

MEMORANDUM



Economic Development Division

To: Campbell City Council **Date:** March 24, 2026
From: Nathan Donato-Weinstein, Economic Development Manager *Nate*
Subject: SB 79 Economic Development Considerations
File No.: PLN-2025-170

BACKGROUND

Senate Bill 79 (SB 79) allows significantly higher-density residential development near major transit stops. In Campbell, the station areas defined under the law include several of the City's major commercial and employment districts.

Because Campbell is relatively small and largely built-out, these areas contain a substantial share of the City's employment base and revenue-generating commercial land. Changes in the development incentives within these station areas carry implications for the City's fiscal structure and broader economic ecosystem. This memorandum outlines several of those implications.

DISCUSSION

Sales tax is the City's second-largest source of General Fund revenue, and Campbell relies heavily on a relatively small group of contributors. More than 70 percent of the City's local sales tax revenue is generated by its top 100 businesses. The loss or conversion of even a small number of these contributors would substantially diminish the City's sales tax base. Furthermore, Campbell is also missing certain major sales tax categories, such as new car dealerships, that might otherwise help offset the loss of large retail or industrial generators.

Among the City's Top 25 sales taxpayers, the locations of Home Depot, Joe Escobar Diamonds, Hayward Lumber and several others fall within the SB 79 station areas. These business locations were not previously identified as housing sites and could be attractive to redevelopment under the law, especially those sites that would support lower-density townhome-style product that pencils in today's market. Because Campbell is largely built out, the loss or conversion of these properties can be difficult or even impossible to offset elsewhere in the City.

The fiscal impacts of conversion are complex and will differ based on each property and project. New residential redevelopment can increase assessed values, and therefore property tax revenues to the City, initially. Over time, Proposition 13 limits property tax growth, and assessed values may not keep pace with inflation. Residential land uses also typically generate greater demand for City services than employment uses per acre. This is particularly true for lower-density townhome projects that make less-efficient use of land.

Direct revenue to the City is not the only potential impact. Employment also supports economic opportunity for residents and helps sustain Campbell's daytime economy, including restaurants, services, and small businesses that rely on worker activity. According to Census data, approximately 15,250 jobs are located within the station areas, out of roughly 27,000 jobs citywide. Campbell currently functions as a small net job center, with more workers commuting into the city than leaving

for employment elsewhere. Cities with a strong employment base tend to be more economically resilient than communities that function primarily as bedroom communities.

Some of the properties within the station areas were already eligible for residential conversion under prior state laws such as SB 6 and AB 2011, which allow housing development on commercial sites. But those laws include labor and eligibility requirements that have limited their application in practice. SB 79 includes few constraints, which will make residential redevelopment more feasible for some properties.

Finally, while new mixed-use projects *may* provide some ground-floor retail space, ground-floor retail space cannot be compelled for projects under SB 79, and these types of mixed-use retail spaces typically function as neighborhood-serving amenities rather than replacements for larger commercial or employment uses.

CONCLUSION

SB 79 presents important economic development considerations for Campbell. Because a substantial share of the City's employment base and revenue-generating land is located within the station areas, changes in development patterns in those districts will influence the City's fiscal outlook, employment base, and broader economic ecosystem over time.