



Community Development Department

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October 18, 2016

Mr. Ken Kirkey, Planning Director
Metropolitan Transportation Commission
Bay Area Metro Center
375 Beale Street
San Francisco, CA 94105

SUBJECT: City of Gilroy Response to Plan Bay Area 2040 Draft Preferred Land Use Scenario

Dear Mr. Kirkey:

Thank you for the opportunity to provide comments regarding the Plan Bay Area 2040 Draft Preferred Scenario. We want to thank Adam Noelting and Fletcher Foti who participated in a conference call with our staff and provided very useful information regarding the proposed Preferred Alternative. As a result of that discussion, it became evident that the Preferred Alternative may not reflect the most current projections of jobs and housing for the city of Gilroy in 2040. The information enclosed provides updated Gilroy 2040 jobs and housing projections, together with the sources of that information. We have also provided comments regarding Gilroy's two Preferred Development Areas (PDA).

Preferred Scenario 2040 Housing Projections

The Preferred Scenario forecasts Gilroy will add 5,600 new dwelling units by 2040. The following table provides relevant data addressing Gilroy 2040 housing projections.

Table 1 Comparison of PBA 2040 Preferred Scenario and Gilroy 2040 Housing Projections	
<i>Description</i>	<i>Amount of New Housing</i>
PBA Preferred Scenario Dwelling Unit Forecast 2010 - 2040	5,600 new units
New dwelling units permitted Jan. 2010 – Aug. 2016	1,900 new units
New dwelling units projected to be permitted July 2016 – June 2021 (Based on interviews with project developers)	2,400 new units
Remaining General Plan Residential Land Use capacity (after subtracting permitted and projected units above)	7,900 new units

As shown in Table 1, Gilroy expects to have constructed a total of 4,300 new dwelling units during the period January 2010 to June 2021. Compared to the PBA Preferred Scenario housing forecast of 5,600 units over the period 2010 - 2040, Gilroy would have only 1,300 units to construct in the remaining 18 years from 2022 - 2040. As described above, Gilroy has capacity for development of approximately 7,900 new dwelling units in the adopted General Plan (after subtracting the 4,300 units). Over the past almost 10 years, Gilroy has issued an average of 441 dwelling units annually. This clearly represents the recovery from the Great Recession as many long-approved projects have come to fruition. However, even an average of 100 – 200 dwelling units per year for the remaining 18 years would result in an additional 1,800 - 3,600 new dwelling units, compared to the 1,300 remaining units in the PBA forecast, as referenced above. We also want to point out that 40% of the remaining 7,900 units in the General Plan are designated for multi-family residential. Based on the information provided above, we would request MTC to revisit the residential development projection for Gilroy.

Preferred Scenario 2040 Employment Projections

Our review of the Preferred Scenario employment forecast also found the figures not representative of the current and likely future job growth in Gilroy.

Table 2 Comparison of PBA 2040 Preferred Scenario and Gilroy 2040 Employment Projections	
PBA Preferred Scenario forecasted total jobs in 2040	20,800
Calif. EDD average annual total jobs in Gilroy - 2015	20,915

As shown in Table 2, Gilroy’s average annual total employment for 2015 was 20,915, 115 jobs greater than the PBA Preferred Scenario 2040 forecast. The last three months of 2015 recorded monthly totals higher than that average. Additionally, six job categories in the EDD data are suppressed (show no value) for confidentiality purposes due to the low number of establishments in these categories. As a result, the EDD job totals are likely under reported. The EDD report is attached, FYI.

Table 3 Projected New Jobs at Build out of Adopted General Plan	
Retail	9,280
Service	4,016
Office	9,418
Agriculture	(130)
Manufacturing	14,341
Wholesale	1,906
Total	44,433

Table 3 on the prior page displays the estimated capacity of new jobs that would be available based on the build out capacity of planned employment lands in the Gilroy General Plan. Gilroy clearly has land capacity for significant employment growth. Finally, also attached is an excerpt from the Alternatives Report for our General Plan Update, addressing potential employment growth to 2040. As shown in Table 3-10, the Low Employment projection, noted as the more likely, projects approximately 26,500 jobs in Gilroy in 2040. We request that MTC revisit the 2040 employment projection and consider increasing it to more accurately represent Gilroy's future employment potential.

Preferred Development Areas (PDA's)

The Preferred Scenario forecasts an increase of 1,950 new households and 800 new jobs within PDA's in Gilroy. Per the 2013 PBA, Gilroy has two PDA's, the Downtown Specific Plan Area and the First Street Corridor. The Downtown Specific Plan is undergoing an update, focusing on the incorporation of a master plan for the location of the High Speed Rail Station anticipated to be officially approved by the California High Speed Rail Authority within the next two years. If completed, this significant new rail and transit hub will transform greater Downtown Gilroy with significant new residential, employment and commercial development. The First Street PDA is still in candidate status and the city is determined to complete required steps necessary to establish full PDA status. The Preferred Scenario for the Draft 2040 General Plan endorsed by the City Council changes this corridor from a traditional retail commercial designation to a Mixed Use Corridor with a required mix of commercial and multi-family residential up to 30 du/ac. At this time, we accept the forecast numbers of new households and jobs forecast for the PDA's.

We appreciate the opportunity to provide input to the information included in the Plan Bay Area representing the future growth in Gilroy. Should you have any questions about the enclosed information, please contact Stan Ketchum, Senior Planner at (408) 846-0566 or stan.ketchum@cityofgilroy.org.

Best Regards,



Kristi Abrams, Community Development Director

Attach.

c. Tammy Brownlow, Gilroy Economic Development Corporation

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11	YEAR	NAICS	NAICS Sector	Employment																		
12	2015	11	Agriculture, Forestry, Fishing and Hunting	65	65	63	63	63	64	1,432	1,471	1,537	1,604	1,640	1,762	1,815	1,782	1,832	2,006	1,788	1,638	1,692
13	2015	21	Mining, Quarrying, and Oil and Gas Extrac	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
14	2015	22	Utilities	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2
15	2015	23	Construction	160	164	167	165	164	164	1,211	1,250	1,296	1,269	1,304	1,319	1,343	1,362	1,284	1,321	1,300	1,301	1,297
16	2015	31	Manufacturing	73	73	72	72	73	73	1,553	1,531	1,543	1,591	1,689	1,693	1,714	1,739	1,739	1,763	1,711	1,583	1,654
17	2015	42	Wholesale Trade	58	56	59	59	58	58	570	562	566	563	564	570	578	573	562	591	592	604	574
18	2015	44	Retail Trade	272	270	273	271	272	272	4,592	4,434	4,464	4,521	4,541	4,607	4,681	4,694	4,596	4,596	4,862	4,968	4,630
19	2015	48	Transportation and Warehousing	26	24	25	25	25	25	308	310	315	312	316	324	335	323	329	326	313	316	319
20	2015	51	Information	10	10	10	10	10	10	153	154	157	147	150	155	156	151	156	155	152	147	153
21	2015	52	Finance and Insurance	43	44	44	44	43	43	259	258	254	252	248	245	244	254	257	235	235	234	248
22	2015	53	Real Estate and Rental and Leasing	49	46	45	45	45	46	131	135	137	146	148	155	156	154	153	165	162	154	150
23	2015	54	Professional, Scientific, and Technical Ser	100	100	99	100	100	100	489	503	501	496	462	455	458	451	472	485	469	481	477
24	2015	55	Management of Companies and Enterprise	3	3	3	3	3	3	776	793	783	801	831	837	867	883	925	736	763	771	814
25	2015	56	Administrative and Support and Waste Mai	62	63	62	62	62	62	776	793	783	801	831	837	867	883	925	736	763	771	814
26	2015	61	Educational Services	5	5	5	5	5	5	275	274	275	279	277	276	276	278	277	277	276	276	276
27	2015	62	Health Care and Social Assistance	647	662	663	642	654	654	2,755	2,745	2,759	2,791	2,776	2,780	2,754	2,780	2,753	2,772	2,756	2,791	2,768
28	2015	71	Arts, Entertainment, and Recreation	11	12	12	12	12	12	162	180	440	465	511	561	558	497	456	462	417	406	425
29	2015	72	Accommodation and Food Services	133	131	132	130	132	132	2,420	2,462	2,493	2,545	2,510	2,546	2,596	2,573	2,592	2,575	2,541	2,526	2,533
30	2015	81	Other Services (except Public Administrati	99	102	99	98	100	100	725	740	721	738	735	750	732	740	712	750	759	747	737
31	2015	99	Not Elsewhere Classified	39	47	58	64	52	45	45	42	43	62	67	69	75	107	111	93	94	102	76
32	2015	G1	Federal Government	2	2	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3
33	2015	G2	State Government	3	2	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3
34	2015	G3	Local Government	30	28	28	27	28	28	2,013	2,176	2,239	2,169	2,193	2,130	1,455	1,377	1,994	2,135	2,206	2,275	2,030
35			Total	1,893	1,912	1,928	1,904	1,909	1,909	19,594	19,766	20,248	20,462	20,685	20,958	20,517	20,440	20,923	21,156	21,120	21,044	20,915
36																						
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EDD - LABOR MARKET INFORMATION DIVISION
 2015 ANNUAL AVERAGE NAICS SECTOR DATA
 CITY OF GILROY AS DESCRIBED BY ZIP CODES 95020 AND 95021
 FROM THE QUARTERLY CENSUS OF EMPLOYMENT AND WAGES
 Adhoc Order #32452
 CONFIDENTIAL DATA IS SUPPRESSED

regional population and employment growth over the next 25 years.

Population Projections

Regionally, ABAG projects a significant shift in housing demand to multifamily housing in urban cores. This is already borne out in San Jose and other north county cities. However, ADE expects that Gilroy will continue to be a desirable location for families seeking new detached single family housing, even as additional demand for multifamily housing in downtown and other target areas continues to grow consistent with ABAG's projection.

Gilroy has been increasing its share of countywide population for many years, rising from 1.2 percent of the countywide total in 1970 to 2.5 percent in 2000. Various transportation improvements along the route from Gilroy to San Jose have helped stimulate increased rates of growth in Gilroy, but even since 2000, Gilroy has continued to increase its share of countywide population from 2.5 percent to 2.8

percent. Under the ABAG projections, Gilroy would decline back down to 2.5 percent of countywide population by 2040.

As an alternative, ADE projected City population growth based on three scenarios: continuing the current trend of increasing the city share of countywide growth (high); projecting a constant share of countywide growth at the current 2.8 percent (low); and the average of these two, resulting in a slightly increasing countywide share of population in Gilroy (medium). These projections are presented in Figure 3-2 and Table 3-10. These scenarios result in population growth projections between 2015 and 2040 ranging from 15,600 to 25,600 new residents. The number of housing units needed to support these population projections range from about 6,500 to 8,000. The General Plan Alternatives provide residential land areas to support a range of 6,588 dwelling units (Alternative 3) to 20,203 units (Alternative 2).

TABLE 3-10: POPULATION AND EMPLOYMENT PROJECTIONS FOR GILROY

	2015	2020	2025	2030	2035	2040	CHANGE
Population							
Low	53,674	59,763	62,100	64,455	66,846	69,249	15,600
Medium	53,674	59,763	62,757	66,472	70,322	74,283	20,600
High	53,674	59,763	63,414	68,489	73,797	79,317	25,600
Employment							
Low	21,029	22,165	23,587	24,640	25,720	26,557	5,528
Mfg, Wholesale/Transportation	2,452	2,543	2,735	2,739	2,744	2,749	297
Retail	5,953	6,161	6,368	6,576	6,783	6,991	1,038
Financial/Professional	3,150	3,328	3,593	3,867	4,162	4,208	1,058
Health, Education, Recreation	5,075	5,471	5,866	6,262	6,657	7,053	1,978
Other	4,399	4,663	5,025	5,196	5,373	5,557	1,158
High	21,029	22,659	24,526	26,390	28,419	31,090	10,061
Mfg, Wholesale/Transportation	2,452	2,543	2,735	2,926	3,131	3,350	898
Retail	5,953	6,766	7,519	8,049	8,615	9,222	3,269
Financial/Professional	3,150	3,328	3,593	3,867	4,162	4,942	1,792
Health, Education, Recreation	5,075	5,359	5,654	6,353	7,137	8,019	2,944
Other	4,399	4,663	5,025	5,196	5,373	5,557	1,158

Source: ADE, 2014

Employment Projections

In collaboration with EMSI, ADE developed two employment growth scenarios. The high projection has Gilroy maintaining or increasing its current share of countywide employment growth through the projection period. Under this scenario Gilroy could see as many as 10,000 new jobs during the 2015-2040 period (Table 3-10). In particular this scenario focuses on retail and industrial job growth. Achievement of the high retail projection would require Gilroy to develop the equivalent of another regional shopping complex that also attracts increased spending from residents of other cities in the region.

To achieve the high industrial projection, Gilroy would need to increase its share of countywide industrial growth. In contrast, ABAG and some other economic forecasts are actually projecting a decline in manufacturing employment in Santa Clara County. But this may be part of a transition to more office-based industries that can afford higher location costs. Gilroy may be in position to attract some of the industrial and distribution firms priced out of cities in northern Santa Clara County. With the development of the new UNFI facility, more wholesale and distribution businesses may also recognize Gilroy's locational advantages and seek a location here.

An alternate scenario, the low employment growth scenario, would see Gilroy following the general industrial trends in the county and also attract more local serving retail development rather than another regional-serving shopping center. If the retail sector grows only enough to serve new residential growth in the alternatives, it would generate about one-third as much employment and sales tax as a regional center. Also, there is certainly the possibility that the existing regional retail in Gilroy will see declines in the future, as other communities develop their own larger retail centers and as consumer shopping preferences shift. Therefore, this lower employment projection reflects a more likely scenario that Gilroy will not

see the high level of retail performance in the future that it has in the past. The total job growth under this lower scenario is about 5,500 to 5,800, depending on the amount of retail services needed to support residential growth in each alternative.

In the low-market based scenario, Alternatives 1 and 2 have slightly more employment than Alternative 3 because they include higher residential growth, which in turn would support slightly more local serving retail. For the high growth scenarios, this effect is masked by the inclusion of regional-serving retail development as well as other regional-based office and industrial development. Hence, all three alternatives have the same employment total in the high growth projection. Table 3-11 provides a summary of these figures.

RESULTS

TABLE 3-11: COMPARISON OF LAND USE BUILDOUT AND MARKET PROJECTIONS BY ALTERNATIVE

	ALT. 1: EXISTING GP	ALT. 2: ORDERLY GROWTH	ALT. 3: COMPACT DEV.
New Residential			
Buildout Dwelling Units	9,801	20,603	6,588
Buildout Population	30,704	76,866	20,652
Market Dwelling Units	8,013	8,013	6,454
Market Population	25,643	25,643	20,609
New Employment			
Buildout Jobs	44,566	48,420	33,515
Market Jobs - Low	5,819	5,819	5,528
Market Jobs - High	10,061	10,061	10,061

Source: ADE and Mintier Harnish, 2014