



Memorandum

TO: DRIVING A STRONG ECONOMY
COMMITTEE

FROM: Stephen M. Haase

SUBJECT: STATUS OF INDUSTRIAL LANDS

DATE: October 13, 2005

Approved:

Date:

Council Districts and SNI Areas: Citywide

RECOMMENDATION

Planning staff recommends that the Driving a Strong Economy Committee make the following recommendations to the City Council:

1. Accept the status report on the City's industrial lands.
2. Adopt the proposed modifications to the *Framework, as a Guideline, to Evaluate Proposed Conversions of Employment Lands to Other Uses*.
3. Adopt an ordinance to streamline Chapters 20.50, the Industrial Zoning Districts Chapter, and Chapter 20.90, the Parking and Loading Chapter of the Zoning Code.

BACKGROUND

On April 6, 2004, the City Council approved the *Framework, as a Guideline, to Evaluate Proposed Conversions of Employment Lands to Other Uses* (hereafter *Framework*) (see Attachment 1). The City Council directed that an evaluation of the *Framework* should occur during the General Plan Amendment Hearings in summer 2005. As part of the evaluation, staff is also providing a status on the City's industrial lands and proposing modifications to strengthen the *Framework*.

In addition, as part of implementing the Economic Development Strategy, the City Council requested further Zoning Code streamlining actions to facilitate and accelerate the absorption of vacant industrial buildings. An approach to streamline the Zoning code and proposals was presented to the Driving a Strong Economy Committee in April 2005. The committee directed staff to prepare proposed ordinance revision for consideration by the full Council. This report describes the proposed changes to the Industrial Zoning Districts and Parking regulations to stimulate private development in support of the Economic Development Strategy.

ANALYSIS

1. Status of Industrial Lands

Vacancy (Availability) Rates: Vacancy rates continue to fall in Silicon Valley and in San Jose, according to the second quarter 2005 market report published by Colliers International. The overall Silicon Valley inventory of available space has shrunk from 61 M square feet to 58 M square feet, and the overall availability rate has fallen from 19.5% to 18.5%. This is the most significant reduction of available space since the second quarter in 2000. Some key highlights include:

- **R&D:** Rents are 13% higher than a year ago. Gross absorption was strong, and up slightly for the second consecutive quarter. San Jose's availability rate came down from 25.1% to 23.1%.
- **Office:** Gross absorption is also very strong in this market segment. San Jose, Santa Clara and Sunnyvale all posted more than 100,000 square feet of net positive absorption.
- **Industrial:** The trend is the same with industrial space, with gross absorption showing the highest level of activity since the fourth quarter of 2003. The availability rate dropped below 10% for the first time since the third quarter of 2001. Rental rates are rising. Starting rents are at 71 cents, up from 67 cents the previous quarter.
- **Warehouse:** Activity has been robust for the 8th consecutive quarter. Gross absorption is the highest it has been since the second quarter in 2000. San Jose leads the other cities in the valley with over 610,000 square feet of activity.

All areas of San Jose have experienced reduced vacancy rates from previous quarters as well as increased rents/lease rates. City staff receive inquiries from large companies that are looking for prime existing and vacant space, particularly in areas with incentives and favorable land use and economic development policies. Attachment 2 contains specific information of vacancy rates for different market segments in various locations in San Jose.

Forecast Growth: ABAG Projections forecast strong population and employment growth to the year 2030. Despite the economic downturn, San Jose is anticipated to add 240,000 jobs and 355,000 residents over the next 25 years (2005-2030). The County is expected to add 440,000 more jobs and 520,000 new residents during this period.

In June 2005, the City Council took proactive steps to prepare for the addition of new jobs and residents by approving several significant policy actions including a modification to the City's Transportation Impact Policy, Downtown Strategy Plan Update, North San Jose Development Policy Update, and Hitachi mixed use General Plan amendment. Together, these actions added the potential for over 113,000 jobs and 45,000 housing units.

Recent General Plan Land Use Changes: Since the adoption of the *Framework* in April 2004, over 600 acres of industrial lands have been converted (see table below). The staff-supported North San Jose Policy Update, Downtown Strategy Plan, and Hitachi General Plan amendments account for 70% of these conversions. The staff reports for these three individual policy initiatives utilized the *Framework* and found that the land use changes were consistent with the direction contained in the *Framework* for these subareas. For example, the North San Jose Update and Hitachi amendments involved the intensification of employment uses on reduced acreages and the introduction of residential and supportive retail and other uses to these subareas.

Summary of General Plan Changes from April 2004 through June 2005					
Industrial Acreage Converted to Residential	Industrial Acreage Converted to Public Park Independent of Conversion to Residential Uses	Industrial Acreage Converted to Commercial	Industrial Conversion to Industrial of lesser intensity	All Other Industrial Conversions to Other Uses	Total Industrial Acreage Converted
527	21	28	21	10	607
Note: These data include the updated North San Jose amendments (285 acres), the Hitachi amendments (126 acres), and Downtown Strategy amendments (14 acres).					

Summary of Changes to Industrial Land Use Designations from April 2004 through June 2005			
Light Industrial Acreage Converted	Heavy Industrial Acreage Converted	All Other Industrial Acreage Converted	Total Industrial Acreage Converted
37	22	548	607

While the conversions from Light and Heavy Industry are not large numbers in themselves, the conversions were in locations that appear to be attracting homebuilders to pursue additional conversions on nearby lands (e.g., Rock Avenue). Given the continuing strength of residential land values, this market pressure is expected to continue for the foreseeable future.

The high residential land values have also led to conversion proposals on sites with existing industrial tenants (e.g., Automation Parkway), demonstrating the market forces at work. Originally the conversion issue focused on the health of the City's long term economic base, however, now even the current economic base is threatened by residential uses.

In addition, as residential uses establish in these areas, the new residents are likely to complain about their industrial neighbors, putting additional pressure on the remaining industrial areas. It was with this consideration in mind that City staff decided to withdraw four of the proposed Housing Opportunities Study Phase III (HOS III) General Plan amendments (File Nos. GP03-03-13, GP03-06-03, GP03-06-04, and GP03-06-06) involving the conversion of industrial land to residential uses in the Midtown area.

General Plan Amendment Application Withdrawals: Since the *Framework* has been approved, several major General Plan amendments proposing industrial conversions have been withdrawn. In addition to the staff withdrawals mentioned above, several privately initiated amendments were withdrawn in Council District 4. These totaled approximately 128 acres. One of these amendments was the Cisco Systems/KB Homes proposal in Alviso.

Pending General Plan Amendments: Currently, there are amendments on file to convert almost 400 acres of industrial land. 80% of those acres are being considered as part of the Evergreen*East Hills Vision Strategy (formerly the Evergreen Visioning Project). The *Framework* acknowledges that conversions could be considered as a result of this community-based process.

Current Land Use Inventory: Accounting for the General Plan land use changes noted above, the City's land use inventory within the Urban Service Area as of July 2005 is described in the table below:

Land Use	Acreage	Percent
Residential	42,500	48
Creeks, roads, other rights-of-way	22,000	25
Industrial	11,000	12.5
Commercial	4,000	4.5
Schools	4,000	4.5
Parks	4,000	4.5
Other	1,000	1
TOTAL	88,500	100

The Commercial category includes the Downtown, which is planned for a mix of work place, retail, and residential uses.

Within the industrial category, the major land use designations are:

- 4,150 acres of Industrial Park
- 1,750 acres of Campus Industrial (including 1,400 acres in North Coyote and 300 acres in Evergreen)
- 1,400 acres of Heavy Industrial
- 1,100 acres of Light Industrial
- 550 acres of North San Jose "Industrial Core Area"

Given this limited inventory, San Jose needs to protect its diverse employment land base to provide for the expansion and recruitment of companies of all sizes and industries. In this way, employers should be able to provide future jobs for all income levels. No other city in the valley has the product or land variety of San Jose. The City must retain, nurture, and promote its employment land availability and choices because this is San Jose's unique competitive advantage in the region.

Other Initiatives to Foster Economic Development: Planning staff is exploring three initiatives to clarify policies and regulations in coordination with the Office of Economic Development, Redevelopment Agency and the development community. These include:

- **Industrial/Commercial Condominiums:** Create clear procedures in Title 19 for the establishment of industrial and commercial condominiums, which would allow businesses to purchase their own space.
- **Light and Heavy Industrial Land Protection:** Initiate a General Plan text amendment to discourage the addition of the Mixed Industrial Overlay to lands designated Light or Heavy Industrial in order to retain the limited supply of this land for businesses that are not typically compatible with residential living or assembly activities (e.g., gymnasiums, schools, etc.).
- **Economic Incentives:** Determine if there are any additional financial incentives to encourage businesses to locate in San Jose.

2. Proposed Changes to the Framework

Given the success of the *Framework* to plan proactively for future job and housing growth in key locations such as North San Jose, it is timely to consider minor modifications to the *Framework* to clarify the appropriate uses within the subareas and suggest an annual assessment of industrial lands. Specific modifications are provided in Attachment 3 and include:

- Clarify the specific portions of subareas that could be considered for conversions (e.g., BART station areas, Agnews site, etc.).
- Clarify the circumstances under which conversions could be considered.
- Expand conversion uses east of I-880 to include retail and other Household-Serving Industries, creating opportunities for large format retail consistent with the Economic Development Strategy.
- Discourage conversions in subareas that should be preserved for Driving and Business Support Industries except in certain circumstances.
- Add two more questions to assess the economic contribution of an area.
- Request an annual evaluation of the *Framework*.

3. Streamline Development Regulations in the Industrial Zoning Districts and Parking Sections of Title 20, the Zoning Code

The proposed ordinance changes are intended to streamline the industrial chapter of the Zoning Code, and to further refine parking and loading standards, to continue to encourage the re-use of existing buildings.

Outdoor Uses: Under the current zoning ordinance, outdoor uses are prohibited in the IP Industrial Park District, require a Conditional Use Permit (CUP) in the LI Light Industrial Zoning District, and are permitted by right in the HI Heavy Industrial district. The proposed ordinance change would modify the Code to permit outdoor uses in the LI Light Industrial district with a Special Use Permit (SUP), which would streamline the permitting process, and still allow staff to include appropriate conditions and provide for appeals to the Planning Commission.

Construction/Corporation Yards: Construction and corporation yards require a CUP in both the LI and HI Industrial zoning districts. Construction and corporation yards are not permitted in the IP Industrial Park district. Staff believes that the level of review provided through the SUP process would be appropriate for permitting of these construction and corporation yard uses, particularly for those sites located within industrial or commercial areas. Staff would continue to review development proposals in light of the City's industrial design guidelines, and the Planning Commission would hear any appeals.

Uses Without a Fully Enclosed Building: Similarly, the Zoning Code specifies that any use without a fully enclosed building on the site requires a CUP in the LI Light Industrial and HI Heavy Industrial zoning districts. The proposed ordinance change would streamline the permitting process by changing the requirement to an SUP in either the LI Light Industrial or HI Heavy Industrial District.

Commercial Support Uses in the IP Industrial Park District: Under the current Zoning Ordinance, the IP Industrial Park Zoning District allows the following specified set of commercial uses: retail, indoor recreation, personal service establishment, public eating establishment, financial institution, medical clinic and incidental amusement games, but only in the context of Commercial Support for the surrounding industrial area.

The definition of Commercial Support requires that the uses must serve the immediate area, be located only entirely within buildings occupied with primarily IP Industrial Park uses, and that the sum of the commercial floor area can be only 5% of the floor area of a building, or 10,000 square feet, whichever is less. City staff have been receiving feedback that the marketability of the industrial park areas would be enhanced by the provision of more proximate commercial support uses, allowing industrial/R&D employees more options for dining, recreation and some personal services (such as dry cleaners, copy and postal services) during their lunch hour, and before and after work. Staff believes that increasing the allowable area of Commercial Support to 10% of floor area within a building (or no more than 20,000 square feet, whichever is less) would allow more flexibility in terms of leasing existing buildings, and would better position already-built areas to be more attractive as the market improves.

Retail Uses in the Heavy and Light Industrial Districts: Currently, retail uses are not allowed in the Heavy and Light Industrial Zoning Districts. To help warehousing and wholesale businesses that are considering a retail component, staff is proposing to allow up to 5% of a building to have retail sales. The retail activity would be ancillary to the primary industrial use.

Post-secondary Schools: The current definition of “School, Post-secondary” is: “...an institution of higher learning where one is required to complete education earning a high school diploma, or equivalent, prior to admittance and is on the path to earning a college degree. This includes colleges, universities, as well as junior colleges, either public or private in nature.”

This existing definition does not correspond well with the existing range of programs that many post-secondary schools offer, which often also include non-degree certificate programs. Certificate programs are separately enumerated as “Private Instruction” in the Zoning Code. In the IP Industrial Park zoning district, post-secondary schools are allowed with a Conditional Use Permit, while Private Instruction is prohibited. To more closely align the definition of “School, Post-secondary” with the full range of programs that many institutions offer, staff is proposing to modify the definition to include certificate programs leading to a profession. Staff is also proposing to change the definition of Private Instruction to not include such certificate programs, and to be more narrowly focused on instruction for personal enrichment.

Proposed Parking Changes: Staff is experiencing challenges in permitting new uses in some existing industrial buildings in terms of the parking required by the Zoning Code for the new uses. Many of the older existing buildings in the IP zoning district were built with parking ratios as required in the no longer existing I –Industrial District, whereas commercial support uses and some industrial office uses may typically require more parking under the Code. Without available parking to meet the Code requirements, some of these projects cannot be approved. Staff believes that parking ratios for commercial support activities should be relaxed, given that these uses would serve employees from the surrounding area, and Commercial Support uses would in effect function like a shared parking arrangement. Staff is proposing that Commercial Support uses be required to provide one parking space per 350 square feet of floor area, identical to the requirement for Industrial Uses.

For industrial areas with the Mixed Industrial Overlay General Plan designation, the City Council has previously determined that some non-industrial uses can be found to be appropriate, such as indoor sports facilities (e.g., gymnastics, batting cages, ball courts), and are often well-suited as tenants of some existing industrial buildings. However, staff is often challenged to permit such uses within the Zoning Code’s existing parking requirements. The parking ratio for these recreational uses has been based ordinarily on health club-type uses, where floor space can be densely packed with people at peak hours. Staff is proposing to separately enumerate batting cages and like uses to reflect the difference in the intensity of use. Staff believes the Code should be modified to provide for flexibility for parking ratios for uses that demonstrate floor space use layouts requiring large surrounding areas (e.g., indoor soccer, roller hockey, gymnastics equipment, batting cages). Staff is proposing to include Indoor Recreation in the list of uses whose parking requirements can be reduced with a development permit (Code Section 20.90.220).

Staff is also proposing to change the threshold for changes in structure or use. Code Section 20.90.210 allows for changes to buildings constructed prior to 1965 (when the many of San Jose’s parking requirements were instituted), provided that the proposed change will not increase

the parking demand by more than 15%. Staff has found that this threshold is too restrictive to allow a wide range of new tenants to occupy existing buildings. For instance, an Industrial office cannot occupy a tenant space previously used and parked for typical industrial uses, because the parking requirement for office (one space per 250 square feet of floor area) is 40% higher than the parking requirement for industrial uses (one space per 350 square feet). Staff is therefore proposing raising the threshold to 40% to allow for such tenant changes, and to allow for minor expansions to existing buildings. This change is primarily aimed at commercial buildings in Neighborhood Business Districts (NBDs), which for the most part predate 1965, but would also assist on allowing a wider range of tenants for industrial parcels in older parts of the city, which are generally smaller and harder to re-use. This proposed provision could be particularly beneficial for the smallest of the industrial and commercial companies in San Jose for whom a modest expansion can help them grow their business, but their small site may be unable to provide the handful of additional parking spaces required.

OUTCOMES

DSE is being asked to consider:

- A status report on the City's industrial lands
- Proposed modifications to strengthen the *Framework*, and
- Zoning Code amendments to facilitate the absorption of vacant industrial buildings.

If DSE moves the proposed recommendations forward, then the Council would consider these proposals to facilitate economic development in San Jose.

The outcome of these actions would be to facilitate and accelerate the absorption of vacant industrial buildings and stimulate private development in support of the Economic Development Strategy, resulting in increased tax revenues for the City.

PUBLIC OUTREACH

The *Framework* and all related documents have been posted on the Planning Divisions' web page since April 2004. Once publicly available, this staff report and its attachments will also be posted to the website. Notifications with a link to the staff report will also be sent to neighborhood residents that subscribe to the City's early notification service and to members of the Developer's Roundtable. Staff is available to answer questions and obtain input from the public during normal business hours.

In terms of the proposed Zoning Code changes, a public hearing notice was sent to the San Jose Post Record for publishing on October 7, 2005. This notice included the Planning Commission and City Council hearing dates (October 26 and November 8, respectively) for the proposed ordinance revision. As standard practice, staff posted the draft ordinance as well as the hearing dates on the Department's website. The proposal was also brought before the Driving a Strong Economy Committee on April 25, 2005, and before the Developers' Roundtable in April, July,

and August of this year. Development community reaction to the proposed zoning changes has been generally favorable.

COORDINATION

This memorandum has been coordinated with the City Attorney's Office, the Redevelopment Agency, and the Office of Economic Development.

CEQA

Proposed changes to the *Framework* are considered not a project for CEQA purposes.

The proposed Zoning Code changes were found exempt from CEQA per Section 15305 (PP05-191). The proposed changes represent minor changes to land use limitations that will not, in and of themselves, have a significant effect on the environment. Any site-specific environmental impacts that result from these changes will be analyzed as a part of the development permit process for the particular site.

STEPHEN M. HAASE, DIRECTOR
Planning, Building and Code Enforcement

Attachments:

1. *Framework* approved by Council on April 6, 2004, includes map of Employment Subareas
2. San Jose Vacancy Rate Information
3. Proposed Modifications to the *Framework*

Framework, as a Guideline, to Evaluate Proposed Conversions of Employment Lands to Other Uses

Approved by the Mayor and City Council on April 6, 2004

Purpose

The Framework should be used as a guideline to evaluate proposed conversions of employment lands to other uses. The intent of the Framework is to create more certainty and predictability in the review of employment land conversion proposals while retaining flexibility to respond to changing conditions, information, and policy considerations.

Framework Elements

1. Subareas to promote or facilitate conversion to housing, retail, mixed use, or other Household-Serving Industries.

- *Agnews site in North San Jose 2 Subarea:* If this site becomes available, consider it for a mix of housing and retail uses.
- *Downtown Core Subarea:* Continue to facilitate a vibrant mix of housing, civic, retail, and employment uses.
- *Downtown Frame Subarea:* Continue to facilitate a mix of housing, civic, retail, and employment uses, however, the Julian-Stockton portion of this subarea should not include housing.
- *Midtown portion of Central San Jose 1 Subarea:* Consider additional opportunities for housing, retail, civic, and/or employment uses (beyond existing and planned land uses) to support the Downtown, transit investments, and West San Carlos Neighborhood Business District.
- *Story Road Subarea (Olinder Redevelopment Area):* Consider for conversion to retail uses, but not housing, given the existing, well-established retail uses.

2. Subareas to consider for conversion to housing, retail, mixed use, or other Household Serving Industries in certain circumstances.

- As the employment areas intensify in North First Street and Edenvale 1, respectively, then opportunities for intensive development of supportive uses may be considered in the following subareas:
 - *North First Street*
 - *North San Jose 2*
 - *North San Jose 3*
 - *North San Jose 4*
 - *North San Jose 6*
 - *Edenvale 1*
- *North San Jose 5 subarea (east of I-880):* Consider housing in areas that are close to existing residential areas and areas that could be integrated into a neighborhood framework.
- *Northeast San Jose subarea (east of Coyote Creek):* Consider housing near the Berryessa BART station consistent with our Transit Oriented Development policies.
- *Portion of Central San Jose 1 Subarea (west of the railroad tracks and north of I-880):* Consider conversion to housing consistent with the existing neighborhood, the BART Station Node, and the City of Santa Clara's conversion to housing.
- *Evergreen Industrial Area:* Consider uses if recommended through the Evergreen Smart Growth Strategy process.
- *Coyote Valley:* Consider uses if recommended through the Coyote Valley Specific Plan process.

3. Subareas to preserve for Driving and Business Support Industries.

- *North San Jose 1*
- *Airport*
- *Central San Jose 2*
- *Northeast San Jose (west of Coyote Creek)*
- *North San Jose 5 west of I-880 (i.e., North San Jose 4)*
- *Monterey Corridor 1*
- *Monterey Corridor 2*
- *Monterey Corridor 3*
- *Monterey Corridor 4*
- *Edenvale 2*
- Potential conversions should be considered for approval in subareas where conversions of industrial lands may:
 - Complete a transition to existing neighborhoods within or adjacent to the subarea, or
 - Buffer and provide uniformity to existing neighborhoods within or adjacent to the subarea, or
 - Further the City's smart growth policies, or
 - Aid in revitalizing declining neighborhoods within or adjacent to the subarea.

4. Criteria for the evaluation of proposed conversions to housing, mixed use, retail, and/or other Household-Serving Industries.

• Conversion to Residential or Mixed Residential/Commercial Use

- A. Economic contribution of the subarea:** What is the economic contribution of the subarea to the San Jose and Silicon Valley economy and job base? How would this economic contribution be enhanced or reduced by the proposed conversion?
- B. Consistency with City Policies and Strategies:** How does the proposed conversion and specific proposed use(s) and intensities advance the City's policies and strategies as contained in the General Plan, Specific Plans, and other strategic documents?
- C. Proximity to existing neighborhoods and areas in transition:** How would the new residential/mixed use knit with adjacent existing or planned residential and/or retail uses, and/or fill-in gaps in areas already partially converted or transitioning to residential use? Does the proposed conversion eliminate small islands or peninsulas of industrially designated/zoned land that would be suitable for conversion to residential to make them consistent with surrounding uses?
- D. Proximity to incompatible employment uses (e.g., manufacturing, recycling, etc.):** Where are the nearest incompatible industrial areas which might generate impacts due to hours of operation, deliveries, noise, odors, hazardous materials, etc.? How might the new residential use put pressure on the existing industrial uses to modify their operations?
- E. Potential inducement of additional conversions to residential use?** How might the proposed residential use induce or pressure adjacent or nearby properties to convert to residential use?
- F. Proximity to transit service:** Is the proposed housing site within 3000 feet of a planned BART Station or 2000 feet of an existing, funded or planned Light Rail Station?
- G. Proximity to compatible employment uses (e.g., office/R&D):** Where are the nearest existing or planned employment areas with compatible land use characteristics, thereby creating potential alternate commute (walk/bike to work) opportunities?
- H. Availability of neighborhood services, and residential and commercial mixed use drivers:** Where are the nearest existing and/or planned neighborhood serving retail, parks, libraries, schools, open space/trails, etc.? How would the proposed conversion potentially enhance city services (e.g., by creating or improving neighborhood parks)? How would the proposed residential conversion potentially strengthen neighborhood and general commercial uses in the area by adding resident population? Does the proposed conversion involve a mixed residential and commercial development on the site?

- I. Public Benefit:** Does the proposed conversion offer or facilitate a unique and significant public benefit (e.g., the delivery of or significant contribution toward public facilities, public improvements, infrastructure, or affordable housing beyond what would be required to serve the proposed development associated with the conversion)? Would the conversion result in improvements to a blighted area or contribute to the variety of housing types, including rental or ownership, in areas that have predominantly one or the other? Are there any other means to obtain this extraordinary public benefit without the conversion?
- J. Adequacy of Fire/Police service levels:** What are the anticipated service levels or other public safety performance measures to serve the proposed housing area?
- K. Utilization of bicycle and pedestrian facilities, and promote pedestrian access:** Where are the nearest existing and planned bicycle and pedestrian facilities? How does the proposed residential/mixed use development support nearby jobs and commercial lands by promoting pedestrian access and minimizing vehicle trips?
- L. Potential environmental impacts and mitigation measures, including adequacy of other public infrastructure:** What are the potential environmental impacts and are mitigation measures included in the proposal? What public improvements are necessary to serve the new housing area?
- M. Potential fiscal impact:** What is the potential fiscal impact on City revenue and service costs?
- Conversion to Commercial and Other Household-Serving Industries

 - A. Economic contribution of the subarea:** What is the economic contribution of the subarea to the San Jose and Silicon Valley economy and job base? How would this economic contribution be enhanced or reduced by the proposed conversion?
 - B. Consistency with City Policies and Strategies:** How does the proposed conversion and specific proposed use(s) and intensities advance the City's policies and strategies as contained in the General Plan, Specific Plans, and other strategic documents?
 - C. Fulfilling the City's retail needs:** How does the proposed commercial retail meet the City's need for community-serving and/or neighborhood-serving retail?
 - D. Adequacy of major street access:** What streets directly serve the proposed site?
 - E. Potential to influence/encourage conversion of adjoining properties:** How might the proposed commercial use induce or pressure adjacent or nearby properties to convert to commercial use? How might the proposed conversion create a transition, thereby protecting existing industrial lands from additional conversions?

F. Potential negative impact to other planned commercial development areas (e.g., Downtown): How would the proposed commercial development affect other planned commercial areas?

G. Adequacy of transit, bicycle, pedestrian facilities: Where are the nearest existing and planned transit, bicycle and pedestrian facilities? How does the proposed commercial use support transit or hinder its use? How does the introduction of proposed commercial uses promote pedestrian activity and minimize vehicle trips?

I. Incorporation of mixed use development: How does the proposed development incorporate a mix of compatible uses?

J. Potential environmental impacts and mitigation measures: What are the potential environmental impacts and are mitigation measures included in the proposal?

K. Net fiscal impact on the City of using this parcel for retail instead of the current use: What is the potential fiscal impact on City revenue and service costs?

Framework Application

- Evaluation of the fiscal impact of the conversion on City revenues and service costs must be the highest priority.
- All conversion proposals would be evaluated against the criteria.
- The criteria are not in rank order. They are not scored to a point system and the weight of the individual criterion may vary by site based on individual circumstances and changing background information.
- Conversions that present opportunities for development of significant new sources of revenue may be considered in any subarea in which the development would be compatible with existing or planned uses in the subarea.
- The criteria would identify the key issues for the analysis of conversion proposals; however, there may be other criteria or factors to consider in the evaluation of individual proposals.
- The “Towards the Future” report would be one source of background information for answering the questions posed by the criteria.
- Other background information may include, but is not limited to, reports on the Silicon Valley economy, office vacancy trends, etc.
- In areas of the City that are not included in a “subarea” identified in the Strategic Economics’ report and have a long term regional planning effort that includes industrial areas, Council approved triggers and requirements are still applicable. When the planning efforts’ vision and land use plans are adopted and it shifts into the implementation phase, General Plan

Approved Framework

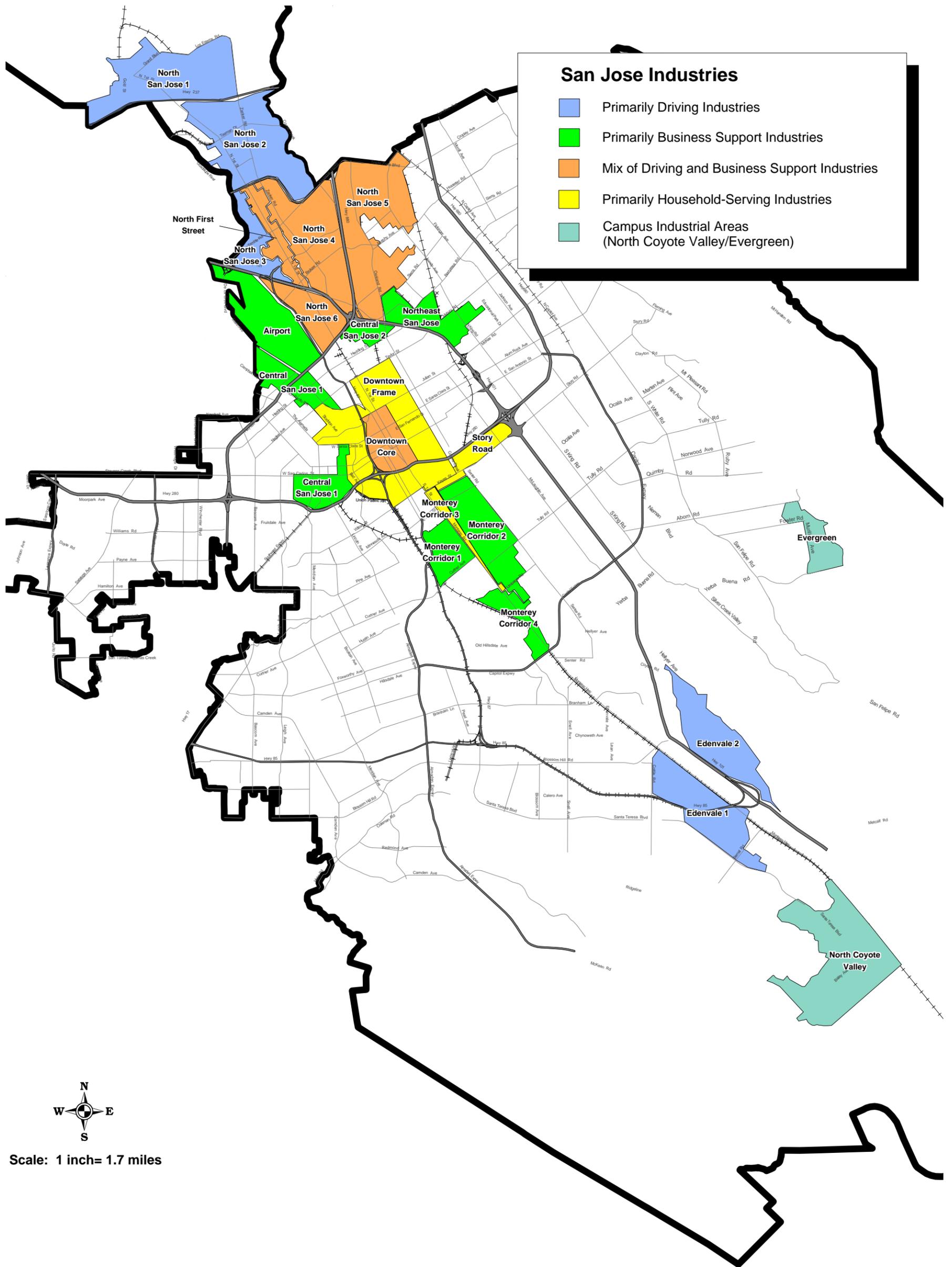
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conversions must balance the overall goal of that planning area with creative smart growth opportunities.

- Staff shall provide a report and evaluation on the progress, outcome and impact of the Framework for Evaluating Proposed Conversions of Employment Lands. The report should come to the City Council during the General Plan Amendment Hearings in summer, 2005. The evaluation should include a recommendation on how often to review and update the subareas.

City of San Jose Employment Subareas Typology



Scale: 1 inch= 1.7 miles

Data Source: Strategic Economics

Map Prepared by: City of San Jose, Planning Services Division, April 2004

Proposed Modifications to

Framework, as a Guideline, to Evaluate Proposed Conversions of Employment Lands to Other Uses (Originally Approved by the Mayor and City Council on April 6, 2004)

Note: Proposed additions are shown in underline and proposed deletions are shown in strikeout. The subarea map is not proposed to change. Please refer to the employment subarea map contained with Attachment 1.

Purpose

The Framework should be used as a guideline to evaluate proposed conversions of employment lands to other uses. The intent of the Framework is to create more certainty and predictability in the review of employment land conversion proposals while retaining flexibility to respond to changing conditions, information, and policy considerations.

Framework Elements

1. Subareas to promote or facilitate conversion to housing, retail, mixed use, or other Household-Serving Industries.

- ~~*Agnews site in North San Jose 2 Subarea:*~~ ~~If this site becomes available, consider it for a mix of housing and retail uses.~~
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- *Downtown Frame Subarea:* Continue to facilitate a mix of housing, civic, retail, and employment uses, however, the Julian-Stockton portion of this subarea should not include housing.
- *Midtown portion of Central San Jose 1 Subarea:* Consider additional opportunities for housing, retail, civic, and/or employment uses (beyond existing and planned land uses) to support the Downtown, transit investments, and West San Carlos Neighborhood Business District.
- *Story Road Subarea (Olinder Redevelopment Area):* Consider for conversion to retail uses, but not housing, given the existing, well-established retail uses.

2. Subareas to consider for conversion to housing, retail, mixed use, or other Household Serving Industries only in certain circumstances.

- As the employment areas intensify in North First Street and Edenvale 1, respectively, then opportunities for intensive development of supportive uses may be considered in the following subareas:

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North San Jose 3*

*North San Jose 4
North San Jose 6
Edenvale 1*

- *North San Jose 5 subarea (east of I-880)*: Consider housing, retail, or other Household Serving Industries only in areas that are close to existing residential areas and areas that could be integrated into a neighborhood framework.
- *Northeast San Jose subarea (east of Coyote Creek, west of King, and north of Mabury)*: Consider housing near the Berryessa BART station consistent with our Transit Oriented Development policies.
- *Portion of Central San Jose 1 Subarea (west of the railroad tracks and north of I-880)*: Consider conversion to housing, consistent with the existing neighborhood, the BART Station Node policies, and compatibility with the City of Santa Clara's conversion to housing.
- *Evergreen Industrial Area*: Consider uses only if recommended through the Evergreen Smart Growth Strategy process.
- *Coyote Valley*: Consider uses only if recommended through the Coyote Valley Specific Plan process.

3. Subareas to preserve for Driving and Business Support Industries.

- *North San Jose 1*
 - *Airport*
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- Potential conversions should generally be discouraged, and only be considered for approval in subareas where conversions of industrial lands may:
 - Complete a transition to existing neighborhoods within or adjacent to the subarea, or
 - Buffer and provide uniformity to existing neighborhoods within or adjacent to the subarea, or
 - Further the City's smart growth policies, or
 - Aid in revitalizing declining neighborhoods within or adjacent to the subarea.

4. Criteria for the evaluation of proposed conversions to housing, mixed use, retail, and/or other Household-Serving Industries.

- Conversion to Residential or Mixed Residential/Commercial Use
- A. Economic contribution of the subarea:** What is the economic contribution of the subarea to the San Jose and Silicon Valley economy and job base? How is the subject site currently occupied and used? Is the subject site currently used to its full potential for contributing to

the San Jose economy or job base? How would this economic contribution be enhanced or reduced by the proposed conversion?

- B. Consistency with City Policies and Strategies:** How does the proposed conversion and specific proposed use(s) and intensities advance the City's policies and strategies as contained in the General Plan, Specific Plans, and other strategic documents?
- C. Proximity to existing neighborhoods and areas in transition:** How would the new residential/mixed use knit with adjacent existing or planned residential and/or retail uses, and/or fill-in gaps in areas already partially converted or transitioning to residential use? Does the proposed conversion eliminate small islands or peninsulas of industrially designated/zoned land that would be suitable for conversion to residential to make them consistent with surrounding uses?
- D. Proximity to incompatible employment uses (e.g., manufacturing, recycling, etc.):** Where are the nearest incompatible industrial areas which might generate impacts due to hours of operation, deliveries, noise, odors, hazardous materials, etc.? How might the new residential use put pressure on the existing industrial uses to modify their operations?
- E. Potential inducement of additional conversions to residential use?** How might the proposed residential use induce or pressure adjacent or nearby properties to convert to residential use?
- F. Proximity to transit service:** Is the proposed housing site within 3000 feet of a planned BART Station or 2000 feet of an existing, funded or planned Light Rail Station?
- G. Proximity to compatible employment uses (e.g., office/R&D):** Where are the nearest existing or planned employment areas with compatible land use characteristics, thereby creating potential alternate commute (walk/bike to work) opportunities?
- H. Availability of neighborhood services, and residential and commercial mixed use drivers:** Where are the nearest existing and/or planned neighborhood serving retail, parks, libraries, schools, open space/trails, etc.? How would the proposed conversion potentially enhance city services (e.g., by creating or improving neighborhood parks)? How would the proposed residential conversion potentially strengthen neighborhood and general commercial uses in the area by adding resident population? Does the proposed conversion involve a mixed residential and commercial development on the site?
- I. Public Benefit:** Does the proposed conversion offer or facilitate a unique and significant public benefit (e.g., the delivery of or significant contribution toward public facilities, public improvements, infrastructure, or affordable housing beyond what would be required to serve the proposed development associated with the conversion)? Would the conversion result in improvements to a blighted area or contribute to the variety of housing types, including rental or ownership, in areas that have predominantly one or the other? Are there other any means to obtain this extraordinary public benefit without the conversion?

J. Adequacy of Fire/Police service levels: What are the anticipated service levels or other public safety performance measures to serve the proposed housing area?

K. Utilization of bicycle and pedestrian facilities, and promote pedestrian access: Where are the nearest existing and planned bicycle and pedestrian facilities? How does the proposed residential/mixed use development support nearby jobs and commercial lands by promoting pedestrian access and minimizing vehicle trips?

L. Potential environmental impacts and mitigation measures, including adequacy of other public infrastructure: What are the potential environmental impacts and are mitigation measures included in the proposal? What public improvements are necessary to serve the new housing area?

M. Potential fiscal impact: What is the potential fiscal impact on City revenue and service costs?

- Conversion to Commercial and Other Household-Serving Industries

A. Economic contribution of the subarea: What is the economic contribution of the subarea to the San Jose and Silicon Valley economy and job base? How would this economic contribution be enhanced or reduced by the proposed conversion?

B. Consistency with City Policies and Strategies: How does the proposed conversion and specific proposed use(s) and intensities advance the City's policies and strategies as contained in the General Plan, Specific Plans, and other strategic documents?

C. Fulfilling the City's retail needs: How does the proposed commercial retail meet the City's need for community-serving and/or neighborhood-serving retail?

D. Adequacy of major street access: What streets directly serve the proposed site?

E. Potential to influence/encourage conversion of adjoining properties: How might the proposed commercial use induce or pressure adjacent or nearby properties to convert to commercial use? How might the proposed conversion create a transition, thereby protecting existing industrial lands from additional conversions?

F. Potential negative impact to other planned commercial development areas (e.g., Downtown): How would the proposed commercial development affect other planned commercial areas?

G. Adequacy of transit, bicycle, pedestrian facilities: Where are the nearest existing and planned transit, bicycle and pedestrian facilities? How does the proposed commercial use support transit or hinder its use? How does the introduction of proposed commercial uses promote pedestrian activity and minimize vehicle trips?

- H. Incorporation of mixed use development:** How does the proposed development incorporate a mix of compatible uses?
- I. Potential environmental impacts and mitigation measures:** What are the potential environmental impacts and are mitigation measures included in the proposal?
- J. Net fiscal impact on the City of using this parcel for retail instead of the current use:** What is the potential fiscal impact on City revenue and service costs?

Framework Application

- The Framework should be applied as early as possible in the development review process, including as part of Comprehensive Preliminary Review applications.
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- All conversion proposals would be evaluated against the criteria.
- The criteria are not in rank order. They are not scored to a point system and the weight of the individual criterion may vary by site based on individual circumstances and changing background information.
- Conversions that present opportunities for development of significant new sources of revenue may be considered in any subarea in which the development would be compatible with existing or planned uses in the subarea.
- The criteria would identify the key issues for the analysis of conversion proposals; however, there may be other criteria or factors to consider in the evaluation of individual proposals.
- The “Towards the Future” report would be one source of background information for answering the questions posed by the criteria.
- Other background information may include, but is not limited to, reports on the Silicon Valley economy, office vacancy trends, etc.
- In areas of the City that are not included in a “subarea” identified in the Strategic Economics’ report and have a long term regional planning effort that includes industrial areas, Council approved triggers and requirements are still applicable. When the planning efforts’ vision and land use plans are adopted and it shifts into the implementation phase, General Plan conversions must balance the overall goal of that planning area with creative smart growth opportunities.
- Staff shall provide an annual report and evaluation on the progress, outcome and impact of the Framework for Evaluating Proposed Conversions of Employment Lands. ~~The report~~

~~should come to the City Council during the General Plan Amendment Hearings in summer, 2005. The evaluation should include a recommendation on how often to review and update the subareas.~~

Proposed Modifications to

Framework, as a Guideline, to Evaluate Proposed Conversions of Employment Lands to Other Uses (Originally Approved by the Mayor and City Council on April 6, 2004)

Note: Proposed additions are shown in underline and proposed deletions are shown in ~~strikeout~~. The subarea map is not proposed to change. Please refer to the employment subarea map contained with Attachment 1.

Purpose

The Framework should be used as a guideline to evaluate proposed conversions of employment lands to other uses. The intent of the Framework is to create more certainty and predictability in the review of employment land conversion proposals while retaining flexibility to respond to changing conditions, information, and policy considerations.

Framework Elements

1. Subareas to promote or facilitate conversion to housing, retail, mixed use, or other Household-Serving Industries.

- *Agnews site in North San Jose 2 Subarea:* If this site becomes available, consider it for a mix of housing and retail uses.
- *Downtown Core Subarea:* Continue to facilitate a vibrant mix of housing, civic, retail, and employment uses.
- *Downtown Frame Subarea:* Continue to facilitate a mix of housing, civic, retail, and employment uses, however, the Julian-Stockton portion of this subarea should not include housing.
- *Midtown portion of Central San Jose 1 Subarea:* Consider additional opportunities for housing, retail, civic, and/or employment uses (beyond existing and planned land uses) to support the Downtown, transit investments, and West San Carlos Neighborhood Business District.
- *Story Road Subarea (Olinder Redevelopment Area):* Consider for conversion to retail uses, but not housing, given the existing, well-established retail uses.

2. Subareas to consider for conversion to housing, retail, mixed use, or other Household Serving Industries only in certain circumstances.

- As the employment areas intensify in North First Street and Edenvale 1, respectively, then opportunities for intensive development of supportive uses may be considered in the following subareas:

*North First Street
North San Jose 2
North San Jose 3*

*North San Jose 4
North San Jose 6
Edenvale 1*

- *North San Jose 5 subarea (east of I-880)*: Consider housing, retail, or other Household Serving Industries only in areas that are close to existing residential areas and areas that could be integrated into a neighborhood framework.
- *Northeast San Jose subarea (east of Coyote Creek, west of King, and north of Mabury)*: Consider housing near the Berryessa BART station consistent with our Transit Oriented Development policies.
- *Portion of Central San Jose 1 Subarea (west of the railroad tracks and north of I-880)*: Consider conversion to housing, consistent with the existing neighborhood, the BART Station Node policies, and compatibility with the City of Santa Clara's conversion to housing.
- *Evergreen Industrial Area*: Consider uses only if recommended through the Evergreen Smart Growth Strategy process.
- *Coyote Valley*: Consider uses only if recommended through the Coyote Valley Specific Plan process.

3. Subareas to preserve for Driving and Business Support Industries.

- *North San Jose 1*
 - *Airport*
 - *Central San Jose 2*
 - *Northeast San Jose (west of Coyote Creek)*
 - *North San Jose 5 west of I-880 (i.e., North San Jose 4)*
 - *Monterey Corridor 1*
 - *Monterey Corridor 2*
 - *Monterey Corridor 3*
 - *Monterey Corridor 4*
 - *Edenvale 2*
- Potential conversions should generally be discouraged, and only be considered for approval in subareas where conversions of industrial lands may:
 - Complete a transition to existing neighborhoods within or adjacent to the subarea, or
 - Buffer and provide uniformity to existing neighborhoods within or adjacent to the subarea, or
 - Further the City's smart growth policies, or
 - Aid in revitalizing declining neighborhoods within or adjacent to the subarea.

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