

Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Nanci Klein

SUBJECT: SEE BELOW

DATE: April 6, 2021

Approved



Date

4/6/2021

INFORMATION

**SUBJECT: STAFF-RECOMMENDED DRAFT DEVELOPMENT AGREEMENT FOR
GOOGLE'S DOWNTOWN WEST PROJECT**

PURPOSE

- Provide the public with an overview of the staff-recommended draft Development Agreement for the Downtown West project, including the process informing its preparation and other background context.
- Support the Station Area Advisory Group (SAAG) in their review and discussion of the Development Agreement.
- Highlight the range of public benefit commitments expressed in the Development Agreement and delivered by the project.

EXECUTIVE SUMMARY

The City has been working with Google since 2017 to develop a project for the Diridon Station Area. The release of staff's recommended Draft Development Agreement for the Downtown West project is a key milestone in this journey, following adoption of a Memorandum of Understanding (MOU) in 2018, application submittal in 2019, and release of the Draft Environmental Impact Report (DEIR) in 2020. The Development Agreement is subject to City Manager and City Council review and approval.

The Development Agreement addresses the top priorities expressed by the City Council in 2018, which were reinforced through extensive community engagement from 2018 through the present. The Development Agreement addresses these priorities (affordable housing, anti-displacement, and jobs/education) as "Community Benefits." The Development Agreement also addresses

other topics that are important to the community, including parks and open space, transportation, and environmental sustainability.

The Downtown West project exceeds the Citywide requirements for affordable housing and supports the goal for 25% affordable housing in the Diridon Station Area through land dedication, use of commercial linkage and inclusionary housing in-lieu fees, and distributing affordable units amongst the market-rate housing. The equity-focused Community Benefits detailed in the Development Agreement also includes a first-of-its-kind "Community Stabilization and Opportunity Pathways Fund" that could generate up to \$155 million over 30 years, as Google builds out its 7.3 million gross square feet of office space. The Fund spans the interdependencies between housing, education, and jobs and is structured to involve community participation in the grant-making process.

Notably, the project would deliver over \$1 billion in infrastructure and project features with no subsidy from the City; an unusual feature for a project of this scale, leaving more General Fund money for the City to capture from the project. At full buildout, the total amount of Community Benefit contributions is expected to be \$200 million on top of the \$1 billion in infrastructure and project features proposed by Google. These project feature investments include 15 acres of parks, plazas, and green spaces; new walking and biking paths; historic preservation; ecological restoration; infrastructure improvements; year-round free entertainment programming and more. The Development Agreement details how the Downtown West project would provide well-maintained, activated, and publicly accessible private spaces and how the project would meet park and recreational requirements through building and dedicating 4.8 acres of turnkey parkland and trail connections.

Through an innovative district systems approach to utilities, LEED certification, and other environmental commitments, the project would set a new standard for climate action — generating zero net new greenhouse gas emissions during construction and 30 years of operations. The Development Agreement also facilitates ongoing coordination with the Diridon Integrated Station Concept Plan, in support of planned transit investments.

This memorandum provides background information, an overview of the Development Agreement, and next steps.

The City will hold a meeting of the Diridon Station Area Advisory Group (SAAG) on April 14 and a Community Meeting on April 17 to review and discuss the Development Agreement. Staff will provide all comments received at these meetings as well as from an online tool to the Planning Commission and City Council when they consider the full Downtown West project package later this spring. The website <https://www.diridonsj.org/> includes the upcoming engagement opportunities, project updates, background information, and the ability to sign up for email updates and submit comments.

CONTENTS

INITIAL PROJECT WORK (preceding the Development Agreement) 4

 Phase 1 (Concept Development and Land Sale): 4

 MOU: 4

 Land Sale: 4

 Phase II (Project Design and Review): 4

 City’s Review Process: 5

 AB 900: 5

 Related City Efforts and Timing: 5

 Timing: 6

ONGOING COMMUNITY ENGAGEMENT 6

 2018: 6

 2019-2020: 6

 2020-2021: 6

DEVELOPMENT AGREEMENT BACKGROUND 7

 Purpose: 7

 MOU Foundation: 8

 Community Benefit Methodology: 8

 Community Benefit Priorities: 8

 Distinction between Community Benefits and Public Benefits: 8

 Process: 9

DEVELOPMENT AGREEMENT OVERVIEW 9

 Affordable Housing (Requirements + Community Benefits) 10

 Community Stabilization and Opportunity Pathways (Community Benefits) 11

Opportunity Pathways: 12

Contributions: 12

Structure: 12

 Early Payment (Community Benefit) 13

 Additional Project Commitments to Jobs & Opportunity (Community Benefit) 13

 Parks and Open Space (Requirements/Project Features) 14

 Transportation (Requirements/Project Features) 14

Environmental Sustainability, District Systems, and Ecology (Project Features)	15
Historic Preservation (Project Features)	16
Community Benefits Valuation and Timing	17
Oversight and Performance.....	18
NEXT STEPS	18
RESOURCES	19

INITIAL PROJECT WORK (preceding the Development Agreement)

Phase 1 (Concept Development and Land Sale): In 2014, the City adopted the Diridon Station Area Plan (DSAP). In 2017, there was a need for an anchor use to replace the previously planned baseball stadium. Google expressed interest in developing office space near Diridon Station in Downtown San José, consistent with the vision set forth in the DSAP. In adopting the DSAP, the City recognized that realizing the vision of the DSAP would require a leading developer to assemble parcels. In June 2017, the City entered into an exclusive negotiating agreement (ENA) with Google for properties formerly owned by the Successor Agency to the Redevelopment Agency (totaling ~6 acres), the City-owned Fire Training property (~4 acres), and property next to SAP Center known as Lots A/B/C (~10 acres).

MOU: On December 4, 2018, City Council approved a [Memorandum of Understanding \(MOU\) with Google](#)¹ to guide collaboration on a mixed-use development project moving forward. The MOU outlined guiding principles and shared goals for a mixed-use, transit-oriented development to be proposed by Google. The MOU also affirmed the intent to negotiate a Development Agreement and the process for negotiating Community Benefits as part of the Development Agreement. The MOU was based on extensive community input and provided a foundation for the City’s review of Google’s application.

Land Sale: Also, at the December 4, 2018 meeting, City Council approved Purchase and Sales Agreements with Google for the former Redevelopment sites and the Fire Training property, as well as an Option/Negotiation Rights Agreement for Lots A/B/C. The December 2018 Council action completed staff’s work efforts from “Phase I: Concept Development and Land Sale” and launched “Phase II: Project Design and Review.” These 20 acres of land are in addition to the approximately 40 acres that Google purchased from private parties to assemble the project site.

Phase II (Project Design and Review): On October 10, 2019, Google submitted its application for a mixed-use development project (Downtown West Mixed-Use Plan) to the City. The project

¹<https://static1.squarespace.com/static/5c38bcfdcc8fedd5ba4ecc1d/t/5c9114de652dea9c2028888a/1553011936239/Final+MOU.pdf>

site is approximately 80 acres (including approximately 20 acres of right-of-way) and is largely within the existing [Diridon Station Area Plan \(DSAP\)](#)² boundary of 250 acres. The project proposes approximately:

- Up to 7.3 million gross square feet (GSF) of office space;
- 4,000 units of new housing (Draft EIR clears up to 5,900 units);
- Up to 500,000 GSF of active uses (retail, cultural, arts, etc.);
- 100,000 GSF of event space, hotel use (up to 300 rooms), and up to 800 rooms of limited-term corporate accommodations;
- 15 acres of parks and open space; and
- Infrastructure and utilities.

City's Review Process: The Google application includes a General Plan amendment (including amending the DSAP), a Planned Development Rezoning, a Planned Development Permit, and other related permits and approvals.³ The City is reviewing the project in three parallel processes: development review, environmental review, and Development Agreement negotiation. Development review involves staff from multiple departments reviewing the proposal for consistency with City policies, objectives, and regulations. Environmental review involves preparation of an Environmental Impact Report (EIR) to analyze and disclose the potential impacts of the project, consistent with the California Environmental Quality Act (CEQA).

AB 900: On December 30, 2019, the State of California approved Google's application to participate in the AB 900 program (Jobs and Economic Improvement Through Environmental Leadership Act). The program encourages the development of large projects that create jobs and that meet a high standard of public benefits by offering the streamlining of the judicial review process under CEQA (see [Info Memo dated August 19, 2019](#)⁴). The AB 900 program expired at the end of 2020, but the State legislature is currently considering an extension through Senate Bill (SB) 7.

Related City Efforts and Timing: Concurrent with reviewing Google's application, staff initiated a process to amend the DSAP and prepare a Diridon Affordable Housing Implementation Plan (AHIP). The focus of these planning efforts is on non-Google sites, although staff has ensured coordination with the Downtown West project, as appropriate. Staff also continues to support coordination of the Downtown West project with the Diridon

²<https://www.sanjoseca.gov/your-government/departments/planning-building-code-enforcement/planning-division/citywide-planning/area-plans/diridon-station-area-plan>

³ Refer to project website for all application documents and additional information about the review process: www.sanjoseca.gov/googleproject

⁴<https://static1.squarespace.com/static/5c38bcfdcc8fedd5ba4ecc1d/t/5d5c5e61e1d5150001a6fdf2/1566334563522/DSA+Update+-+Info+Memo+-+081919.pdf>

Integrated Station Concept Plan (a partnership between the City, Caltrain, VTA, High-Speed Rail and the Metropolitan Transportation Commission), the Downtown Transportation Plan, and other separate but related projects.

Timing: Google's Downtown West project, along with the Amended DSAP and AHIP will all go to the Planning Commission and City Council for consideration later this spring (2021). Please refer to the City's project [webpage](http://www.sanjoseca.gov/GoogleProject) (www.sanjoseca.gov/GoogleProject) for the latest information on the public hearing process.

ONGOING COMMUNITY ENGAGEMENT

Central to all this work, staff is considering previous and ongoing community input in its evaluation and recommendation of the Development Agreement and other implementation documents.

2018: The first major milestone in the public process was the [Diridon Station Area Civic Engagement Report](#)⁵ (October 2018), which outlined a set of Desired Outcomes for the Diridon Station Area and Google project across six topic areas. It documented SAAG discussions and input from the general public. The SAAG was established in early 2018 to advise the City on issues affecting the Diridon Station Area, including the Google development project. Google began their own outreach in 2018 as well. The MOU with Google was based on the input gathered through the 2018 process.

2019-2020: Staff completed additional public outreach and community engagement before and after Google submitted its development application. The main objectives of this outreach were to increase understanding of the planning and development review processes and secure feedback on initial and draft concepts under consideration. This occurred over several rounds of Diridon Station Area outreach and engagement. In 2019, Google expanded its outreach and engagement efforts to understand community priorities and concerns, ultimately holding over 100 meetings and having conversations with thousands of local residents. This input informed the design and programmatic aspects of their application. In Spring 2020, the City conducted an online survey on draft concepts for the DSAP Amendment and trade-offs related to Community Benefits.

2020-2021: In Fall 2020, staff held or participated in more than 20 meetings about the Downtown West project and the related efforts, including six hosted by the City's community partners. This Phase was focused on collecting feedback on the draft plans made available in October 2020, including the Draft Downtown West Design Standards and Guidelines and updated application documents. In 2021, the City has continued with focused outreach and engagement to prepare for the public hearing processes. Google continued holding its own

⁵ <https://www.diridonsj.org/s/FINAL-DiridonStationAreaCivEngagementReport10312018.pdf>

design workshops (pre-COVID) and has continued hosting virtual engagements and sharing informational videos (post-COVID).

Broad Outreach and Engagement Efforts: A consistent goal of the City's engagement process for the Diridon Station Area has been to hear from the full range of the San Jose community. The City completed grant agreements with seven community-based organizations to help reach and involve under-represented populations in the engagement process. These community partners are African American Community Services Agency, Catalyze SV, Friends of Caltrain, Latino Business Foundation, San Jose Jazz, SOMOS Mayfair, and Trinity Episcopal Cathedral.

The COVID-19 pandemic in March 2020 curtailed in-person outreach. Staff adjusted to continue outreach and engagement using online methods — enhancing diridonsj.org, creating videos, implementing online surveys, and hosting virtual meetings.

Since the beginning of the coordinated Diridon Station Area engagement process in February 2018, the City has hosted 18 SAAG meetings, 14 SAAG small group discussions, 30 community meetings, and partner events, three online surveys (2,260 responses), nine pop-ups at community events, and five virtual office hours. There have been 93,000+ web page views and 36,000+ visitors on diridonsj.org.

Collectively, the initial and ongoing community input over the last three years has helped shape the overall vision, shared goals, and top priorities for the project and its Community Benefits. The SAAG has been instrumental in representing a variety of needs and interests — including the many San Jose residents struggling with the high cost of living who need more affordable housing options, protections from displacement, and educational, job training, and employment opportunities. The SAAG has also been a key venue for convening neighborhood leaders, who have put in many hours to understand the proposed Downtown West project and the City's proposals and to advocate for consideration of local impacts and benefits. Many of the SAAG organizations have convened their own events over the past three+ years to hear from their community members and have reflected their needs, aspirations, and ideas during the SAAG meetings.

Community input, including the work of the SAAG, has been instrumental in shaping the Development Agreement. Doing this work well takes time and effort. The City is grateful for the thoughtful civic contributions of these individuals and organizations. The City also recognizes the significant outreach and engagement effort that Google has led and their responsiveness to incorporating community feedback into the Downtown West project.

DEVELOPMENT AGREEMENT BACKGROUND

Purpose: A Development Agreement is a tool that provides a consistent regulatory framework (also known as “vesting rights”) for a large development project that will be built out over many

years. Development Agreements are negotiated as part of the entitlement process and are typically approved along with other City actions enabling the project. In exchange for this certainty, developers often provide Community Benefits that go beyond any benefits from meeting City requirements.

MOU Foundation: As described in the Background section, the MOU with Google provides a foundation for negotiating the Development Agreement. It anticipates that the Development Agreement will include vested project approvals and Community Benefits, including a framework for community benefit delivery.

Community Benefit Methodology: In determining the value of the Community Benefits, the MOU intent is for Google to share back a portion of the additional property value created through the City's actions (such as rezoning and increased height limits), while taking into account the financial feasibility of the project. According to the MOU, the total value of Community Benefits shall not include any costs associated with (1) City requirements, (2) environmental mitigations, or (3) discretionary project Features proposed by Google.

Community Benefit Priorities: In identifying the Community Benefits, Council directed staff to prioritize three categories:

- Affordable housing;
- Displacement prevention and community stabilization; and
- Education, job training, and employment opportunities (including support for small businesses).

Subsequent community input has reinforced that these are the most pressing needs that should be addressed in developing the Community Benefits in the Development Agreement. Staff recognizes the interrelationship between affordable housing, community stabilization, opportunity pathways, and small business/employment opportunity. These are the pillars of Equitable Development — a shared goal in the MOU — and the collective investment in each can lead to better outcomes for San Jose residents, especially marginalized communities that too often bear disproportionate impacts.

In addition to these top priorities, community members also expressed interest in parks/open space, transportation (including transit, trails, bicycle, and pedestrian networks), environmental sustainability (including ecology and climate action), land use/design, and cultural and historic preservation. These topics are reflected in the shared goals for the project.

Distinction between Community Benefits and Public Benefits: Community Benefits are defined in the Development Agreement as contributions that go above and beyond standard City or State requirements and that are aligned with the Council priorities described in the MOU. The

Development Agreement and other project documents also provide other benefits. The broader term “Public Benefits” includes the Community Benefits, City requirements, environmental mitigations, and project features that Google has voluntarily agreed to implement and that support other goals articulated by the community, e.g., additional open space, trails, ecological enhancements, historic preservation, and sustainability features.

Process: Arriving at a staff-recommended Draft Development Agreement has required extensive analysis and ongoing community engagement. The release of the Draft Downtown West Design Standards and Guidelines and the Draft Environmental Impact Report in October 2020 marked major milestones. Since this time, the focus has been on preparing the Affordable Housing Plan and Parkland Agreement, and negotiating the other aspects of the Development Agreement, including the Community Stabilization and Opportunity Pathways Fund. The staff recommended Draft Development Agreement is now available at www.sanjoseca.gov/GoogleProject, for public review and is subject to City Manager and City Council review and approval.

DEVELOPMENT AGREEMENT OVERVIEW

If approved, the Development Agreement for the Downtown West project would be legally binding and enforceable over a 30-year term. It would deliver on public benefits in four main ways:

- Establishes the vested project approvals that lock in how the project will fulfill City requirements including requirements related to affordable housing, parkland, transportation, and infrastructure;
- Includes \$200 million in Community Benefits that address the City's top priorities and supports ongoing community involvement;
- Secures commitments on project features, such as local hire, privately-owned publicly accessible parkland, and environmental features such as a district systems approach to utilities; and
- Provides incentives for the timely delivery of public benefits through performance measures.

As described further in the following sections, if approved, the Development Agreement and the project itself would:

1. Provide land and funds to meet the 25% affordable housing goal for the Downtown West project;
2. Provide funds and a community governance structure to address displacement and expand economic opportunities for underserved residents through a new **Community Stabilization and Opportunity Pathways Fund**;
3. Enhance the public realm through a mix of publicly accessible **parks and open spaces**;

4. Improve the **transportation** system;
5. Advance **environmental sustainability, climate action, and resiliency** through a District Systems approach to utilities and other infrastructure investments; and
6. Provide for **historic preservation** to enhance the identity of the neighborhood.

Affordable Housing (Requirements + Community Benefits)

The City Council and Community have consistently prioritized affordable housing production and preservation, as well as anti-displacement strategies, as the top issues to address when planning for the Google project and future of the Diridon Station Area. The affordable housing package supports the goal for 25% of new housing to be affordable at a mix of affordability levels, ranging from extremely low-income to moderate-income.

The Downtown West application includes General Plan amendments and zoning changes that significantly increase residential uses throughout the site, and the Development Agreement contemplates 4,000 new housing units as part of the project (note that the EIR analyzes a maximum of 5,900 units).

The project is subject to several City requirements related to affordable housing:

- The **residential portion of the project** must comply with City's Inclusionary Housing Ordinance (IHO). As documented in the Development Agreement, the project will comply with the IHO by:
 - Dedicating three pad ready sites to the City (to be used for the construction of approximately 600 units for extremely low to low-income households);
 - Paying IHO fees for residential development once the credit from the dedicated land sites is exhausted; and
 - Providing 5% of the units built on-site for moderate income households (170 total) — to be integrated with market-rate housing.
- The **commercial office portion of the project** will pay the required Commercial Linkage Fee for office construction, which could generate up to \$87.6 million for affordable housing as Google builds out the 7.3 million gross square feet of office space.

The Development Agreement specifies that the City, subject to City Council appropriation of funding, will use a good faith effort to direct CLF generated from commercial development within the project site to the production of affordable housing on land transferred from Google to the City for affordable housing development and then to affordable housing production within the DSAP.

In addition to these required fees, Google will provide the following Community Benefits to increase the supply of new affordable housing (valued at about \$15 million dollars):

- Early dedication to the City of an additional 0.8-acre site located in the DSAP, outside of the Downtown West project. The City is recommending rezoning this site and, if approved, could allow for potentially 200 units of affordable housing.⁶
- Provide an additional 30 moderate-income units, integrated on-site within market-rate housing.

Overall, the project exceeds the City's baseline inclusionary housing requirements and supports the goal for 25% affordability for the Diridon Station Area through land dedication, use of fees generated by the project, and integrating affordable units on-site. The target is to provide 1,000 affordable units in the Diridon Station Area, based on 25% of the 4,000 units proposed by the Downtown West project. Of these units, roughly 600 units will be built on three sites dedicated by Google within the project site, and 200 additional units may be built on a site dedicated by Google outside of the project site (see footnote 6). Land dedication by Google and early release of three of these four sites allows the City to leverage external funding sources to achieve lower income limits (i.e., deeper affordability). Through the City's use of land dedication and fees and ability to leverage additional resources, the City is targeting 40-45% of the units built on dedicated housing sites to be available to extremely low-income households earning under 30% of the Area Median Income (AMI).

The total investment in new affordable housing **production** would be approximately \$183 million. In addition to production, the project would address affordable housing goals through investments in **preservation** and **protection** through a new fund, as described in the following section.

For additional information about the Affordable Housing plan, please refer to Development Agreement Exhibits C (Community Benefits) and D (Affordable Housing Program)

Community Stabilization and Opportunity Pathways (Community Benefits)

Consistent with community feedback and Council direction, the staff-recommended Community Benefits include a new "Community Stabilization and Opportunity Pathways Fund" (Fund). The Fund is a resource to *minimize displacement from rising costs* (Community Stabilization) and to *maximize opportunities for youth and adults to participate in job opportunities* through training education and support (Opportunity Pathways). The Fund recognizes that these challenges are systemic and interrelated. It would provide grants that are aimed at a measurable impact on community stability and economic opportunity for communities that have historically been

⁶ The City is considering changing the land use designations and zoning of the Autumn Street site (located outside of the Downtown West project site but within the Diridon Station Area) to allow for residential uses and approximately 200 affordable housing units, subject to subsequent clearances and discretionary approvals.

affected by structural racism and where risk of displacement is the highest, including East San Jose and Greater Downtown.

Community Stabilization. In addition to producing new affordable housing, the Fund would apply to the following priorities articulated by Council and the community related to housing:

- Preventing displacement and homelessness through the preservation of existing affordable housing;
- Increasing services and shelter for people experiencing homelessness;
- Pursuing new models of community ownership; and
- Increasing protections for low-income renters.

Opportunity Pathways: Hand in hand with stabilizing housing costs, the City Council, SAAG, and public have generally agreed on the importance of helping San Jose residents of all skill and educational levels and diverse backgrounds to prepare for and secure good-paying jobs.

Accordingly, the Fund would support these priorities:

- Programs and services related to adult and youth occupational skills training;
- College/post-secondary scholarships;
- Career exploration for middle and high school youth;
- Early childhood education; and
- Small business and entrepreneurship support.

Contributions: The project would contribute \$21.20 per gross square foot of office to the Fund as office buildings are completed (up to \$154,760,00 million if the commercial office capacity of 7.3 million gross square feet is built out). For example, for a million square feet of office completed, the project would contribute \$21.2 million to the Fund.

Structure: The Fund structure emphasizes the importance of a decision-making process that:

- Balances technical expertise and lived experience;
- Amplifies local voices and empowers residents of impacted communities;
- Focuses on equity; and
- Provides a data-driven and transparent decision process.

The recommended structure features a third-party Fund Manager and a Community Advisory Committee, with City oversight and support. The Committee includes representation from local residents (representing the lived experience of impacted communities), direct service providers and other technical experts.

Following final approval of the Development Agreement, the City would need to adopt an ordinance to create the Committee. Next steps would be selection of Committee members and the Fund Manager. The Fund Manager would then work with the Committee to prepare a Five-

Year Strategic Plan for City Council approval. As contributions to the Fund come in, the Fund Manager would administer the grant-making process and recommend qualified grant recipients to the Committee for approval, consistent with the Strategic Plan. Putting decision-making authority in the hands of local residents and leaders to drive equity-focused outcomes is a unique model, compared to similar funds in the U.S.⁷

For additional information about the Community Stabilization and Opportunity Pathways, please refer to Exhibit H of the Development Agreement.

Early Payment (Community Benefit)

In addition to the Fund, as part of the Community Benefits, Google will make an early payment of \$7.5 million to the City for job readiness and community stabilization, in support of existing City strategies such as the City's Citywide Residential Anti-Displacement Strategies. Staff will make specific recommendations for the use of this early payment and Council will allocate the funds as part of the approval package.

The intent is to invest early in these two critical areas, ahead of office building completion (when the Fund will be set up and begin to receive contributions from the project).

For additional information about the Early Payment, please refer Exhibit C of the Development Agreement.

Additional Project Commitments to Jobs & Opportunity (Community Benefit)

In addition to improving opportunity pathways through education and job training through citywide programs, the MOU and community feedback encourage Google to directly advance economic opportunity through using progressive hiring practices, prioritizing the hiring of local residents, providing opportunities to local businesses, and offering programs that connect their employees to local youth. Accordingly, Google has committed to the following as discretionary project features in the Development Agreement:

- Prevailing wage for all on-site construction workers;
- 30% local hire goal for on-site construction positions;
- Ongoing collaboration with work2future and good faith efforts to hire local residents;
- Support for disadvantaged businesses through
 - Providing 10% business inclusion target for disadvantaged businesses, for commercial office building construction;
 - Working with vendors to secure ongoing service contracts for office buildings;
- Promotion of Google employee volunteer/mentorship programs;

⁷ This is based on research completed by Estolano Advisors, who worked with the City and Google to identify and evaluate potential fund structures.

- Career development workshops targeted for underserved communities; and
- Ongoing monitoring and reporting.

For additional information about Economic Opportunity, please refer to Exhibit G of the Development Agreement.

Parks and Open Space (Requirements/Project Features)

The community-driven goals for the public realm include a variety of publicly accessible amenities, including parks, open space, plazas, and trails; improving the connectivity of the open space and trail networks; activating public spaces through temporary and permanent programming; keeping new and existing spaces well-maintained, safe, and accessible; and ensuring spaces are welcoming to all.

Through a mix of discretionary project features and City requirements, at full buildout the project will provide up to 15 acres of open space, including 4.8 acres of improved public parks and trails (dedicated to, and operated and maintained by the City,) and approximately 10.2 acres of privately owned publicly accessible open spaces (where the ongoing maintenance and programming would be funded by the project applicant, rather than the City). These privately owned open spaces will have similar hours as City parks and will offer community rentals of reservable areas and year-round free programming.

The approach to open space emphasizes access and proximity across the Downtown West project, rather than concentrating all the open space in one area. This approach to public open space fits the urban context, provides safe and pleasant connectivity for bikes and pedestrians, and complements the other large open spaces in the vicinity.

For additional information about Parks and Open Space, please refer to the main body of the Development Agreement, and the Parkland Agreement (Exhibit E of the Development Agreement).

Transportation (Requirements/Project Features)

The shared goals in the MOU and community feedback both call for the project and City to:

- Create attractive, vibrant, and safe experiences for pedestrians and bicyclists;
- Provide multimodal connections to Diridon Station, Downtown, adjacent neighborhoods, and the open space network (Guadalupe River, Los Gatos Creek);
- Contribute to ambitious citywide targets for reduced car travel;
- Proactively manage car parking to adapt to changes in travel patterns, minimize land dedicated solely to parking, and encourage shared parking across the district;
- Provide convenient access to the SAP Center;
- Support a functional, accessible, and seamless public transit system for all users;

- Allow adaptability (accommodate future mobility options); and
- Facilitate a safe, operational transportation system during construction work.

Consistent with these objectives, the project includes multimodal transportation improvements throughout the project such as efficiencies to the street network, expanded sidewalks, bikeway facilities, electric vehicle charging stations, and dynamic lanes — flexible space that can be used for multiple purposes over time. These project features are reflected in the infrastructure plans and Downtown West Design Standards and Guidelines.

As part of the development review process, the City required preparation of a Local Transportation Analysis (LTA) to evaluate the project against City policies and identify any necessary improvements to the transportation system. As required by the LTA, the project will provide about \$30 million in improvements, including: complete street improvements along Barack Obama Boulevard, support for transit projects recommended in the Diridon Station Area Plan, multimodal improvements to Auzerais Avenue, and \$10 million for local needs identified in future Focused LTAs. These will be documented as Conditions of Approval for the project.

Also consistent with City policies, the project will provide shared, publicly available parking in conjunction with commercial development (4,000 spaces at full buildout). Residential parking will be rented or sold separately to lower housing costs for those who choose to live without a vehicle.

As part of the environmental requirements, the project will prepare a Transportation Demand Management (TDM) plan to manage traffic and emissions, limiting solo occupancy vehicle trips to a maximum of 35%, with penalties up to \$5 million per year for non-compliance.

The Development Agreement also provides for coordination with the ongoing Diridon Integrated Station Concept Plan (DISC) effort. This includes:

- Reinforcing shared MOU goals and ongoing collaboration;
- Establishing a Transit Project Buffer Zone in anticipation of land that may be needed to construct rail improvements; and
- Including provisions on temporary construction easements, long-term park use, and community benefit implications.

For additional information about Transportation, please refer to the main body of the Development Agreement and Exhibit K.

Environmental Sustainability, District Systems, and Ecology (Project Features)

Community input for the project also included advancing the City's sustainability goals: supporting the "Climate Smart San Jose" Plan; reducing greenhouse gas (GHG) emissions;

adhering to LEED Gold or Platinum standards for green building; serving as a model for eco-district planning, design, and implementation; exploring a district systems approach; and restoring and enhancing the wildlife habitat, water quality, and flood protection of the creek corridors.

Consistent with the MOU, the City and Google have studied a district-wide program of shared utilities. As a voluntary project feature, the Google proposes a sustainable "District Systems" approach to the provision of certain utilities, such as energy (heating and cooling), electricity (microgrid), wastewater treatment, and recycled water.

The project documents subject to City Council approval will incorporate City goals related to District Systems to ensure proper design review, permitting, and oversight of the onsite wastewater treatment and electrical infrastructure; continuity of District Systems services; properly maintained and operated infrastructure, and rate equity.

In addition to District Systems and meeting existing City Green Building Codes, discretionary project features related to sustainability include:

- Zero net new greenhouse gas emissions during construction and 30 years of operations;
- Enhancements to the riparian habitat;
- Design for bird safety and night sky controls;
- All electric development;
- 2,200+ new trees;
- 100% native plant palette;
- Replacement of San Fernando Bridge to reduce flood risk;
- 7.8 megawatt of on-site solar energy production; and
- Designed to be eligible for LEED-ND Gold certification

Through these environmental requirements and commitments, the project would set a new standard for climate action and ecological enhancements.

Historic Preservation (Project Features)

The MOU and community feedback include the goal to preserve and integrate historic and cultural assets into the project design to reinforce the identity of the area. Discretionary features of the project include retaining, relocating on-site, or partially salvaging six of the nine historic resources under CEQA. The resources to be retained and repurposed include the San Jose Water Company Building (374 W. Santa Clara Street); Kearney Patternworks and Foundry building (40 S. Montgomery Street); and Hellwig Ironworks building (150 S. Montgomery Street). A grouping of three Victorian bungalows on Julian Street (559, 563, and 567 W. Julian Street) and the Stephen's Meat Products sign would be relocated on-site. Portions of the facade of the Sunlite

Bakery Building (145 S. Montgomery Street) would be salvaged and incorporated into the project.

As required by the EIR, the other three historic resources would be available for others to purchase and relocate. In addition to the CEQA historic resources described above, the project will also relocate the buildings at 35 S. Autumn Street on-site; support the relocation of the building at 91 S. Autumn Street (Poor House Bistro) off-site; and support the relocation costs of other on-site structures of merit (including eligible) to off-site locations, if property owners elect to receive them, up to the equivalent cost of demolition.

Community Benefits Valuation and Timing

In determining the valuation of the Community Benefits, the MOU intent is for Google to share back a portion of the additional property value created through the City’s actions (such as rezoning and increased height limits), while taking into account the financial feasibility of the project. Consistent with the MOU framework, the following costs are not considered Community Benefits: costs required to mitigate impacts under CEQA; costs associated with project design, project elements, or other improvements proposed by Google as part of its development; and costs incurred to meet City standard requirements, conditions of approval, fees, or taxes.

The following table illustrates the value of the Community Benefits by category. One of the distinguishing factors of this agreement is that all Community Benefits are focused on equity and are directed at low-income individuals, in the form of related anti-displacement and opportunity components. Other Development Agreements tend to focus the Community Benefits on parks and sustainability. This Development Agreement achieves parks and sustainability goals, but as part of meeting baseline requirements or voluntary project features, not as Community Benefits. Some of the Community Benefits will be delivered early on, while others are tied to the development of office space and will be delivered over time.

	Community Benefit Value (at 7.3M GSF)	\$/per GSF of Office	Timing
Community Stabilization and Opportunity Fund	\$154.8 Million	\$ 21.20	As office gets built
Early Payment for Job Readiness and Community Stabilization	\$7.5 Million	\$ 1.03	120 days after Final Approval*

30 Additional Moderate-Income Units	\$7.0 Million	\$ 0.96	With market-rate residential development
Land Transfer to the City (0.8 acres for consideration of affordable housing) ⁶	\$8.4 Million	\$ 1.15	3 months after Final Approval*
Currently Unallocated Community Benefit Commitment	\$22.3 Million	\$ 3.06	As office gets built
TOTAL	\$200 Million	\$ 27.40	

* “Final Approval” means following City Council approval of the project documents and resolution of any legal challenge to those approvals.

At full buildout, the total amount of Community Benefit contributions is expected to be \$200M on top of more than \$1 billion in voluntary project features proposed by Google. As previously described, these project feature investments include 15 acres of parks, plazas, and green spaces; new walking and biking paths; historic preservation; ecological restoration; infrastructure improvements; year-round free programming; and more.

Oversight and Performance

The Development Agreement is legally binding and enforceable and requires an annual review of the performance and compliance by the Planning Director and a report to the Planning Commission. The City cannot force Google to build, but the Development Agreement includes requirements for performance to maintain Development Agreement rights, including milestones at 10 or 20 years, which respectively require completion of 2 and 4 million GSF of office *or* payment of Community Benefits on the equivalent amount of office. In addition, Google is limited to transferring office development rights/land to no more than 40% of constructed office square footage to ensure growth of jobs and tax base.

NEXT STEPS

The City released the staff-recommended Development Agreement to the public on April 6, 2021. The City will hold a meeting of the Diridon Station Area Advisory Group (SAAG) on April 14, 2021 and a Community Meeting on April 17, 2021 to review and discuss the Development Agreement. The public may also comment on the Development Agreement using

an online tool. Staff will provide all feedback received to the Planning Commission and the City Council, for their consideration. Visit <https://www.diridonsj.org/> for more information.

/s/

Nanci Klein

Director of Economic Development

For questions, please contact Nanci Klein at (408) 535-8184.

RESOURCES

Project Webpages

- [Google Project Website - Application Documents and City's Review Process for Downtown West Project](#)⁸
- [Google's Project Webpage](#),⁹ - Social Infrastructure Plan, video, and other information

Shortcuts to Project Documents

- Staff-recommended Development Agreement
- [Draft Environmental Impact Report \(DEIR\) for the Downtown West Project](#)¹⁰

Community Engagement Materials (2018-2020)

- [Diridon Station Area Civic Engagement Report \(2018\)](#)¹¹, including list of Desired Outcomes for the six topic areas
- [Fall 2020 Community Engagement Info and Summary of Feedback Received](#)¹²
- [Information about Google's Updated Submittal for the Downtown West Project, Including Background Presentations by the City \(Process\) and Google \(Design Standards and Guidelines\)](#)¹³
- [Video](#)¹⁴ (timestamp: 7:30 to 53:30): presentation from the Downtown West Community Meeting on Oct. 19, 2020
- [Downtown West Community Meeting \(October 19\) Materials](#)¹⁵
- Presentation for City Council Study Session (November 16, 2020)

⁸ www.sanjoseca.gov/GoogleProject

⁹ <https://realestate.withgoogle.com/sanjose/>

¹⁰ <https://www.bit.ly/GoogleProjectEIR>

¹¹ <https://www.diridonsj.org/s/FINAL-DiridonStationAreaCivEngagementReport10312018.pdf>

¹² <https://www.diridonsj.org/fall2020>

¹³ <https://www.diridonsj.org/fall2020-google>

¹⁴ <https://www.youtube.com/watch?v=ddmcFntNG7A&feature=youtu.be>

¹⁵ <https://www.diridonsj.org/general-events/community-meeting-downtown-west-fall2020>

HONORABLE MAYOR AND CITY COUNCIL

April 6, 2021

Subject: Staff-Recommended Draft Development Agreement for Google's Downtown West Project

Page 20

- [Summary of the City's 2018 Community Engagement Process](#)¹⁶

Related Plans

[Citywide Residential Anti-Displacement Strategy](#)¹⁷

[Draft Amended Diridon Station Area Plan](#)¹⁸

[Draft Diridon Affordable Housing Implementation Plan](#)¹⁹

General

[Background Information](#)²⁰

[FAQs, Info Memos, and Other Resources](#)²¹

[Station Area Advisory Group \(SAAG\) Webpage](#)²² with past meeting materials

¹⁶ <https://www.diridonsj.org/archive>

¹⁷ <https://www.sanjoseca.gov/your-government/departments-offices/housing/resource-library/housing-policy-plans-and-reports/citywide-anti-displacement-strategy#:~:text=By%20focusing%20attention%20on%20Production,greatest%20asset%20%2D%20its%20existing%20residents>

¹⁸ https://static1.squarespace.com/static/5c38bcfdcc8fedd5ba4ecc1d/t/5f9783e6506bd2232c50f52e/1603765259907/20201026_D_SAP_Report_web.pdf

¹⁹ <https://static1.squarespace.com/static/5c38bcfdcc8fedd5ba4ecc1d/t/5fa9c16b09511e6a4e5a07b4/1604960644280/Draft+Diridon+Affordable+Housing+Implementation+Plan.pdf>

²⁰ <http://www.diridonsj.org/diridon-station-area-plan-google-project>

²¹ <https://www.diridonsj.org/resources>

²² <http://www.diridonsj.org/saag>