those goals, is set forth in the North San Jose Area Development Policy Neighborhoods Plan

Land Use Policies – Commercial Uses

The Policy allows for the development of up to 1.7 million square feet of new "local serving" commercial uses, categorized as smaller retail or service establishments intended support the industrial and residential uses within the policy area. Additionally, the Policy allows the construction of new regional commercial uses, which would consist of "large scale" retail establishments that draw from a regional customer base.

Local Serving Commercial Uses

The Policy provides for the development of up to 1.7 million square feet of new "local serving" commercial uses that support the industrial and residential uses in the Policy area. Such supporting commercial uses, that would potentially reduce vehicle trips (e.g. food service, financial services, gymnasiums, child care), are strongly encouraged within the Policy area and should be included as a part of all new residential development and also for industrial development within the Core Area, as feasible. The Policy does not limit the FAR of such uses and these uses are not subject to the Traffic Impact Fee. The Core Area and residential area General Plan designations support such mixed-use development. Limited opportunities for mixed-use commercial development may also arise in other locations within the Policy area. These "local serving" commercial uses are those below 100,000 square feet in size and are generally limited to retail and services activities that support the industrial and residential uses in the Policy Area, consistent with the General Retail, Food Service and General Service uses, as defined in the City's Zoning Ordinance. Qualifying commercial development can be incorporated as a supporting use into a mixed-use industrial or residential development in which the industrial or residential use is the predominant use on the site.

Regional/Large Scale Retail and Hotels

Though various types of strip commercial/retail developments exist within North San Jose, the North San Jose area is currently under served by regional retail. Surrounding regional retail is located in Milpitas and Sunnyvale at distances that require the use of a vehicle. Similarly, the planned intensification of industrial land uses with North San Jose will create a demand for hotel rooms. Allowing for regional retail and hotel land uses within the North San Jose area will provide for the interaction between retail and hotel land uses with planned residential and industrial land uses and internalize trips within the North San Jose boundaries.

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The Policy provides for the development of regional or "Large Scale" commercial and hotel uses. Such large scale commercial uses potentially draw significant numbers of people from outside of the Policy area, thereby contributing to regional traffic levels, and are thus subject to the Traffic Impact Fee. Regional/Large Scale Commercial Uses are defined as any retail establishment with a single occupant greater than 100,000 square feet. Additionally, the Policy provides capacity for the construction of new hotel rooms within the Policy area. The construction of new hotels or expansion of existing hotels will need to conform to the General Plan.

The development and trip capacity available for regional retail and hotel uses is drawn from the pool of industrial development capacity included in the Policy. This capacity may not exceed one million square feet of regional retail distributed throughout the Policy area, and 1,000 hotel rooms with no more that 250 rooms being developed in any given hotel except those sites designated as preferred hotel sites by the General Plan. As the 285 acres included in the Transit Employment Residential Overlay convert to residential uses, the existing industrial buildings would be demolished. The capacity associated with the demolished development, which is considered in the background of this Policy, will become available for use by other development thereby increasing the capacity beyond the total amount of development provided for in the Policy. To maintain the 26.7 million square feet of industrial development, large format commercial and hotel development will be allowed to occur through the additional trip capacity that is provided for by the entitlement of development projects which include the demolition of industrial capacity and only in the manner provided for and described in the environmental clearances approved for development under the Policy.

4. Traffic Policy and Standards

This Area Development Policy establishes a special area within the City not subject to the City standard Level of Service (LOS) Policy. The Policy instead provides the necessary traffic impact analysis for the development of an additional 26.7 million square feet of industrial use, 1.7 million square feet of supporting "local serving" commercial use, 1 million square feet of regional commercial use, 1,000 hotel rooms and 32,000 residential units within the Policy area. The specific traffic impacts of this amount of new development have been analyzed and described in the traffic analysis and Environmental Impact Report (EIR) prepared for the Policy. The Policy also includes mitigation measures identified for these impacts and establishes a mechanism for the implementation of these mitigation measures. Any new development within the Policy area that falls within the parameters of the Policy should not typically require additional review for traffic impacts except that additional analysis may be necessary to address site operational issues.

In order to be consistent with the traffic analysis included within the EIR prepared for the Policy, new projects must include design features and programs that support multi-modal commute

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choices including provision of bicycle and pedestrian facilities and incorporation of transportation demand management (TDM) Measures.

Traffic Impact Fee

The City will collect a Traffic Impact Fee to be used to fund the mitigation measures needed to meet future traffic conditions resulting from implementation of this Policy as described in the traffic analysis and Environmental Impact Report (EIR) and described in the Infrastructure Improvement section below. (Traffic Impact Fees will be spent on projects that have been identified as mitigation measures for the North San Jose area development.) The City conducted a separate impact fee study to ascertain and confirm the scope of the relationship between the implementation of development under this Policy to the creation of the need for the infrastructure improvements. The traffic study and analysis identified infrastructure improvements with a projected cost of approximately $519 million (in year 2005 cost). Of the total cost, $30 Million is to be funded by the Redevelopment Agency and $29 million is anticipated to be obtained through alternative public funding sources, such as State or regional agencies. The Traffic Impact Fee shall be used to fund the remaining $460 million in improvement costs.

The Traffic Impact Fee will be assessed to all new residential and industrial development within the Policy area and shall be collected at issuance of Building Permits. Traffic Impact Fees will only be levied for new development beyond existing development rights. Only property owners who participate in the redevelopment program and pay the Traffic Impact Fees shall be allowed to exceed their existing development rights. Existing development rights are established through possession of a valid (not expired at the time of approval of the Policy Update, June 21, 2005) Planning Permit, Building Permit, Development Agreement or Vesting Tentative Map. The fee may be paid directly or satisfied through the formation of a Community Facilities District (CFD) or similar mechanism that provides a secured source of funding. At the discretion of the Director of Public Works, a development may receive credit for private construction of the identified mitigation measures, including portions of the supporting street system, equivalent to the payment of the Traffic Impact Fee based upon the projected costs of the mitigation as described in Attachment A.

The Traffic Impact Fee fairly distributes the cost of the necessary infrastructure improvements on a cost per trip generated basis amongst the total development addressed through this Policy (e.g. 26.7 million square feet of industrial development 1 million square feet of regional commercial uses, 1,000 hotel rooms and 32,000 residential units). The Fee initially is set at $10.44 per square foot for all new industrial development, at $6,994 per unit for new single-family residential development and at $5,596 per unit for new multi-family residential development within the Policy area. These fees are adjusted automatically every two years according to the following table to address increases in land acquisition and construction costs for the scheduled roadway and intersection improvements anticipated over time based upon standardized construction cost inflation rates for the region. The fee amounts may need to be further adjusted in the future to reflect actual costs and should be reviewed every five years. The precise Traffic Impact Fee for a project is calculated and collected at the time of issuance of a Building Permit.

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High-intensity industrial development proposals (that include parking in excess of 105% of the City requirement) will need allocation based upon the City's Zoning Code parking ratio for the proposed use (e.g. for industrial park development, 350 square feet of development capacity will need to be allocated to the property for each additional parking space in excess of 105% of the minimum requirement.) Allocations for high intensity uses will be subject to all of the provisions of this Policy, including payment of the Traffic Impact Fee. The Fee amount will be based on the square footage allocation amount corresponding to the proposed number of excess parking spaces.

For industrial projects that include replacement of existing industrial square footage on the same site, the existing amount of square footage is considered to be a part of the pre-Policy condition and is not subject to the Traffic Impact Fee. The total net amount of new construction on the site will be subject to the Traffic Impact Fee. For projects that include conversion of industrial to residential use, a similar credit will be given to the property for the displaced industrial use. Credits for existing use are calculated using Table 1 (below) on a per-trip basis for industrial and residential uses. The Traffic impact fee for low-intensity industrial uses can also be calculated using the per-trip cost in Table 1 below. Fee increases are effective on July 1st of the calendar year indicated. Other uses are neither subject to the Traffic Impact Fee nor can receive credit for the existing use against the fee requirement for a new development project.

Table 1: Traffic Impact Fees (based on 3.3% annual escalation)

Year	Trip Fee per PM Peak Hour Trip	Industrial Fee (per sq. ft.)	Residential Fee Single-family (per unit)	Residential Fee Multi-family (per unit)	Large-scale Commercial Fee (per sq. ft.)	Hotel Fee (per room)
2005	$11,138	$10.44	$6,994	$5,596	N/A	N/A
2007	$11,885	$11.14	$7,463	$5,971	N/A	N/A
2009	$12,683	$11.89	$7,964	$6,372	$16.65	$3,600
2011	$13,533	$12.69	$8,498	$6,800	$17.66	$3,819
2013	$14,441	$13.54	$9,068	$7,256	$18.74	$4,052
2015	$15,410	$14.44	$9,677	$7,742	$19.88	$ 4,299
2017	$16,444	$15.41	$10,326	$8,262	$21.09	$ 4560
2019	$17,547	$16.45	$11,019	$8,816	$22.38	$ 4,838
2021	$18,725	$17.55	$11,758	$9,408	$25.18	$ 5,133
2023	$19,981	$18.73	$12,547	$10,039	$26.72	$ 5,445
2025	$21,321	$19.99	$13,389	$10,712	$28.35	$ 5,777

The North San Jose Area Development Policy (Policy) and the North San Jose Traffic Impact Fee (TIF) Ordinance establish a mechanism for the funding of new transportation improvements in the North San Jose area. The following guidelines provide additional direction for the implementation of the Traffic Impact Fee to specifically address:

1) Additions to existing buildings;
2) New (or additions to) Low intensity uses;
3) Credits for existing development

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4) Large format retail, hotel development and other commercial development.

Additions to Existing Buildings

- Minor additions of less than 5,000 square feet, which qualify to be approved through a Permit Adjustment process, are considered to have minimal traffic impact and will not be subject to the Traffic Impact Fee provided that the cumulative expansion in any 12 month period does not exceed 5,000 square feet. The Traffic Impact Fee will be collected for any project 5,000 square feet or larger in size.

Low Intensity Uses (new or additions)

The Policy allows collection of the TIF for low intensity uses based on the trip generation of the proposed use rather than building square footage provided that adequate controls are in place to ensure the long-term use of the site at the proposed intensity.

- In order to utilize this provision, a project must comply with the following criteria:
  1. Complete a trip generation analysis that is approved by the Department of Public Works and demonstrates that the project will generate trips at a rate less than the rate for "Office, Research and Development" uses.
  2. Conform to an approved Planned Development Zoning or other zoning designation that does not allow more intensive uses on the site than those approved in the trip generation analysis.
  3. Limit the amount of on site parking to no more than 105% of the amount required to accommodate the proposed low intensity use(s) as approved in the trip generation analysis.
  4. Pay the TIF based upon on the highest generator (e.g. most intense use) allowed under the site's zoning.

Credits for Existing Development

- Trip credit for existing buildings may be given per the TIF Ordinance requirements.

- Use of existing buildings may be intensified without being subject to the TIF provided that the amount of on site parking is not expanded.

- The addition of parking to a site will be considered intensification for the net number of new parking spaces.

- If the project includes demolition of existing structures, new construction will receive a credit based upon the allowed intensity (e.g. number of trips) of the demolished structure.

- If a new office development includes demolition of an existing office building, the demolished square footage can be replaced without assessment of the TIF on the same amount of square footage.

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- If a new office development includes demolition of a Low Intensity use building, the new development will receive a credit based upon the most intense reasonable use of the demolished structure determined from the allowable building occupancy, number of parking spaces and zoning controls.

- To receive a trip credit for a new development that includes the conversion of some existing building(s) to a Low Intensity use, the owner must complete a rezoning process and reconfigure the associated parking to limit the overall use(s) of the new and existing buildings.

- TIF Credit for the alternative use of existing buildings will be provided only one time. If a building has been rezoned to or classified as a Low Intensity use, any future credits will be based on the **lower** intensity use only.

- If an industrial building that was rezoned to restrict uses to Low Intensity uses is rezoned to allow more intensive uses, the project must pay the TIF for the intensified industrial uses and will only receive credit for the low intensity use.

- Credit for existing entitlements that have not been constructed is given only if the entitled use is being constructed. For example, an industrial entitlement credit can only be used towards the construction of an industrial building.

Large Format Retail, Hotel and other Commercial Development

Large Format Retail, Hotel and other Commercial Development are commercial uses that have potential traffic impacts within the Policy area and are therefore subject to the TIF. The 1.7 Million square feet of local serving retail uses that may be developed in North San Jose is not subject to the TIF.

- The TIF fee for large format retail, hotels and other trip generating commercial uses is determined on a trip equivalency basis (e.g. the fee corresponds to the fee that would be paid by an industrial project generating the same number of PM peak hour trips). The commercial uses TIF accounts for "internalization" and "pass by" trip credits.

- Development capacity, as needed for commercial projects, will be allocated from the Policy's commercial capacity on a gross square footage basis.

High Intensity Uses (new or additions)

As noted above, any proposed development that includes a number of parking spaces that exceeds the City's minimum parking requirement by more than 5% shall be considered a high intensity use and will, as such, require allocation of industrial square footage from the Policy's industrial development capacity and be subject to the Traffic Impact Fee. Much of the industrial development within the Policy area has historically been classified as either "Research and Development", "Laboratory" or "Light Manufacturing" use pursuant to the Zoning Ordinance. For each of these uses, the Zoning Ordinance requires one parking space per 350 net square feet, consistent with the trip generation rate for these uses. The traffic modeling completed as part of

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the environmental review for the updated Policy identified a higher trip generation rate for new industrial development within the Policy area, reflecting a tendency toward the development of general industrial office uses with a limited amount of Research and Development, Laboratory or Light Manufacturing. This type of development is classified as "Office, Research and Development" in the Zoning Ordinance, which has a higher parking ratio of one space per 300 net square feet. This higher parking ratio is consistent with the higher trip rate identified by the traffic model.

In recognition of this change in the character of industrial development, new industrial development is generally differentiated from existing industrial development in that existing development, unless clearly identified as a different use, is characterized as Research and Development, Laboratory or Light Industrial per the Zoning Ordinance (requires 1 parking space per 350 square feet) and new development is typically characterized as "Office, Research and Development" (requires 1 parking space per 300 square feet) unless clearly identified as a different use.

- The use of a site can be determined to be a High Intensity Use when either parking is added to an existing development or new development is proposed that includes a total amount of parking that exceeds the amount required by the Zoning Ordinance by more than 105% (e.g., the site includes a significant amount of parking above and beyond the amount required to be consistent with the Zoning Ordinance.)

- For new industrial development, the required amount of parking is one space per 300 square feet of new construction, unless the allowed uses are constrained to Low Intensity Use or are identified as having a higher parking requirement in the Zoning Ordinance (e.g. Business and Administrative Office). In the latter case, the project trip analysis and assessed Traffic Impact Fee will be based upon the number of trips the use will generate.

- For the addition of parking to an already developed site, the baseline required amount of parking for the existing building area (Baseline) will be the greater of the existing number of parking spaces on site or one parking space per 350 existing net square feet of general use industrial (e.g. Research and Development, Laboratory or Light Manufacturing) building area. The Traffic Impact Fee will be assessed for the addition of any parking spaces in excess of 105% of the required amount (Baseline).

- Projects that voluntarily (e.g., not by City requirement) include the addition of parking in excess of 105% of the required amount (Baseline) will be assessed the Traffic Impact Fee at a rate of 300 square feet for each parking space in excess of 105%.

The standard "Industrial Fee" indicated in the Policy is for general industrial office, which can include Research and Development, Laboratory and Light Manufacturing as well as Research and Development Office uses. Note that Low Intensity Uses should have a zoning ordinance or equally binding restriction upon all uses on the site to preclude future intensification and payment of the TIF at the time of any intensification.

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Near-Term Industrial Development Incentive Program

To provide an incentive for near-term economic development, the Policy supports a limited City program to subsidize the costs of the Traffic Impact Fee for qualifying industrial projects as follows:

- To be eligible for the incentive program ("Incentive"), the industrial development project must:
  1. begin construction between February 1, 2012 and June 31, 2014;
  2. obtain a certificate of occupancy achieve building occupancy within an expedited timeframe specified in a Development Agreement as described below;
  3. be at least 200,000 square feet in size; and
  4. enter into a Development Agreement under Chapter 18.02 of Title 18 of the San Jose Municipal Code, subject to approval by the City Council.
- In exchange for construction, completion and occupancy of eligible industrial development projects, the amount of the traffic impact fee paid by the developer would be reduced to not less than $5 per square foot and would be due at a time specified in the Development Agreement.
- The City, through grants or its own resources, will fund the amount of traffic impact fees attributable to the qualifying development in excess of the amount (i.e., $5 per square foot) paid by the developer to ensure that the necessary transportation improvements associated with Phase 1 of the Policy are constructed. The additional amount to be funded by the City due to the Incentive will increase by 3.3% annually (compounded every two years) until paid. The City will make the payment no later than the time at which the development targets (i.e., industrial, residential, commercial) in the Policy to move to Phase 2 have been met.
- The Incentive may be made available for up to 1 million square feet of new development that would otherwise be subject to payment of the Traffic Impact Fee.

Transportation Demand Management (TDM) Measures

All new development within the North San José area is required to incorporate (TDM) elements into facility design in order to promote the use of multi-modal transportation options. These TDM Measures are an integral part of the Policy and must be incorporated into new development projects to the maximum extent feasible. This continues what has long been the City's standard practice for the North San José area, and is consistent with the implementation requirements of the North San José Deficiency Plan. In some cases specific additional requirements are also set forth in the City's Zoning Ordinance.

Transportation Demand Management Site Design Actions

Generally new employment-generating development within North San José should include the following site design measures, taking project scale and location into consideration:

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- Incorporate physical improvements, such as sidewalk improvements, landscaping and bicycle parking that act as incentives for pedestrian and bicycle modes of travel.
- Provide secure and conveniently located bicycle parking and storage for employees and visitors;
- Provide bicycle and pedestrian connections from the site to the regional bikeway/pedestrian trail system.
- Place assigned car pool and van pool parking spaces at the most desirable on-site locations;
- Provide showers and lockers for employees walking or bicycling to work.
- Incorporate commercial services onsite or in close proximity (e.g. day-care, dry-cleaners, fitness centers, financial services, grocery stores and/or restaurants).

Residential developments should appropriately implement similar measures to minimize traffic impacts. Possible measures, depending upon the location and scope of the particular residential development, could include elements such as the following:

- Construct transit amenities such as bus turnouts/bus bulbs, benches, shelters, etc.
- Provide direct, safe, attractive pedestrian access from project land uses to transit stops and adjacent development.
- Provide bicycle lanes, sidewalks and/or paths, connecting project residences to adjacent schools, parks, the nearest transit stop and nearby commercial areas.
- Provide secure and conveniently placed bicycle parking and storage facilities at parks and other facilities.
- Provide neighborhood-serving shops and services within or adjacent to residential project.
- Provide a satellite telecommute center within or near the development.
- Incorporate commercial services onsite or in close proximity (e.g. day-care, dry-cleaners, fitness centers, financial services, grocery stores and/or restaurant).

Transportation Demand Management Programs

New employment-generating development is required to develop and implement a Transportation Demand Management program that includes, where feasible, the following elements:

- Provide an on-site TDM coordinator;
- Provide transit information kiosks;
- Make transportation available during the day and guaranteed ride home programs for emergency use by employees who commute on alternate transportation. (This service may be provided by access to company vehicles for private errands during the workday and/or combined with contractual or pre-paid use of taxicabs, shuttles, or other privately provided transportation.);
- Provide vans for van pools;
- Implementation of a carpool/vanpool program (e.g., carpool ride matching for employees, assistance with vanpool formation, provision of vanpool vehicles, and car sharing);
- Provide shuttle access to regional rail stations (e.g. Caltrain, ACE, BART);

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- Provide or contract for on-site or nearby child care services;
- Offer transit use incentive programs to employees, such as on site distribution of passes and/or subsidized transit passes for a local transit system (e.g. providing VTA EcoPass system or equivalent broad spectrum transit passes to all on-site employees);
- Implementation of parking cash out program for employees (non-driving employees receive transportation allowance equivalent to the value of subsidized parking);
- Encourage use of telecommuting and flexible work schedules;
- Require that deliveries on-site take place during non-peak travel periods.

Residential developments will be required to implement similar measures to minimize traffic impacts. Possible measures include:

- Provide transit information kiosks;
- Provide shuttle access to regional rail stations (e.g. Caltrain, ACE, BART);
- Provide or contract for on-site or nearby child care services;
- Offer transit use incentive programs to residents, such as distribution of passes and/or subsidized transit passes for a local transit system (e.g. providing VTA EcoPass system or equivalent broad spectrum transit passes to all residents).

5. Infrastructure Improvements

North San José is an established urban area that has long been planned for industrial park uses. The new development provided for through this Policy will more fully utilize new and existing infrastructure systems, resulting in a lesser need for new infrastructure in the near and long term than would result from a more sprawling form of growth. The proposed changes in land use and land use intensity will, however, also require some modifications in the planned and built infrastructure, especially in the transportation system. Additional infrastructure that will be provided specifically through the implementation of this Policy will include the intersection and roadway improvements and other utility improvements listed below. Generally these infrastructure improvements will be funded through a Traffic Impact Fee collected at the issuance of Building permits or through the formation of a Community Financing District (CFD) or similar mechanism that provides a secured source of funding.

Improvements will also be necessary to other types of infrastructure, including water supply, storm drain and sanitary sewer systems. In some cases these improvements will be made through on-site extensions of utilities or other services constructed as part of individual development projects. Other improvements will exceed the scope of an individual development project and will require a financing strategy, possibly similar to the Traffic Impact Fee. Because the proposed densification will require capacity enhancements to the trunk and distribution networks for utilities such as sanitary sewers and storm drains, a financing plan will likely need to be developed to equitably pay for these improvements. Financing strategies could include increased impact fees for North San Jose, assessment districts, or reimbursement agreements.

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These improvements will need to be funded from separate sources and are not addressed through the Traffic Impact Fee established with this Policy. All development projects within North San José are also subject to other existing development taxes and fees that support Citywide transportation improvements (e.g. the Building and Structure and Construction Excise fees) and infrastructure improvements.

Transportation Improvements

This Policy establishes a mechanism for the construction of transportation improvements necessary to mitigate the traffic impacts associated with the amount of new development also provided for through the Policy. These improvements, listed below, are described in more detail in the Attachment A, the North San José Deficiency Plan.

For any General Plan roadway improvements, including construction of interchanges, developers are required to dedicate the appropriate right-of-way consistent with the development review and entitlement process implemented Citywide. Any such required dedication and/or construction does not provide any transportation impact fee credits towards the requirements established within this Policy.

Major Roadway Projects

The major roadway projects included within the Policy generally serve as gateways and/or major arterials to and within North San José and serve the North San José area as a whole. Each one of these improvements is tied to a specific phase of the development per the phasing plan described below. Each improvement must be built, under construction, or funded and within one year from beginning of construction before the next phase of development can begin. The major roadway projects and their phases are:

- Montague Expressway Widening (Phase 1)
- US 101/Trimble Road Interchange (Phase 1)
- Montague Expressway/Trimble Road Connection (Phase 1)
- Charcot Avenue Extension (Phase 2)
- Zanker Road Widening (Phase 2)
- North First Street & SR 237 Interchange (Phase 3)
- McCarthy Boulevard & Montague Expressway Interchange (Phase 3)
- Zanker Road/Skyport Drive Connection (Phase 4)
- US 101/Mabury Road Interchange (Phase 4)

Transit/Bicycle/Pedestrian Enhancements

In addition to addressing vehicular roadway issues, the City has worked with the VTA to identify specific transit enhancements, that along with continuing implementation of the City's bicycle network and the improvement of pedestrian facilities, are intended to support alternative modes of transportation within the Policy area. These specific improvements are further described in Attachment A, Transportation Improvement Phasing Plan and Attachment B, the North San José Deficiency Plan. These improvements are distributed throughout all four phases of development.

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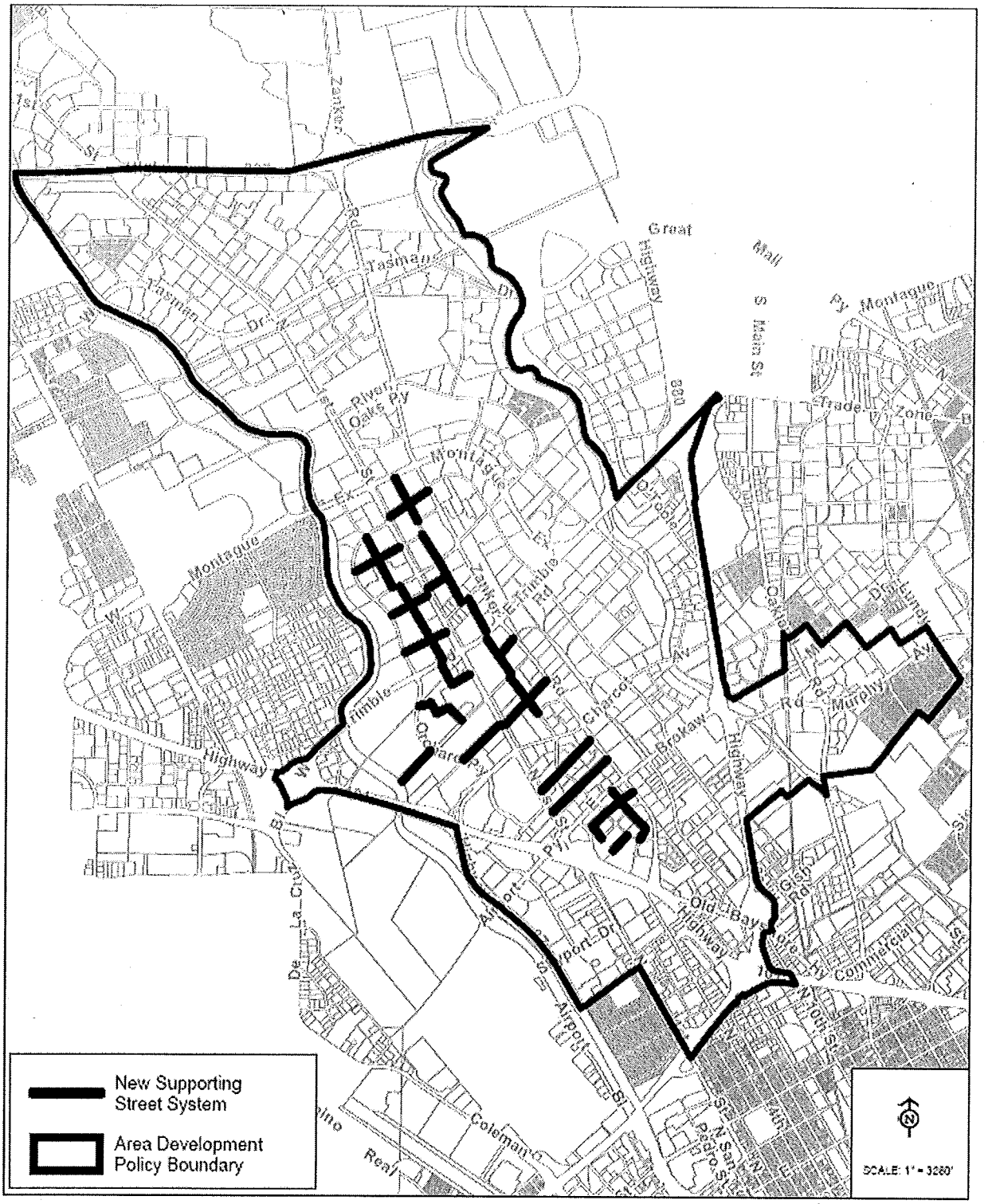
Figure 4 Supporting Street System (Grid Streets)



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Supporting Street System (Grid Streets)

The Policy provides a mechanism to develop the supporting street infrastructure system necessary to accommodate the movement of people and goods throughout the Core Area. A refined system of streets will provide improved vehicle, pedestrian and bicycle circulation, on-street parking opportunities, suitable frontages for supporting commercial services and access to internal building service and parking areas, visual articulation of the streetscape and establish a more urban form of land use. This will include extensions of existing streets, completion of missing segments, and construction of completely new streets. These streets also provide a benefit to traffic conditions throughout the Policy area as documented in the Policy impact fee study. Figure 4 shows the conceptual layout of the new street plan for the Core Area. The streets depicted represent the minimum necessary to implement the North San Jose policy. Additional new streets within other industrial areas can be beneficial and should be considered when opportunities arise. The location of new Grid Streets within residential areas is depicted within the North San Jose Neighborhoods Plan. The location of these streets may be refined as specific sites develop. As provided for in the North San Jose Urban Design Guidelines, in some cases a paseo may take the place of a planned grid street.

Implementation of the new grid street system in the Core Area requires dedication of street right-of-way from the property owners. Such dedication will be required of property owners at the time of redevelopment of the affected properties and prior to any subdivision within the Core Area. Construction costs for the new streets are included within the improvements funded through the Traffic Impact Fee. The land cost for the grid streets is not part of the transportation improvement budget. A project that incorporates construction of one these streets may be credited the value as described in Attachment A, the Transportation Improvement Phasing Plan.

Implementation Guidelines

- New Grid Streets planned to serve the intensification of industrial uses are included in the Transportation Improvements set forth in the Policy and illustrated in Figure 4.

- Construction of these streets is funded through the Traffic Impact Fee (TIF). Projects which construct a Grid Street as part of the project can receive credit for the project TIF equivalent to the projected cost of the construction of the Grid Street.

- Land dedication for the new Grid Streets will be necessary in most cases and is considered a standard requirement for proposed development. Land dedication costs are not part of the TIF and projects cannot receive credit for them.

- Land dedication and construction of new streets within residential areas is considered a part of the development project and is not funded by the TIF. Consequently, residential projects cannot receive credit for the construction of a new grid street outside of the Core Area.

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- Cross sections for the new Grid Streets are set forth in the North San Jose Urban Design Guidelines. The planned width for the Grid Streets is 60 feet with 10 foot sidewalk on each side.

- The first development project adjacent to a grid street will be required to dedicate and construct a functional two-lane 40 foot half street if the new grid street will connect to another public street for traffic circulation. If the new street will not yet connect to a public street, the development (generally for smaller parcels) will be required to dedicate 40' for the grid street right-of-way. The subsequent development across from this parcel will dedicate and construct the remaining 20 feet of the street. Unique situations will be evaluated on a case-by-case basis.

- In situations where privately initiated development will result in dedication and/or construction of most, but not all of one of the planned grid streets, the City may take action to complete the full build-out of the street as planned. The City may seek reimbursement or grant credit for construction of grid streets in advance of actual development.

Local Intersection Improvements

Improvements will be made to increase capacity at 33 local intersections, either within the Policy area or in surrounding areas. Some of the intersection improvements will be incorporated into the Major Roadway Improvements listed above. Local intersection improvements are distributed through all four phases of development. Additional information on the intersection improvements is included in Attachment A, the Transportation Improvement Phasing Plan and in Attachment B, the North San José Deficiency Plan.

The addition of public streets and limited addition of private streets within the residential Overlay areas will be necessary to support new residential development. The location of these streets is not specifically designated in this Policy. The need for new streets and their precise location will be analyzed as part of any proposed rezoning to convert an industrial use to a residential use. If it is determined that a new street is needed as part of or adjacent to a proposed residential development, then that new street should be dedicated through the entitlement process for the residential project and constructed as a part of the residential project. In addition to providing for vehicle circulation, new streets should be used to create a positive interface or buffer between residential and industrial development or between new residential developments. Streets should also be constructed in anticipation of future development of adjacent properties that would allow for the continuation of the street.

Utilities and Other Infrastructure

In addition to roadway improvement, some improvement to utilities and infrastructure will be necessary in order to serve the level of development allowed through this Policy. These include improvements to the water supply, storm drainage and sanitary sewer systems. This infrastructure will be constructed through a variety of mechanisms, including localized

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improvements made through the private development review process, construction of new facilities by private utility providers and possible capital improvement projects undertaken by the City of San José. The capacity of these systems will need to be reviewed and improvements made as necessary as development occurs. Expansion of the City's recycled water pipeline is also an important goal of the Policy and opportunities for expansion of the pipeline should be implemented as they are identified, including through the construction of the new grid street system. The City should continue to require that new development include dual plumbing to allow use of recycled water for landscaping and for industrial processes as appropriate.

6. Implementation

The following procedures provide guidance and clarity for the ongoing implementation of the Policy vision and goals. As noted above, this Policy provides for the development of 26.7 million square feet of industrial development, 1 Million square feet of regional commercial development, 1,000 new hotel rooms, 1.7 million square feet of neighborhood serving commercial development and 32,000 residential units. The supporting commercial development is not subject to any particular restrictions and new development projects may draw upon this capacity as needed. Industrial and residential development projects may be allocated a portion of this development capacity according to the following provisions and phasing plan.

Phasing

The development anticipated under this Policy is planned to occur over the next ten or more years. The Policy does not require that the infrastructure improvements be completed substantially in advance of the development, but it would be imprudent to allow substantial deterioration in roadway operations before constructing planned infrastructure improvements. Because of the traffic link within North San José among industrial development, residential development and the construction of new infrastructure, it is necessary that the construction of these three elements proceed concurrently. Providing commercial support services is also important to reduce the need for travel to such services. For this reason, the Policy includes a phasing plan that limits how much industrial or residential development may occur in advance of the construction of supporting infrastructure improvements and commercial development.

North San José is primarily an industrial area, a center of employment whose ongoing vitality is critical to the City's economic health, and from which generated local revenues are essential to maintaining the City's service levels. While residential development is proposed to support the new job growth, it would be contrary to the City's planning goals and objectives to encourage or facilitate a substantial conversion of industrial land to residential uses too far in advance of the new job growth due to the resulting service costs, implications and impacts. The proposed Area Development Policy therefore limits the number of dwelling units that can be developed too far in advance of new industrial development. At the other end of the spectrum, development of too much industrial square footage without associated residential development would quickly

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overload the roadway system, and limit the internalization of commute trips and utilization of other transportation modes. The Area Development Policy also limits the amount of industrial development that could occur without some residential development occurring in the area in order to facilitate appropriate and workable balances in the development occurring under the Policy.

The result of these parameters is a range of residential units that can be developed in parallel with the phased industrial development. The impacts analysis contained in the EIR underlying the Policy evaluates the impacts that would occur as a "worst case," as a result of the phasing plan. The range of assumed dwelling units for each phase, as summarized below in Table 2, would limit the extent of the impacts, and assure the City that the planned-for balance is maintained in North San José.

The total amount of new industrial and residential development capacity is divided into four phases, with 25 percent of the total amount of development in each category of land use assumed for each phase. The proposed transportation improvements are also divided into four phases based upon their cost and relative benefit. Each phase has a minimum and a maximum amount of residential units which may receive Planning permit entitlements as part of the phase. In order for the Phase 2, 3 or 4 capacity to become available, the specified minimum amount of industrial, commercial and residential development must have received entitlement. A minimum amount of supporting commercial development is also required in each phase to ensure that supporting commercial services are provided as the area develops. New hotel construction does not count toward these minimum amounts. This equates to the following amount of development capacity for each phase linked together as follows:

Table 2: Phasing Plan

Phase	**Planning Permit Entitlement for new Industrial Development (Maximum Sq. Ft.)**	**Planning Permit Entitlement for new Commercial Development (Minimum Sq. Ft.)**	**Infrastructure Improvements**	**Planning Permit Entitlement Capacity for New Residential Units**			
				Min.	**Max. Market Rate**	**Affordable (BMR) Reservation**	**Max. Total Units** MR & BMR)
1	Up to 7 million	100,000	Group 1 Improvements	0	6,400	1,600	8,000
2	Up to 14 million	200,000	Group 2 Improvements	4,000	12,800	3,200	16,000
3	Up to 21 million	300,000	Group 3 Improvements	8,000	19,200	4,800	24,000
4	Up to 26.7 million		Group 4 Improvements	16,000	25,600	6,400	32,000

Phase 1 Up to a maximum of 8,000 dwelling units can potentially be built during Phase 1. At least 4,000 dwelling units and 100,000 square feet of commercial space must be built or under construction before construction

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of industrial floor area in excess of 7 million square feet, or the beginning of Phase 2, can begin.

Phase 2	Up to a maximum of 16,000 dwelling units (up to 12,800 market rate units and up to 3,200 affordable units) can be built through the end of Phase 2. At least 8,000 dwelling units and 200,000 square feet of commercial space must be built or under construction before construction of industrial floor area in excess of 14 million square feet, or the beginning of Phase 3, can begin. Evaluation of the need for a new fire station and new community policing center must also be completed prior to the commencement of Phase 3.
Phase 3	Up to a maximum of 24,000 dwelling units (up to 19,200 market rate units and up to 4,800 affordable units) can be built through the end of Phase 3. At least 12,000 dwelling units must and 300,000 square feet of commercial space be built or under construction before construction of industrial floor area in excess of 21 million square feet, or the beginning of Phase 4, can begin.
Phase 4	Up to a maximum of 32,000 dwelling units (up to 25,600 market rate units and up to 6,400 affordable units) can be built through the end of Phase 4. Construction of industrial floor area will not exceed 26.7 million square feet at the end of Phase 4.

The Policy does not establish a timeline for these phases. The amount of development and its timing will be determined by the economy, markets, and the decisions made by private sector property owners and developers. Construction of 85% of the infrastructure improvements for each phase must be reasonably assured to the satisfaction of the Director of Public Works and all of the improvements from any proceeding phase must be constructed before the industrial or residential development of the next phase may be issued Building Permits. Similarly, the entire industrial development of one phase and the minimum residential development of one phase must also have Building Permits issued before entitlements begin for the next phase.

Industrial square footage redistributed as a result of residential conversions is considered to be a part of the base development amount and is not subject to phasing requirements. In effect, any displaced industrial development (e.g. demolished as part of a new residential project) is added to the capacity of the current phase and immediately available for allocation to a new project.

As noted in the table above, a particular group of transportation improvements is linked to each phase of development. The specific infrastructure improvements for Group 1, Group 2, Group 3 and Group 4 are listed in Attachment A, the North San José Deficiency Plan. The phasing of the improvements was determined based on both the need for the improvements and the patterns identified in area level of service calculations.

The phase at which the major improvements would be needed was determined based on the extent to which each would serve the North San José area as a whole. Generally, the major improvements serve as gateways and/or major arterials to and within North San José, and can be

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evaluated as more or less useful for each of the development phases. The following major improvements will be built in conjunction with the phase indicated. This means that the improvement must be built, under construction, or funded and within less than one year of beginning construction before the next phase of development can begin.

The need for specific intersection improvements during each phase of development was determined based on level of service calculations (documented in the EIR for the Policy). Each impacted intersection was evaluated to determine during which phase the project traffic would cause the intersection to be significantly impacted. Minor exceptions were made for intersections for which proposed improvements are minor, and which can readily be completed with the first phase. The timing for intersection improvements must be concurrent with the development of the phase. Development allowed under the subsequent phase cannot, therefore, be approved until all intersection improvements of the current phase are within one year of completion.

Allocation of Industrial Square Footage or Residential Units

Residential or Industrial development capacity is considered to be reserved for a particular site upon issuance of a Site Development Permit or Planned Development Permit through the Planning Department, or a legally binding mechanism such as a Development Agreement or Vesting Tentative Map. (In order to further the City's economic development policies, the City may enter into Development Agreements with corporate users that include allocations that last for the term of the Development Agreement based upon a demonstration that the project will provide extraordinary benefit to the City.) Development capacity is not reserved for a property through adoption of a zoning or rezoning action. Reserved capacity cannot be allocated to another property. Site Development Permits and Planned Development Permits will have a two-year duration before expiration, but may include provisions for renewal. The Planning Director shall consider extension of development permits through his existing discretion granted by Title 20 of the San Jose Municipal Code. Actual allocation of development capacity will be granted to a site upon issuance of Building Permits, at which time the Traffic Impact Fee is collected to fund the corresponding transportation improvements. The two-year time limit for Planning permits is necessary in order to prevent speculative entitlements that divert development capacity away from projects ready to develop in the near-term. Once the City has collected the Traffic Impact Fee at issuance of Building Permits, the amount of development equivalent to the fee is allocated to the subject property and cannot be allocated to another property unless otherwise expressly permitted by City Council through the approval of a Development Agreement providing reservation for more than 2 million square feet of industrial development.

The North San Jose Area Development Policy attempts to prevent speculative entitlements that divert development capacity away from projects ready to develop in the near-term. Under certain circumstances development projects may stall significantly resulting in the cessation of reservation issued under the subsequent phase. To ensure that the goals of the Policy may be achieved without significant impediment, the Director of Planning, where applicable, may make a determination that a ready project may receive reservation and subsequent allocation under the current phase by moving the deferred development to the subsequent phase. This determination may only be made where:

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- The development proposed for deferral has made no substantive progress in obtaining all permits necessary for development since approval of a development permit,
- A development proposed for advancement can demonstrate project readiness within a predetermined timeframe, and
- Entitlement of the development proposed for advancement will, in combination with other existing entitlements, fully satisfy the minimum requirements to allow commencement of the next phase, thereby also maintaining the amount of development capacity needed to allow the deferred project to proceed.

As noted above, it is possible that multiple residential development projects could end up in competition with each other for the remaining residential unit allocation available within a Phase of the Policy. The Policy provides eight criteria which staff will use to evaluate which project should receive the remaining allocation available. These criteria are listed in order of importance. As discussed in the section on Affordable Housing, in order to conform to the City's policies for affordable housing, a portion of the units available in each Phase will be reserved for the development of affordable housing units.

Reservation of residential units occurs at issuance of a Planning Permit. It is possible for properties to be zoned for residential use even if there is not capacity available for those units.

The following guidelines provide additional explanation as to how this process will be administered.

Development Capacity Allocation Guidelines

- When a Planning Permit (Planned Development Permit or Site Development Permit) application is received for a development project, Planning staff will inform the applicant of the number of units or development capacity is available within the current Phase as part of the Department's response to that application and provide an assessment as to how the project conforms to the eight criteria in the Policy for residential projects as well as to other Policy goals and consistency with the North San Jose Urban Design Guidelines.

- When a Planning Permit application for a residential project is fully complete and ready to be scheduled for hearing, the Planning Director will evaluate it in comparison to other projects (Planning Permit and Development Agreement applications) on file at that time and make a determination as a part of consideration of the Planning Permit as to whether or not the project should receive allocation from the units available in the current Phase based upon application of the Policy.

- Only projects with a Planning Permit application or Development Agreement application on file will be eligible to be considered in this evaluation. Projects with a preliminary review, rezoning or other application, but without a Planning Permit or Development Agreement application will not be considered as a part of the current Phase of residential unit allocations under the Policy.

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- Zonings for residential projects on sites with the Transit Employment Residential Overlay should also allow fully for the continuation and potential expansion of uses consistent with the site's underlying General Plan designation.

- Permanent "allocation" of residential unit capacity occurs upon issuance of a Building Permit, at which time the Traffic Impact Fee is collected. Units are temporarily "reserved" for a project through issuance of a Planning Permit and may not be allocated to a different project unless the Planning Permit is no longer in effect (e.g. expires or is replaced by another Permit). If the Planning Permit expires, the units are no longer reserved for the project and may be reserved and allocated to another project.

- The maximum number of residential units which can be reserved within each Phase is stated in Table 2 above. The Phasing Plan allows for a reservation of up to 8,000 units in Phase 1, including 1,600 affordable units. If some of the projects are not implemented in a timely manner, they will lose their reservation upon expiration of the pertaining Planning permit. Reallocation of units will be considered according to the allocation criteria included in the most recent amended version of this Policy.

- The Planning Director has the authority to issue extensions to the duration of a Planning Permit, but will not consider extensions for residential projects within the North San Jose Policy area unless the project has an associated active Building Permit application under review with the City.

Affordable Housing

The North San Jose Policy area is subject to all applicable affordable housing policies established by the City of San Jose Redevelopment Agency and/or the City of San Jose. Because the North San Jose Policy area generally has the same boundaries as the Rincon de Los Esteros Redevelopment Area, 20% of new residential units are expected to be affordable per the City's established inclusionary housing policy (Inclusionary Policy). For the most part, the provision of affordable housing within North San Jose will be determined through other City policies and regulations, but given some of the unique constraints placed upon new residential development within the Policy area, this Policy includes additional guidance specific to North San Jose that is necessary in order to implement the City's goals for affordable housing.

Affordable Housing Implementation Guidelines

- Based on the Phase requirement for new residential development, as set forth in the Policy, affordable housing units should be provided as part of the development of each Phase. To meet City goals for Redevelopment Areas, a minimum of 20% of all new residential units within the Policy area should be designated as affordable (e.g. below market rate) at levels specified by City ordinance and State Redevelopment law.

- 20% of the units available in each Phase should be developed as affordable housing units. Within each Phase of development, capacity is provided for 1,600 new affordable units, equivalent to 20% of the total capacity available. Within each of these phases, the City

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may issue Planning Development Permits, in accordance with the Phasing Plan and other provisions of the Policy, for up to a maximum of 6,400 units of market rate housing. Once this number of market rate units is reached, the remaining units available within the Phase will be reserved for affordable housing projects.

- Per the City's Guidelines for implementation of the Inclusionary Housing Policy it is preferable that affordable housing units be dispersed geographically and also integrated within market rate projects to the extent possible. To that end, market rate projects that incorporate affordable units are strongly encouraged within North San Jose In the event that multiple market rate projects are competing for the final allocation of market rate units available within a Phase of development, projects that designate at least 20% of their units as affordable should be granted priority as per the criteria included in the section, Land Use Policies – Residential Uses.

Allocation of Industrial Development Capacity

Of the 26.7 million square feet of new industrial development capacity provided through this Policy, 16 million square feet may be allocated only to properties located within the Core Area in order to be consistent the Policy goals of concentrating development along the transit corridor and to be consistent with the traffic analysis prepared for the Policy. The remaining 10.7 million square feet, and any additional square footage made available through the demolition of existing structures, may be allocated to any property within any part of the Policy area except within the designated San Jose International Airport Safety Zone.

It is possible to intensify the use of a site without adding new building area. Any proposed development that includes a number of parking spaces that exceeds the City's minimum parking requirement for the subject use by more than 5% (e.g. the number of parking spaces exceeds 105% of the amount required by the Zoning Ordinance), shall be considered to be a high intensity industrial use and will require allocation of additional industrial square footage in correlation to the proposed number of parking spaces. The amount of allocation required for high-intensity industrial development proposals (that include parking in excess of 105% of the City requirement) is based upon the City's parking ratio for the proposed use (e.g. for industrial park development, 350 square feet of development capacity will need to be allocated to the property for each additional parking space in excess of 105% of the minimum requirement.) Allocations for high intensity uses will be subject to all of the provisions within this Policy, including payment of the Traffic Impact Fee.

Upon issuance of Building Permits for a new residential development within the Policy Area, the displaced industrial development capacity (equal to the greater of the existing industrial square footage on site or the amount allowed under the FAR Cap for that property) can be reallocated to any other industrial property in the Policy Area provided that the existing industrial buildings have been demolished. Any other displaced industrial entitlement (e.g. square footage included within a Permit that expires or Development Agreement that expires or is terminated) is also available for redistribution to any property within the Policy area.

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Allocation Criteria

Core Area properties should be given the highest priority for receiving allocation of industrial development capacity with secondary preference given to properties located within 2000 feet of a light rail station but outside of the Core Area. Preference for allocation will also be given to projects making use of allowable reductions in parking

All projects receiving allocation beyond the base levels should be consistent with the Design Criteria set forth below.

The Policy supports allocation for properties within the Core Area to foster intensification within the portion of North San José with the highest degree of accessibility to transit, regional roadways system, the Airport and the Downtown. Any development or redevelopment of properties within the Core Area, including those that receive allocation, should conform to the Core Area Design Criteria below.

Properties located outside of the Core Area may generally be granted allocation up to an FAR of 0.4. In order to receive additional allocation, projects should incorporate exceptional and/or innovative architectural design treatment, transit-oriented site design elements and programs to encourage alternative modes of transportation, including transportation demand management measures. Allocation may be granted to allow intensification within existing buildings for projects that make use of innovative interior site planning designed to concentrate employees in proximity to transit and include on-site amenities designed to reduce the need for workday trips.

Design Criteria and Principles

In general, new development within the Policy area should conform to the North San Jose Urban Design Guidelines and as applicable to the Residential, Commercial or Industrial Design Guidelines of the City of San José. Consistent with the Vision and Purpose of this Policy, additional design criteria are included to promote the development of a high-end corporate center within the Core Area and to promote the use of alternative modes of transportation in the Policy area. These criteria are intended to:

- Enhance and reinforce property values and property utility
- Showcase creativity
- Provide for levels of pedestrian and vehicle circulation consistent with increased density
- Promote vibrant, well-designed, pedestrian and bicycle friendly areas
- Establish consistent building orientation
- Provide flexibility
- Accommodate security needs
- Foster long-term sustainability and encourage green building principles

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Core Area Design Criteria

The North First Street corridor is the premium location for technology industrial headquarters development in the Silicon Valley. The design criteria set forth in the Policy are intended through public and private cooperation to establish an exciting and unique place symbolic of a leading role in the development and marketing of new technology. The following criteria are intended to address any new development or redevelopment occurring within the Core Area

- Site planning should be compatible with the establishment of new mid-block streets as illustrated in Figure 4. These streets perform a necessary role by providing local vehicle capacity and enhancing pedestrian traffic capacity. They also provide an opportunity for access into the interior areas of a site and should be used for the primary access to parking, services and loading operations. Placement of new driveways should be coordinated with adjacent sites.
- For sites adjacent to North First Street, new buildings should be oriented to the North First Street corridor. Parking structures should not be placed along North First Street. Concentrating buildings along the North First Street frontage will also facilitate the movement of water through the area during flood events.
- New development should meet a minimum density (FAR) consistent with the vision of establishing a high-profile corporate center within the Core Area.
- Use of surface parking lots should be minimized and any large surface parking lots should be placed behind buildings. Small amounts of visitor parking may be appropriate at the front of a site, but their visual impact should be minimized to the maximum extent feasible.
- New development should provide a high level of pedestrian environment amenities, including landscaped pedestrian connections between public streets and building entries, and where feasible enhanced pedestrian areas adjacent to the public sidewalk and attractive outdoor gathering area.
- Architectural treatment should make use of sustainable, high quality and innovative construction materials and techniques.

Multi-modal Transportation Design Criteria

The North San José Area Development Policy provides for continued development in North San José through the construction of new roadway improvements and the ongoing utilization of mass transit and other alternative transportation modes. New development within the Policy area should to the maximum extent feasible be designed and constructed in a manner so as to promote the use of transit, pedestrian and bicycle activity by incorporating elements such as the following:

- New buildings should be located and oriented on the site to promote access to transit facilities. Active use areas and building entrances should be oriented toward the nearest primary street.
- Establishing pedestrian connections to the nearest transit station should be given priority in the site design.

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- Projects should incorporate new or additional improvements for pedestrian accessibility (e.g. new street-side entrances, pedestrian sidewalk connection oriented toward the nearest transit facility).
- All new development within the vicinity of light rail stations (e.g. within 2,000 feet) should in particular provide vibrant, well-designed, pedestrian and bicycle friendly areas onsite.
- Projects should include clear, safe and comfortable connections to transit and services from the site and building entries. These include pedestrian pathways, landscaping, canopy trees and pedestrian scale lighting.
- Projects should include adequately sized bicycle facilities.
- Projects should incorporate commercial services onsite or in close proximity or include space suitable for future conversion for commercial use.

Sustainable Building Criteria

Sustainable development practices and use of "green" building techniques are critical to the long-term success of the North San José area. North San José should be a showcase of sustainable building practices, consistent with the area's role as a technology leader.

- New industrial and residential development should incorporate site design and green building architectural design treatments that reduce energy use, promote water conservation and otherwise reduce impacts environmental impacts. Participation in City resource conservation programs is strongly encouraged.
- New development should utilize recycled water to the extent feasible, particularly to irrigate landscape areas. Landscaping materials with low irrigation needs should be used in areas without access to recycled water.

Modifications

Modification to this Policy, including any proposed changes to the Phasing Plan, will require an amendment to this Policy and corresponding environmental review. The environmental impacts associated with specific amounts of development and transportation improvements have been analyzed and disclosed for the specific phases described above. Modification to these phases could alter their environmental impacts and so requires additional analysis.

Zoning and Permit Process

Implementation of this Policy occurs through the rezoning and development permit processes. New development may occur either through a Planned Development zoning and permit process or through a site development permit process consistent with the City's zoning ordinance.

Record Keeping

City Planning staff maintains records of the base FAR amounts for each property in the Policy area, the amount of development capacity available in the current phase and other supporting data sets. This information is publicly available upon request.

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