REDEVELOPMENT AGENCY
CITY OF SAN JOSE

PROGRESS REPORT ON THE
FIVE-YEAR IMPLEMENTATION PLAN
2005-2009

Project Areas Included:
Almaden Gateway, Alum Rock Avenue, Century Center, Civic Plaza,
East Santa Clara Street, Edenvale, Guadalupe-Auzerais, Japantown,
Julian-Stockton, Olinder, Market Gateway, Monterey Corridor,
Neighborhood Business Clusters, Park Center Plaza, Pueblo Uno,
Rincon de Los Esteros, San Antonio Plaza, Story Road,
The Alameda, and West San Carlos Street

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Progress Report on the
Five-Year Implementation Plan 2005 - 2009

TABLE OF CONTENTS

I. INTRODUCTION

California Redevelopment reform legislation of 1994 required redevelopment agencies to adopt five-year implementation plans for all project areas. Each implementation plan must describe specific goals and objectives of the redevelopment agency, the specific projects proposed and a program of actions and expenditures proposed to be made within a five-year time period. Additionally, the implementation plan must describe how these programs will improve or alleviate the blighted conditions of the project areas. The Redevelopment Agency Board adopted the Five-Year Implementation Plan 2005-2009 on November 16, 2004.

Section 33490 (c) of California Redevelopment Law requires the Agency to conduct a public hearing, midway through the five-year term of the implementation plan for the purpose of reviewing the redevelopment plan and corresponding implementation plan for each listed project area, and to evaluate the progress of the redevelopment projects.

Redevelopment law allows agencies to combine implementation plans for multiple project areas. This progress report addresses the following twenty Project Areas: Almaden Gateway, Alum Rock Avenue, Century Center, Civic Plaza, East Santa Clara Street, Edenvale, Guadalupe-Auzerais, Japantown, Julian-Stockton, Olinder, Market Gateway, Monterey Corridor, Park Center Plaza, Pueblo Uno, Rincon de Los Esteros, San Antonio Plaza, Story Road, The Alameda, West San Carlos Street and the Neighborhood Business Clusters. San Jose project areas have been merged for funding purposes into the San Jose Merged Area Redevelopment Project Area. Merging the project areas allows the Redevelopment Agency to expend tax increment collected from one area in any other area within the merged area.

A separate Five-Year Implementation Plan was adopted on October 2, 2007, addressing the Strong Neighborhoods Initiative (SNI) Redevelopment Project Area. The SNI Redevelopment Project Area Implementation Plan will remain on a separate five-year plan cycle.

The Progress Report is divided into five sections: I) Introduction; II) Downtown Redevelopment Areas; III) Neighborhood Investment Program – Neighborhood Business District & Neighborhood Business Cluster Redevelopment Areas; IV) Industrial Redevelopment Areas; and V) Housing. The Project Area sections define the summary of the program, status of current and future Programs, and discuss the alleviation of blight. The Redevelopment Agency's housing responsibility is discussed in detail in the Housing section.

II. DOWNTOWN REDEVELOPMENT AREAS

The goals and objectives outlined in the Five-Year Implementation Plan 2005-2009 (Implementation Plan) for the Downtown Redevelopment Areas are based on those adopted by the Agency Board in 1992 with the Downtown Strategy Plan. The Downtown Strategy Plan provides a vision and a methodology to improve the Downtown through strategies to develop office, retail, housing, and public facilities through the year 2010. The Downtown Strategy Plan encompasses the eight Downtown Redevelopment Project Areas, plus portions of the Julian-Stockton Project Area and Monterey Corridor Project Area. The Julian-Stockton and Monterey Corridor Project Areas are addressed under Section IV, Industrial Redevelopment Areas. Monterey Corridor is also addressed in Section III, Neighborhood Investment District Redevelopment Areas. The eight Downtown Redevelopment Project Areas combined in this section are: Almaden Gateway, Century Center, Civic Center, Guadalupe-Auzerais, Market Gateway, Park Center Plaza, Pueblo Uno, and San Antonio Plaza.

Using Redevelopment Agency programs and projects as catalysts for private investment eliminates blighting conditions, such as underutilized vacant parcels, unsafe vacant buildings, and deteriorating public infrastructure. Bringing office workers, residents, and visitors to the center of the city creates a cycle of economic growth that serves to reverse the decades of decline and blight.

A. Retail

Summary of Program

The Downtown San Jose Retail Strategy was approved by the City Council on December 5, 2006. The strategy summarizes the Agency and City priorities and implementation plan for enhancing Downtown's retail environment. The goal for the strategy is to create a broad and vibrant retail district in the Downtown, with special focus on attracting underrepresented hard and soft goods retail tenants. A comprehensive list of mixed use retail design guidelines was adopted as part of the Retail Strategy.

Status of Current and Future Programs

1. **Downtown Retail Recruitment**
   Approximately 45 businesses opened in Downtown San Jose between January 2006 to November 2007 accounting for over 150,000 square feet of newly activated retail space, including

Morton’s Steakhouse, Black Sea Gallery, The Melting Pot Restaurant, Peet’s Coffee, University Chicken, Fourth Street Pizza Company, Fahrenheit Ultra Lounge, San Jose Credit Union, Santa Clara County Federal Credit Union, Koji Sake Lounge, Asqew Grill, A Perfect Finish Wine Bar, San Pedro Square Wine Bar & Bistro, Taza Bistro, e-Mocha, Rokko Sushi, The Loft Bar & Bistro, Maui Wowi, Motif Restaurant and Club, Purist Boutique, Subway, Angelou’s Café, Jersey’s Cheesesteaks and Stretto Café. The Retail Team provided various levels of assistance to these tenants from site location to the permitting process to grand opening.

2. **Public Space Programming**
The Agency encouraged downtown activation by contributing funds and providing other assistance to public space programming and special events, such as the Taste of Downtown, Farmer’s Market, Music in the Park, South First Area (SoFA) Street Market, Outdoor Movies, Downtown Ice, Christmas in the Park, Winter Wonderland, holiday decorations and carolers and festivals throughout the year.

3. **Marketing**
Downtown marketing programs and initiatives included a walking map to promote existing shopping, dining, arts and entertainment options, brochures highlighting the events that take place during the winter and summer seasons, and television and print advertising campaigns. Additional programs implemented include street banners enlivening Downtown districts and way-finding kiosks to help distribute event brochures and walking maps were strategically placed along pedestrian corridors to help visitors discover what Downtown has to offer.

4. **Signage Grant Program**
The Signage Grant Program was established in May 2005 to assist eligible businesses with new signage geared towards improving the look of existing streetscapes. The program was also used as a retention tool to encourage businesses to locate to Downtown San Jose. The program has been expanded to include eligible buildings located in all Redevelopment Project Areas and larger grant amounts. The $12,000 grants may be used to pay for the cost of design, permitting, fabrication and installation of the sign up to the grant amount. Approximately, 25 signs have been installed since the inception of the program.

5. **Sidewalk Café Permit Program**
   The Sidewalk Café Program was implemented in July 2006. To date, close to 20 new sidewalk cafés have been activated with the assistance of this program. The program covers the Sidewalk Café permit fee (approx. $662.00) and technical assistance during the permit process. Additional funds were allocated to this program in 2007 to extend this service to the Neighborhood Business Districts (NBDs), as well as to include coverage for additional permit fees, such as a Conditional Use Permit which may be required for outdoor restaurant/café uses that are within 150’ of residentially zoned property within NBDs.

B. Office Development

Summary of Program

The Downtown Strategy Plan and Redevelopment Plans anticipate and encourage the development of high-rise office complexes in the Downtown core. The Redevelopment Agency has historically assisted in the development of new office buildings by providing land, parking, and offsite improvements. However, with the decline in the local economy, office development has halted.

Status of Current and Future Programs and Projects

Approximately 860,000 square feet of office development assisted by the Redevelopment Agency is entitled to move forward into the building stage within the Five-Year Implementation Plan 2005-2009.

C. Hotel Development

Summary of Program

The Strategy Plan anticipates 3,000 to 3,500 new hotel rooms to be developed in the Downtown between the years 2000 and 2010. New hotels would support the future expansion of the San Jose McEnery Convention Center; accommodate the anticipated needs of Downtown business; provide rooms for visitors to San Jose’s cultural and tourist activities; and offer gathering places for public and private activity through the hotel meeting rooms, ballrooms, and restaurants.

The Redevelopment Agency acknowledges the ongoing need for hotel rooms in and around the Downtown, but recognizes that despite the slight upturn in the local economy, the hotel occupancy rates are below its 2001 levels. As the economy continues to improve, demand for new hotel space is expected to rise, too.

Status of Current and Future Programs and Projects

The Redevelopment Agency's involvement in any future hotel projects could include land assembly and assistance with parking requirements. The Agency is currently in preliminary discussions for the development of a hotel/condo project on the San Antonio Plaza Block-2 site at First and San Fernando Street.

D. Transportation

Summary of Program

The Redevelopment Agency will continue to assist in the planning and the implementation of mass transit projects. Potential projects benefiting the Downtown redevelopment areas include BART, light rail, and rapid bus systems. Transit improvements affect housing, office, and retail development, which are critical to the success of redevelopment activities in the Downtown. Transportation improvements also include support for pedestrians through urban trails and pedestrian and bicycle safety improvements.

Status of Current and Future Programs and Projects

Road projects include the completion of a park access road at the edge of the Guadalupe River Park. This road will provide improved public access and parking and will be completed by Spring 2008. Additionally, the City and Agency are currently developing engineering drawings and an EIR for the new alignment and widening at Autumn Street between the Union Pacific Railroad tracks and Park Avenue. The Redevelopment Agency is evaluating the acquisition of the basement and first floor of the Historic 1927 Bank of America building, located at First and Santa Clara to serve as the main access Downtown portal for BART.

E. Parking

Summary of Program

An adequate supply of accessible, convenient and affordable public parking is crucial to the success of the Downtown. A comprehensive Downtown parking program includes marketing and promotion of parking facilities, shuttle services, and necessary way-finding signage.

Historically, the Redevelopment Agency has developed public parking by constructing public parking facilities, improving on-street parking opportunities, and providing financial assistance to new office developments, in exchange for availability of the parking spaces to the general public during evenings, weekends, and holidays. This program is expected to continue during this Implementation Plan period, to the extent funding is available.

In November 2001, in connection with the "Strategy 2000 San Jose Greater Downtown Strategy for Development," the Redevelopment Agency Board and the City Council approved the 2001 Downtown Parking Management Plan (PMP). The 2001 PMP provided short and long-term strategies and priorities to meet parking demand, provide for capital needs, and support effective and efficient operations, and identified the need for an additional 4,625 spaces to meet weekday, daytime demand to meet the loss of surface parking lots to development, and developments not fully meeting their parking demand on site. The 2001 PMP included a significant capital development program that was developed on the premise of a continued expansion of the national, regional, and local economies that was generating record levels of office occupancy and associated parking demand and increasing redevelopment tax increment revenues. Some elements of the 2001 PMP were implemented; however, due to the significant economic impact of the events of September 11th, the Silicon Valley "dot.com" bust, and State budget actions that further impacted City and Redevelopment Agency revenues, the implementation of major capital elements of the 2001 PMP, including construction of new parking facilities, was deferred.

<u>Status of Current and Future Programs and Projects</u>

In January 2003, a 750-space parking garage was funded by the Redevelopment Agency at a cost of $54.6M, opened to the public at the corner of Fourth and San Fernando Streets. This facility was planned in 1999, ahead of the 2001 Parking Management Plan development. In addition to the 750 parking spaces, this facility includes over 22,000 square feet of retail space on the first floor and 7,000 square foot of banquet facility, on the seventh floor. This parking facility supports Downtown retail, the Martin Luther King, Jr. Library and general Downtown parking needs.

In October 2003, the Redevelopment Agency Board and City Council approved a revised set of short and long-term priorities, including the development of Parking Plus spaces within the 2nd and Santa Clara and Block-3 (Central Place) projects.

In June 2005, the Agency funded construction of 405 Parking Plus spaces at a cost of approximately $13.4 million at the 2nd and Santa Clara and Block-3 (Central Place) projects. The 67 spaces at 2nd and Santa Clara opened to the public in October 2007 and the 338 spaces at the Block-3 project are anticipated to open in June 2008.

In September 2005, the Redevelopment Agency Board and the City Council directed staff to update the 2001 Downtown PMP to include, at a minimum:

- An evaluation of parking rates and hours at the 4th /San Fernando Garage;
- Exploration of opportunities to use City (e.g. Parking Funds) or
- Redevelopment Agency resources to pay for or encourage private parking facilities to be available to the public on evenings and weekends;
- Triggers for expanding, maintaining or phasing out Free Parking Program;
- Methodologies to increase parking supply while preserving the fiscal health of the Parking Fund.

1. **Development of the Downtown PMP 2006/07 Update**
   Due to the continued economic downturn, unmet demand-increasing factors, approximately 25% Class B office vacancy rate, and ample daytime supply in the City's public parking system, the implementation of major capital elements of the 2001 PMP, including construction of new parking facilities, was deferred.

2. **Parking Management Plan 2006/2007 Update Recommended:**
   a. **Reprioritization of parking development sites:**
      - Establishment of the Greyhound site as first priority;
      - Establishment of the Parkside Hall and Convention Center sites as second priorities;
      - Removal of the Notre Dame site from the list of parking development priority sites.

3. **Capital Development**

   a. **Greyhound Site**

   Under the revised priorities, this site was placed first on the priority list of sites for the development of a parking structure. Agency's 2007/2008 Capital Budget includes funding of $7.24 million, the Parking Fund's reserves contains $4.4 million with an additional $830,000 from Hilton Hotel settlement for acquisition of the Greyhound parcel. This site is planned for approximately a 1,000-space parking garage in a mixed-use project. Except for the acquisition of the property, the project is not budgeted within the Agency's Five-year Capital Improvement Program.

   b. **Parkside Hall/Convention Center**

   The second priority site for long-term development of a parking garage is Parkside Hall and/or the Convention Center site. Development will be explored in conjunction with plans for the Convention Center and/or Tech Museum expansion. The Agency's Five-Year Capital Improvement Program includes $10 million for the Convention Center expansion project. The expansion is currently under study and strategies for additional parking supply will be explored.

   c. **Public/Private Partnerships – Parking Plus**

   To assure an adequate supply of public parking, the Redevelopment Agency continues to acquire parking rights in private development projects. Recent projects include the Adobe Headquarters buildings, the Opus West office development, BEA office headquarters, the retail/housing development projects at Second/Santa Clara, and Central Place retail/housing development at Block 3 of San Antonio Plaza Redevelopment Area. Within this Implementation Plan, the Agency will explore additional Parking Plus opportunities to meet the Agency's goal of providing public parking to enable Downtown businesses to remain competitive.

F. Civic and Cultural Facilities

<u>Summary of Program</u>

A goal of the Five-Year Implementation Plan 2005-2009 and the Strategy Plan remains that Downtown San Jose be the cultural center of the South Bay Area.

Status of Current and Future Programs and Projects

No new public facilities are under design or construction in the Downtown. However, the Redevelopment Agency has initiated design for the expansion of the San Jose McEnery Convention Center and the Children's Discovery Museum. Other civic facilities anticipated to be improved within the period of this implementation plan include the Civic Auditorium, the Montgomery Theatre, the Center for Performing Arts, the Tech Museum of Innovation, and the San Jose Museum of Art. It is also anticipated that additional support for the Friends of the Guadalupe River will continue as they raise private sector funds to complete their building programs.

Improvements to major public spaces in the Downtown are also planned during the Five-Year Implementation Plan 2005-2009 timeframe. Among the projects planned are improvements to St. James Park, Parque de Los Pobladores, and the Guadalupe River Park. It is also anticipated that within this period the Agency will identify and move ahead with the development of a permanent festival site in the Downtown.

The San Jose McEnery Convention Center opened in 1989. Since that time it has served as a major attractor for visitors in the downtown and led to the development of thousands of new hotel rooms within the downtown. However, the facility no longer fully meets the expectations and demands of its client base and the convention industry in general. Consequently, the Convention and Visitor's Bureau proposes to develop a funding district to provide private sector funds to assist in the needed expansion. The Redevelopment Agency has taken the lead in developing the planning and design for this expansion. It is anticipated that within this Implementation Plan period, design of the proposed expansion will be completed and the project will be bid for construction.

The Children's Discovery Museum has become so successful that it must consider expanding its facility to accommodate new exhibits and the changing demands on the museum. The Museum anticipates expanding by approximately 12,000 square feet, but not likely within this Implementation Plan period. However, with the support of the Agency, they have begun the planning and design for this expansion. Included in the preparatory work anticipated to occur within this period are upgrades to the building infrastructure, including building systems, with a goal of making the building LEED certified.

The Civic Auditorium is a historic resource for the City that supports not only convention uses, but a wide range of public and entertainment events. Major upgrades are required to maintain the usefulness of the building for these varied uses. It is planned within the term of this Implementation Plan to complete basic infrastructure upgrades such as fire life safety, air conditioning, and code-required access. Other improvements will include a stage, back-of-house, and interior finishes.

The Montgomery Theatre is part of the same building complex and system as the Civic Auditorium and, as such, will undergo many of the same building system upgrades as are planned for the Civic Auditorium.

The Center for Performing Arts was built in the 1970s and has had no major systems upgrades since that time. Improvements to the driveway and loading systems are required to meet the standards of modern traveling shows. Similarly, improvements to back of house spaces, such as dressing rooms, are necessary. Improvements for fire life safety and other code-required upgrades are also envisioned within this upcoming period.

The Tech Museum of Innovation anticipates upgrades to building systems to take advantage of the changing technologies that can reduce energy consumption and also serve as demonstration projects in support of the Museum's basic mission. The Redevelopment Agency recently completed re-roofing and other improvements to the adjacent Parkside Hall to enable the Tech Museum to install a photovoltaic system. Other improvements to building operating systems are anticipated within the Five-Year Implementation Plan 2005-2009 timeframe.

The San Jose Museum of Art is also looking to expand its facilities to meet the opportunities and expectations of the next generation patron and audience. The Redevelopment Agency has assisted in evaluating options for expansion and will continue to assist the Museum as it works with its donors and Board to move itself to become the next generation of Art Museum in Downtown San Jose.

The Redevelopment Agency assisted the City and the Friends of the Guadalupe River to acquire a building on Coleman Avenue as a permanent home for the Friends and as a field office for parks rangers. The Friends anticipate future improvements to include classrooms, public restrooms, and increased parking facilities. The Redevelopment Agency anticipates assisting with design and project management services.

Within the Guadalupe River Park the Agency anticipates completion of additional trail connections, expansion of the parklands as abutting properties become available for acquisition, improved access to park facilities, and new focal points, such as the Heritage Plaza. Heritage Plaza is a collaborative project with the San Jose Rotary Club and the Metro Trust.

The St. James Park Master Plan was updated in 2001 with the goal to bring the park to modern standards. The Master Plan anticipates relocation of the Senior Center, but that is not likely to occur within this time period. Improvements to the park will focus on safety and infrastructure to enable it to support large events and also to become more inviting to families as the surrounding blocks continue to develop with new housing.

Parque de Los Pobladores (formerly Gore Park) is an award-winning urban park. Unfortunately, because it is an island somewhat isolated from the developing residential community to the west and the commercial district to the east, it has no real user base. As such, the Redevelopment Agency, working with the residential and business communities, is developing a new plan for the activation of this park. Improvements are presently under design and are planned for implementation within this upcoming time frame. Improvements will include improved lighting, removal of various barriers that now serve to close off the park, and construction of infrastructure to support new uses, such as vendors and public performances.

A community based organization, 1st ACT, has developed a vision for downtown San Jose to help transform it into the City Center of Silicon Valley. A key component in their vision, and one supported by the Redevelopment Agency Board, is a series of public and private investments called “Small Wonders.” Many ongoing Redevelopment Agency programs and projects fall into this category. An example of a collection of small wonders will be the demonstration projects now being designed for South First Street. Within this area it is anticipated that temporary improvements to the public right of way can be made to enable businesses to expand into the sidewalks and beyond to increase public activity both during the business day and at night. These improvements may include public art, new street furniture, and other opportunities defined by the community from this area.

G. Public Art

Summary of Program

The Redevelopment Agency works with the Office of Cultural Affairs which administers the City's Public Art Program. All eligible public projects, as identified in the Public Art Master Plan, must address the public art requirement of 2% funding. Additionally, the Agency has worked with developers to incorporate a 1% public art element in its Disposition and Development Agreement (DDA) and Owner Participation Agreements (OPA) Downtown. Recently completed public projects using the 2% funding formula include the Parade of Floats along North and South Fifth Streets by Andrew Leicester and the First and Reed Streetscape tiles. The recently completed Starbird Community Center will also have a public art piece installed during the next year.

Status of Current and Future Programs and Projects

The development of a new Public Art Master Plan was managed by the Office of Cultural Affairs in 2006 and 2007. The Redevelopment Agency contributed extensively to this effort. The Master Plan was approved by City Council in March 2007.

Recently completed private development projects, which accommodated the 1% public art element, include the San Jose Semaphore by Ben Rubin at the Adobe Headquarters. Projects under construction include Tower 88 at Central Place by Jim Conti and Erin Shie Palmer, and the various temporary artwork displays under the "Who's on First – What's on Second" Changing Artworks @ the Transit Mall. These projects include Cultural Citizen in St. James Park by Hector dio Mendoza in October 2007; Cultural Tree 6/1/08 to 1/1/09; 1st and 2nd Street Walking Tour by Helena Keefe 3/08 thru 6/08; Downtown San Jose Zocalito on Fountain Alley at 2nd Street; South Bay Talent Center by Jon Burnet; Day for Night by Jordon Geiger ; Interactive Sound Structure with the Bells of Trinity Church – St. James Park along Second Street by Bill Fontana 12/1/07 to 9/30/08.; Video Mirrors by JD Beltran to be placed in 4 storefronts on 1st and 2nd Streets 6/12/08 to 9/30/08; and Light Haiku on San Fernando between 1st and 2nd. by Chris Eckart 12/1/07 to 1/31/08.

Additional projects in design include the Mayfair Community Center with Artist: Fernanda d'Agostino; El Paseo de Cesar E. Chavez Arch of Dignity at San Jose State University by Artist: Judy Baca; and the Edenvale Community Center with Artist - CoLab Studio.

Completed projects that will contribute funds to the Public Art Funding Pool include the One East Julian residential development and the Keystone Place Housing development.

Based on the Agency's adopted Capital Improvement Program as well an anticipated Agency assistance for future private development projects involving an Disposition Development Agreement or Owner Participation Agreement, potential future public projects include the expansion of the San Jose McEnery Convention Center, the Alum Rock Cultural History Project, Main Corporation Yard Development (Japantown), the San Carlos Streetscape project, and a new parking garage. Potential private projects that incorporate public art include 360 Residences, Phase Two of the Central Place mixed use development, City Front Square, the Boston Properties project, the Block Two development, and the Story & King Development in the neighborhood business district.

A more detailed Downtown Public Art Focus Plan is now being developed by OCA with extensive Agency interaction. Likewise a North San Jose Public Art Focus Plan is being developed by OCA ad the Redevelopment Agency to guide the evolution of this industrial/commercial /residential area within the Rincon Redevelopment Project area. These focus plans will be completed in 2008.

H. Historic Preservation

Summary of Program

The Agency's goal is to retain the historic fabric of the Downtown while revitalizing the commercial uses that fill these buildings.

Status of Current and Future Programs and Projects

Since 1987, the Redevelopment Agency has committed more than $140.8M to preserve and rehabilitate Downtown's historic and older buildings. The Redevelopment Agency strives to save the best of the City's old and historic buildings through a broad range of resource protection techniques, including preservation, restoration, rehabilitation, and adaptive reuse. Through its Façade Improvement

Program, the Agency plans to assist in the rehabilitation of downtown buildings within the time frame of the Five-Year Implementation Plan 2005-2009.

A key project the Redevelopment Agency may assist in is the development of the main downtown portal for BART. The preferred location for this station portal is in the historic Bank of America building located at First Street and Santa Clara Street. In order to assure that BART builds its station portal at this key site, the Redevelopment Agency may acquire and interest in the building and assist in the ownership of the building with the seismic upgrades necessary to assure the stability of the building, thereby saving this resource and returning it to commercial use.

One of the most difficult hurdles to developing in historic and older buildings is bringing the buildings to modern code standards. The Redevelopment Agency anticipates continuing to develop and implement programs to assist building owners in meeting current codes so as to more fully use all of the space and floors of these buildings.

a. Façade Improvement Program

The Redevelopment Agency anticipates continuing its ongoing efforts to improve the buildings in the Downtown through its Façade Improvement Program. The Agency plans to assist in the rehabilitation of approximately 25 buildings within the time-frame of the Five-Year Implementation Plan 2005-2009.

A total of ten projects were completed since the Five-Year Implementation Plan 2005-2009 was adopted. These projects include: Agenda Restaurant (399 S. First Street), Salata/Cardosa Building (347 S. First Street), VooDoo Lounge (14 S. Second Street), Ritchie Commercial (34 W. Santa Clara Street), Britannia Arms (173 W. Santa Clara Street), Hank Coca's 82 E. Santa Clara Street), Legato Building (136-138 E. Santa Clara Street), State Meat Market (144-150 E. Santa Clara Street), Western Union (124-126 E. Santa Clara Street), Cinequest (24 N. Almaden Avenue), Elite Wireless (66 W. Santa Clara Street).

There are fifteen façade projects currently in the design or construction phase, which include: 2 North First Street, Community Towers (111 Market Street), El Sabroso Mexican Grill (17 S. Fourth Street), Hackett Building (155-157 W. San

Fernando Street), Lawrence Building (69, 81,83,87 E. San Fernando Street), Liquid Agency (445-447 S. First Street), Sainte Claire (302 Market Street), Singh's Market (495-499 S. Second Street), Spartan Barber Shop (487 S. Fourth Street), SPS Starbucks (131, 135, 141, 143, 145 W. Santa Clara Street), The Vault (81 W. Santa Clara Street), Townhouse Motel (475 S. Second Street), and the Victorian's (4 buildings) on San Carlos Street and S. Third Street.

b. Other Assistance Programs

Four key historic sites in Downtown are currently undergoing rehabilitation which will result not only in the adaptive reuse of these buildings, but also help eliminate blight and reduce crime. The Fountain Alley site, a long-time magnet for illegal activity in the Downtown will be improved with the completion of the Barber Building project which fronts both Fountain Alley and Santa Clara Street (27-37 Fountain Alley and 28-40 E. Santa Clara Street). In November 2004 the Redevelopment Agency Board approved $3M in rehabilitation assistance for the project. Completion of the project is anticipated for Fall, 2007.

On one of the most-visible corners in Downtown—Second and Santa Clara—the rehabilitation of the Dr. Eu Building is also nearing completion. Vacant for years, these buildings were an eyesore at this busy corner, until the Redevelopment Agency Board committed $2.9M in Agency grants; an Agency-administered HUD Section 108 loan; and an Agency-administered $200,000 Federal Economic Development Initiative (EDI) Grant.

Rehabilitation and adaptive reuse is also transforming the northwest corner of First and San Fernando, namely the Crescent Jewelers and Porter Stock buildings. Both buildings are being reactivated utilizing assistance from the Agency.

I. Economic Development

Summary of Programs

The Agency's business support programs bring new businesses and jobs into the Downtown. The Agency rents spaces for three business incubators located in the Downtown – the Software Business Cluster, the Environmental Business Cluster, and the U.S. Market Access Center (formerly the "International Business Incubator").

The incubators are operated and managed by the San Jose State University Research Foundation on behalf of the Agency. The Agency also rents space for two other business support programs, the SDForum (formerly the “Software Development Forum”), a professional development organization for the technology industry, and the eCenter, a group of service providers that provide business development assistance to small business owners.

Status of Programs

a. Software Business Cluster

Founded in 1994, the Software Business Cluster (“SBC”) provides office space and business development services to start-up companies. The SBC has graduated over 120 companies, almost three quarters of which are still located in San Jose and employ over 1,500 workers. Since its inception, six SBC companies have gone public - Agile Software, Callico Commerce, eGain Communications, deCarta (formerly TelConTar), Moscape, and Callidus Software. In 2000, the SBC was awarded the National Business Incubation Association's "Incubator of the Year" award for excellence in the provision of incubation services. Currently, the SBC has seven tenant companies that employ 91 people. The SBC shares 24,300 square feet of space at 2 North First Street with the Environmental Business Cluster.

b. Environmental Business Cluster

The Environmental Business Cluster (“EBC”), also founded in 1994, is a technology commercialization center that specializes in clean energy and clean technology. To date, the EBC has assisted over 120 companies with approximately 1,000 employees. In 2003, the EBC was selected by the California Energy Commission (CEC) to provide advisory services to CEC grant recipients, with the goal of helping clean energy companies commercialize their technologies. The EBC has received over $1 million from the CEC to provide services to client companies. In 2006, the EBC was rated first in a British survey of 110 clean energy incubators around the world, based on the number of technologies that it has successfully taken to the marketplace. With 24 client companies that employ 135 people, the EBC is currently the largest clean energy commercialization center in the United States that is not operated by federal or state governments.

In 2006, the Agency entered into an agreement with the San Jose State University Research Foundation to have the EBC explore the feasibility of creating a collaboration center for advanced transportation technology, focusing on vehicles powered by clean fuels. The EBC conducted a survey of over 80 Silicon Valley companies to understand what technologies they produced that could be applied to the transportation industry. The Agency is currently evaluating next steps for this potential project.

c. U.S. Market Access Center

The U.S. Market Access Center ("US MAC") was established in 1995 to attract international firms to San Jose. The US MAC offers home office and business development services to international clients, including extensive research and consulting services. The incubator has provided services to over 150 companies which have employed hundreds of people in San Jose. Today, the US MAC has 38 resident companies and organizations and is providing consulting services to an additional 35 non-resident client companies. The incubator has been recognized by the National Business Incubation Association as one of its three recommended incubators for international business in the United States. The US MAC is located in 14,700 square feet of space at 111 North Market Street in Downtown San Jose.

d. SDForum

SDForum is a non-profit organization established 22 years ago to provide industry information, professional and business development services, and networking opportunities to Silicon Valley's technology professionals. With 1,800 members and 100 volunteers, the Forum educates the technology community on emerging technology trends and best business practices, and provides coaching to help young companies build their businesses. SDForum reaches 12,000 professionals each year through 300 events, including conferences, workshops, and special interest groups. SDForum is located in 7,500 square feet of office space at 111 W. St. John Street.

e. eCenter

Established in 2000, the eCenter is a collaborative effort between the Redevelopment Agency and the U.S. Small Business Administration to provide small businesses and entrepreneurs with a full range of business support services; the facility is one of only two entrepreneur centers in the United States dedicated to small business development. The eCenter is home to 10 organizations that offer business and technology consulting services, financial assistance, business training, procurement training, international trade and immigrant business assistance. The eCenter offers approximately 75 training sessions every quarter and about 10,000 patrons attend counseling, special events and training sessions annually. Most services are free or charge a nominal cost. The eCenter is located at 84 W. Santa Clara St. The Agency currently pays 85% of the eCenter's lease.

J. Streetscapes

Summary of Program

The Streetscape Master Plan, along with its supporting documents, Downtown Lighting and Downtown Signage Master Plans, was adopted by the City Council in September 2003. The Redevelopment Agency will continue to implement these plans with projects such as the South First Street demonstration project, San Carlos Street Improvements, and the St. John Street pedestrian corridor. The lighting plan will also continue to be implemented along the Transit Mall. Other street lighting projects and downtown lighting projects will include upgrades to the lighting systems to meet modern energy conservation opportunities. Additionally, it is anticipated that improvements to lighting of public spaces, in conformance with the adopted standards, will include parks such as St. James Park, Parque de Los Pabladores, Bicentennial Plaza, and the Circle of Palms.

Status of Current and Future Programs and Projects

A number of significant Streetscape projects were completed in the Greater Downtown. The Fifth Street Streetscape Project was a major reconstruction of both the street and sidewalk areas from San Fernando to St. John Streets. Besides a new street, sidewalks, street trees, and street and pedestrian lights, a series of major public art pieces titled "Parade of Floats" was incorporated into the enlarged sidewalk area. The Almaden Avenue Streetscape Project reconstructed the curb, gutter and sidewalks and provided new street trees and pedestrian lighting from Santa Clara Street to St. John Street. The First and Reed Street Project is complete along a section of Reed Street and is substantially complete along South First Street between William and Reed Streets, with final completion in October. The Transit Mall Pedestrian Lighting Project updated the pedestrian lighting from Santa Clara to San Fernando Streets as Phase One of a Three Phase project.

In addition, The Redevelopment Agency has funded a number of other streetscape elements that have been completed during the past two years, including the pedestrian enhancement crosswalks along Santa Clara Street and at various mid-block crossings; the installation of pedestrian countdown signals at intersections throughout the Greater Downtown; and a small streetscape improvement along a section of South Fourth Street immediately south of Santa Clara Street.

Funding is available in the Agency's adopted budget for construction of Phase Two of the Transit Mall Pedestrian lighting Project and for the installation of pedestrian enhancements along South First Street as part of the 1st ACT Small Wonders Program as well as for design of future streetscape projects. Detailed designs will be completed for San Carlos Street enhancements between Fourth and Market Streets and a concept design developed for modifications to the Market Street to Hwy 87 street segment; Fountain Alley upgrades, street and sidewalk modifications in the North San Pedro housing development.

K. Alleviation of Blight

Since the adoption of the Five-Year Implementation Plan 2005-2009, the Agency has focused of the elimination of physical and economic blight existing in Downtown. The Agency's entire Downtown Redevelopment Program is aimed at reversing decades of physical and economic blight.

III. NEIGHBORHOOD INVESTMENT PROGRAM

The Neighborhood Investment Program is a comprehensive effort to improve physically and economically blighted commercial districts and shopping centers throughout the City of San Jose. The Program consists of two major components: the Neighborhood Business District (NBD) program and the Neighborhood Business Cluster (NBC) program.

The Neighborhood Investment Program includes private development incentives; public and private physical improvements and facilities; and school, park and public right-of-way enhancements including new sidewalks, streetscapes, medians and lighting. Additionally, the Redevelopment Agency sponsors a variety of business assistance programs that promote or create economic development and support neighborhood business associations as an integral part of an area revitalization, fostering maintenance of and improvements to buildings and neighborhoods. These activities are designed to encourage private investment in both the commercial area and adjacent residential communities.

Neighborhood Business District Program

The Neighborhood Business District (NBD) program was formed in 1982 to address the physical deterioration and decline in economic and commercial vitality that older commercial areas were experiencing. The decline in commercial districts affected the property values and community image of the surrounding residential neighborhoods. The Neighborhood Business District program consists of seven Redevelopment Project Areas: Alum Rock Avenue, East Santa Clara Street, Japantown, Monterey Corridor, Story Road, The Alameda, and West San Carlos Street. The seven NBD Project Areas were adopted between 1988 and 1994.

Implementation of the programs and projects identified in the existing Neighborhood Business District Revitalization Strategies is critical to the continued success of the Redevelopment Agency's programs. These programs alleviate blighting conditions through the coordination of public and private improvements. A comprehensive Revitalization Strategy exists for each NBD and serves as a master plan to guide the physical and economic development of each area. The development of urban design objectives is an integral component of each Strategy.

The Strategies identify an array of public and private improvements specific to each area. The Redevelopment Agency assists private development through grant or loan programs, including façade and edge treatment programs, commercial expansion and new development programs that create jobs, and new market rate and affordable housing development programs. Public improvement projects include landscape and streetscape projects, sidewalks, medians, traffic improvements, public spaces, utility undergrounding, and public parking.

The Strategies also identify the opportunities for public school and community facilities improvements, including community youth centers, library branches, parks, and cultural facilities. Listed below is a description of the specific programs used to facilitate development and eliminate blight in the NBDs.

A. Streetscape and Infrastructure Improvements

Summary of Program

The streetscape and infrastructure improvement program includes replacing broken curbs, gutters and sidewalks, installing street trees and shrubs; constructing both decorative and American Disability Act (ADA) compliant crosswalks; constructing new medians with landscaping; adding visual and safety improvements to existing medians; undergrounding utilities; installing street furniture, such as trash receptacles and newspaper racks; and improving area lighting by increasing the number of luminaires, increasing the wattage of individual streetlights or adding pedestrian-scale lighting. Infrastructure improvements in addition to new sidewalks include the installation of traffic lights, traffic safety improvements, including signage and turn lanes, and bus duck-outs. The Redevelopment Agency is also working to leverage local dollars with federal programs for transportation enhancements along these commercial corridors.

Status of Current and Future Programs and Projects

The following streetscape and park projects have been completed since 2005:

1. Story Road

- Completed King Road utility undergrounding project
- Completed King and Story streetscape project. Work included new sidewalks, street trees, 2 new traffic signals, 2 signal modifications to include left turn movements, street paving, median islands, and bus duckouts.
- Completed Prusch Park perimeter improvements including a new pedestrian access, landscape and decorative fencing.

2. Alum Rock Avenue

- Completed construction on the James Lick High School parking improvement project to provide shared parking with the adjacent Alum Rock Village retail area.
- Completed a new left turn and pedestrian crossing at Alum Rock and Manning.
- Completed construction on the medians on Alum Rock and King.
- Completed sidewalk replacement and street tree installation on Alum Rock at Jackson.

3. **Japantown**
   - Completed the conversion of street parking from parallel to diagonal on Jackson Avenue
   - Completed the resurfacing of Jackson Avenue from 4th to 7th Street.

4. **Monterey Corridor**
   - Completed construction on the Monterey Median Island project
   - Completed installation of new traffic signal at Monterey and Phelan
   - Completed construction of a 1 and ¾ acre park on Bellvue Avenue with a tot lot, picnic area, restroom, walking path, and turf fields.

In the next two years additional streetscape improvements are anticipated, per the following:

1. **Japantown**
   - Reconstruct the sidewalks on Jackson Street.
   - Upgrade the existing lighting.
   - Construct infrastructure improvements for former Corporation Yard mixed use project.

2. **West San Carlos Street**
   - Retrofit the existing median island uplights.

B. Façade Improvement Program

<u>Summary of Program</u>

The Facade Improvement Program (FIP) consists of two components: architectural design and the facade improvement grant to implement the architectural design. The Redevelopment Agency hires architectural firms to design the facades in a neighborhood project area, ensuring visual continuity and quality of design. Grants are to the benefit of the to property owners and businesses to improve the visual character of the street and to spur additional private investment. The FIP requires the owners and/or businesses to invest a portion of the funds towards the improvements. Edge treatment (ie. perimeter landscape) grants are a component of the FIP and are available for properties with significant setbacks.

Status of Current and Future Programs and Projects

In the last two years more than 23 buildings in the NBD project areas have been improved through the FIP, with an expenditure of more than $1.8 million. In the next two years it is expected that 25 buildings will be improved with more than $2.5 million budgeted for this effort..

C. Public/Private Development

Summary of Program

Public/private coordination continues through the implementation of the Facade Improvement Program on Alum Rock Avenue, East Santa Clara Street, Japantown, Monterey Corridor, The Alameda, West San Carlos Street, and Story Road. Other public/private coordination occurs when the Redevelopment Agency participates in significant private development projects. Through an Owner Participation Agreement (OPA) or Disposition and Development Agreement (DDA), the Redevelopment Agency may grant or loan money to assist new commercial development or expansion of existing commercial facilities. This program may fund construction, landscaping, façade upgrades, equipment integral to a business, parking lot improvements and off-site improvements (e.g., fire hydrants or traffic mitigation projects).

Status of Current and Future Programs and Projects

The Agency has provided funding, through OPAs and DDAs, to redevelop the intersection of Story and King totaling more than $40,000,000 transforming a neglected and partially vacant commercial intersection to a vibrant shopping area for an underserved population. The Alum Rock Redevelopment Plan will be amended to enable the Redevelopment Agency to assist in the construction of a new Fire Station 2 building in this Project Area. The Agency will contribute approximately $2.7M to this project.

D. Public Community Facilities, School Enhancement and Open Space Projects

Summary of Program

Community-based projects focus on the need for new or improved community facilities such as parks, community centers, fire stations, public schools, open space, and cultural facilities. Projects are anticipated for development using Redevelopment Agency and/or other funds from the City, State, and Federal governments. All existing NBDs will be reviewed for community facility needs. These projects are intended to encourage further investment in their respective neighborhoods and make them a more desirable place to visit, work and live.

<u>Status of Current and Future Programs and Projects</u>
In the East Santa Clara Street NBD, Horace Mann Elementary School was built with an Agency contribution of $7M. In the Monterey Corridor, land was acquired and assembled to construct a 1¾-acre park at a cost of $6.5 million.

E. Neighborhood Retail

<u>Summary of Program</u>
In January 2004, the Redevelopment Agency expanded the successful Downtown retail program into ten neighborhood areas, including six NBDs: Alum Rock Avenue, East Santa Clara Street, Japantown, Story Road, The Alameda, and West San Carlos Street. The neighborhood retail strategy is based on the Downtown model and includes most components of the program. The program is still in its infancy stage, but early indicators show great potential. Retailers have responded positively to the expanded strategy, because it provides them with considerable support in locating multiple business development sites throughout San Jose.

Similar to the Downtown retail strategy, the Neighborhood strategy focuses on a broad range of tenants, coordination with existing merchants and merchant associations, supportive marketing and financial assistance programs wherever possible, and identification of potential retail or mixed use sites to increase the overall supply of retail space.

<u>Status of Current and Future Programs and Projects</u>

1. **Neighborhood Retail Recruitment**
   Approximately 85 businesses opened in the Neighborhood Retail Areas between January 2005 to November 2007 accounting for close to 425,000 square feet of newly activated retail space, including Target, Jamba Juice, T-Mobile, Quizno’s, Sliders Diner, Starbucks, Walgreen’s, Peet’s Coffee and Tea, Ritmo Latino, Longs Drugs, Hawaiian Drive-Inn, Cajun Crab House, Mountain Mike’s, Washington Mutual, Subway, Panda Express, Flower By Ivy, Saigon 75, Sakura Nail Bar, Super Taqueria,

New York Pizza, Party Play, Premier Boutique, Nijiya Market, Walgreen's, among others. The Retail Team provided various levels of assistance to these tenants from site location to the permitting process to grand opening.

2. **Neighborhood Business District Parking Amendment**
   The Retail and Neighborhood and Business Development staffs worked jointly with Planning staff, business and community groups to revise the City Parking Requirements for active retail and restaurant uses in Neighborhood Business Districts. The purpose was to make it more feasible for small landlords with limited land area to tenant buildings, to discourage office uses from taking ground floor retail space in neighborhood areas, and to encourage walkable retail areas with continuous store fronts.

3. **San Jose Retail Website**
   The San Jose Retail website (www.sanjoseretail.com) has evolved into a comprehensive web resource for businesses looking to expand to San Jose. It was expanded in 2005 to include the ten Agency neighborhood retail areas including Almaden/Blossom Hill, Alum Rock, East Santa Clara, Japantown, North 13th Street, Story Road, Tenth and William, The Alameda, West San Carlos and Winchester. The site provides a site-finding tool to search for retail opportunities throughout Downtown and the Neighborhoods as well as sharing information on a number of business incentives and resources.

F. Development Facilitation

Summary of Program

The Redevelopment Agency staff facilitates and promotes new commercial and housing developments in the Neighborhood Business Districts. This process includes assisting property owners and developers with site selection, design review, and the entitlement process.

Status of Current and Future Programs and Projects

The following development projects have been completed since 2005:

1. **Alum Rock Avenue**
   - Las Mariposas (66 for-sale, affordable residential condominiums)-complete 8/05

- Plaza de San Antonio (7,700 sf retail)-complete 4/07

2. **East Santa Clara Street**
   - There were no development projects.

3. **Japantown**
   - There were no development projects.

4. **Monterey Corridor**
   - There were no development projects.

5. **Story Road**
   - Bargain King fire rebuild (5,000 sf new retail building)-completed 12/05
   - Bracamontes Office Building (10,528 sf two-story office bldg.)- completed 11/06
   - Plaza De San Jose (229,820 sf shopping center with Famsa, Walgreens, Target, Ritmo Latina, Wells Fargo, and various restaurants)- completed 11/05

6. **The Alameda**
   - 51 on The Alameda (265 for-sale residential condominiums)-in process
   - Campisi Retail (13k sf new retail) -complete 2/07
   - Long's Drug store (9,800 sf new retail) -complete 3/06
   - The Lofts (40 for-sale residential units) -complete 1/07

7. **West San Carlos Street**
   - Ferraro Plaza (8,200 sf of new retail)- complete 5/05
   - Village Square (95 for-sale residential units)- in process

Although several potential development projects in the Neighborhood Business Districts (NBDs) are anticipated, additional future projects may come forward. The NBD program budget includes a development fund so that any opportunity that furthers Redevelopment goals and objectives can be facilitated. In the next two years, work is anticipated on the following development projects:

1. **Alum Rock Avenue**
   - Fire Station #2 (new public facility proposed)

2. **East Santa Clara Street**
   - Redevelopment of the former hospital site (13 acres).

3. **Japantown**
   - Redevelopment of the former City corporation yard (5 acre site). Proposed private development project

4. **Monterey Corridor**
   - Future development projects are unknown at this time.

5. **Story Road**
   - Redevelopment of the Agency site on the sw corner (30,000 sf site). Public/private partnership for proposed development project to provide 9,800 sf of new retail space.

6. **The Alameda**
   - Whole Foods (new healthy grocery store of about 44,000 sf).

7. **West San Carlos Street**
   - Future development projects are unknown at this time.

Neighborhood Business Cluster Program

The Neighborhood Business Clusters (NBC) program was developed in 1999 to revitalize blighted neighborhood shopping centers. The NBC Project Area is comprised of six non-contiguous areas, consisting of neighborhood shopping centers: Bascom Station, Fruitdale Station, Monterey and Roeder, Union and Camden, Union and Foxworthy, and White and Quimby. The NBC Project Area was adopted in 2001.

A. Public Improvement Program

<u>Summary of Program</u>

The Redevelopment Agency has funds for public improvements and facilities to encourage private investment. Studies have identified infrastructure deficiencies within the Project Area.

Public improvements include, but are not limited to, the repair, replacement or construction of sidewalks, curbs, gutters, and other elements of the public right-of-way. Improvements in the right-of-way to improve vehicular and pedestrian circulation and access to the NBCs are also planned. Streetscape improvement projects may include the installation of streetlights, new landscaping, and fencing.

The financing and construction of public improvements will provide improved public health, safety, and welfare due to better pedestrian and traffic circulation and access, improved night visibility and street lighting, and enhance aesthetics through streetscape design and construction. Public improvements also provide an incentive for private reinvestment. The ability of an area to attract new investors and to encourage existing businesses and property owners to maintain and reinvest in their properties depends not just on the quality of the surrounding buildings but on the quality of the amenities serving the building stock.

Status of Current and Future Programs and Projects
One area, the Union and Foxworthy NBC, required extensive streetscape improvements, including new sidewalks, street trees, ADA ramps and improved pedestrian circulation. That work has been completed and there are no plans at this time for additional projects.

B. Land Assembly Program

Summary of Program
The Redevelopment Agency's Land Assembly Program assembles parcels of property into sites suitable for commercial and residential development, and transfer property for private development. The Redevelopment Agency efforts in assembling land would be applied in very selective cases.
Land assembly would likely take place in response to property owner-or developer- initiated efforts to assemble property needed for the expansion of existing uses or for the creation of a site capable of development for new uses. The Redevelopment Agency may also choose to participate in the acquisition of property for infrastructure or public facility purposes. The program may also include site preparation activities such as demolition and clearance and assistance for environmental remediation. Relocation assistance and payments would be required for properties acquired by the Redevelopment Agency that have business and/or residential occupants.

A major cause of blight in the Project Area is the large number of inadequately sized and shaped commercial parcels that are held under multiple ownerships, which cannot currently be adapted for viable reuse. The Redevelopment Agency could, through its land assembly and relocation program, acquire and, where necessary, consolidate land parcels of irregular shape and size. In many cases, such lots are adjoining but held under separate ownership. The program also allows the Redevelopment Agency to construct site improvements to prepare land for effective reuse. New development will add value to the tax rolls, encourage further development, generate demand for Project Area properties and increase property values. The program also provides an incentive for existing owners and the private sector to develop or redevelop underutilized and blighted properties.

Status of Current and Future Programs and Projects

Currently there are no identified needs for Agency assistance in the assembly of properties. Should a project need assistance from the Agency, funding may be made available.

C. Façade Improvement Program

Summary of Program

The Redevelopment Agency will continue its program of grants to businesses for the purposes of façade treatments. This program assists commercial property owners in improving their properties. This program encourages restoring, modernizing and improving the facades of commercial structures to enhance the attractiveness and visibility of the area. Typical improvements include paint, signage, lighting awnings, window and door replacement, limited parapet additions, finishes and decorative features designed to highlight building characteristics. Edge treatment grants are available for improvements (such as landscaping and fencing) to the frontage of properties.

Status of Current and Future Programs and Projects

The Agency has completed façade improvements for seven buildings and reconstructed a parking lot to a small retail center. More than $490,000 of Agency funding was expended with owners providing approximately $45,000.

D. Public Facilities

Summary of Program

The Neighborhood Business Clusters (NBC) are centrally located in neighborhoods, therefore, the opportunity exists for public and private investment to develop public facilities such as community centers and libraries on these properties. As a part of its public improvements, the Redevelopment Agency could assist in the development of public facilities within the NBCs. Public facilities could include community centers and libraries.

Status of Current and Future Programs and Projects
At this time there are no projects identified.

E. Alleviation of Blight

The Neighborhood Business Districts (NBD) and Neighborhood Business Clusters (NBC) were selected as redevelopment project areas because they are commercial areas or shopping centers suffering from serious economic and physical decline. The economic decline evident in both the NBDs and NBCs has been due to underutilization of real estate, the presence of marginal businesses, and the decline of property values. The physical decline has been evident in the absence of modern retail improvements to the storefronts, the absence of adequate parking facilities, the absence of streetscape and landscape suitable for a pedestrian-oriented environment, and the consequent proliferation of graffiti and other vandalism in the NBDs. In the NBCs, physical decline has been evident in poor signage, aging storefronts, parking lots with poor circulation and poor ingress and egress, inadequate lighting and either no landscaping or insufficient landscaping elements.

Additionally, the project areas suffer from inadequate and irregular shape and size lots, which have hindered the ability of property owners to effectively maintain modern commercial standards. Because of the long period of decline in these commercial districts and shopping centers, a number of incompatible uses have been established, which limits the effectiveness of the areas to function in a modern retail environment.

The Redevelopment Agency's programs and projects during this timeframe will continue to address blight caused by inadequate public facilities and physical impediments to orderly commercial development. The programs that will continue include streetscapes, landscape upgrades, lighting, new sidewalks, undergrounding of utilities, façade improvements, infill development and provision of parking facilities in the Neighborhood Business Districts. In the Neighborhood Business Clusters, the need for improved parking lots, lighting, signage and storefronts will continue for two of the NBCs. One NBC, the Bascom Station TOD site, would benefit from major improvements including demolition of all or some of the existing structures and the construction of a new mixed-use development.

Additionally, because the commercial districts often form the heart of a neighborhood, the Redevelopment Agency programs in the commercial districts benefit the broader community. By reinvigorating the commercial centers of neighborhoods, the Neighborhood Investment Program works to eliminate the blighting influences of vacant stores and empty streets, which become havens for gangs and dangerous activities.

More information about the Agency's other incubators is contained in the "Downtown" section of this report.

IV. INDUSTRIAL REDEVELOPMENT AREAS

The Redevelopment Agency administers redevelopment projects and programs in five Industrial Redevelopment Project Areas encompassing 7,986 acres of land: Rincon de los Esteros (often called "North San Jose"), Edenvale, Monterey Corridor, Julian-Stockton, and Olinder. The Agency has invested $300 million since 1977 in infrastructure projects and development assistance in order to stimulate private investment in R&D, office, manufacturing, and warehouse facilities. Over 70 million square feet of space supports over 92,000 jobs.

The Implementation Plan states that the two major goals of the Agency's Industrial Development work program are to create a market for private industrial development and to attract new industrial development for vacant and underutilized parcels in the Industrial Project Areas. The Agency's major strategies for achieving these goals are to invest in the public infrastructure needed to stimulate private investment and development, including the construction of streets, flood control systems, utilities, and other amenities; to provide pre-development assistance to the real estate and business community, such as updating area development policies or funding area-wide environmental studies; to provide incentives to attract companies to move into vacant industrial properties; and to incubate new businesses in emerging technology sectors.

Through implementation of the Industrial redevelopment work program, the Agency helps eradicate blighted conditions in the Industrial Project Areas, which include land uses incompatible with industrial development, properties that are not shaped or sized appropriately for industrial development, existing buildings that are obsolete from the perspective of contemporary companies’ space requirements, poor traffic circulation, and absent or insufficient infrastructure like sidewalks, sanitary sewers, and storm drainage systems.

A. Infrastructure Improvements

<u>Summary of Projects</u>

Since 2005, the focus of the Agency's infrastructure investments in the Industrial Project Areas has been the design of improvements to support the implementation of the new North San Jose Area Development Policy in the Rincon de los Esteros Project Area. Approved by the City Council in 2005, the North San Jose Area Development Policy provides for 26.7 million square feet of additional R&D and office development, which could generate over 83,000 jobs. The Agency has also invested in the design of improvements that support the further development of Edenvale, and the identification of infrastructure needs in the Monterey Corridor.

<u>Status of Projects</u>

1. **Rincon de los Esteros**

   An estimated $570 million is needed to complete roadway improvements identified in the North San Jose Area Development Policy. Many of these improvements are currently under design, including the Trimble Road/U.S. 101 interchange, Charcot Avenue freeway overcrossing, Zanker Road widening, Montague Expressway improvements, Third and Fourth Street couplet conversions, Hensley Street enhancements, realignment of the North First Street plan line, and urban design guidelines, a street grid master plan, and a bicycle/pedestrian master plan for the entire North San Jose planning area. The Agency is funding these design contracts, for a total of $3.9 million, and has committed to providing $26 million towards the future construction of these improvements. In addition, the Agency is funding the development of Design Guidelines for the North San Jose area, which will assist in the location of schools and parks, as well as, provide guidance to the development community for the construction of public improvements that link residential and commercial development.

   The Zanker Road median island between Trimble Road and Plumeria Drive was landscaped in 2007, at a total cost of

$550,000. The Agency contributed $442,000 of the project funds.

2. **Edenvale**
Design of the Blossom Hill Road/U.S. 101 interchange improvements is 65% complete. Completion of the design phase is contingent upon identifying external sources of funding for the construction of the project, which is estimated to cost $17 million. The Agency has contributed $4 million towards the cost of the design and the environmental review for this project. The design and construction of the Hellyer Avenue/U.S. 101 interchange improvements will move forward when funding is identified for the project.

   Design of a storm water detention basin was completed in 2006 with $300,000 of Agency funds. The estimated cost of constructing the basin is $2.4 million. The Agency is seeking external sources of funding to construct the basin. Design of an extension of the Coyote Creek trail system was completed in 2006 as part of the design of the storm water detention basin. The estimated cost of land acquisition and trail construction to implement the trail design is $1.1 million.

3. **Monterey Corridor**
The construction of median islands and landscape improvements in the Monterey Corridor was completed in 2005 with $2.5 million of Agency funds. The improvements are located on Monterey Road between Keyes Street and Curtner Avenue. Upgrades were also made to the existing Cadwallader Park pedestrian transit island as part of this project.
An infrastructure needs analysis was completed for the Monterey Corridor in 2007, using $130,000 of Agency funds. The analysis identified $15 million of improvements to seven major streets in the project area, as well as a new access corridor to State Route 87, redirecting commercial vehicles from residential streets to industrial streets. These improvements would benefit the effort to attract new industrial development in the project area.

B. Pre-Development Assistance

<u>Summary of Projects</u>
The Agency has created and supported a number of programs to facilitate private development and encourage private investment in

the Industrial Project Areas. The Agency participates in the Special Tenant Improvement Program ("STI Program"), a joint Agency and City program to expedite improvements to vacant industrial, R&D, and office buildings in San Jose. The STI Program serves as an incentive to attract industrial tenants to locate in the Industrial Project Areas. The Agency also works closely with developers and corporate tenants who are implementing projects in the Industrial Project Areas, regardless of their eligibility for the STI Program.

Major pre-development assistance provided by the Agency includes the funding of area-wide development policy updates and environmental and traffic impact studies; site selection assistance; the preparation of development proposals; business retention and attraction campaigns; and promotion of the Industrial Project Areas. In order to inform the development and brokerage community about opportunities and incentives to locate in the Industrial Project Areas, the Agency prepares and submits proposals to developers, site selection consultants, and potential corporate tenants, and makes presentations about activities and programs in the Industrial Project Areas to brokerage firms. The Agency also reaches out to the existing business community in the Industrial Project Areas through a retention program, visiting companies to inform them of the Agency's programs and services, and to gather information about expansion needs. The Agency engages in business appreciation events, recommending companies to the Mayor and City Council for commendations, and helping coordinate grand-opening celebrations for companies in the Industrial Project Areas.

Status of Projects

The Agency continues its active involvement in the Special Tenant Improvement Program ("STI Program"). Since 2005, staff has worked with dozens of companies moving into the Industrial Project Areas, including AboveNet, Acer, Alacritech, Alsco, Applied Microstructures, Epson Electronics, Force 10 Networks, Frontier Semiconductor, InnoMedia, Integrated Device Technologies, Intermolecular, Interwoven, Lockheed, Magma Design Automation, MeriVac, Micrus Endovascular, Micron, Nanosolar, Neophotonics, Nextest, Nuova Systems, Polycom, Qualcomm, RAE Systems, Semifab, Underwriters Labs, VNUS Medical Technologies, Watchguard Technologies, Western Digital, Xilinx, and Zilog.

Outside of the STI Program, the Agency has worked closely with developers and corporate tenants to facilitate development, expansion, and relocation proposals. In the Rincon de los Esteros Project Area, the Agency has facilitated a number of development proposals through the permit process, including Cadence Design Systems, Castle Group, Essex Properties, Irvine Housing, Novellus Systems, the Riding Group, Sony, and Wyse. In the Edenvale Project Area, the Agency has worked with the City to facilitate a development proposal from Hitachi Global Storage Technologies.

The Agency has successfully attracted and retained a number of large companies in San Jose. In 2006, the Agency attracted Magma and Interwoven to San Jose, bringing approximately 665 jobs into the Rincon de los Esteros Project Area. In 2007, the Agency worked with BEA Systems, a major corporate tenant in the Rincon de los Esteros Project Area, to help the company purchase and move into an unoccupied office tower in the Downtown Project Area, filling 310,000 square feet of vacant office space. BEA will bring 800 employees into the Downtown. Also in 2006, the Agency retained Acer, a company located in the Rincon de los Esteros Project Area, by helping them find space and move into the Downtown Project Area. The Agency also helped Lockheed expand in the Rincon de los Esteros Project Area rather than move out of San Jose. In 2006, the Agency helped VNUS Medical Technologies, a medical device manufacturer, relocate from the Rincon de los Esteros Project Area to a new facility in the Edenvale Project Area. In 2007, the Agency retained Zilog, moving the company from a facility in the Strong Neighborhoods Project Area to the Edenvale Project Area.

Since 2005, the Agency has also met with hundreds of corporate representatives and brokers as part of its outreach campaign to retain and attract companies and inform the business and real estate community about the Agency's programs.

C. Public/Private Development

<u>Summary of Projects</u>

In order to encourage and support private development, the Agency has invested in the creation of a new North San Jose Area Development Policy and provided funding to attract companies to locate in Edenvale. The Agency continues to support a business incubator program, in order to attract high-potential start-up companies in emerging technology sectors to locate and grow in the Industrial Project Areas. The Agency has funded tenant improvements and leases of office and R&D space in the Downtown and in Edenvale in order to house four incubators: the Software Business Cluster, the Environmental Business Cluster, the U.S. Market Access Center (formerly the "International Business Incubator"), and the San Jose BioCenter. The Agency works closely with the San Jose State University Research Foundation, the operator of the Agency's incubator program, to ensure the success of the program.

Status of Projects

1. **North San Jose Area Development Policy**

   In 2005, the San Jose City Council approved a new North San Jose Area Development Policy, which increases the development capacity of the Rincon de los Esteros Project Area and identifies the infrastructure improvements that are necessary to achieve this development. The policy allows for the development of an additional 26.7 million square feet of industrial, R&D, and office space, which has the potential to create 83,000 jobs. This industrial development will be supported by an additional 1.7 million square feet of retail space, another 32,000 housing units, and parks, open spaces, educational facilities, and other community amenities.

   The Area Development Policy identifies $570 million of transportation improvements to mitigate the impact of this development. As described under "Infrastructure Improvements," the Agency is currently funding the design of many of the proposed transportation improvements. The Agency has also organized and continues to coordinate a North San Jose Neighborhood Planning Task Force to provide input to the Agency and the City about residential and corporate interest in future North San Jose amenities.

   The Design Guidelines cited earlier will facilitate these developments:

2. **Edenvale Emerging Technologies Fund**

   The Agency has budgeted $3 million to fund tenant improvements and capital equipment in order to attract bioscience and other emerging technology companies to Edenvale. In 2007, the Agency entered into an agreement with Nanosolar, a solar technology company, to locate its headquarters and manufacturing facility in Edenvale. The

Agency will reimburse Nanosolar $1.5 million for its purchases of capital equipment.

3. **Incubator Program**

In 2004, the Agency completed $6.5 million of tenant improvements to a 36,500 square-foot space in Edenvale, creating the San Jose BioCenter (the "BioCenter"). The BioCenter is a bioscience business incubator and research laboratory for start-up companies in biotechnology, drug discovery and development, diagnostics, medical devices, bioinformatics, biophotonics, biofuels, and nanotechnology. In 2006, the Agency completed an additional $1 million of tenant improvements to the BioCenter, and in 2006 and 2007, the Agency acquired $1.2 million of biology and chemistry research equipment for the facility.

Today, the BioCenter is fully occupied, with 24 client companies that employ 150 people, 75% of whom have Ph.D.'s. BioCenter companies have raised over $100 million in funding and have been featured in the national news media, including *The New York Times, The Washington Post, Time* magazine, *Business 2.0*, and CNN and other major television networks. BioCenter companies are growing quickly and are seeking expansion space in Edenvale. In order to meet this demand, the Agency is investigating the feasibility of expanding the BioCenter by improving an additional floor of the building where the BioCenter is located.

In 2007, the Agency plans to enter into an agreement with a consultant to determine the feasibility of constructing a pilot bio-manufacturing plant in Edenvale. Young bioscience companies need access to contract manufacturing facilities to produce small trial quantities of their products. Because most of these types of facilities are currently located on the east coast of the United States or overseas, the construction of a pilot plant in Edenvale could be a major competitive advantage for San Jose, serving to attract more bioscience companies to locate in Edenvale.

More information about the Agency's other incubators is contained in the "Downtown" section of this report.

D. Alleviation of Blight

Since adoption of the Implementation Plan, the Agency has invested in eliminating both physical and economic blight in the Industrial Project Areas, as described above. Critical to the continued physical improvement and economic revitalization of the industrial Redevelopment Project Areas, the Agency will invest in projects and programs that eliminate physical and economic blight.

In 2007, the Agency plans to enter into an agreement with a consultant to determine the feasibility of constructing a pilot bio-manufacturing plant in Edenvale. Young bioscience companies need access to contract manufacturing facilities to produce small trial quantities of their products. Because most of these types of facilities are currently located on the east coast of the United States or overseas, the construction of a pilot plant in Edenvale could be a major competitive advantage for San Jose, serving to attract more bioscience companies to locate in Edenvale.

V. HOUSING

The Five-Year Implementation Plan 2005-2009 goals for housing support the San Jose 2020 General Plan goals for providing new and rehabilitated housing development in San José. As required by Section 33490 of the Health and Safety Code, the information provided in this section covers the Redevelopment Agency's housing obligations for all redevelopment project areas. The Planning Department, Redevelopment Agency, and the Housing Department work together to administer the Inclusionary Housing Program in the 20 Redevelopment Project Areas, as required by Section 33413. In addition, this section summarizes the housing activity undertaken by the Redevelopment Agency using its 80% tax increment fund.

A. Housing (80% tax increment fund)

Residential development in the downtown plays an integral role in the long-term development of downtown San Jose. The Agency provides financial assistance, from 80% tax increment funds, to assist in the development of both market rate housing and affordable housing projects in the greater downtown, and in the industrial and neighborhood project areas. This financial assistance is in addition to 20% tax increment funds provided to the Housing Department to implement the Citywide 20% Affordable Housing Fund Program.

Status of Current and Future Programs and Projects

Below is a current list of the Redevelopment Agency assisted housing projects in the greater Downtown area that have been completed, are under construction, or in planning/negotiation phases.

1. **Completed Housing Projects**
   - **Lofts at the Alameda:** 40 for-sale units located on the Alameda next to Morrison Street. The project includes eight affordable units. Completion date was 1st quarter 2007.

   - **The Globe:** 76 for-sale units located on the east side of 2nd Street just south of Santa Clara Avenue. Project includes 15 affordable units. Completion date was 3rd quarter 2007.

   - **Keystone Place:** 42 for-sale units located on northwest corner of Bassett and N. 1st Street. Project includes eight affordable units. Completion date was 3rd quarter 2007.

   - **Art Ark:** 148 rental units located north of Keyes between South 5th Street and South 6th Street. Project includes 146 affordable rental units and used both 80% and 20% redevelopment funds to subsidize this affordable housing project. Completion date was 2nd quarter 2007.

   - **Delmas Teacher Housing:** 123 rental units located on the southwest corner of Bird and San Carlos Street. Project includes 122 affordable rental units and used both 80% and 20% redevelopment funds to subsidize this affordable housing project. Completion date was 3rd quarter 2007.

2. **Housing Projects Under Construction**
   - **360 Residences:** 213 for-sale high-rise condominium units located on South 1st Street and South Market Street directly opposite the San Jose McEnery Convention Center and north of San Salvador Street. The project qualified under the first high rise incentive program of the City's Inclusionary Housing Policy and was not required to provide any affordable units. Estimated completion date is 2nd quarter 2009.

- **One East Julian:** 43 for-sale units located on northeast corner of Julian and N. 1st Street. Project includes eight affordable units. Estimated completion date is 1st quarter 2008.

- **Tower 88:** 406 for-sale condominium units located on south side of San Fernando between 2nd and 3rd Street, is being built in two phases. Project's first phase includes 197 for-sale condominium units and is currently under construction. The Inclusionary Housing Policy does not apply to this project. Estimated completion date for Phase I is 1st quarter 2008 with Phase II scheduled to start construction once a large majority of Phase I units have been sold.

3. **Housing Projects in Planning / Negotiations**
   - **Park View Towers**: Located on north side of St. James between First and Second Street. This high-rise project will include the renovation of the Historic First Church of Christ building and is planned to have 190 units. The Inclusionary Housing Policy does not apply to this project. The project is being developed per the terms of a Disposition and Development Agreement (DDA) with the Agency. Construction is estimated to begin in the 1st quarter 2008.

   - **City Front Square:** This high-rise project is located on the north side of San Carlos Street between First and Market Street and is planned to have 400 for-sale condominium units in two towers and 245 HUD contracted affordable rental units for seniors in a third tower. The Inclusionary Housing Policy does not apply to this project. Project is being developed per the terms of a DDA with the Agency. Construction is estimated to begin in the 3rd quarter 2008.

   - **North San Pedro Area:** This nine-acre site is generally located at the northwest corner of the Downtown core near San Pedro Street and Julian Street. A variety of product types and designs will be integrated into the project. It is estimated that approximately 600 dwelling units will be built, of which roughly 450 units are high-rise units. The Inclusionary Housing Policy applies to this project. The project is being developed per the terms of a DDA with the Agency. Construction is estimated to begin in late 2008.

- **Japantown Corporation Yard:** Located north of Jackson Street between 6th and 7th Street. This project is expected to provide 500 to 600 units. The Inclusionary Housing Policy does apply to this project. An Exclusive Negotiations Agreement (ENA) was approved in June 2007. Construction is estimated to begin in 2009.

B. Summary of 20% Housing Program

Pursuant to Health and Safety Code Sections 33334.2, 33334.3, 33334.4, and 33334.6, the Redevelopment Agency deposits 20% of its annual gross tax increment into the Low and Moderate Income Housing Fund (the "20% Fund"), which the City's Housing Department administers pursuant to the requirements and restrictions of Redevelopment Law. These funds are used to increase, improve, and preserve the community's extremely low, very low, low and moderate income housing available at affordable levels.

This section summarizes the results of the 20% Housing Program since the current Implementation Plan was adopted in 2004. The tables presented in this section also compare the original estimates for various items found in the Implementation Plan with what has actually occurred since the Plan's adoption.

Table 1 compares the actual amount of 20% Funds received versus the amount originally estimated in the Implementation Plan.

Table 1. 20% Tax Increment Revenue

Fiscal Year	Original Estimate	Actual Amount/ New Estimate*
2004-05	$30,026,000	$29,945,042
2005-06	$29,552,000	$32,449,456
2006-07	$30,526,000	$32,363,715
2007-08	$33,820,000	$36,353,128*
2008-09	$37,063,000	$39,872,939*

* Actual amounts pertain to fiscal years that have already been completed, and thus are available only for FY 2004-2005, 2005-2006, and 2006-2007. Figures for FY 2007-2008 and 2008-2009 are updated estimates of the 20% Fund as found in the Redevelopment Agency's Adopted 2007-2008 Capital Budget.

Although the Housing Department received a slightly lower tax increment in 2004-05 than originally anticipated, 2005-06 and 2006-07 actual receipts exceeded their respective estimates. New estimates for Fiscal Years 2007-08 and 2008-09 also exceed their original estimates.

1. **Report the number of new, rehabilitated, or price-restricted units assisted with 20% Funds since the adoption of the current RDA Implementation Plan. Also, report the expenditure of monies from the 20% fund since the adoption of the Plan.**

   Table 2 below gives the number of affordable housing units completed and rehabilitated using 20% Funds. While new construction was less than half the estimated amount in 2004-05, the estimates were far exceeded in 2005-06 and 2006-07. For the three fiscal years that have elapsed since the beginning of the Implementation Plan period (2004-07), 2,235 new affordable units have been built and 1,908 rehabilitated, versus the estimate of 1,746 new units (note that the Implementation Plan did not give estimates for the expected number of rehabilitated units).

Table 2. Housing Units Financed with 20% Funds

Fiscal Year	Original Estimate		Actual Amount*	
	New	Rehab**	New	Rehab
2004-05	1159	NA	525	341
2005-06	457	NA	720	729
2006-07	130	NA	990	838
2007-08	667	NA	NA	NA
2008-09	667	NA	NA	NA

*Actual amounts are available only for fiscal years that have been completed.
** Estimates for rehabilitation are not given in the SJRA Five-Year Implementation Plan 2005-2009

Table 3 compares the expected and actual amount of funding commitments from the 20% Funds versus the original estimate found in the Implementation Plan. While the actual amount of funding commitment totaled less than half the estimated amount in 2004-05, the estimates were exceeded in 2005-06 and 2006-07. For the three fiscal years that have elapsed since the beginning of the Implementation Plan period, the Department committed $80 million of 20% Funds towards affordable housing projects, versus $104.8 million of expected commitment.

Table 3. Funding Commitments from 20% Funds

Fiscal Year	Original Estimate	Actual Amount*
2004-05	$69,500,000	$32,863,436
2005-06	$27,500,000	$30,276,561
2006-07	$7,800,000	$16,826,995
2007-08	$40,000,000	NA
2008-09	$40,000,000	NA

*Actual amounts are available only for fiscal years that have been completed.

2. Statement of excess surplus in the Low and Moderate Income Housing Fund (Section 33334.10)

As defined by the California Health and Safety Code, "excess surplus" means any unexpended and unencumbered amount in a Redevelopment Agency's Low and Moderate Income Housing Fund that exceeds the greater of one million dollars ($1,000,000) or the aggregate amount deposited into the Low and Moderate Income Housing Fund pursuant to Sections 33334.2 and 33334.6 during the Agency's preceding four fiscal years.

The Housing Department's 20% Fund does not carry a balance of excess surplus and will not for the remainder of the Implementation Plan period.

C. Inclusionary Housing Program and Compliance Plan

This section of the Progress Report summarizes the accomplishments of the Inclusionary Housing Program during the first three years of the current Implementation Plan. Requirements for Inclusionary and Agency-developed housing are found in the Health and Safety Code Sections 33413 and 33490. In particular, Section 33413 (b)(2a) requires that a minimum of 15 percent of all new and substantially rehabilitated housing units developed within redevelopment areas be available at housing costs affordable to very low and moderate-income households. Specifically, 40 percent of that 15 percent (ie. 6 percent of total units) must be available to very low-income households, and 60 percent of that 15 percent be allocated to low- or moderate-income households (ie. 9 percent of total units).

Pursuant to Section 33413 (b)(4), the City of San Jose's Redevelopment Agency has adopted an inclusionary housing plan for each redevelopment area. The City's inclusionary requirements for rental developments are more stringent than the State's. The City requires that 20 percent (rather than the State's 15 percent) of all rental housing units produced in redevelopment areas be affordable, with 12 percent of total units restricted to low-income households and 8 percent to very low-income households. The exception to this percent requirement above involves stand-alone rental projects, which may qualify for a reduced inclusionary obligation of 15 percent if units for extremely low-income (ELI) households comprise 25 percent of the affordable units and the remaining for very low-income households (See Appendix 1) Owner-occupied units have a 20 percent inclusionary requirement if affordable units are restricted to low- or moderate-income households; the requirement drops to 15 percent if 9 percent of all owner-occupied units is restricted to low- or moderate-income and 6 percent to very low-income households. Since the adoption of the current Redevelopment Agency 5 Year Implementation Plan, San Jose has updated its inclusionary policy to create deeper housing obligations as well as additional flexibility for developers to meet their inclusionary housing obligations in redevelopment areas.[1]

Note that while the City's policy has a higher inclusionary obligation than the State's, this report summarizes compliance with the State's

[1] The City of San Jose's updated inclusionary housing policy became effective July 1, 2007. See Appendix 1 for a summary of the changes that the new policy made to the original policy.

inclusionary housing obligations as mandated by Section 33413 (b)(2a) of Redevelopment Law.

1. **Status of Inclusionary Housing Program**
   a. **Compliance for three reporting periods: Inception Date to June 30, 1994; Fiscal Years 1994-2004; and Fiscal Years 2004-2014**

Table 4 gives the actual and estimated number of inclusionary housing units produced for three reporting periods: actual production figures are given for reporting periods 1979-2004 and 1994-2004; and estimates are provided for the current period 2004-2014. Of all new or substantially rehabilitated units, at least 6 percent must be for very low-income households and 9 percent for low- to moderate-income households. [2]

Table 4. Inclusionary Production*

Fiscal Year	VLI Units (6% Goal)		LI/MOD Units (9% Goal)		Total Affordable (15% Goal)	
	Goal	Actual	Goal	Actual	Goal	Actual
1979-94	31 (6%)	181 (35%)	47 (9%)	40 (8%)	78 (15%)	221 (43%)
1994-2004	403 (6%)	3,155 (47%)	605 (9%)	1,858 (28%)	1,009 (15%)	5,012 (75%)
2004-2014*	668 (6%)	See Table 5	1,003 (9%)	See Table 5	1,671 (15%)	See Table 5

*The above percentages are off of the corresponding figures set forth in Appendix B of the Five-Year Implementation Plan 2005-2009

For the two production periods already completed (1979-1994 and 1994-2004), the City far exceeded the State-mandated 15 percent inclusionary housing obligation. Indeed, from 1979-1994, 221 affordable units were produced instead of the 78 unit goal. From 1994-2004, 5,012 affordable units were produced instead of the

[2] Calculating the number of inclusionary units produced rests on three conditions. First, any rental affordable unit produced within an RDA area counts as one inclusionary unit. Second, any rental affordable unit produced outside an RDA area counts as half an inclusionary unit. Third, any for-sale unit produced, regardless of the location, is not counted in the calculation of inclusionary units for the purpose of this report because it is difficult to preserve their affordability status: based on current policy, for-sale affordable units lose their affordability restrictions once the unit is sold by the initial homeowner. Therefore, they are excluded from the inclusionary calculations. The units that are included in the calculations have a long-term affordability restriction of 55 years.

1,009 unit goal, leaving San Jose with a surplus of 4,003 units over its inclusionary obligation.[3] Each production period also far exceeded VLI and LI/MOD goals.

b. Status of Inclusionary Production for July 1, 2004 to June 30, 2014

Based on the ten-year goal of 1,671 inclusionary units to be produced for the 2004-2014 period (see Table 4), the average annual production target is 167 total affordable units composed of 67 VLI units and 100 LI/MOD units.

Table 5 compares the actual inclusionary production for the first three years of this production period with the annual production targets.[4]

Table 5. Inclusionary Units Produced To Date for the 2004-2014 Production Period

	VLI Units (6% Goal)		LI/MOD Units (9% Goal)		Total (15% Goal)	
Fiscal Year	Goal	Actual	Goal	Actual	Goal	Actual
2004-05	67	242.5	100	344	167	586.5
2005-06	67	235.5	100	529.5	167	765
2006-07	67	753	100	701.5	167	1454.5
3-Yr Total	201	1,164	300	1,447	501	2,611
F 10-Yr Total	668	Already Met Goal	1,003	Already Met Goal	1,671	Already Met Goal

*Actual amounts are available only for fiscal years that have been completed

For each income category, the actual annual production from 2004-2007 far exceeds the goals. At the end of FY 2006-2007, 1,164 VLI units, 1,447 LI/MOD units, and 2,611 total inclusionary units have been produced. This compares with production goals of 201 VLI units, 300 LI/MOD units, and

[3] See RDA 2005-2009 Implementation Plan for calculation of inclusionary housing surplus.
[4] See Appendix 2 for calculation of inclusionary housing units. Annual production goals may not add up to 10-year total due to rounding. [still check your table 5 numbers horizontal and vertical

501 total inclusionary units for the first three years of this production. Note that the VLI production figures include ELI units, which can be found in Appendix 2.

In addition, the three-year production of 2,611 total units for FY 2004-2007 has already exceeded the 1,671 unit goal for the entire ten-year production period from FY 2004-2014. The inclusionary housing production during this period will continue to increase the City's surplus of inclusionary housing.

2. **Estimates of the number of Redevelopment Agency-developed residential units, which will be developed during the next five years:**
There are no anticipated Redevelopment Agency-developed residential units within a redevelopment project area which will be developed during the next five years, as the Redevelopment Agency does not independently develop housing.

3. **Estimates of the number of Redevelopment Agency-developed units for very low, low, and moderate-income households which will be developed by the Redevelopment Agency during the next five years:**
There are no anticipated Redevelopment Agency-developed residential units that will be developed during the next five years, as the Redevelopment Agency does not independently develop housing.

4. **If the implementation plan contains a project that will result in the destruction or removal of dwelling units what will have to be replaced pursuant to subdivision (a) of Section 33413, the implementation plan shall identify proposed locations suitable for replacement dwelling units:**
The Redevelopment Agency complies with Section 33413(a) by providing replacement units for any destroyed units related to Redevelopment Agency projects. Currently, 64 affordable units must be replaced for the destruction of the original Casa Feliz Manor House.

The new Casa Feliz will have 60 units composed of 59 restricted units and 1 unrestricted unit for the property manager. The remaining obligation of 5 income-restricted units has been transferred to Hester Apartments per Council approval on February 28, 2006.

E. Proportionality Requirements and Compliance Plan for 20% Funds Used

1. Proportionality Compliance for Targeted Income Levels

CA Redevelopment Law Section 33334.4 specifies that "the moneys in the Low and Moderate Income Housing Fund [be used] to assist housing for persons of low income and housing for persons of very low income in at least the same proportion as the total number of housing units needed for each of those income groups bears to the total number of units needed for persons of moderate, low, and very low income within the community..." Spending proportions for different income groups derive from the Association of Bay Area Governments Regional Housing Needs Allocation numbers. The proportions applicable for the production period of this report are: 48 percent moderate-income units; 16 percent low-income units; and 36 percent very low-income units.[5]

However, as allowed by State law, the City of San Jose's Income Allocation Policy achieves even deeper levels of affordability with its 85/15 spending policy: a minimum of 85 percent of the Agency's 20% Funds, administered by the City's Housing Department, must be targeted towards lower-income households, while a maximum of 15 percent is targeted towards moderate-income households. Specifically, 25 percent of the 20% Fund are to be spent on LI units, 30 percent on VLI, and 30 percent on ELI units, while 15 percent are allocated to MOD units.

a. Proportionality Compliance for Income-restricted units for January 1, 2002 to December 30, 2014

The City has met its spending allocation for the first five years (January 1, 2002 to June 30, 2007) of the current production period spanning from January 1, 2002 to December 30, 2014.[6] As Table 6 below indicates, during the production period thus far, the City has spent 92

[5] Percent targets are from the SJRA Five-Year Implementation Plan 2005-2009.
[6] See Appendix 3 for a breakdown of 20% Fund allocation for income-restricted units.

percent of its 20% Funds on lower-income housing, and 8 percent on moderate-income housing units. This satisfies the City's 85/15 income allocation policy.

Table 6. Income Allocation from Jan 1, 2002 to June 30, 2007

	20% Funds	% of Total	City Target	State Target
ELI	**$37,864,522**	**13%**	30%	36% (ELI + VLI)
VLI	**$114,812,568**	**41%**	30%	
LI	**$105,797,518**	**38%**	25%	16%
MOD	**$23,080,921**	**8%**	15%	48%
TOTAL	**$281,555,529**	**100%**	100%	100%

2. Proportionality Compliance for Age-restricted Housing Units for January 1, 2002 to December 30, 2014

Since the adoption of the RDA 5 Year Implementation Plan, Health and Safety Code Section 33334.4(b) regarding proportionality compliance for age-restricted housing units has changed. Previously, redevelopment law required that the allocation of 20% Funds on senior housing be no greater than the proportion of seniors to the overall population, where "senior" is defined as persons of age 65 years or older.

On September 22, 2005, the law was amended to require that 20% Funds be "available to all persons regardless of age in *at least the same proportion as the number of low-income households with a member under age 65 years bears to the total number of low-income households of the community* as reported in the most recent census of the United States Census Bureau." In other words, 20% Funds for age-restricted senior housing is now capped at the proportion of low-income seniors relative to the total low-income population.

According to the latest Decennial Census in 2000, low-income seniors comprised 24.2 percent of the total low-income household population (Table 7). Thus, a maximum of 24.2 percent of the 20% Funds can be allocated to low-income senior housing.[7]

[7] Low-income household figures come from the Comprehensive Housing Affordability Strategy (CHAS) Data, which is a special data tabulation using the latest Decennial Census from 2000. It is important to note that while "low-income elderly households" are typically defined as those households whose householder is 65 years or older and with an income no greater than 80 percent of the area median income, CHAS uses median family – as opposed to household – income and defines elderly as 62 – as opposed to 65 – years

Table 7. Proportion of Senior Low-income (LI) Households to All LI Households

Group	Population
Senior LI households	22,510
All LI Households	93,068
Source: 2000 **Proportion of LI Senior/Total Low-income Population**	**24.2%**

Table 8 below shows that the Redevelopment Agency has met its proportionality requirements for expenditures on age-restricted affordable housing units. Of the nearly $282 million spent on all housing projects during the first five years of this reporting period, 22.5 percent of that was allocated to age-restricted senior projects, which is below the 24.2 percent maximum spending limit on senior housing.[8]

Table 8. Percentage of Age-restricted Spending to Total Spending

Total Spending	Age-restricted Spending	% of Total Spending
$281,555,529	**$63,384,570**	**22.5%**

and older. However, CHAS's data parameters will soon be accepted by CA redevelopment law for low-income elderly proportionality analysis, and are thus valid for this report.

[8] See Appendix 3 for a breakdown of 20% Fund allocation for age-restricted units.

Appendix 1. City of San Jose Inclusionary Housing Policy

The City of San Jose adopted a new Inclusionary Housing Policy that went into effect July 1, 2007. The purpose of the new policy is to create deeper levels of housing affordability for rental housing and through the in-lieu fee option, where the in-lieu fees will go towards the development of 100% affordable rental projects. Simultaneously, the City's new inclusionary policy introduces greater flexibility that allows developers to more easily meet their inclusionary housing obligations. The new inclusionary policy made three primary changes to the previous inclusionary policy:

1. Deeper affordability required for rental projects

While rental projects continue to have a 20 percent inclusionary requirement, the affordability mix has changed to create deeper levels of affordability. As shown in Table 9a, moderate-income units no longer count towards meeting the City's inclusionary requirements for new rental development. VLI rents are affordable to households that earn up to 50 percent area median income (AMI). A "window of affordability" is set for LI units: while rents are set at a level affordable to households at 60 percent AMI, households making up to 80 percent of AMI may qualify for an LI unit. The exception to this percent requirement as shown in Table 9a involves stand-alone rental projects, which may qualify for a reduced inclusionary obligation of 15 percent if units for extremely low-income households comprise 25 percent of the affordable units and the remaining for very low-income households. (See Appendix 1, #2 below)

Table 9a: Deeper Affordability Requirement for Rental Projects

Prior Policy	New Policy
8% VLI	8% VLI
12% LI or MOD	12% LI*

* Rents for LI units are affordable to households earning up to 60 percent AMI. However, households earning up to 80 percent AMI may qualify for LI units.

No changes were made to the affordability mix of for-sale projects. For-sale projects can still meet their inclusionary requirements in one of two ways. Alternative 1 is to produce a minimum of 20 percent of the project's total units dedicated to low- or moderate-income (MOD) households. Alternative 2 is to produce a minimum of 6 percent of total units dedicated to very low-income (VLI) households plus 9 percent of total units allotted to low- or moderate- income (LI/MOD) households.

Table 1b: Same Affordability Requirement for For-Sale Projects

Alternative 1	Alternative 2
20% LI/MOD	6% VLI + 9% LI/MOD

2. Restructured in-lieu fee schedule

The method of determining the in-lieu fee developers would pay instead of providing affordable units on-site has also changed. Previously, developers of projects with less than 21 units but more than 10 units could pay a per-unit in-lieu fee for each unit of affordable housing not provided. The new methodology requires developers to pay an in-lieu fee based on the per-square foot of net living area if so elected by the developer. The amount of per-square foot cost will be established annually in the *Schedule of Fees and Charges* or as established otherwise by resolution of the City Council. The new Inclusionary Housing Policy also provides a lower in-lieu fee for high-rise units built in a "High-rise Incentive Area." After 2,500 building permits have been issued by the City in this incentive area, the City will determine whether the High-rise Incentive Program should remain in effect. Any in-lieu fees that are paid will supplement funding for the development of affordable housing in San Jose. Table 2 below summarizes the most current in-lieu fee schedule.

Table 2. In-Lieu Fees (as of July 1, 2007)

Product Type	Fee/Sq Ft of Net Living Area[9]	Maximum Fee/ Affordable Unit
Rental Units	$17.00	$85,500
For-sale:		
Low-rise condominium/Stacked flat units	$17.00	$90,000
Townhouse/Row-house units	$17.00	$120,000
Single-family detached units	$17.00	$200,000
High-rise outside "High-rise Incentive Area"	$17.00	$200,000
High-rise inside "High-rise Incentive Area"	$8.50	$65,000

[9] Per June 1, 2007 Council Memo regarding Amendments to Inclusionary Housing Policy and Revised Inclusionary In-lieu Fees, "net living area" is defined as "the average square footage of all of the units in the project, exclusive of balconies, common corridors, recreation rooms, fitness centers, garages, and other such interior areas."

Appendix 2. Inclusionary Housing Production[10]

RENTALS INSIDE PROJECT AREAS (One-for-One)						
Development Name	Type[11]	ELI Units	VLI Units	LI Units	Mod Units	Total Affordable
2004-05						
Tierra Encantada Apartments	NC	10	57	25		92
Raintree	A/R		19	155		174
Pollard Plaza	NC		13	116		129
North Park IV	NC		32		48	80
Las Golondrinas	NC	49				49
2005-06						
Casa Real	A/R		19	161		180
2006-07						
Delmas Park	NC	26	40	56		122
Bella Castello	NC	10	58	19		87
Art Ark	NC	44	102			146
Almaden Family Apartments	NC	46	177			223
Regency Apartments	A/R		15	127		142
Lexington Apartments	A/R		8	71		79
Hestor Apartments (Prop 46 Innvision)	A/R	8				8
Foxdale Manor	A/R			286		286
TOTAL		**193**	**540**	**1016**	**48**	**1797**
INCLUSIONARY PRODUCTION EQUIVALENT		**193**	**540**	**1016**	**48**	**1797**
RENTALS OUTSIDE PROJECT AREAS (Two-for-One)						
Development Name	**Type**	**ELI Units**	**VLI Units**	**LI Units**	**Mod Units**	**Total Affordable**
2004-05						
Oaks at Almaden, The	NC	125				125
2005-06						
Timberwood	A/R		228			228
Oak Tree Village	NC		53	121		174
Las Ventanas	NC	35	39	163		237
Cinnabar Commons	NC		49	194		243
Capitol Park	A/R		29	259		288
2006-07						
Gish Apartments	NC	13	21			34
Corde Terra	NC	0	270	29		299
TOTAL		**173**	**689**	**766**		**1628**
INCLUSIONARY PRODUCTION EQUIVALENT		**86.5**	**344.5**	**383**	**0**	**814**
TOTAL INCLUSIONARY PRODUCTION (Inside + Outside RDA Areas)		**279.5**	**884.5**	**1,399**	**48**	**2,611**

[10] All units listed have been completed.

OWNERSHIP UNITS (Excluded)						
Development Name	**Type**	**ELI Units**	**VLI Units**	**LI Units**	**Mod Units**	**Total Affordable**
2004-05						
Previtera Court	NC					0
Midtown Plaza II	NC				43	43
Cahill Park South	NC					0
Bonita Villa Condos	NC				7	7
2005-06						
Las Mariposas	NC				66	66
2006-07						
Works, The	NC				14	14
San Antonio Place	NC				5	5
New Brighton @ Glen Hollow	NC				4	4
Globe, The	NC				15	15
Autumn Terrace @ College	NC				9	9
Autumn Terrace @ Bonita	NC				16	16
Willow	NC		1			1
Lofts @ The Alameda	NC				8	8
Hennessy Place	NC			7		7
Julian & 13th	A/R		4			4
TOTAL		**0**	**5**	**7**	**187**	**199**
INCLUSIONARY PRODUCTION EQUIVALENT		**0**	**0**	**0**	**0**	**0**

[11] NC = New Construction; A/R = Acquisition/Rehabilitation

Appendix 3. Proportionality Compliance for Age- and Income-Restricted Housing for the First Five Years of the January 1, 2002 to December 30, 2014 Production Period[12]

Non-Age Restricted 20% Fund Spending

PROJECTS	ELI	VLI	LI	MOD	TOTAL
Lenzen @ The Alameda	$0	$912,550	$3,498,110	$0	**$4,410,660**
Sunset Square	$454,375	$1,090,500	$2,726,250	$0	**$4,271,125**
Terramina Square	$0	$3,276,708	$7,372,594	$0	**$10,649,302**
Villa Monterey	$0	$891,832	$2,056,168	$0	**$2,948,000**
Villa Torre II	$0	$1,168,138	$4,477,862	$0	**$5,646,000**
Betty Anne Gardens	$538,784	$1,010,220	$3,569,445	$0	**$5,118,449**
Capitol/Wilbur	$0	$0	$0	$250,000	**$250,000**
El Paseo Studios	$402,765	$3,544,335	$0	$0	**$3,947,100**
Fallen Leaves	$2,061,588	$1,236,953	$7,627,877	$0	**$10,926,418**
Little Orchard	$1,000,000	$0	$0	$0	**$1,000,000**
Meredith	$0	$122,000	$0	$0	**$122,000**
Roewill Drive	$382,500	$0	$0	$0	**$382,500**
Turnleaf Apts	$0	$310,632	$2,640,368	$0	**$2,951,000**
Villa Solera	$0	$754,848	$6,793,634	$0	**$7,548,482**
Vintage Tower	$0	$1,363,404	$1,306,596	$0	**$2,670,000**
Pollard Plaza	$0	$1,385,807	$12,365,664	$0	**$13,751,471**
Tierra Encantada (Family)	$434,783	$2,478,261	$1,086,957	$0	**$4,000,000**
Cinnabar Commons	$4,157,204	$4,370,394	$17,588,172	$0	**$26,115,771**
Las Mariposas	$0	$0	$0	$4,181,662	**$4,181,662**
Las Ventanas	$2,864,381	$3,191,738	$13,339,830	$0	**$19,395,949**
Oak Tree Village	$0	$1,299,109	$2,965,891	$0	**$4,265,000**
Almaden Family	$2,841,480	$10,933,520	$0	$0	**$13,775,000**
Art Ark	$1,709,325	$3,962,527	$0	$0	**$5,671,852**
Bella Castello	$490,230	$2,843,333	$931,437	$0	**$4,265,000**
Corde Terra Family	$0	$19,039,064	$2,044,936	$0	**$21,084,000**
Delmas Park	$1,533,619	$2,359,413	$3,303,178	$0	**$7,196,210**
Gish Apartments	$946,324	$1,528,676	$0	$0	**$2,475,000**
Hennessey Place	$0	$0	$760,000	$0	**$760,000**
Willow btwn Locust & Palm	$0	$104,000	$0	$0	**$104,000**
Total Non-Age Restricted Projects	**$19,817,357**	**$69,177,964**	**$96,454,968**	**$4,431,662**	**$189,881,951**
PROGRAMS	**ELI**	**VLI**	**LI**	**MOD**	**TOTAL 20%**
Homebuyer Assistance Programs					
Bonita Court	$0	$0	$0	$90,000	$90,000
Little Orchard	$0	$0	$0	$160,000	$160,000
Midtown Plaza	$0	$0	$0	$1,240,000	$1,240,000
Tuscany	$0	$0	$0	$290,000	$290,000
Teacher Homebuyer Program	$0	$535,138	$640,760	$13,480,602	$14,656,500

[12] Projects listed were completed between January 1, 2002 and June 30, 2007.

San Jose State University Faculty Homebuyer Program (FHP)	$0	$0	$0	$500,000	$500,000
Housing Rehabilitation Program	$2,079,355	$1,558,691	$1,617,893	$128,035	$5,383,973.97
Paint Program		$2,385,538	$822,374	$210,622	$3,418,534
NHSSV (Home Venture Fund)	$0	$0	$0	$2,550,000	$2,550,000
Total Non-age Restricted Programs	**$2,079,355**	**$4,479,367**	**$3,081,027**	**$18,649,259**	**$28,289,008**
TOTAL NON-AGE RESTRICTED	**$21,896,713**	**$73,657,331**	**$99,535,995**	**$23,080,921**	**$218,170,959**

Age-Restricted 20% Fund Spending

PROJECTS	ELI	VLI	LI	MOD	TOTAL
Craig Gardens	$489,015	$4,346,801	$0	$0	**$4,835,816**
Gadberry Courts	$633,333	$1,166,667	$0	$0	**$1,800,000**
Brooks House	$0	$3,325,000	$0	$0	**$3,325,000**
Mabuhay	$1,539,894	$8,110,106	$0	$0	**$9,650,000**
Rose Garden Seniors	$768,462	$2,006,538	$0	$0	**$2,775,000**
Shiraz	$0	$3,793,476	$0	$0	**$3,793,476**
Summercrest Villas	$0	$751,400	$3,005,600	$0	**$3,757,000**
Villagio	$0	$1,447,077	$3,255,923	$0	**$4,703,000**
Hacienda Villa	$2,766,182	$8,160,236	$0	$0	**$10,926,418**
Monte Vista Seniors II	$0	$4,353,801	$0	$0	**$4,353,801**
Oak Circle	$659,667	$3,694,135	$0	$0	**$4,353,801**
Las Golodrinas	$1,870,841	$0	$0	$0	**$1,870,841**
The Oaks of Almaden	$7,240,416	$0	$0	$0	**$7,240,416**
TOTAL AGE-RESTRICTED	**$15,967,809**	**$41,155,237**	**$6,261,523**	**$0**	**$63,384,570**

PROPORTIONALITY FOR 20% FUND AGE-RESTRICTED SPENDING	
TOTAL SPENDING	**$281,555,529**
Non-age restricted	**$218,170,959**
Age-restricted	**$63,384,570**
% Age-restricted spending	**22.5%**
Maximum limit for Age-restricted spending	**24.2%**

PROPORTIONALITY FOR 20% FUND INCOME-RESTRICTED SPENDING				
	20% Funds	% of Total	City Target	State Target
ELI	**$37,864,522**	**13%**	30%	36% (ELI + VLI)
VLI	**$114,812,568**	**41%**	30%	
LI	**$105,797,518**	**38%**	25%	16%
MOD	**$23,080,921**	**8%**	15%	48%
TOTAL	**$281,555,529**	**100%**	100%	100%