

THE REDEVELOPMENT AGENCY OF THE CITY OF SAN JOSE

MEMORANDUM

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| TO: COMMUNITY & ECONOMIC DEVELOPMENT COMMITTEE | FROM: JOHN WEIS DEPUTY EXECUTIVE DIRECTOR |
| SUBJECT: SEE BELOW | DATE: NOVEMBER 8, 2007 |

SUBJECT: DOWNTOWN HIGH-RISE UPDATE

The past decade has seen the resurgence of downtowns in many of North America's large cities. The predominant factor in this resurgence has been high-rise housing development and the creation of residential populations in the central cores of these cities.

Interest in high-rise residential development in downtown San Jose has been mounting for about five years. The local interest has been tempered by the high cost of land and construction, coupled with the City's Inclusionary Housing Policy and the difficulty in obtaining financing because San Jose has been an untested market. In response to these impediments, in August 2004 the City Council and Redevelopment Agency Board adopted a temporary high-rise incentive program for the Downtown Core, east of Highway 87, exempting from the City's Inclusionary Housing Policy projects that met specific criteria.

Prior to its expiration in mid-2006, three projects with a total of 667 units qualified for the program and began construction; City Heights, Axis and 360 Residences. City Heights has been completed and the other two are under construction. A fourth residential high-rise, Tower 88, is also under construction in a Redevelopment Project Area that is exempt from inclusionary requirements, bringing the total high-rise unit count to 864.

To offset the impact of the program on affordable housing production, the City Council and Agency Board required that the tax increment generated by exempted projects in the first two years after construction completion be allocated to affordable housing production efforts. It is estimated that up to \$8 million in tax increment would be generated among the three projects.

In June 2007, to build on the success of the incentive program and continue to spur high-rise residential development in the downtown, the City Council and Agency Board approved a new high-rise incentive program as part of larger changes to the City's Inclusionary Housing Policy. Under the revised Inclusionary Housing Policy, all projects now have the option of either paying an in-lieu fee in addition to the option of providing the inclusionary units. To continue encouraging high-rise development in the Downtown Core east of Highway 87, the in-lieu fee is established at 50% of non-high rise fees along with a lower not to exceed limit of \$65,000 per affordable unit. Under this incentive program eligible high-rise projects are defined as a project with at least 10 residential floors.

In February 2007, the Council also adopted a reduced in-lieu park fee in the Parkland Dedication and Park Impact ordinances for high-rise residential units located in the Downtown Core east of Highway 87. For the first 2,500 high-rise units in the incentive area, the park in-lieu fees, like those for inclusionary housing, are set at 50% of the fees in effect at the time of the payment. Projects subject to this reduced fee are not eligible to receive credits for private recreational improvements and payment of the in-lieu fee may be deferred under a parkland agreement to the scheduling of the final inspection for the first certificate of occupancy. Under this incentive program eligible high-rise projects are defined as projects with at least 12 stories.

The current incentive program related to inclusionary housing is to be reviewed by the City Council and Agency Board after 2,500 high-rise units have received either a foundation permit or a building permit in the incentive area. To date, as shown on the attached tables, 864 high-rise units are counted towards the 2,500 unit target. The accompanying table shows that an additional 3,744 residential units are in various stages of planning and the entitlement process in 12 proposed high-rise towers.

In June 2008, the Inclusionary Housing Policy in-lieu fees will be reviewed by Agency and Housing staffs for possible change recommendations to the City Council and Agency Board. At that time, staff will provide an update on the status of high-rise development in downtown San Jose.


JOHN WEIS
Deputy Executive Director

Attachments:

Downtown High-rise update

High Rise Under Construction or Recently Completed (Greater Downtown)

| Project Name | Developer | Location | Units | # of Floors +/- | Completion | Status 11/1/07 |
|------------------|-------------------------|---|-------|-----------------|--------------|--|
| City Heights | Barry Swenson Builders | N. San Pedro and Julian | 124 | 16 | May-07 | Project completed Sales on-going with 45 units sold or reserved |
| 360 Residences | Mesa Development | South First Street N. of San Salvador | 213 | 23 | 2nd qtr 2009 | Foundation work underway. Sales activity well underway. Sales contracts being executed |
| Tower 88 Phase I | CIM Group & WMS | 2nd and San Fernando | 197 | 23 | 2nd qtr 2008 | Structural work near completion. Sale activity to start in early 2008 |
| Axis | Almaden Towers Ventures | Behind the De Anza Hotel on Carlyle St. | 330 | 22 | 2nd qtr 2008 | Structural work completed, (Building "topped off" in Sept.) Interest List forming |

Total Units: 864

Bolded project's units (667 units) fell under the first inclusionary housing high rise incentive program. All 864 units count towards the new 2,500 unit target.

High Rise In Planning Stage (Greater Downtown)

| Project Name | Developer | Location | Units | # of Floors +/- | Est'd. Completion | Planning Stage |
|------------------------------------|---|---|-------|---|-------------------|--|
| City Front Square | Urban West Associates and Preservation Partners | Block 8 next to the Montgomery Hotel | 400 | 20 stories, in two towers | First Phase 2011 | Applied for Site Development permit; DDA with Agency |
| North San Pedro Site | Barry Swenson Builders | North of Julian and West of N. San Pedro | 450 | 12 stories, in three towers each ~150 units | First Towers 2010 | Prelim Review with Planning. DDA approved in June 07 |
| Park View Towers | Barry Swenson Builders | St. James and 2nd St. | 191 | Two towers, 18 floors and 12 floors | 2010 | Applied for Site Development or PD permit; DDA with Agency |
| Tower 88 Phase II | CIM Group & WMS | Just north of the Rep. Theater | 209 | 23 | 2010 | Thru Planning; DDA with Agency |
| Park Ave. | Avanti | 220 Almaden Blvd. SEC of Park & Almaden | 240 | 24 | TBD | Prelim review under way (PRE07-277) |
| The Carlyle (aka Livingston Tower) | Barry Swenson Builders | Notre Dame and Carlyle (Rosicrucian Press Site) | 262 | 18 | TBD | Prelim review underway |
| Marshall Square | Northpoint Development | 88 N. 1st Street | 414 | mid 20's | TBD | Conceptual Design Phase |
| Renzel Property | Northpoint Development | 300 S 2nd Street (SEC of 2nd & San Carlos) | 598 | mid 20's | TBD | Conceptual Design Phase |
| Fifth and Santa Clara | Northpoint Development | Across the Street from New City Hall | 384 | Low 20's | TBD | Prelim review under way |
| Fourth and St. John | Barry Swenson Builders | Next to the City Hall parking garage | 105 | Low 20's | TBD | Prelim review under way |
| Gateway Tower | Core | Just north of where Market St and S. First Street | 182 | mid 20's | TBD | Prelim review under way |
| One South Market | KT Properties | SWC of Market and Santa Clara | 309 | Low 20's | TBD | Prelim review under way |

Total Units: 3,744
Grand Total: 4,608 (Completed, Under Construction, In planning Stage)