



SPECIAL MEETING OF THE MILPITAS CITY COUNCIL - METRO SPECIFIC PLAN

CITY OF MILPITAS - NOTICE OF SPECIAL MEETING

NOTICE IS HEREBY GIVEN that a Special Meeting of the Milpitas City Council will be held at 6:00 p.m. on Monday, June 14, 2021, via teleconference / Zoom webinar only (no physical meeting space). You may watch the Council meeting without providing public comment by accessing it via links here.

Meeting shall be livestreamed - Go to:

Facebook: <https://www.facebook.com/CityofMilpitas/>

YouTube: <https://www.ci.milpitas.ca.gov/youtube>

Web Streaming: <https://www.ci.milpitas.ca.gov/webstreaming>

AGENDA

MONDAY, JUNE 14, 2021

MILPITAS, CA

6:00 PM

For assistance in the following languages, you may call:

Đối với Việt Nam, gọi 408-586-3122

Para sa Tagalog, tumawag sa 408-586-3051

Para español, llame 408-586-3232

PUBLIC COMMENT INSTRUCTIONS

Oral public comments may be provided live during the City Council meeting by first registering for the zoom meeting in advance by providing email address (not disclosed) and a name. To minimize technical difficulties, please make sure that you have the latest version of Zoom Meetings. Here is the link to register for this meeting only:

https://ci-milpitas-ca-gov.zoom.us/webinar/register/WN_wUR_w9AMRK-QOuMI4e5zA

A link will be sent to you to join the City Council meeting in order to give your comments. All registered meeting attendees who wish to speak must click on the "raise hand" icon when the Mayor calls for public comments. If participating by calling in on your phone, dial *9 to use the "raise hand" feature, and when you are called upon, hit *6 to unmute your phone. Your phone number will be displayed in the live meeting. The Mayor or staff will call the speakers to begin.

All comments provided shall be limited to three minutes or less as determined by the Mayor. All members of the public will be limited to one comment per agenda item, and one comment for non-agenda items. online written comment form previously used is no longer available for public comment.

MILPITAS CITY COUNCIL CODE OF CONDUCT

- Be respectful and courteous (words, tone, and body language).
- Model civility.
- Avoid surprises.
- Praise publicly and criticize privately.
- Focus on the issue, not the person.
- Refrain from using electronic devices while on the Council dais.
- Disclose conflicts of interest and affiliations related to agenda items.
- Separate governing from campaigning.
- The Council speaks with one voice after making policy on issues.
- Respect the line between policy and administration.
- Council will hold one another accountable to comply with this Code of Conduct.

CALL MEETING TO ORDER by Mayor and ROLL CALL by City Clerk

PLEDGE OF ALLEGIANCE

APPROVAL OF AGENDA

PUBLIC FORUM

Those interested are invited to address the City Council on the agenda item listed below only, by using the “raise hand” in the zoom webinar online (see instructions on page 1). Speakers may state their name and city of residence for the record, and limit spoken remarks to three minutes, or less, at the discretion of the Mayor.

ANNOUNCEMENTS

Members of the City Council or City Manager may make brief announcements at this time. Members of the City Council may also suggest future agenda items at this time. For future agenda items, the City Council shall not debate the topic or engage in discussion but shall simply state a “yes” or “no” as to whether to direct the City Manager to place the item on a future meeting agenda. If a majority of the City Council agrees to place an item on a future meeting agenda, the City Manager shall place the item on a subsequent agenda for City Council discussion.

ANNOUNCEMENT OF CONFLICT OF INTEREST AND CAMPAIGN CONTRIBUTIONS

READING OF THE CITY COUNCIL CODE OF CONDUCT

APPROVAL OF AGENDA

AGENDA ITEMS

- 1.** Conduct Sixth Study Session on the Milpitas Metro Specific Plan focusing on Real Estate Economics and the Reciprocal Relationship between Development and Public Infrastructure.
(Staff Contact: Ned Thomas, Planning Director, 408-586-3273)

Recommendation: Receive a presentation from staff; and provide feedback and direction on the ideas and concepts related to a dynamic real estate and development market, public infrastructure funding, and next steps for the Milpitas Metro Specific Plan.

ADJOURNMENT

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The Open Government Ordinance is codified in the Milpitas Municipal Code as Title I Chapter 310 and is available online at the City's website www.ci.milpitas.ca.gov by selecting the Milpitas Municipal Code link.

Materials related to an item on this agenda submitted to the City Council after initial distribution of the agenda packet are available for public inspection at the City Clerk's office at Milpitas City Hall, 3rd floor 455 E. Calaveras Blvd., Milpitas and on City website. City Council agendas and related materials can be viewed online: www.ci.milpitas.ca.gov/government/council/agenda_minutes.asp (select meeting date)

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CITY OF MILPITAS AGENDA REPORT (AR)

Item Title:	Conduct Sixth Study Session on the Milpitas Metro Specific Plan focusing on Real Estate Economics and the Reciprocal Relationship between Development and Public Infrastructure.
Category:	Community Development
Meeting Date:	06/14/21
Staff Contact:	Ned Thomas, Planning Director, 408-586-3273 Kevin Riley, TASP (Metro) Manager 408-586-3292
Recommendation:	1. Receive a presentation from staff 2. Provide feedback and direction on the ideas and concepts related to a dynamic real estate and development market, public infrastructure funding, and next steps for the Milpitas Metro Specific Plan

Background:

In late 2020, the Council held two initial study sessions with the Metro Plan team to discuss existing conditions and an overall policy framework for the project. During the first three months of 2021, the Council held three additional study sessions to review policy approaches on various Metro Plan elements, including land use, mobility, traffic, parks, sustainability and other topics. The Metro Plan team is now synthesizing feedback and direction from the Council into a set of draft development policies for inclusion in the Metro Plan.

The Milpitas Metro Specific Plan will establish both a vision for future development of the area over the next 20 years as well as a regulatory framework to ensure successful implementation. Ultimately, the Plan will identify appropriate locations for specific uses as well as minimum/maximum standards and urban design guidelines to influence the size and shape of future development. Ideally, the Plan vision will aspire to achieve the very best ideas of the livable City, but at the same time, it must also be a practicable and implementable policy document that developer and builders can use to test the viability of proposed projects.

With the opening of the Milpitas Transit Center in 2020 and its unique connection between regional BART service and VTA light rail and bus systems, the need for higher densities and intensities of development within the Metro planning area is stronger than ever. As the COVID-19 pandemic subsides and levels of transit ridership return to normalcy, there will likely be a greater reliance on transit by more and more people, and convenient access to transit sets it apart from other areas of Milpitas. The possibility of traveling easily to and from work or home is a very attractive amenity. The development of critical infrastructure to support safe and convenient access to the transit center will continue to be a major focus of Metro area planning.

Analysis:

The City's consultant, Urban Field Studio (UFS), and City staff continue work on the Milpitas Metro Specific Plan (Metro Plan), which is an update of the Transit Area Specific Plan (TASP) adopted in 2008. In this study session, the consultant team will present an overview of real estate economics and market issues influencing development in the plan area and identify policy levers available to the City to encourage positive change. As part of this overview, the consultants will focus on the relationship between private development and the costs and benefits of the public infrastructure that supports individual projects as well as the interconnected nature of area-wide development including infrastructure financing. The attached report provides additional details about

these ideas and concepts and is the basis of the Council discussion. The consultants will also discuss the reciprocal relationship between development and public infrastructure and outline a strategy for the proposed Innovation District. The discussion will conclude with a progress report on preparation of the draft Metro Plan and the next steps in the process.

Infrastructure Financing/TADIF

Since adoption of the TASP in 2008, developers have paid impact fees to provide the funds needed to build public facilities and infrastructure such as streets, sidewalks, pedestrian bridges, sewer and water systems, and parks. Public investment in infrastructure supports the tremendous new development occurring in the Metro area, and public amenities also attract new residents and private investment in the community.

The new Metro Plan will include an updated list of critical projects, called the Basic Infrastructure Plan (BIP). That will be needed to support new development in the area. The level of impact fees levied on each development project is determined by the total estimated cost of the BIP, which is adjusted annually. In this study session, the consultant team will discuss the use of impact fees as a primary tool for funding new infrastructure in the Metro area. They will outline major projects completed, potential new improvements needed, and the estimated costs to be covered by impact fees or other cost-sharing arrangements such as development agreements.

The Innovation District

The new Milpitas General Plan calls for the creation of an Innovation District to promote and support innovative and emerging technologies in the community and to strengthen the City's position as a premier regional location for high-tech industrial and advanced manufacturing. The Innovation District will take advantage of its proximity to the Milpitas Transit Center and BART to attract development of new high-quality creative office and R&D projects to meet market demand, compete for regional growth opportunities, and create high-quality jobs for Milpitas residents. In this study session, the consultant team and the Council will explore the types of financial incentives needed to attract new development to the area as well as the cost of building the public infrastructure needed to support and sustain this new growth. The consultant will also outline a strategy for phased implementation of the Innovation District concept over the Metro Plan's 20-year time horizon.

Draft Metro Plan

The study session will conclude with a brief status update on the ongoing work on preparing the draft Metro Plan. The consultant team will review land use, circulation, open space, and public realm concepts discussed in previous study sessions and confirm the general policy direction provided by the Council. The consultants will also identify next steps in completing work on the draft Plan and bringing it back to the Council in the fall.

Policy Alternatives:

This is an informational item for Council feedback and direction and is the sixth of several sessions for providing the Council with the progress of the update work for the Milpitas Metro Specific Plan.

Fiscal Impact:

This is an informational item. As such, there is no fiscal impact.

California Environmental Quality Act:

This report represents ongoing work on the Milpitas Metro Specific Plan; an Environmental Impact Report (EIR) is being prepared for consideration and certification prior to the Metro Plan adoption.

Recommendation:

1. Receive a presentation from staff; and
2. Provide feedback and direction on the ideas and concepts related to a dynamic real estate and development market, public infrastructure funding, and next steps for the Milpitas Metro Specific Plan

Attachments:

Informational report from Urban Field Studio

Milpitas Metro Specific Plan Draft Policies

Prepared by Urban Field Studio, M-Group, and EPS

The memo covers:

1. A Real Estate Economics Overview
2. Policy Levers/Tools for Milpitas Metro
3. Innovation District Vision and Implementation
4. Updated Land Use Map
5. Public Improvement Funding Update
6. Progress Report on the Milpitas Metro Specific Plan Draft
7. Questions for City Council

1. Real Estate Economics Overview

This memo provides an Economic Overview for the Milpitas Metro Specific Plan (MMSP) policies concerning land use, infrastructure, and implementation strategies that the City is considering. The overarching goal for Milpitas Metro is to **Complete the Neighborhood**. Neighborhood completion is accomplished through the following **Economic Guiding Principles**:

- Locating housing, jobs, services, and amenities close to each other to promote alternative modes of transportation choices
- Providing the right land uses and implementation tools to protect and incentivize commercial development in the area
- Promoting higher density to bring the mix of uses into close proximity

Real estate developers respond to market signals and City policy in determining whether to move forward with particular developments. As the City of Milpitas plans for its future, it is helpful to understand how developers make decisions, the development costs and value that drive project decisions, and the tools and levers the City can use to encourage and manage appropriate growth. The development decision-making process is described below.

a. How Developers Make Decisions

Before investing in a project, developers assess the business case for potential development opportunities. This includes weighing the real estate market conditions, site conditions, City vision, and costs/value of a proposed project.

Real Estate Market Conditions

The real estate and development market shifts given national, regional, and local economic conditions. These include:

- Business Cycles - Economic fluctuations have a significant impact on potential revenues as well as the ability to raise capital/ financing
- Current Trends - Trends towards work-at-home, online shopping, home/ hotel rentals have a direct effect on different real estate segments
- Rental Rates/ Sales Prices - Market research reveals how much households will pay to buy/ rent in a community and businesses lease
- Competition from Other Projects - Over-building/ availability of certain types of real estate drives prices lower, while scarcity pushes them higher

Available Sites, Adjacent Uses, and Infrastructure

- Site Specifics - No two sites are exactly the same, and characteristics like site size, dimensions, and slope, among others, will affect developability
- Adjacent Uses - Adjacent uses will affect the suitability of a site for different uses
- Infrastructure - Access, mobility/ connections, wet utilities, and other quality of place improvements make sites more appealing at development opportunities.

City Policy, Processes, and Vision

- City Vision - Developers will consider the goals of the City for particular areas and sites when pursuing new development projects
- Processes - Developers will consider the complexity of the development process, the levels of review, and the uncertainty of getting approvals
- City Policies - City policies around densities, heights, and parking, among others, will affect the viability of different types of development

b. Development Costs vs. Development Value

Ultimately, developers decide to develop (go) or not (no go) projects based on whether the development value outweighs the development cost. For promising opportunities, developers compare development costs and values in a “[pro forma](#)”, or project-specific economic analysis, to determine whether to move forward. Many development factors are outside of a City’s control, such as broad economic and real estate market conditions that affect Project Value and the costs of materials and labor that affect Development Costs.

Development Costs include:

- Land Costs
- Construction Costs
- Soft Costs
- Contingencies
- Developer/Funder Profit
- Fees and Permits

Development Value reflects:

Expected lease rates or sales price

Go. If the Project Value is higher than Project Costs developers may move forward with the Project.

No-Go. If the Project Value is less than Project Costs developers will not move forward with the project, as they will not be able to raise financing or make a profit.

c. City Levers/ Tools to Incentivize or Capture Value from Development

There are many tools the City can use to encourage or capture value from desired development, including:

- **Development Support:** The City's Economic Development Department provides outreach and marketing to stimulate interest in the City and its assets.
- **Land Use Planning:** By defining lands for preferred and beneficial uses, the City can control the development of specific land uses (e.g., office and residential) and preserve and protect a mix of uses for when they become viable. The control of land uses also avoids the type of land value escalation that would make development more difficult and helps protect land uses, like commercial uses, for a more balanced mix of uses.
- **Impact Fees:** For land uses where the development economics are strong, the City has the opportunity to require development impact fees to support public improvements and community benefits, such as affordable housing, green building, or others. Where City land use policies allow for substantial and profitable development, the City can benefit both from the development and the associated community benefits. Reductions in development impact or other fees and/ or expediting City approval processes for desirable uses can also moderate development costs and risks, improving development economics when needed.
- **Public Investment in Attracting Amenities:** Public investments in place-making (e.g., new parks and plazas) and mobility (BART, Transit Center, streetscapes) will, and have, increased the appeal of the Metro area. The Transit Center is an example of public investment that will attract and catalyze new development.

2. Policy Levers/Tools for Milpitas Metro

In the Milpitas Metro district, the planning team is proposing the City use a range of tools to encourage the kinds of new development the community and decision-makers would like to see in the plan area. These include:

Updated Land Use Designations: The plan will identify new and updated land uses to encourage denser residential development, mixed-use development, neighborhood-serving retail, and dedicated Commercial Uses associated with the **Innovation District**.

Investment in Infrastructure: Invest in infrastructure and improvements to make the area more attractive. Use TADIF and citywide fees to pay for connectivity to the region with new bridges, streets, and parks, and fiber internet in the area.

Impact Fees: Considering changes to the Transit Area Development Impact Fee (TADIF), the primary Infrastructure Funding Tool created with the TASP in 2008 to incentivize commercial uses. These changes would follow the adoption of the Metro plan.

Support Development: Provide support through landowner outreach, and encourage parcel assembly that is the highest and best use.

Future Development Agreements: Larger projects and bigger sites may use a development agreement, likely based on the fees established in the Plan, as another avenue for the City and Developers to consider when new proposals come forward.

Tools that are not available: The City is not considering using public redevelopment funds or eminent domain.

3. Innovation District Vision and Benefits

The Milpitas Metro Plan area includes a proposed Innovation District. The Innovation District will bring together economic, physical, and networking assets into a focused geographic area. It is the part of Metro where the City will, over time, seek to attract employment uses near the Milpitas BART/VTA Transit Station and I-680 Montague Expressway Exit.



Innovation District Vision:

- An employment destination with modern office, research and development buildings, and flexible space for people to interact through creative collisions and an innovative ecosystem.
- A well-connected Innovation District with proximity to public transit and public infrastructure that supports bike paths, pedestrian-scale sidewalks, social gathering places, and high-speed fiber.
- The Innovation District Vision includes shaping our urban development practices to build a culture of Creativity, Innovation, Inclusivity, Equity, and Agility

The Benefits of an Innovation District to the City of Milpitas

- City Fiscal Sustainability
- Employment and Upskilling Opportunities for Milpitas Residents
- Growing Milpitas Economy
- A Sense of Place for the Milpitas Metro District
- Business Attraction & Business Retention in Milpitas
- Connectivity to the Milpitas Transit Center

The Benefits of an Innovation District to Property Owners

- Enhanced access to the Transit Center
- Shared cost of infrastructure and amenities such as open space
- Potential for networking and synergy amongst related industrial sectors

a. Land Use Policies for the Innovation District

Making the Innovation District vision a reality will require many of the development-shaping tools discussed above, and will pose some challenges to implement.

Challenges to the Vision: The current development market favors residential development over commercial and retail development in the plan area, as seen in the build-out of the 2008 TASP Plan, where a small fraction of planned commercial development occurred. It is important for the City to continue to set land use policies that designate commercial areas close to BART to preserve these areas for longer-term development, which will make Milpitas Metro a more complete neighborhood in the long run.

Location of Innovation District Areas: The Metro Plan Area has been expanded to include an additional area (+50 acres) not included in original TASP (437 acres total), bringing the total plan area to 497 acres.

Potential Annexation: There are two potential areas where annexation from San Jose could occur that would expand the area even further. The first is a parcel with light industrial uses next to I-680 and the Innovation District, and the other is on Capital Avenue. Discussions with the City of San Jose have begun regarding potential annexation. These annexation areas are not included in the Metro Plan area, but both align with the vision for the plan area.

Land Use Designations: The proposed designated commercial areas associated with the Innovation District and general commercial development span the Innovation District and Great Mall Subdistricts in the Plan Area. Commercial uses are desired near BART/VTA Transit Center and near I-680. It is anticipated that parcels closest to the BART/VTA Transit Center will likely be redeveloped sooner than areas closer to I-680.

The intersections of S. Milpitas Boulevard and Montague Expressway and Great Mall Parkway and Montague Expressway are both vital to the Innovation District, and are where higher intensity office and R&D are appropriate.

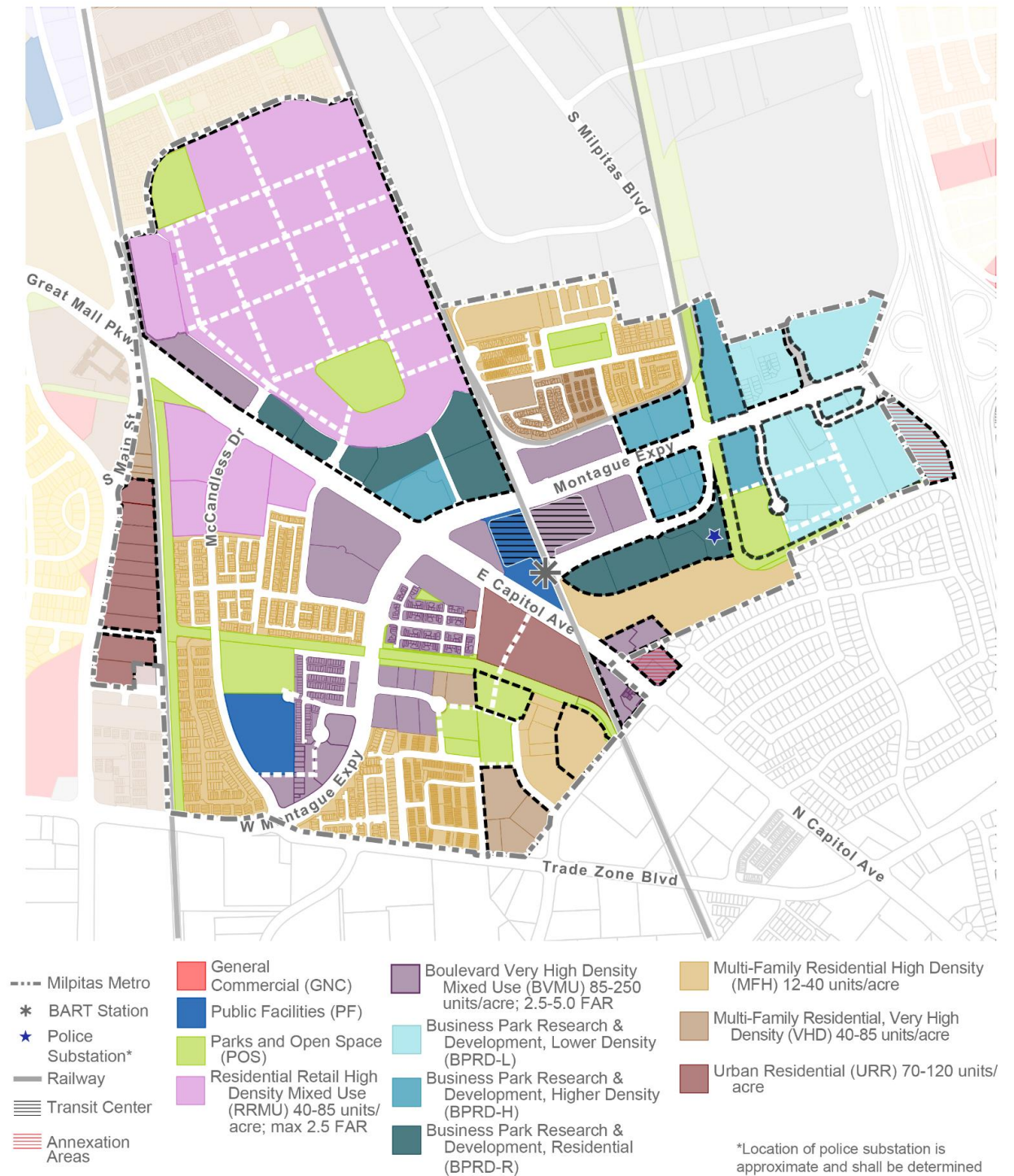
A new park just east of Berryessa Creek is envisioned as an amenity space for the subdistrict.

Residential uses are a part of the Milpitas Metro area; however, the core Innovation District lands shall preserve and protect employment lands while limiting and prohibiting future residential use where appropriate as seen in the Land Use Map.

4. Land Use Map

LAND USE

MILPITAS METRO



GIS data provided by: General Plan - City of Milpitas / Roads - US Census Bureau 2019 TIGER / Basemap - ESRI

Land Use Designation	Allowed Uses	Notes
Multi-Family High Density Residential (MFH)	Medium-density residential development	
Multi-Family Very High Density Residential (VHD)	High-density residential development	
Urban Residential (URR)	Very high-density, residential-only development	
Residential Retail High Density Mixed Use (RRMU)	Vertically mixed-use development that have ground floor retail and active uses with residential or office uses on upper floors	
Boulevard Very High-Density Mixed Use (BVMU)	Residential (in high-density formats) with mixed commercial uses	Commercial uses encouraged on the ground floor and allowed on upper floors Discouraging townhouses close to the Transit Center
Business Park R&D, Lower Density (BPRD-L)	Lower density office, R&D, commercial, warehouses, and hotels	Preserves employment land for low density office, light industrial, and R&D uses at the edge of the MMSP near I-680.
Business Park R&D, Higher Density (BPRD-H)	Higher density office, R&D, and commercial only	Preserve employment lands for higher density long-term commercial uses near the Transit Center. Protect through prohibiting commercial and industrial conversions.
Business Park R&D, Residential (BPRD-R)	Office, R&D, commercial, hotels, and residential	Favor commercial uses with a minimum amount required, and with residential option contingent on providing commercial uses

5. City Programs and Policies for Financing Infrastructure and Improvements

Some of the most useful tools the City has to finance infrastructure and public realm improvements are development fees. As part of the Milpitas Metro project, the planning team is looking at the existing Transit Area Development Impact Fee, existing fee balance, anticipated fee revenues from planned development, projected costs of proposed public infrastructure and improvements, and whether or not the TADIF as is stands is likely to cover the planned infrastructure improvements. The project planning team has completed a preliminary draft cost and funding analysis. This analysis includes:

Transit Area Development Impact Fee (TADIF)

The City of Milpitas adopted the TASP and enacted the Transit Area Development Impact Fee in 2008. The TADIF was updated in 2014 and 2019 based on annual adjustments. The TADIF is calculated using \$40,487 per housing unit, in a one-time payment to feed the public projects account (TADIF), paid at the time of pulling permits. There are also fees for commercial uses - \$26.49 per sq.ft. for retail, \$42.52 per sq.ft. for Office, and no fees for Hotel. These fees escalate every year.

Basic Improvement Program (BIP)

The TADIF funds the BIP, which includes public improvement projects such as Roads, Sewer, Water, Technology, Parks/Plazas Community Facilities, Linear Parks/Trails.

Existing Improvement Costs Summary:

The BIP funds a list of projects identified in the TASP. The status of items range from completed to under construction and includes future projects, such as:

- A Pedestrian bridge to the Great Mall LRT Station
- East Penitencia Creek Trail Improvements
- Pedestrian Bridge to McCandless Park
- Pedestrian Overcrossing at Montague Expressway
- Tango Bridge and connecting streets and pathways

Proposed Improvement Costs:

Additional public improvement projects are proposed to be added as part of the MMSP, including:

- Improved sewer, water
- Improvement technology with the installation of fiber
- New parks and plazas at the Great Mall
- Improved open space in the McCandless Subdistrict

- Bridge to the Innovation District
- Park in the Innovation District
- Park and trails in the Tango Subdistrict
- Great Mall Subdistrict streets (Phase 1)
- Great Mall Parkway Streetscape Improvements
- Revised streets on Houret Court

New TADIF Funds:

Preliminary analysis shows that TADIF funds from new development will fund the additional public improvements proposed in the plan. These findings will be reviewed with the City.

6. Progress Report on the Metro Specific Plan

City staff has been reviewing a draft Project Description, a summary of Land Use and other key plan policies. Planning has been working with Economic Development and the consultant team to refine the Innovation District and Land Use approach.

The complete Draft Plan is in progress.

Direction on Metro Land Uses is important for the CEQA analysis and transportation modeling.

7. City Council Questions

1. Do you agree with these Economic Guiding Principles?

Economic Guiding Principles for the MMSP

- *Locating housing, jobs, services, and amenities close to each other to promote alternative modes of transportation choices*
- *Providing the right land uses and implementation tools to protect and incentivize commercial development in the area*
- *Promoting higher density to bring the mix of uses into close proximity*

2. What do you think of the land use policies to incentivize commercial development?
3. Do you have feedback about the proposed City improvements and associated funding?