



# Memorandum

**TO: DRIVING STRONG ECONOMY  
COMMITTEE**

**FROM:** Stephen M. Haase

**SUBJECT:** STATUS REPORT ON  
EMPLOYMENT LANDS

**DATE:** August 13, 2004

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Approved

Date

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## RECOMMENDATION

Accept status report on employment lands.

## BACKGROUND

This memorandum provides a status report of employment lands, particularly related to their conversion to other uses. It includes an update on: (1) current employment and office leasing trends; (2) the cumulative changes in the City's employment land base due to recent General Plan amendment approvals; and (3) pending General Plan amendments for industrial conversions. As highlighted by the Mayor and Council's recent addition of a jobs/housing balance performance measurement, this memorandum also addresses the status of the City's housing capacity.

## ANALYSIS

### Current Employment and Office Leasing Trends

The San Francisco Bay Area's business confidence index has fallen from the prior quarter signaling pessimism about the local economy. On a positive note, Santa Clara County has experienced four consecutive months of job growth for the first time in three years. Additionally, local office vacancy rates have dipped suggesting a flattening of the economy. San Jose's vacancy rates are lower than the northern portion of Silicon Valley. For example, North San Jose has an 11.5 % office vacancy rate compared to Mountain View's 24.8%. R&D vacancy rates remain approximately 20% for San Jose as well as other cities in Santa Clara County. (Data provided by BT Commercial, First Quarter 2004).

### Industrial Land Changes Approved Since 2003

Since 2003, approximately 243 acres of industrial land have been converted through General Plan amendments to non-industrial uses. (A detailed map and table will be provided to Committee members at the meeting.) In December 2003, the San Jose City Council adopted an

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*Economic Development Strategy (Strategy)* prepared by the City's Office of Economic Development. The *Strategy* provides an overall strategic vision for San Jose by identifying and analyzing structural changes and by determining how to position San Jose to capture economic activity and generate economic growth.

The *Strategy* identifies strategic initiatives for the City to implement in order to strengthen its economic future and acknowledges the importance of land use policies and decisions as they relate to the economy. The *Strategy* identified three primary classifications of employment in San Jose: Driving Industries, Business-Support and People-Serving.

Driving Industries in San Jose serve customers nationally and globally, and include sectors with specialized expertise and strong concentrations of employment relative to the national average. These sectors tend to have relatively high rates of productivity and pay above-average wages. Although Driving Industries constitute only one-third of the City's employment base, one job in the Driving Industries supports the creation of two or more jobs in the Business-Support and People-Serving Industries.

Business-Support Industries are an important source of mid-tier jobs in areas such as transportation/distribution, industrial supplier/manufacturing, and financial services. For San Jose to remain competitive, the City must have an available supply of land for both Driving Industries and Support Industries.

In April 2004, the City Council supplemented the recommendations of the *Strategy* by approving the *Framework, as a Guideline, for Evaluating Proposed Conversions of Employment Lands to Other Uses (Framework)*. The *Framework* was motivated by the General Plan changes of employment lands and, in response to these changes, established criteria for considering future industrial conversions of the limited supply of remaining industrial land.

Since Council approved the *Framework*, four privately initiated General Plan amendments affecting a total of approximately 52 acres were approved by Council in April and June. Three of these four amendments, comprising approximately 43 acres, were approved for conversion from industrial to residential uses. A fourth amendment approved the addition of the Mixed Industrial Overlay to a 9-acre site designated Industrial Park.

#### Remaining Employment Land

San Jose's Urban Service Area (USA) encompasses approximately 88,630 acres. As of July 15, 2004, the remaining industrial land within the USA totaled approximately 10,902 acres. This area equals approximately 12 percent of the land area within the City's USA.

#### Housing Capacity

A total capacity of approximately 1,200 dwelling units has been added to the General Plan with the approval of these four amendments. As a result, the approved holding capacity as of June 15, 2004, is approximately 42,000 dwelling units. However, potentially more than 1,000 Driving-

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Industrial and Business-Support jobs have been lost as a result of the privately initiated General Plan amendments approved by Council between April and June 2004.

### Pending General Plan Amendment Requests for Employment Land Conversions

A total of 25 amendments affecting approximately 785 acres are in various stages of review. The following is a description of those amendments:

- Nine amendments, comprising approximately 74 acres, are included in the Housing Opportunities Phase III. The staff identified these sites as having the potential to provide transit-oriented residential or mixed-use development. As the analysis progresses, staff may not recommend all of these sites for housing.
- Private applicants have proposed sixteen other sites for conversion to residential uses, affecting approximately 711 acres.

One of these private amendments is for the Hitachi property in South San Jose, proposing conversion from Industrial Park on 332 acres to the *Mixed Use with No Underlying Land Use* designation to facilitate consolidation of the Hitachi operations and redevelopment to allow approximately 3,400 dwelling units, 3.6 million square feet of industrial uses, and 460,000 square feet of commercial uses. Based on Hitachi's intent to intensify development on the remaining industrial campus, Hitachi would maintain an existing base of approximately 3,000 jobs. In other words, the campus would intensify and retain jobs, enabling the potential surplus of about half of the site to other uses.

It should be noted that the above totals do not include 330 acres of Campus Industrial under consideration for potential conversion as part of the Evergreen Smart Growth Strategy planning effort.

### **COORDINATION**

The preparation of this memorandum was coordinated with the Office of Economic Development, the Redevelopment Agency, and the City Attorney's Office.

STEPHEN M. HAASE, DIRECTOR  
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