



City of Gilroy

2019 General Plan Annual Report

March 16, 2020

1. Introduction

A. Purpose of the General Plan Annual Report

The General Plan Annual Report fulfills the requirements of California Section 65400 of the California Government Code, which requires all jurisdictions to prepare an annual report addressing two primary topics:

- The status of the General Plan, including progress made towards implementation of goals, policies and implementation measures contained in the Plan, and identification of any changes needed in the Plan or its implementation programs.
- Progress towards meeting the city's regional housing needs allocation (RHNA) and efforts to remove governmental constraints to the maintenance, improvement and development of housing.

This report includes three distinct sections:

- *Section 2. Status of 2019 Activities Affecting the Implementation of the General Plan* contains updates on the resumption of the 2040 General Plan Update process, pending Urban Service Area amendments, changes to ordinances and City Council policies, the status of Gilroy's three specific plans, and the status of the Neighborhood Districts. These topics collectively provide a broad view of the current issues affecting the implementation of the General Plan during 2019.
- *Section 3. Development Activity in 2019* describes the amount of new development permitted through both discretionary land use permits and building permits.
- *Section 4. Annual Housing Element Progress Report* fulfills the second primary topic described above, a description of progress towards meeting the city's share of regional housing needs and efforts to remove governmental constraints to the maintenance, improvement and development of housing.

The report is to be presented to the legislative body, the Governor's Office of Planning and Research (OPR) and the State Department of Housing and Community Development (HCD) on or before April 1 of each year.

B. Background of the General Plan

Every city and county in California must have a general plan, which is the local government's long-term framework or "constitution" for future growth and development. The general plan represents the community's view of its future and expresses the community's development goals. The general plan consists of the policy text, containing goals, policies and implementation actions, and the land use diagram, displaying the planned future land uses and pattern of development. All land use decisions by the Planning Commission and City Council must be consistent with the adopted General Plan. Typically, a general plan is designed to address the issues facing the city for the next 15-20 years. State Planning Guidelines recommend updating the General Plan about every 10 years.

Under California law, cities are required to address seven issue areas or "elements" in their general plans: land use, transportation, housing, safety, open space, conservation, and noise.

The State allows considerable flexibility in how these elements are organized, and encourages the inclusion of additional “elements” to ensure that plans are truly comprehensive and effective in addressing local issues. The Gilroy 2020 General Plan incorporates the State-mandated elements, but organizes them into five major policy areas: Community Design and Development; Housing; Transportation and Circulation; Public Facilities and Services; and Community Resources and Potential Hazards. The General Plan also addresses a number of topics sometimes included in General Plans as “optional elements” to address key issue areas. These include Agriculture, Air Quality, Economic Development, Historic Preservation, Parks and Recreation, Schools and Water Supply and Quality.

The current Gilroy 2020 General Plan was adopted in June, 2002. There have been multiple individual amendments to both the policy text and the land use diagram since that time.

2. Status of 2019 Activities Affecting the Implementation of the General Plan

This section describes a variety of activities initiated by the city or others during 2019 that affect the implementation of the current 2020 General Plan and/or the Gilroy 2040 General Plan Update, in progress.

A. 2040 General Plan Update

In October, 2013, the City embarked on Gilroy 2040, a comprehensive update of the General Plan. A 25-member General Plan Advisory Committee (GPAC) was appointed by the City Council to guide the update process. Two lengthy delays have caused the General plan process to take significantly longer than originally planned.

In April 2016, the General Plan process was suspended pending the outcome of Measure H, the Urban Growth Boundary ballot initiative. In November 2016, Measure H passed, establishing an Urban Growth Boundary that restricts new development outside the boundary through 2040. In June 2017, the GPAC reconvened, based on an amended work program approved by the City Council, to complete the 2040 General Plan Update. In April 2018, the City Council placed the General Plan process on hold pending the completion of an economic development strategic study underway. The Gilroy Place-Based Economic Development Strategy final report was presented to the City Council in January 2019.

The GPAC process restarted in March 2019 and concluded on January 23, 2020, having forwarded recommendations to the Planning Commission and City Council for approval of the Draft 2040 General Plan Preferred Land Use Alternative and Draft Public Review Policy Text. Adoption of the 2040 General Plan is scheduled for December, 2020.

B. Urban Service Area Amendments

The General Plan Land Use Diagram includes the area designated the Urban Service Area. Policy 2.07 of the 2020 General Plan states the following:

“Urban Service Area. Establish and maintain an Urban Service Area that indicates the area of land that could potentially be developed in the next 5 years and to which the City is committed to providing basic infrastructure and services. Urban zoning, development approvals, and building permits will only be granted to properties within the Urban Service Area. The City will not accept development proposals on land outside the Urban Service Area, and will coordinate with the County to discourage premature subdivision of such land. Applications for inclusion in the Urban Service Area will be accepted annually and evaluated in light of General Plan policies promoting infill development and efficiency in the provision of urban services.”

Review of two privately initiated Urban Service Area (USA) amendment applications was completed in late 2019, with City Council approval in January, 2020.

- USA 12-01 – Wren Investors – 50 acres
The Wren Investors project site is located immediately north of the Gilroy city limits southwest of the intersection of Vickery Avenue and Wren Avenue. Existing uses on the approximately 50.3-acre site include rural residential uses, the Gilroy High School Future Farmers of America Club farm laboratory, two vacant Santa Clara Valley Water District parcels comprising the Lions Creek channel and a paved community bike path, and vacant land. A conceptual future development plan incorporates a mix of single-family and multi-family residential, and neighborhood commercial uses. Approximately 260 new single-family and multi-family residential dwellings units could be accommodated by this proposal.
- USA 14-02 Hewell – 5.4 acres
The Hewell project site is located just outside the northern city limits northeast of the intersection of Vickery Avenue and Kern Avenue. The approximately 5.4-acre project site consists of two parcels. A portion of the site is developed with one single-family residence and the remainder of the site is vacant grassland. The conceptual development plan for the Hewell project is comprised of 48 single-family residential dwellings.

The proposed amendments will be submitted to the Santa Clara County Local Agency Formation Commission (LAFCO), the state-mandated independent local agency with responsibility to oversee and make decisions on the boundaries of cities and special districts, including Urban Service Areas.

Figure 1, on the following page, is a location map showing the two USA amendments.

Figure 1



C. Changes to Ordinances and City Council Policies

State law allows local jurisdictions within a county to form a sub-region to conduct a housing needs allocation process that parallels, but is separate from, the regional process conducted by the Association of Bay Area Governments (ABAG). In August, 2019, the City Council approved the city’s participation in the proposed Santa Clara County RHNA Sub-region for preparation of the 2023 – 2031 Regional Housing Needs Allocation. The sub-region process, including Santa Clara County and some or all 15 cities, would be assigned the combined total RHNA allocation of all participating

jurisdictions, as identified by ABAG, and develop a methodology for the distribution of the amount of housing in each income level to each jurisdiction. Conflicts between the RHNA process schedules of ABAG and the California Housing and Community Development Department (HCD), rendered the sub-region development process infeasible. In November 2019 the City Council endorsed the city's participation in the Santa Clara County Planning Collaborative, intended to facilitate Santa Clara County jurisdictions to work together on joint issues including collaboration on regional planning issues, consideration of future housing opportunities, and development of draft policies and programs to incorporate in their respective Housing Elements.

D. Status of Specific Plans

Gilroy has three adopted Specific Plans; Glen Loma Ranch, Hecker Pass and Downtown. See Figure 2. The Glen Loma Ranch and Hecker Pass Specific Plans were adopted in 2005. Construction began on Hecker Pass in 2014 and Glen Loma Ranch in 2015. In addition, the Downtown Specific Plan Update/Downtown Station Area Plan project has been in progress since 2015.

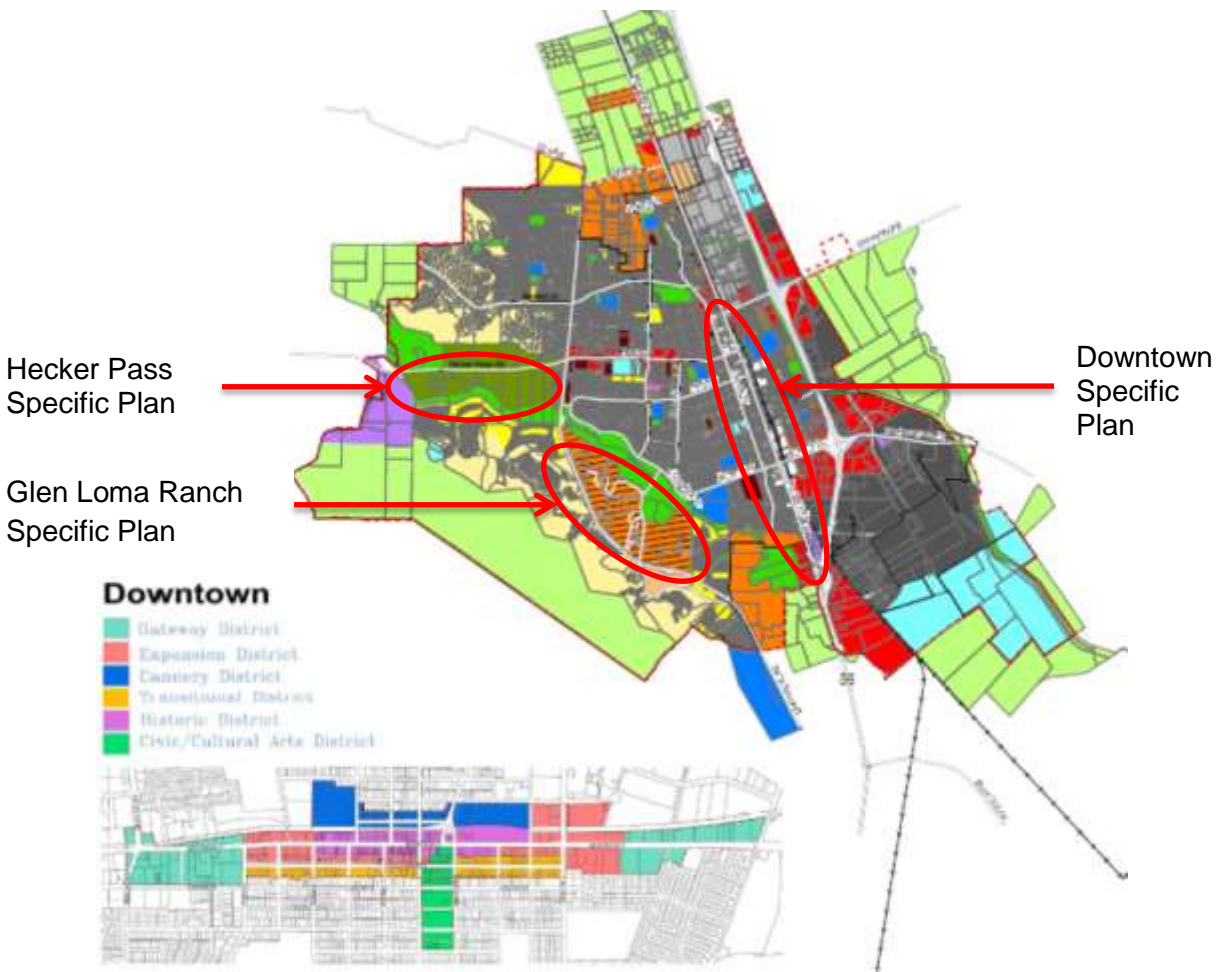
- Hecker Pass Specific Plan comprises 423 acres, located on both sides of Hecker Pass Highway, westerly of Santa Teresa Boulevard, and includes up to 521 single-family dwelling units, 145 acres of permanent open space and parkland, 59 acres of permanent agriculture and 55 acres of planned agri-tourism commercial. Construction began in 2014, and 402 units have been permitted through 2019. Remaining development planned for the Hecker Pass Specific Plan area includes two approved projects, yet to proceed, both located on Hecker Pass Highway: a mixed use project comprising 32,700 square feet of commercial uses and 22 live-work apartments, and a 73-unit single-family residential project on the north side of the highway.
- Glen Loma Ranch Specific Plan comprises 360 acres, bounded by Santa Teresa Boulevard on the southwest, Uvas Creek Park Preserve and Christmas Hill Park on the northeast and existing neighborhoods to the south. The Glen Loma Ranch Specific Plan allows up to 1,693 predominantly single-family dwelling units in 19 neighborhoods. The project includes a 125-unit townhome project and two affordable housing developments consisting of 77 low-income family apartments and 81 low-income senior units. Building permit applications for the affordable projects were submitted in August 2019. A total of 505 dwelling units have been permitted through 2019.

Two significant public facilities are planned as part of the Glen Loma Ranch Specific Plan. A new Fire Station will be located in the future Town Center area at the southeast corner of Santa Teresa Boulevard and the re-aligned Luchessa Avenue. Plans are progressing to locate a temporary station at the site with construction of the complete station to follow. Plans for a new Gilroy Unified School District Elementary School on a 12.7-acre parcel located at the northeast corner of Santa Teresa Boulevard and Club Drive have been put on hold, due to declining enrollment.

- The Downtown Specific Plan, approved in 2005, incorporates the properties generally within two to three blocks on both sides of Monterey Street, extending from Leavesley Avenue on the north, to U.S. 101 on the south. It extends further to the west between Sixth and Seventh Streets to incorporate the Civic Center area. The Specific Plan envisions a combination of commercial retail, office, restaurant,

and entertainment uses and up to 1,576 dwelling units. To-date, 667 dwelling units have been permitted. The Alexander Station apartment project, providing 262 low income units, completed its second phase of occupancy in Summer 2019. The 104-unit Cannery development, also 100% low income, was completed in September 2019 and is fully occupied, as well. Finally, the 75-unit Gilroy Gateway project, comprising 37 units of permanent supportive housing and 38 units for low-income senior residents, is anticipated to receive final occupancy approval in mid-2020. Another important aspect of continuing to improve Downtown is the revitalization of multiple URM buildings, long vacant per state law, due to lack of required structural retrofit construction. After several years of inaction, a city-property owner URM Task Force has facilitated agreements with property owners resulting in significant progress. A total of 10 of 17 remaining URM buildings have completed structural modifications sufficient to qualify them to be re-occupied, resulting in a major reduction in vacant storefronts and the opportunity for new businesses to locate downtown.

Figure 2



- The Downtown Specific Plan Update/Downtown Station Area Plan is both an update to the existing Downtown Specific Plan and preparation of a plan to guide private development and public improvements in Downtown in conjunction with the proposed California High Speed Rail (CHSR) project. The study, begun in 2015,

included preparation of an Alternatives Analysis Report, guidance from a Citizens Advisory Committee and input from community meetings. A Draft Preferred Alternative was presented to the City Council in January, 2019. In June, 2019, the City Council placed the Station Area Plan project on hold until the CHSR Authority identified a preferred alignment as a part of its environmental review process for the San Jose to Merced segment of its system. In September, 2019, the CHSRA adopted a preferred alignment, comprised of an at-grade design paralleling and utilizing portions of Union Pacific Railroad (UPRR) right-of-way for the route through Gilroy. In late 2019, CHSRA and city staff began discussions regarding resuming the Downtown Specific Plan Update/Station Area Plan process.

E. Status of Neighborhood Districts

The Gilroy 2020 General Plan specifies three planned residential growth areas identified as Neighborhood Districts. These areas are intended to encourage compact, complete neighborhood-style development, including predominantly single-family uses, together with commercial and medium- to high-density uses clustered to form neighborhood centers. The Glen Loma Ranch Specific Plan described above, is one of these areas. The other two are located at the northern and southern reaches of the city. The northern Neighborhood District was reduced significantly by the adoption of the Urban Growth Boundary (UGB) in November, 2016. The North Neighborhood District decreased from approximately 750 acres to 277 acres, bounded by Day Road, Santa Teresa Boulevard and Wren Avenue/Monterey Road. Under the 2020 General Plan, this area will allow up to 2,450 future dwelling units. The Urban Service Area amendments described above are located within this area.

The southerly Neighborhood District comprises 193 acres bounded by Uvas Creek on the north and east, Thomas Road and Santa Teresa Boulevard on the west, and Mesa Road on the south. In the 2020 General Plan, this area will support up to approximately 1,280 dwelling units. The actual development capacity of the areas may be lower, due to planning for necessary infrastructure, open space and other components of the future development. Neighborhood Districts also include provisions for future neighborhood-serving commercial, parks and other supportive uses intended to establish complete neighborhoods. The Draft 2040 General Plan includes a modification to the mix of densities allowed in the Neighborhood District designation, reducing the maximum amount of single-family dwellings from 82% to 60% and increasing the mix of medium and higher density unit types. These changes will strengthen the housing capacity of these future growth areas.

3. Development Activity in 2019

Table 1, below, provides a summary of the development activity that occurred in Gilroy in 2019, including both discretionary permits and building permits. Approved discretionary permits were issued for a total of 11 projects, comprising 9 single-family dwellings, 136 multi-family dwellings and approximately 64,100 square feet of non-residential development. The multi-family residential projects include a 120-unit, 100% low-income apartment project and a small mixed-use project with 16 live-work units. Non-residential development included approvals for the relocation of a Nissan auto dealership, the reuse of a dilapidated warehouse building for a new commercial bakery, and two new industrial warehouse buildings.

Building Permits were issued for 192 single family dwellings and 11 Accessory Dwelling Units (ADU's). No multi-family building permits were issued in 2019. However, building permit applications were submitted for the two projects comprising 158 affordable residential units in Glen Loma Ranch. Two projects receiving building permits in 2018 are nearing completion; 28

apartments on Wren Avenue and the 75-unit Gilroy Gateway project, comprised of 37 Extremely Low Income Permanent Supportive Housing units and 38 low income senior affordable units. Construction of new multi-family housing, and, in particular, low income units, fulfills General Plan Housing Element policies to facilitate infill housing, to provide housing for all income levels and to provide new affordable housing.

Non-residential new construction permitted during 2019 included the 24,000 square foot Nissan dealership, a new commercial 12,000 square foot retail development at First Street and Kelton Avenue, and a 40-000 square foot addition to Gilroy Self-Storage.

Table 1 Development Activity - 2019				
	No. of Applications	Permits Issued		
		Single Family Dwelling Units/ADU	Multi-family Dwelling Units	Commercial/ Industrial (sq. ft.)
Discretionary applications received	11	9	136	7,000
Discretionary applications approved/ Denied	9/0	9	0	64,100
Building Permits issued	175	168/10	0	76,000

4. Annual Housing Element Progress Report

As noted previously, the Housing Element Progress Report includes two components: 1) a detailed reporting of the city’s progress in constructing the amounts of new housing specified in the Regional Housing Needs Assessment (RHNA) allocation included in the General Plan Housing Element, and 2) a description of the city’s progress implementing the programs in the Housing Element intended to remove governmental constraints to the maintenance, improvement and development of housing. The report is included as Appendix A to this report. It will be submitted electronically to HCD following City Council acceptance of this report.

A. RHNA Progress Report

The RHNA program establishes an eight-year cycle (2015 -2022) within which the city must work to achieve the specified amounts of new housing in each income category. Table 2, below describes the city’s progress in the first five years of the RHNA cycle. As described above, no building permits were issued in 2019 for new multi-family affordable housing projects. However, permits for 10 Accessory Dwelling Units (ADU) were issued, which qualify as moderate income based on the RHNA affordability formula. In addition, a 27-unit apartment project on Kern Avenue, which received building permits in 2018 also qualifies as moderate income. As a result, the remaining moderate income RHNA target has been reduced to 166

units. The city has exceeded the RHNA allocations for Low Income and Above-Moderate (market rate) housing units. Significant amounts of Very Low Income and Moderate housing units are still needed.

Table 2					
Regional Housing Needs Assessment Progress (2015 – 2019)					
Income Level	RHNA Allocation by Income	2015 – 2018	2019	Units Permitted To-date	Units Remaining
Extremely Low Income (0 – 30% AMI*)	236	37	0	37	163
Very Low (31 – 50% AMI)		38	0	38	
Low (51 – 80% AMI)	160	477	0	477	0
Moderate (81 – 120% AMI)	217	41	10	51	166
Above Moderate (Above 120% AMI)	475	1,126	202	1,328	0
Total	1,088	1,685	163	1,725	
Remaining Need					329

*AMI – 2019 Area Median Income in Santa Clara County

In 2019, the Area Median Income (AMI) for a four-person household in for Santa Clara County, as defined by the California Department of Housing and Community Development (HCD) was \$131,400. Based on this, the following are the income limits for the various affordable housing categories (family of four):

- Extremely Low Income (ELI) 0 – 30% AMI – \$43,900
- Very Low Income (VLI) 31 – 50% AMI –\$73,150
- Low Income (LI) - 51 – 80% AMI – \$103,900
- Moderate Income 81 – 120% AMI - \$157,700
- Above Moderate – Above 120% AMI

B. Activities to Remove Governmental Constraints

The second component of the Annual Housing Element Progress Report requires the city to provide information on the progress in implementing Housing Element programs and other

activities intended to remove governmental constraints to the maintenance, improvement and development of housing. Efforts conducted in 2019 include:

- New Land Management System (LMS) – work to select a vendor and develop the project scope of work for the LMS was completed in 2019. On February 3, 2020, a contract was awarded for the purchase and implementation of the new system. The new system will greatly improve customer service and staff processing efficiency. The new system will take approximately 15 months to implement.
- New Development Services Center –An architectural firm was selected to design the new Development Services Center. A preliminary design was completed. Developing the final design and preparing the construction bid package will continue in 2020.
- The Community Development Department hosted Developer’s Roundtable meetings in April and September. Topics included: the status of the General Plan Update, objective design standards for multi-family development, Fire and Building Code updates, traffic impact fees, development and customer services and the historic resources inventory.
- In June 2019, the City adopted a resolution re-establishing the Residential Development Ordinance (RDO) Interim Exemption, allowing projects that had not previously received an RDO allocation to proceed through the development review process. This action has now been rendered mute, due to new state legislation that prohibits numerical growth controls on new housing development.
- In late 2019, the city submitted an application for \$160,000 grant under the state Housing and Community Development Department (HCD) Senate Bill 2 Grant Program. The grant, approved in January 2020, will support consultant work to update zoning regulations for consistency with new state legislation addressing accessory dwelling units, density bonus provisions, and objective design standards, among others.

C. Status of Housing Element R-4 Rezoning Sites

The current General Plan Housing Element was approved in December, 2015. In order to certify the Housing Element, the Department of Housing and Community Development required the city to rezone a minimum of 27 acres to R-4 High Density, in order to provide adequate land available for development of multi-family housing at a minimum of 20 dwelling units per acre, the density identified by HCD as necessary for development of affordable housing. Six parcels, totaling 28.8 acres were rezoned, on First Street, and on Monterey Road. Two projects have been approved on these sites, a 202-unit market-rate townhouse project at the southeast corner of Santa Teresa Blvd. and First St., and a 78-unit apartment project including 69 market-rate and nine low-income units (approved on Jan. 7, 2019). Neither of those projects has proceeded to building permits, yet. A 120-unit multi-family project located at the northeast corner of First Street and Kern Avenue, originally proposed as a market-rate project, has been revised to a 100% low-income project. Processing of the amended project resumed in mid-2019 and is anticipated to reach the City Council in mid-2020.