



CITY OF MILPITAS AGENDA REPORT (AR)

Item Title:	Adopt a Resolution Approving a General Plan Amendment to Update the Town Center (TWC) and Neighborhood Commercial Mixed-Use (NCMU) Descriptions and an Ordinance Approving a Zoning Amendment to Establish the NCMU District and Update the Existing Town Center District to Create Housing Opportunity Districts (HODs) (Staff Contact: Jay Lee, Planning Director, 408-586-3077)
Category:	Public Hearings-Community Development
Meeting Date:	4/15/2025
Recommendation:	(1) Conduct a public hearing and determine that the Environmental Impact Report (EIR) Addendum and Supplemental Letter to the Addendum adequately analyze the potential environmental impacts associated with the proposed General Plan and Zoning Amendments and are in compliance pursuant to CEQA Guidelines §15162 and §15164, (2) Adopt a resolution approving General Plan Text and Map Amendment No. GP24-0001 to update the Town Center (TWC) and Neighborhood Commercial Mixed-Use (NCMU) descriptions and amend the land use designation of certain parcels; and (3) Move to waive the first reading beyond the title and Introduce Ordinance No. 38.857 approving Zoning Text and Zoning Map Amendment No. ZA24-0001 to establish the Neighborhood Commercial Mixed-Use (NCMU-1,2,3) district and subdistricts, and update the existing Town Center (TC districts to establish the subdistricts (TC-1,2,3).

BACKGROUND:

Since 1969, California law has required all cities and counties to plan to meet housing goals for residents at all income levels. Every eight years, the California Department of Housing and Community Development (HCD) and the Association of Bay Area Governments (ABAG) distribute the Regional Housing Needs Allocation (RHNA) to each City and County in the Bay Area. The City is then required to perform a comprehensive update to the Housing Element, which is a chapter in the General Plan. The Housing Element identifies specific programs and policies that the City commits to implement to help realize the City's RHNA goals and respond to related needs. When the City adopted its most recent General Plan on March 9, 2021, one aspect of its overall development plan and efforts to meet increasing housing needs was the expansion of multifamily residential opportunities in and around commercial space and aging centers to encourage and support commercial redevelopment and economic activity in these areas. When the City adopted its most recent Housing Element on [January 24, 2023](#), that plan identified the opportunity and ability for greater residential growth in several areas of the City, including the Town Center (TWC) and Neighborhood Commercial Mixed Use (NCMU) zones and proposed additional planning and study to fulfill this opportunity and need.

In response to California's pressing affordable housing shortage and homelessness crisis, Governor Newsom's 2019-20 Budget Act earmarked \$250 million for initiatives addressing these challenges. Notably, \$119 million was allocated to the Local Early Action Planning Grant (LEAP), an essential non-competitive program empowering cities and counties to update planning documents and expedite housing production.

On June 29, 2020, the City of Milpitas applied for LEAP funding to establish Housing Opportunity Districts (HODs) in priority areas outlined in its General Plan. The HODs are designed to incentivize housing by allowing increased density, relaxing standards, and streamlining permitting processes to facilitate housing, especially affordable housing production. On September 2, 2020, HCD informed staff that the City of Milpitas had been awarded \$300,000 in grant funds through the LEAP Program to establish the Housing Opportunity Districts (HOD).

On [December 7, 2021](#), the City Council approved and authorized the City Manager to execute a professional services agreement with Raimi + Associates (Raimi) to prepare the HODs in close coordination with related efforts underway, including the Metro and Gateway Specific Plans, the Housing Element Update, and a separate Assessment of Fair Housing. Per the grant agreement, the HODs project must be completed by June 30, 2024. Although this deadline has passed, HCD has granted the City extra time to close out the project.

The HOD project plays a critical role in implementing both the General Plan and the Housing Element to increase housing in the city while creating vibrant mixed-use neighborhoods.

Work Completed

- **Best Practices Memo:** The memo provides an overview of example HODs from other cities, especially as they relate to the creation of affordable housing units and housing for special needs populations. Three of the examples focus on affordable housing and one on senior housing. Each precedent study identifies strengths and weaknesses that can inform the consideration and development of new HODs in Milpitas.
- **Planning Documents and Process Assessment:** The assessment memo reviews and summarizes existing planning documents and ordinances that impact the development of housing across the City and identifies strengths that can be enhanced and weaknesses that can be overcome through HODs.
- **Existing Conditions Analysis:** The analysis of existing conditions examines each potential HOD area and estimates the feasible development capacity based on Milpitas' current land use and zoning policies and regulations. Topics covered include the existing land use pattern, parcel size, pipeline projects, access to multimodal transportation options, site constraints, and opportunity sites.
- **Stakeholder Meetings:** Raimi and City staff presented an overview of HODs at the May 2022 Community Development Roundtable and subsequently conducted stakeholder interviews with non-profit and for-profit housing developers to better understand the constraints to building both mixed-income and 100 percent affordable housing projects.
- **1st City Council Progress Report:** On [August 9, 2022](#), the City Council received a progress report on the work completed and existing conditions analysis from Raimi and staff on the HODs, discussed Project objectives and priorities, and provided direction on key planning concepts and land use strategies.
- **Video presentation and survey:** Recognizing the technical nature and limited geographic scope of the Project, the team produced a series of informative videos that outlined the Project's intricacies and presented draft recommendations. The videos were published on the City's website and were followed by an open-ended survey asking the viewers to give feedback on the draft recommended standards for the NCMU and TC areas.
- **Pop-up Stations:** The City hosted four dedicated pop-up events at four different locations, which allowed City staff an opportunity to explain the Project in person. Visitors, business owners, and property owners were directed to watch the informative videos and take part in the survey to provide feedback.
- **2nd City Council Progress Report:** On [October 17, 2023](#), the City Council received a progress report on the HODs from Raimi and staff and provided feedback on the preferred alternative.
- **Draft HOD Project and CEQA:** Raimi prepared an internal Administrative Draft of the HODs for staff review and initiated the environmental review process per the California Environmental Quality Act (CEQA). The environmental review, conducted by Rincon Consultants, Inc., established an Addendum to the Milpitas General Plan 2040 EIR State Clearinghouse #2020070348.
- **Planning Commission Hearing:** On [April 24, 2024](#), the Planning Commission held a public hearing on the HODs. The Planning Commission (5-0) recommended that the City Council approve the Project.
- **Additional Community Meetings:** Following the Planning Commission hearing, staff held three follow-up community meetings on May 30, 2024, August 26, 2024, and December 9, 2024, to further discuss the Project and address community concerns. The meetings were well attended, with 45 community members at the first meeting, 27 at the second meeting, and 39 at the third meeting. Community members had concerns about the Project regarding the City's existing infrastructure, including potential traffic impact to the City, particularly on and around Landess Avenue, parking, school district student capacity, potential building heights and privacy, affordable housing and the potential for increase in crime, property values, fiscal impact to the City, and lack of healthcare. As a result of these meetings,

staff has modified the proposed development standards within the HODs, as well as removed certain parcels from the HOD Project area.

Project Goals

The HOD Project was initiated to increase the housing supply in the City of Milpitas while simultaneously reducing barriers associated with new housing construction. The overarching goals of the HOD Project include:

Implementing General Plan policies

The HOD is intended to implement several General Plan policies identified through an extensive public input process.

Meeting current and future regional housing needs (RHNA)

The City fell short in meeting its very low-, low-, and moderate-income regional housing targets over the implementation phase of the previous Housing Element and needs to plan for more housing, especially affordable housing, to overcome its housing shortfall.

Incentivizing affordable housing

Another goal is to incentivize affordable and special needs housing in the City. By creating tailored zoning regulations, these zones will help facilitate the production of all housing types. Moreover, 100 percent affordable housing projects in NCMU and TWC are exempt from non-residential requirements.

Revitalizing aging shopping centers

Many existing commercial centers are underperforming, and their redevelopment as mixed-use projects may revitalize public spaces while adding to the City's tax base.

ANALYSIS:

Project Summary

The HOD Project introduces a comprehensive General Plan amendment and zoning update within the NCMU and the TC areas of the City to allow for horizontal and vertical mix of uses, enhancing the viability of mixed-use projects.

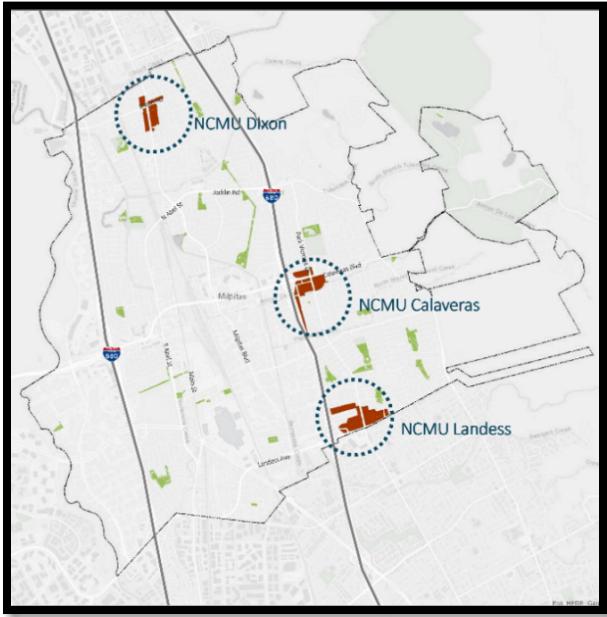
Based on the analysis completed for this HOD Project, the proposed zoning adopts a place-based and flexible approach. It establishes three distinct NCMU zones (NCMU1, NCMU2, and NCMU3) and three TC zones (TC1, TC2, and TC3). These zones consider parcel size, location, current use, and future potential. Each zone permits increased residential density and a reduced minimum non-residential floor area ratio (FAR), promoting versatility in development. Concurrently, the Project outlines General Plan amendments to update the definitions associated with these land use designations, as well as a General Plan land use map amendment.

The proposed NCMU Zones are:

1. NCMU1: includes big box retail and grocery stores with large surface parking lots. Parcels designated NCMU1 require a minimum 0.20 FAR of non-residential use for mixed-use developments, with a 0.50 FAR maximum. No minimum FAR for commercial only projects.
2. NCMU2: includes smaller parcels with commercial uses along streets, which are ideal for mixed-use development. Parcels designated NCMU2 require a minimum of 0.1 FAR of commercial use, primarily on the ground floor with residential units above, for the first 100 feet of parcel depth fronting a public street, with a 0.50 FAR maximum. No minimum FAR for commercial only projects.
3. NCMU3: includes parcels that are less suitable for commercial use, such as those located on secondary streets, lacking street frontages, or adjacent to residential zones. NCMU3 would allow commercial, mixed-use, or residential-only development with no minimum commercial requirement. No minimum FAR for commercial only projects, but there is a 0.50 FAR maximum.

In all three NCMU zones, the maximum FAR does not apply to hotels. Building heights are limited to 60 feet and five stories.

Figure 1: NCMU Zone locations



Changes since April 2024

Following staff's presentation at the April 24, 2024 Planning Commission hearing, staff held three community meetings to discuss community concerns. As a result, staff has modified the development standards within the NCMU zoning districts, as well as removed three parcels (APNs 088-34-109, -110, and -111) from the NCMU Landess area. Specifically, staff is recommending lowering the density from 65 du/acre to 60 du/acre for all three NCMU zones and lowering the maximum building height from 75 feet to 60 feet, or five stories, whichever is less. Additionally, the minimum rear yard setback on lots that abut single-family residential zones has been increased from 15 to 25 feet. Staff also has reduced the commercial FAR minimums and maximums for mixed-use projects in all three NCMU zones, and added clarifying language regarding FAR minimums for commercial-only projects and FAR maximums for hotel projects. The FAR revisions are a result of speaking with developers and property owners.

The intent of the HODs Project is to allow mixed-use buildings horizontally and vertically, while also allowing for financially feasible development projects that incentivize affordable housing. The Housing Element identified that the minimum requirement of commercial FAR for mixed-use projects may impede redevelopment of parcels in these zones. By reducing the commercial FAR minimums and maximums for mixed-use projects, HODs makes redevelopment financially feasible for private developers and property owners. The General Plan Text Amendment accompanying this Project contemplates a maximum commercial FAR up to 0.5 within these areas and says that the NCMU designation is intended to accommodate a vertical and horizontal mix of commercial and residential uses with an emphasis on neighborhood commercial activity. Moreover, the existing General Plan language says that this designation provides opportunities for vertical and horizontal mixed-use residential development to provide for area vibrancy and to encourage the development of aging commercial centers. Although the minimum and maximums commercial FARs are lower than previously presented, the HOD Project still meets the intent of the General Plan NCMU land use designation. The original memorandum (Attachment B) lays out the initial framework and development standards. However, the revised development standards and General Plan Map changes are reflected within Exhibit A to Exhibit 1 of Attachment E and Exhibit A to Exhibit 1 of Attachment A, respectively.

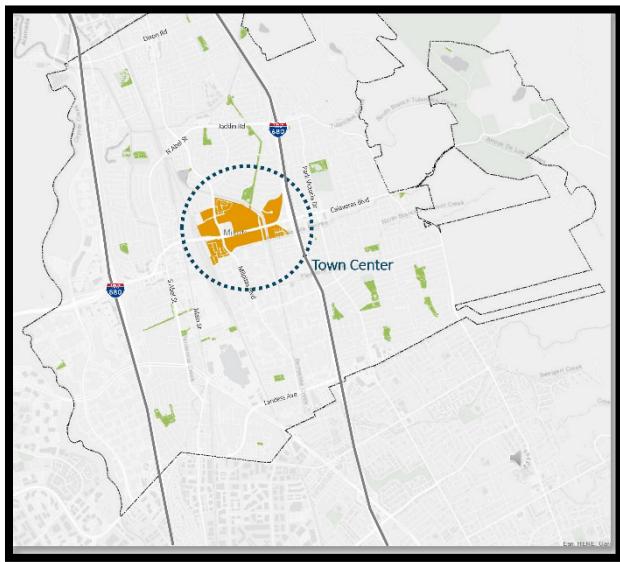
The proposed TC Zones are:

1. TC1: includes some successful big box retail centers with long-term leases with large surface parking lots. Parcels designated TC1 require a minimum 0.35 FAR of non-residential use for mixed-use developments.
2. TC2: includes smaller parcels with commercial uses along streets, which are ideal for mixed-use development. Parcels designated TC2 require a minimum of 0.1 FAR of commercial use, primarily on the ground floor with residential units above.

3. TC3: includes parcels that are less suitable for commercial use, such as those located on secondary streets, lacking street frontages, or adjacent to residential zones. TC3 would allow commercial, mixed-use, or residential-only development with no minimum commercial requirement.

In all three TC zones, the maximum FAR is limited to 0.85. The maximum does not apply to hotels. Building heights are also limited to 75 feet or six stories, whichever is less.

Figure 2: TC Zone locations



Furthermore, the HOD Project recommends a reduction in parking and open space requirements, aiming to enhance project feasibility. These proposed adjustments align with the overarching goals of the General Plan, specifically focusing on revitalizing aging shopping centers and fostering the creation of dynamic mixed-use neighborhoods.

Changes since April 2024

As a result of the community meetings and further outreach with property owners in 2024, staff has modified the development standards within the TC zoning districts. Specifically, staff is recommending increasing the maximum allowable density from 55 to 65 du/acre and added clarifying language regarding commercial FAR minimums and maximums and building height. The original memorandum (Attachment B) lays out the initial framework and development standards. However, the revised development standards are reflected within Attachment E.

Other Development Standards

Parking

Parking standards in Milpitas are generally high, except in Specific Plan areas. Accommodating a greater number of parking spaces would require substantial surface area or large structured parking garages, consequently increasing the cost of the project. Thus, to enhance the feasibility of housing development in the NCMU and TC zones, the HOD Project proposes a reduction in the residential parking requirement.

Lower parking ratios will apply to areas designated NCMU and TC. For projects located in NCMU and TC:

- The minimum number of parking spaces required for residential uses shall be 1 space per unit.
- The minimum number of parking spaces required for commercial use shall be 1 space per 300 square feet of commercial use.

These standards are set at levels that provide adequate parking for the contemplated uses while facilitating a higher density of development these zones are designed to accommodate.

Parks and Open Space

To allow housing or mixed-use developments in the NCMU and TC zones, the HOD Project proposes a reduction in the park land requirement compared to the citywide standard. Nevertheless, considering heightened population densities, it is crucial to emphasize the significance of high-quality open spaces in contributing to placemaking for both existing and future residents. A minimum of 25 percent of the total site shall be usable open space or recreational facilities. This goes above and beyond the existing 5 or 10 percent Objective Design Standard (ODS) requirements the City has generally adopted to promote a variety of vibrant, publicly or private accessible spaces that encourage gathering and other active uses.

For projects located in the NCMU and TC zones, the following standards shall apply:

- **Park Land.** All residential projects in the NCMU and TC areas shall provide park land at a ratio of three and one-half (3.5) acres per one thousand (1,000) population. This is a reduction from the citywide requirement of five (5) acres per one thousand (1,000) population.
- **Publicly Accessible Parks and Open Spaces.** All mixed-use or residential-only projects on sites between 3 acres and 5 acres shall dedicate 5 percent of total site area to publicly accessible parks and open space. All mixed-use or residential-only projects greater than 5 acres shall dedicate 10 percent of total site area to publicly accessible parks and open space. Publicly accessible parks and open spaces provided to meet the requirement below may be counted towards the park land requirement above.
- **Usable Open Space.** A minimum of 25 percent of the total site shall be usable open space or recreational facilities. Usable open space may be provided as Common Open Space or Private Open Space.

General Plan Implementation

The HODs will be a critical implementation tool of the 2040 General Plan, which identifies several opportunity areas throughout the City for future housing development. These areas include the two Specific Plan areas (Metro Specific Plan and Gateway-Main St. Specific Plan), four NCMU areas, and the Town Center. The City adopted its updated Metro Specific Plan on February 7, 2023 and is currently updating its Gateway-Main St. Specific Plan. The HODs will apply to three NCMU areas (as shown in Figure 1: NCMU Zone Locations) and the Town Center, where much of the future housing development is expected to occur. However, the current policies and requirements of the NCMU and TWC land use designations need to be refined to facilitate and incentivize mixed-use redevelopment in these areas and increase local commercial activity.

The NCMU land use designation establishes a ratio of one residential dwelling unit per 1,500 square feet of neighborhood-serving retail and commercial services for new mixed-use developments. While this requirement is intended to incentivize the redevelopment of older strip retail centers into new mixed-use projects, redevelopment is unlikely to occur under the current policy framework. Based on the analysis completed for the HOD project, the consultant team and staff now favor a clear allowable density range rather than a ratio between residential and nonresidential floor area. In the NCMU areas, the HODs proposes a maximum residential density of 60 dwelling units per acre and a minimum commercial FAR of 0.10 or 0.20 depending on the parcel. 100 percent residential projects are allowed in certain areas adjacent to existing residential neighborhoods.

The TWC land use designation allows 40 residential dwelling units per acre for mixed-use developments but requires a high FAR of 0.35 for nonresidential uses. While the purpose of the nonresidential FAR requirement is to ensure that the Town Center retains its commercial activity over time, it presents a constraint to redevelopment. The current FAR of the Town Center north of Calaveras Boulevard is well below 0.35 and any redevelopment would require an additional 323,000 square feet of nonresidential floor area, which is highly unlikely in the current economic climate. In the TWC area, the HODs proposes a maximum residential density of 65 units per acre and a reduced minimum commercial FAR of 0.10 in areas ripe for redevelopment. Like the NCMU designation, 100 percent residential projects are allowed in certain areas adjacent to existing residential neighborhoods.

The HODs will build upon new General Plan policies for the NCMU and TWC areas by providing a more implementable strategy to achieve the overall goal of creating vibrant mixed-use neighborhoods in key areas throughout the City. The HODs will adopt a place-based approach to facilitate mixed-use redevelopment of specific sites within these areas while allowing viable commercial centers to remain.

Relevant General Plan goals and policies related to NCMU and TWC include:

- *Goal LU-1: Accommodate a well-balanced mix of land uses that meet the diverse needs of Milpitas residents, businesses, and visitors with places to live, work, shop, be entertained and culturally enriched.*
- *Goal LU-6: Support commercial centers that serve residential neighborhoods and provide for a variety of convenient, successful and attractive commercial uses throughout the city.*
- *Policy LU 6-4 Maintain viable neighborhood-serving commercial uses throughout the City in order to serve surrounding neighborhoods and minimize vehicle miles traveled. Encourage a diverse mix of commercial uses including retail, service, office, entertainment, and assembly uses.*
- *Policy LU 6-5 Promote reinvestment in strip commercial and shopping centers and maintain, revitalize, and redevelop aging and underperforming centers.*
- *Policy LU 6-6 Encourage redevelopment and intensification of mixed-use areas by allowing standalone vertical mixed-use, or integrated horizontal mixed-use projects in mixed use areas, consistent with the Land Use Map and policies and actions included in this element.*

The HOD Project reexamines these land use designations and proposes a General Plan amendment to align them with the evolving needs and goals of the community.

Housing Element Implementation

In January 2023, the City of Milpitas approved its 6th Housing Element, which outlines programs and actions the City will undertake to fulfill its regional housing growth obligations (RHNA). In the current RHNA cycle (2023-2031), the City of Milpitas has been allocated 6,713 units, more than double the allocation from the previous cycle. Furthermore, 3,786 of the units must be affordable (i.e., below market rate), with 2,655 of those units at the low- or very-low-income affordability level, which the City historically has struggled to provide.

To address this challenge, the HODs will focus on providing practical and effective incentives for developers to build affordable housing, especially at deeper affordability levels. The Housing Element Update will rely on the HODs as a key program to implement its policies and help the City fulfill its housing goals and needs.

Relevant Housing Element goals and policies related to NCMU and TWC include:

- *Goal HE-3: Continually assess the barriers to new housing production and proactively mitigate the governmental constraints to new housing development.*
- *Policy HE 3.3: Implement recommendations in the Housing Opportunity Zone (HOZ) study to reduce barriers to new affordable housing production while balancing the need for convenient neighborhood-serving retail stores and services for existing and future residents.*
- *Policy HE 3.7: Support the adaptive reuse, renovation, conversion, or redevelopment of economically underutilized properties or buildings for residential or mixed-use development.*

The Housing Element identified the existing General Plan definitions of NCMU and TWC as restrictive and potential barriers to new housing development. The NCMU designation also falls short of the minimum density threshold deemed effective for contributing to low-income housing, as stipulated by the State's Housing and Community Development (HCD) department guidelines to accommodate RHNA in the Housing Element. To overcome this constraint, the Housing Element identified an action to establish HODs with higher residential densities, flexible commercial and development requirements, and incentives for affordable housing.

Findings for Approval

A finding is a statement of fact relating to the information that the City Council has considered in making a decision. Findings shall identify the rationale behind the decision to take a certain action. The Municipal Code specifies that the following findings are necessary for the action contemplated:

General Plan Amendments (Milpitas Municipal Code Section XI-10-57.02(G) (1) (a), (b))

- 1. The proposed amendment is internally consistent with those portions of the General Plan which are not being amended.*

The proposed General Plan Map and Text Amendments are found to be internally consistent with those portions of the General Plan which are not being amended. The amendments do not introduce any conflicts or inconsistencies with the existing goals, policies, or programs of the General Plan. Instead, they build upon the existing framework of the General Plan, enhancing its effectiveness and relevance to current and future planning efforts. The General Plan envisioned opportunities in the NCMU for redevelopment of aging commercial centers by allowing multifamily dwelling units. The proposed changes facilitate this overall objective for the Project area consistent with planning objectives throughout the City and in a manner that is consistent and flexible with redevelopment needs. The General Plan similarly envisioned opportunities in the TWC for mixed-use and residential only projects that increase economic support for the commercial uses. These changes further the redevelopment of major shopping centers in these areas in a manner that supports economic growth. These changes also further the larger objectives of the General Plan for supporting the community's housing needs and guiding that development towards areas that can support this growth. The proposed changes are carefully integrated into the existing General Plan, ensuring that they align with its overall vision and objectives.

Pursuant to California Government Code Section 65863:

The Project scope includes a General Plan Map Amendment to remove the NCMU land use designation and to revert the land use designation back to General Commercial (GNC) on certain parcels. Although this would remove the allowance of housing on certain parcels, the proposed overall density in both TWC and NCMU General Plan land use designations have been greatly increased. Further, the Project site or a portion thereof was not identified in the Housing Element to accommodate a portion of the regional housing need. The 2021 General Plan update established the new NCMU land use designation, but the Zoning Ordinance had not yet been updated to reflect this change. For the Housing Element Sites Inventory, only vacant parcels or parcels with developer interest with the NCMU land use designation were considered with an assumed maximum density of 30 dwelling units per acre. Additionally, Program 15 of the Housing Element sets a goal to foster the development of at least 200 affordable housing units in the housing opportunity zones (districts) (TC and NCMU). Based on the City's Affordable Housing Ordinance (AHO), which requires 15 percent of total units to be affordable within a new development project, the Program 15's goal of 200 affordable units, and HCD's requirement to plan for at least a 30 percent buffer in planning for residential units, the minimum number of residential units needed to comply with the Housing Element is 1,733 units. Moreover, the Project would result in approximately 2,156 new residential housing units compared to existing conditions across both districts, which greatly exceeds the minimum number required for Housing Element compliance. Any reduction in residential density, as defined in Government Code Section 65863(g), is consistent with the General Plan, together with the Housing Element, because the Project continues to remove potential barriers to redevelopment of housing projects while preserving necessary commercial opportunities that will support that development and fulfill the planned vision of these zones. The Project's residential density is consistent with the Housing Element, and the remaining sites identified in the Housing Element remain unchanged and are adequate to meet the requirements of Government Code Section 65583.2 and accommodate the City's share of the regional housing need pursuant to Section 65584. This finding demonstrates that the Project is not subject to Government Code Section 65583.2 and will still ensure that the City can accommodate the remaining

share of the regional housing need pursuant to Section 65584.

2. *The proposed amendment will not adversely affect the public health, safety, and welfare.*

The proposed General Plan Map and Text Amendment are found to be consistent with the overall planning objectives and goals of the City of Milpitas. The map amendments affect a small number of parcels. The amendment is necessary to accommodate changing community needs and to promote sustainable growth within the city. The amendment aligns with the City's vision for responsible land use planning, economic development, and environmental stewardship.

Additionally, the amendment is in compliance with applicable state and local laws, including the CEQA. The proposed changes are supported by relevant data and analysis, demonstrating that they will not result in adverse impacts on the environment or public health, safety, or welfare. These changes increase housing and affordable housing stock to meet growing regional needs and expand the opportunity and flexibility of mixed-use development in areas identified by the City of being capable of sustaining additional and denser residential development. Also, the City retains authority through discretionary approvals to address project-specific health, safety, and welfare concerns. This amendment enables the City to modify its current Mixed Use Designations to prioritize the preservation of existing neighborhoods, channeling new housing growth to specific areas, and revitalize some of the older neighborhood-serving commercial land uses that support citywide community goals outlined in the Milpitas 2040 General Plan, specifically Goal LU-1: Accommodate a well-balanced mix of land uses that meet the diverse needs of Milpitas residents, businesses, and visitors with places to live, work, shop, be entertained and culturally enriched, and Goal LU-6: Support commercial centers that serve residential neighborhoods and provide for a variety of convenient, successful and attractive commercial uses throughout the city.

Zoning Map and Text Amendments (Milpitas Municipal Code Section XI-10-57.02(G)(3) (a), (b))

1. *The proposed amendment is consistent with the General Plan.*

The proposed text amendments are consistent with General Plan Policy LU 6-6, which states to encourage redevelopment and intensification of mixed-use areas by allowing standalone vertical mixed-use, or integrated horizontal mixed-use projects in mixed use areas, consistent with the Land Use Map and policies and actions included in this element. The proposed zoning adopts a place-based and flexible approach by establishing three distinct NCMU zones (NCMU1, NCMU2, and NCMU3) and three TC zones (TC1, TC2, and TC3). These zones consider factors such as parcel size, location, current use, and future potential. Each zone permits increased residential density and a reduced minimum non-residential FAR, promoting versatility in development. The Housing Element supports this change with Policy HE 3.7: support the adaptive reuse, renovation, conversion, or redevelopment of economically underutilized properties or buildings for residential or mixed-use development. This is further supported by the General Plan's proposed text updates associated with this Project to ensure consistency between the Zoning Text and the General Plan. The Project is specifically consistent with General Plan Policy LU 6-5, which states to promote reinvestment in strip commercial and shopping centers and maintain, revitalize, and redevelop aging and underperforming centers. The proposed map amendments are consistent with the text amendments and the General Plan because the proposed map changes to the identified parcels, zoned TC and NCMU, are also implementing the existing General Plan land use designations. Furthermore, the proposed amendments introduce specific development standards related to permitted uses, parking, and open space, which are intended to implement the General Plan vision for the NCMU and TWC designations.

2. *The proposed amendment will not adversely affect the public health, safety and welfare.*

The proposed text and map amendment are found to have no adverse effects on the public health, safety, and welfare. The amendments are designed to enhance the efficiency and effectiveness of the City's zoning regulations, ensuring they remain current and responsive to changing community needs. The amendments have been carefully reviewed and analyzed to assess their potential impacts on

public health, safety, and welfare. This analysis has been done through a place-based approach sensitive to the needs and circumstances of the areas that will be rezoned. These areas have been selected as being capable of supporting this development, and development standards have been selected that are specific to this area and its circumstances. As confirmed by the Addendum to the Milpitas General Plan Update Final EIR and the Supplemental Letter to the Addendum, traffic, environmental impacts, access to essential services, and community well-being will not be impacted in a manner that would significantly affect public health, safety, and welfare. Also, the City retains authority through discretionary approvals to address project-specific health, safety, and welfare concerns.

Planning Commission Action

On April 24, 2024, the Planning Commission held a public hearing on the HODs. The Planning Commission (5-0) recommended that the City Council approve the Project. Following the Planning Commission hearing, staff held three additional community meetings to further discuss the Project and address community concerns. Staff revised the project in its current form and presented the project to the Planning Commission at its regular meeting on [February 26, 2025](#). The Planning Commission voted (4-0-2) to recommend that the Milpitas City Council approve the proposed General Plan Map and Text Amendment and Zoning Text and Map Amendments. Planning Commission Resolution No. 25-004 is included as Attachment D. A member of the public requested that the City modify certain language regarding building height, commercial FAR language, and allowable uses; however, this change was not included in the Planning Commission's recommendation. Staff met with the community member to further discuss their concerns.

POLICY ALTERNATIVE(S):

Alternative 1: Do not adopt the Housing Opportunity Districts Project.

Pros: None.

Cons: The City would not be in compliance with its adopted General Plan and Housing Element.

Reasons not recommended: The Housing Opportunity Districts Project is a program from the City's Housing Element. This program helps the City implement its the City's General Plan. There are specific goals and policies within the General Plan that help guide every project that comes before the Planning Commission and City Council. If the City does not implement the program as prescribed within the Housing Element, the State's Housing and Community Development Department (HCD) could decertify the City's Housing Element. If the City does not have a certified Housing Element, the City would be subject to Builder's Remedy projects within these areas. With Builder's Remedy projects, a jurisdiction cannot deny any project that meets the minimum affordable housing requirement if a jurisdiction does not have a certified or compliant Housing Element. Moreover, a consequence of non-compliance would result in automatic approvals of housing projects that meet the General Plan land use designations, and the City would not have any local control on proposed developments. Non-compliance could also result in fines and lawsuits from the State or other housing advocacy groups. In addition, the Housing Opportunity Districts Project is grant-funded; failure to adopt the Project would leave the City without the final reimbursement of funds from the State. Lastly, the City would lose access to future funding and grants.

FISCAL IMPACT:

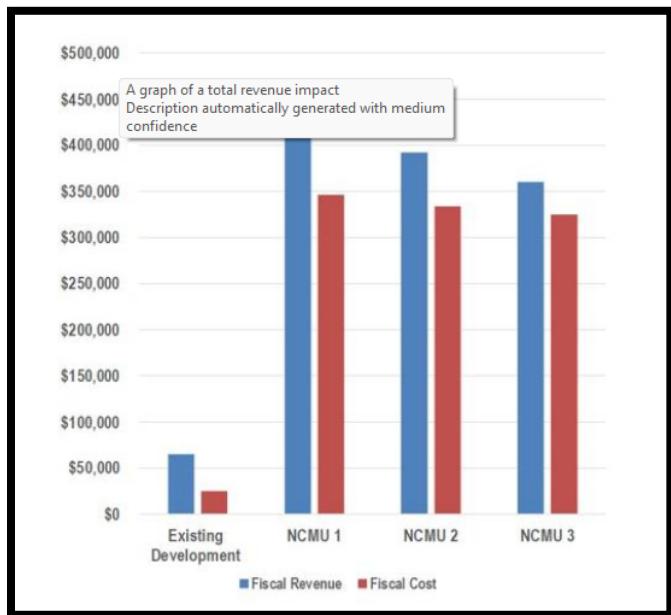
The City retained Seifel Consulting to perform a fiscal analysis regarding proposed land use changes that would allow additional residential development to occur within the TC and NCMU zones. This analysis investigates the contribution of NCMU and TC areas to the overall sales tax revenues in the City, assessing the potential impact of the zoning updates on the City's sales tax revenue. Additionally, the study analyzes a prototypical redeveloped site within the NCMU, evaluating the cost-to-revenue ratio in various NCMU scenarios to provide insights into the financial implications of such redevelopment.

The potential fiscal impact was analyzed by evaluating alternative development scenarios for a typical property in the NCMU zone because several properties within this area are currently underutilized and have vacant commercial space. The fiscal analysis evaluated what could occur if a typical property were to be redeveloped to include housing.

The key findings of the analysis are below:

- If no zoning changes are made, no redevelopment is likely as the current General Plan commercial to residential ratios are infeasible.
- Even with the implementation of a place-based strategy, which maintains a robust minimum commercial floor area requirement for much of the HODs, only small portions of the HODs are likely to redevelop in the near future.
- Projected total General Fund revenues from new development is anticipated to exceed the total fiscal costs of providing services to future residents and employees for each of the development scenarios. This analysis indicates that new infill mixed-use and residential development is likely to have a positive fiscal impact on the City of Milpitas.

Figure 3: Potential Fiscal Impact from Typical HOD Development opportunity in FY 2022/23 Constant Dollars



CALIFORNIA ENVIRONMENTAL QUALITY ACT (CEQA):

The Milpitas City Council certified an Environmental Impact Report (SCH #2020070348) for the General Plan Update in 2021. The EIR addressed the potential environmental effects of the planned buildout of Milpitas through the year 2040, and concluded that implementation of the General Plan would result in various levels of environmental impacts. Mitigation measures were incorporated into the EIR to reduce potential impacts from development under the General Plan.

An Addendum to the Milpitas General Plan Update Final EIR (FEIR) (March 2021, SCH #2020070348) has been prepared pursuant to CEQA Guidelines Sections 15162 and 15164, to evaluate whether the Project's environmental impacts are covered by and within the scope of the Milpitas General Plan Update FEIR.

The Addendum Evaluation details any changes in the Project, changes in circumstances under which the Project is undertaken, and/or "new information of substantial importance" that may cause one or more effects to environmental resources.

The attached Addendum substantiates and supports the City's determination that the HOD changes are within the scope of the General Plan Update FEIR, do not require subsequent action under CEQA Guidelines Section 15162, and adequately analyze potential environmental impacts in conjunction with the FEIR.

Further, although the Project has been revised from the initial Addendum, dated April 2024, Rincon Consultants, Inc. prepared a Supplemental Letter (Attachment D) and found that the proposed zoning changes and the latest revisions would result in a reduced buildout compared to the Addendum analysis. This reduction

in residential units and the consistency in non-residential space reduction, specifically commercial FAR minimums and maximums, ensure that the impacts would be less significant, as previously analyzed, and similar to or reduced compared to the Addendum conclusions. Additionally, the proposed changes are consistent with the overall land use and growth projections assumed within the General Plan EIR, which has already accounted for and mitigated potential environmental impacts. Since the environmental conditions have not changed since the April 2024 Addendum, the baseline conditions for analyzing impacts remain the same. Consequently, the reduced buildup further supports the conclusion that the impacts would be less significant, and the conclusions of the Addendum remain valid.

RECOMMENDATION:

- 1) Conduct a public hearing and determine that the EIR Addendum and Supplemental Letter to the Addendum adequately analyze the potential environmental impacts associated with the proposed General Plan and Zoning Amendments and are in compliance pursuant to CEQA Guidelines §15162 and §15164.
- 2) Adopt a resolution approving General Plan Text and Map Amendment No. GP24-0001 to update the Town Center (TWC) and Neighborhood Commercial Mixed-Use (NCMU) descriptions and amend the land use designation of certain parcels.
- 3) Move to waive the first reading beyond the title and Introduce Ordinance No. 38.857 approving Zoning Text and Zoning Map Amendment No. ZA24-0001 to establish the Neighborhood Commercial Mixed-Use (NCMU-1,2,3) district and subdistricts, and update the existing Town Center (TC districts to establish the subdistricts (TC-1,2,3).

ATTACHMENT(S):

- (a) Resolution
- (b) Ordinance
- (c) Planning Commission Staff Report
- (d) Planning Commission Resolution
- (e) Planning Commission Meeting Minutes
- (f) Housing Opportunity District Memorandum
- (g) CEQA Addendum to the Milpitas General Plan Update
- (h) CEQA Supplemental Letter to the EIR Addendum,
- (i) Redline track changes to Sec. 6 Mixed Use Zones and Standards TC NCMU and GP Designation