Introduction

The Gilroy General Plan is based on a comprehensive review and analysis of current conditions and trends, as well as projections regarding future population growth and economic conditions. This chapter provides a summary of those conditions, trends, and projections, describing Gilroy's historical, geographical, social, and economic setting as it approaches the new millennium. It draws upon the detailed background information and technical analyses contained in the General Plan Background Report and related information. It includes:

- **History of Gilroy.** A brief summary of Gilroy's history, both prior to and after its incorporation, including its recent planning history.

- **Regional Setting.** A map and brief discussion of where Gilroy is located, and how its regional location may affect its future development.

- **Environmental Setting.** An overview of the City's natural setting, an important factor in the City's quality of life and a key consideration in discussions regarding future development.

- **Economic Setting.** Linked to the City's regional setting, a brief discussion of the economic opportunities and challenges facing the City.

- **Planning Assumptions and Projections.** A brief overview of some of the key planning assumptions and projections that have informed the planning process.
History of Gilroy

Early History: A Town Built on Diversity

The earliest recorded inhabitants of the Gilroy area were the Ohlone Indians, who occupied the area between 3000 and 1000 years ago and lived as hunters and gatherers until the arrival of the Spanish in the 1700s. In 1768, the Spanish began exploration of the area. They established Mission San Juan Bautista in 1797, and colonization of the area soon followed. Two Spanish land grants, the Las Animas and the San Ysidro, and many Mexican grants divided the area into large ranchos that raised cattle for hide and tallow.

Gilroy's namesake—John Gilroy—arrived in Monterey from Scotland in 1814, and was baptized in Carmel in 1817 under the name of Juan Bautista Gilroy. He made his way to Rancho San Ysidro, where he was employed by Ygnacio Ortega and, in 1821, married his employer's daughter, Clara Ortega. The Gilroys had 17 children, 9 of whom survived.

The first American settlers were the Martin family, who arrived in 1843 in the first California-bound wagon train. Following the gold rush years, pioneers flooded the fertile Gilroy area with farms of every size and description. Americans, English, Irish and German settlers joined the Spanish and Mexican pioneers in stock raising and grain farming, and the area, growing from the small settlement of San Ysidro into the village of Pleasant Valley, became known as the Hay and Grain Capital of California.

The town of Gilroy got its start in 1850 as a stage stop along the San Jose to Monterey Road. By the time it was incorporated by the State as a charter city in 1870, it was the third largest community in Santa Clara County, with a brewery, a flouring mill, and a distillery. The railroad arrived in Gilroy in 1869 and made the community the hub of south Santa Clara Valley.

A Rich Agricultural Legacy

In its first hundred years, Gilroy's economy was dominated by agriculture and agricultural processing, with its primary crops changing over the years in response to changing markets as well as the introduction of new crops and new growing techniques by waves of new immigrants. Agricultural industries—canneries as
well as dehydrators, dryers and packers, breeding, and the seed industry—have long been the backbone of Gilroy's industry, and continue to play an important role, with Gilroy Foods and Christopher Ranch remaining the City's two largest private employers.

Following its beginnings as the Hay and Grain Capital of California, Gilroy earned a reputation as the Tobacco Capital of the United States, producing more tobacco leaf than any other place in the US in the 1870s. It also had the world's largest cigar factory, which produced over 1 million cigars each month. Following the collapse of the tobacco industry due to depression and the outlawing of Chinese labor in California, Swiss and other middle-Europeans arrived in the 1880s and began dairying and cheese making. When Gilroy began producing four-fifths of California's cheese, the town began to be known as the Dairy and Cheese Capital of California.

In the 1880s, Italians and other southern Europeans also began arriving, bringing with them orchard crops such as apples, apricots, cherries, peaches, pears, plums, and nuts, as well as row crops such as tomatoes, peppers, onions, and garlic. Orchard crops flourished well into the 1950s, when Gilroy was known as the Prune Capital of California.

Garlic production for the commercial market only started after the arrival of Japanese farmers in 1918. By 1940, the largest grower of garlic in the US was Kiyoshi Hirasaki of Gilroy. Today, the Gilroy Garlic Festival, started in 1978, celebrates Gilroy's role as the Garlic Capital of the World. The festival attracts over 130,000 people to Gilroy each year, and has given more than $2 million back to the community.

**Post-War Development and the Silicon Valley Boom**

Gilroy's city limits remained unchanged for the first 80 years of the City's history, defined by a 1.5 mile rectangle of land known as the "old quad" and its grid-system of streets laid out in 1867 by a local physician, Dr. David Huber.
In 1948, the City underwent its first annexation. California grew rapidly in the post-war years, and Silicon Valley and other employment centers began to flourish in north Santa Clara County in the late 1950s. With the completion of US Highway 101 in the early 1970s, the City of Gilroy became more accessible and its growth rates went up sharply. While agricultural sector growth began to slow down, manufacturing, retail, and service sectors began to grow at a faster rate. Figure 2-1 illustrates the City's rapid growth since World War II, showing the increase in acreage within the Gilroy city limits.

Today, Gilroy's growth is closely linked with economic activity in the Bay Area as a whole, and with Silicon Valley in particular. The sustained economic growth of the 1990s—led by information-related technology companies in north Santa Clara County—has fueled Gilroy's continued growth, both in population and in jobs. While agriculture remains an important part of the local economy, a large and growing proportion of City residents commute north to jobs, and an increasingly diverse local economic base is developing.

Planning History

In response to the fast-paced growth that began in Gilroy in the 1950s, the first set of development guidelines for the area were published by the Santa Clara County Planning Department in 1957, titled “Roadside Towns become a Greenbelt City.” Then, in 1958, the County developed a general plan specifically for Gilroy, titled “Gilroy: A Roadside Town Plans for Growth.” The plan was modified and adopted in map form by the Gilroy City Council in 1962.

The City's first full-scale General Plan was completed and adopted in 1968. It projected a 1985 Planning Area population of 70,000 (the actual population that year reached 27,000). The next update of the City's General Plan took place in the late 1970s, with adoption in 1979. It projected a Year 2000 population of 38,500, which has proven to be relatively accurate (the January 1999 State estimate for the City indicated a population of 39,050. Although the 1979 General Plan was amended numerous times in the 1980s and 1990s, the General Plan was not comprehensively updated again until 1999/2002, when this document was developed.

In recognition of the increasingly regional nature of growth and development, Gilroy joined Morgan Hill and Santa Clara County in 1989 to prepare and adopt
the South County Joint Area Plan (SCJAP). SCJAP addresses area-wide planning issues in the South County area, ensuring that planning goals and policies between the three jurisdictions are properly coordinated. Previously adopted SCJAP policies are attached as an appendix to the General Plan. They are also reflected in many of the goals, policies and implementing programs in the main text of the Gilroy General Plan.

Another important planning effort of recent years was the 1995 "Study of the South County Agricultural Preserve." This Study's purpose was to "build upon the existing policies of the jurisdictions and agencies involved [i.e., City of Gilroy, Santa Clara County, and the Local Area Formation Commission, or LAFCO] and recommend a collection of programs which will help ensure the long term viability of agriculture and preservation of prime agricultural soils in the study area." The study area comprised approximately 1100 parcels and 15,660 acres to the east and southeast of Gilroy. It resulted in a document titled "Strategies to Balance Planned Growth and Agricultural Viability in the areas east and southeast of Gilroy," which was adopted by the City of Gilroy (9/96), LAFCO (10/96) and Santa Clara County (10/96). Many of the strategies and policies adopted as part of that document have been incorporated as appropriate in this General Plan.
Perhaps the most influential development policy adopted by the City during recent years is the Residential Development Ordinance (RDO). According to the RDO’s Statement of Intent, it aims to:

- Encourage a rate of growth which will not exceed the City’s ability to provide adequate and efficient public services (including sewer, water, police, fire, streets, parks, general administration, etc.) or the ability of the Gilroy Unified School District to provide adequate schools, or the ability of the local economy to support such growth.

- Maintain and improve the quality of the environment considering the City’s natural setting, including hillsides, water courses, viable agricultural/open lands, recreational, historic, and scenic areas.

- Create a process that fosters a strong relationship between jobs and housing in order to encourage and promote a balanced community with adequate housing to meet the needs of local employment and residents.

- Encourage and promote the construction of an appropriate share of the regional housing need.

- Encourage and promote housing programs and activities to enable the City to meet the needs of all economic segments of the community.

- Provide and maintain a sound economic base for the City.

- Promote the development and implementation of Specific Plans and Master Plans within the City of Gilroy.

To achieve these aims, the RDO limits the number of units that can be built in the City each year. The current RDO goal is for 4,000 new units in the City over the ten year period from 1994 through 2003. The RDO goal for the next ten year period, from 2004 through 2013 is 3,450 new units.
Regional Setting

Gilroy is situated in South Santa Clara County at the southern tip of the San Francisco Bay Area — a dynamic urban area of 7,000 square miles, nine counties, 100 cities and a population of 6.8 million, making it the fifth most populous metropolitan region in the United States. The City is part of the enterprising and technologically advanced San Jose/Silicon Valley sub-region and is within an hour's drive of the scenic beauty of both the San Francisco and Monterey Bay Areas.

Gilroy lies at the crossing of U S Highway 101 and State Highway 152, giving it direct access to the San Francisco Bay Area, San Benito, Monterey and Santa Cruz counties, and the Central Valley. Figure 2-2 illustrates Gilroy's regional location.

Figure 2-2. Regional Location Map
Planning Area

The Gilroy Planning Area (Figure 2-3), defined by the City’s Sphere of Influence line, includes that part of Santa Clara Valley that extends south from the US 101 crossing of Llagas Creek in the vicinity of San Martin to the County Line. Included in the Planning Area are the hills on both sides of the Valley up to roughly the 600 feet contour. The Gilroy Planning Area encompasses all or part of census tracts 5124, 5125.02, 5125.03, 5125.04, 5126.01, and 5126.02; and it includes all or part of Assessor Parcel Book Numbers 783, 790, 799, 808, 810, 830, 835 and 841.

Figure 2-3. The Gilroy Planning Area
Environmental Setting

Physical Setting

The Gilroy section of the Santa Clara Valley is a broad, gently sloping, fertile plain enclosed on the northeast by the Diablo Mountains of the Contra Costa range and on the west by the Santa Cruz Mountains. At the southern end, the Santa Clara Valley merges into the Pajaro Valley.

The City enjoys a beautiful and unique location within this valley setting, situated in the eastern foothills of the Santa Cruz Range and bordered by the Llagas and Uvas creeks that flow southward into the Pajaro River. Despite its growth, Gilroy continues to harbor a rural and historic character, especially in the older neighborhoods where buildings dating back to the mid-1800s can be found. There is a sense of abundant open space, due mainly to the wide, tree-lined streets in the older neighborhoods; the large areas of undeveloped land surrounding the newer sections of town; and the City's pristine mountainous backdrop.

Climate

Gilroy's climate is a pleasant balance between extremes. The cooling breezes from the Pacific Ocean keeps the average temperature at a comfortable 62 degrees. While summer temperatures have been known to cross 100 degrees, the average July high temperature is about 90 degrees. Winter temperatures drop to an average of about 50 degrees and the first freeze generally arrives in November. The average date of the last freeze is around March 1. The climate is perfect for agriculture: the average agricultural growing season in the valley ranges from 300 to 350 days per year.

Natural Resources

Because of its environmental setting, the Gilroy area is blessed with a rich abundance of natural resources that have supported the local economy and enhanced the quality of life, including:

- **Water.** Gilroy is able to meet all of its water needs through wells that tap into the Llagas sub-basin, a 74 square mile natural groundwater supply.
Community Setting

- **Agricultural Soils.** The Gilroy area’s economy is rooted in the rich agricultural soils of the southern Santa Clara Valley.

- **Vegetation and Wildlife Habitat.** The Gilroy area contains a great variety of vegetation and wildlife habitats. Significant habitat areas include grasslands, coastal oak woodlands, and valley foothill riparian corridors.

- **Natural Features.** Natural geographic features such as the Santa Cruz Mountains provide scenic beauty and recreational opportunities for Gilroyans. Uvas Creek, winding across the southern part of the City, provides a valuable natural habitat as well as a valued recreation opportunity. The Uvas Creek Park Preserve and adjacent Christmas Hill Park comprise the City’s largest urban park facility, which will soon be linked via the Uvas Creek trail to the new Gilroy Sports Park.

- **Rare and Endangered Species.** Farman Canyon Pond, located in a grassy area adjacent to Miller Avenue, has been identified by the State as one of 29 “Significant Natural Areas” in Santa Clara County. It provides habitat for a diversity of animal species, including the California tiger salamander, a federal candidate species for listing as threatened or endangered, and listed by the State as a “species of special concern.”

Hazards

Natural and manmade hazards are an important environmental consideration for the General Plan, including:

- **Seismic Hazards.** For the past 15 to 20 million years, the system of faults in the coastal portion of central California has had a complex history of seismic movement. The closest and most important faults for Gilroy are the San Andreas, Calaveras, and Sargent faults. These and other faults have posed risks to Gilroy in the past, and will continue to do so in the future, requiring special attention in the siting of new development and design of new buildings.
- **Flooding.** Large portions of the Gilroy area are subject to flood hazards due to seasonal run-off along Llagas and Uvas Creeks. The problem is particularly acute in the eastern agricultural areas along Llagas Creek and along the southern portion of Uvas Creek. The recurrence of flooding in these areas has contributed to the richness of their soil and their suitability for agricultural uses.

- **Fire Hazards.** The western hillside areas pose a high fire hazard for the residents who live there, especially along the “urban-wildland interface.” These areas are subject to special development controls to help reduce the potential loss of life and property in the event of a local wildfire.

- **Air Quality.** Because Gilroy is located at the end of the Santa Clara Valley, prevailing winds tend to carry pollutants from the northern part of the County into the Gilroy area. The problem is particularly acute in the dry summer months.

- **Noise.** The most significant noise source in Gilroy is traffic on local roadways, especially from high-volume, high-speed traffic on Highway 101 and Highway 152. Train traffic also creates higher noise levels, although for short durations of time.
Economic Setting

Gilroy's economy has been dominated by agriculture and its related industries (food processing, etc.) since the 1800s. However, the growing influence of Silicon Valley and regional population growth have resulted in significant changes in the local economy during the past twenty years. Today, Gilroy's economy is diversified into non-agricultural commercial and industrial activities such as light manufacturing, wholesale operations, automobile sales, and large retail outlets.

The economic boom in Silicon Valley during the 1990s had profound impacts on the local economy, resulting in significant increases in home prices and land values as well as significant decreases in local unemployment. This unprecedented economic activity resulted in an economic setting characterized by the following:

- **Development and Construction Activity.** Local real estate development and construction industries are experiencing high demand for new residential, commercial, and industrial development. Although limited by the RDO, new housing construction has seen a surge of activity, as allocations given in earlier years are built out. New housing developments in the northwest quad, north-central Gilroy, and Eagle Ridge are bringing new households to the City, most of whom work in the North County area. Construction activity has also been high in the southeast industrial area, and several new commercial developments have added services for residents.

- **Manufacturing and Wholesaling.** New manufacturing and wholesale/distribution operations locate in Gilroy to take advantage of its proximity to Silicon Valley and easy access to Highway 152, leading to Interstate 5 and the Central Valley. These operations have located in the Forest Street industrial park, the southeast industrial area, and in some sites formerly occupied by food-processing facilities.

- **Regional Retail Services.** The Gilroy Outlets and Auto Mall area have put the City on the map as a regional retail destination, and helped strengthen the City's tax revenues. These developments are clustered near the City's highway interchanges, and primarily on the east side of Highway 101.
- **Agriculture.** Although agriculture's role in the local economy has been reduced, it continues to be very important. Both row and orchard crops continue to be cultivated, and important agricultural industries continue to include food processing, seed propagation, nurseries, and—increasingly—viticulture.

- **Downtown Revitalization.** While commercial development in the First Street, Leavesley and Tenth Street corridors has added millions of square feet of retail and professional services space to the City, Downtown businesses have struggled to compete. Revitalization efforts have helped attract some new businesses to the area and retained existing businesses, creating a core area of antique stores, specialty shops, and restaurants. Restored historic buildings also add to the Downtown's character, including the Old City Hall and Train Depot. However, some vacant storefronts persist and many new businesses prefer to locate in other parts of the City.

![The Gilroy Train Depot was renovated and operates as the southern most station of the CalTrain commuter line. It will be the centerpiece of a new transit center—an important new hub of activity in the Downtown.](image)
Planning Assumptions and Projections

Existing Land Use

One of the first steps in the General Plan Update process was to conduct a comprehensive survey of existing land use in the General Plan area. Figure 2-4 provides a summary of the survey’s results by major land use category.

<table>
<thead>
<tr>
<th>Land Use Category</th>
<th>Total Acres</th>
<th>Percent of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential</td>
<td>2,113</td>
<td>16.6%</td>
</tr>
<tr>
<td>Industrial</td>
<td>367</td>
<td>2.8%</td>
</tr>
<tr>
<td>Commercial</td>
<td>444</td>
<td>3.4%</td>
</tr>
<tr>
<td>Other Developed¹</td>
<td>3,231</td>
<td>11.5%</td>
</tr>
<tr>
<td>Agriculture</td>
<td>5,241</td>
<td>42.2%</td>
</tr>
<tr>
<td>Vacant²</td>
<td>1,304</td>
<td>10.1%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>12,700</strong></td>
<td><strong>100.0%</strong></td>
</tr>
</tbody>
</table>

¹ Includes public/quasi-public facilities, parks and rec, open space, and schools. The largest single use is the South County Regional Wastewater Authority sewer farm.
² Undeveloped, uncultivated land.

Figure 2-4. Existing Land Uses in the Gilroy General Plan Area (1999)

As shown, agriculture remains the largest single use in the planning area, accounting for 42 percent of the land area. This is followed by residential uses (accounting for over 16 percent of the land area), and “other developed” uses (which includes such large areas as Christmas Hill Park, the southwest hillside open space areas, and the South County Regional Wastewater Authority sewer farm, for a total of 11.5 percent of the land area).

Agricultural and vacant lands (i.e., lands that are neither developed nor cultivated) account for more than half of the land in the planning area. These lands are considered “undeveloped,” and represent significant development capacity to accommodate growth.³ Even within the existing City Limits, more than 3,000 acres of land are either vacant or in agricultural use (more acreage than currently occupied by all of the planning area’s existing residential, commercial, and industrial development). While some of these lands are being developed (e.g., Glen Loma and Eagle Ridge), they continue to provide suitable lands to accommodate considerable growth.

³ These figures do not include “under-developed” properties, such as large residential lots in the northern part of the planning area that would likely be subdivided over time, adding to the development capacity of the area.
Population Trends and Projections

Gilroy's population has grown considerably since the 1950s, as reflected in the chart in Figure 2-5. This growth trend helps inform the General Plan's projection for future population growth through the year 2020. It is further informed by the regional forecasts of the Association of Bay Area Governments (ABAG) and local policies pertaining to the City's growth and development (most notably, the RDO which limits housing construction in the City).

Members of the General Plan Update Committee (GPUC) reviewed alternative growth projections to determine a realistic projection for the General Plan. Interestingly, the population growth projection from ABAG (57,000 for the year 2020) was lower than what would result if the current RDO allocation (400 units per year) were granted and built each year for the next 20 years (resulting in a population of 65,000 by 2020). In essence, the regional forecast indicates that demand will slow over the 20-year period, to a rate that's actually lower than that allowed by the RDO.

Figure 2-5. Population Growth, City of Gilroy, 1870 - 2000  (Source: US Census)
The GPUC-endorsed population projection for the year 2020 is broken into smaller, interim time periods and shown in Figure 2-6. It indicates a higher growth rate towards the beginning of the planning period (1,100 new residents per year from 2000 through 2010), slowing later in the planning period to approximately 800 to 1,000 new residents per year. The resulting 2020 population projection is in the range of 60,500 to 62,500 residents.

While the population projection is in part a reflection of City policies, it is not in and of itself a policy statement. It simply reflects the level of growth we think is reasonable to expect in the 20-year term, based on historical trends and regional forecasts. It provides a planning tool for projecting future land, service and facility needs, but its outcome is no way assured. Future economic shifts (up or down); changes in City or regional development policies; natural disasters; and other unforeseeable circumstances may change the expected level of growth. Regardless of the projected figure, the General Plan will need to be revisited and revised over the course of the next 20 years if it is to remain relevant and effective.

Population Characteristics

Recently released data from the 2000 census, coupled with other official estimates and information on local and regional trends, provides a fairly reliable picture of Gilroy's current population and the trends that are shaping the City's future:

- **Gilroy Is a Diverse Community.** Between 1990 and 2000, Gilroy's Hispanic/Latino population increased from approximately 47 percent of the City's population to approximately 54 percent. Non-Hispanics/Latinos accounted for approximately 46 percent of the population, with 38 percent identifying...
themselves as ‘non-Hispanic Whites’ (although in total nearly 60 percent of Gilroyans identified themselves as ‘White,’ keeping in mind that Whites can be either Hispanic/Latino or non-Hispanic/Latino). There were a small number of Asians, Pacific Islanders, African Americans, and Native Americans living in Gilroy in both 1990 and 2000, representing about 8 percent of the population in 2000.

- **Gilroy Remains a Family Town.** In the 2000 census, 80 percent of the households in Gilroy were family households (down from 84 percent in 1990), with about half of the City’s households being families with children under the age of 18. The City’s family orientation is also reflected in its relatively large average household size, which was 3.46 persons in 2000, compared to 2.92 for the County as a whole.

- **Gilroy Has a Young Population.** In 2000, as in 1990, approximately a third of Gilroy’s residents were under 18 years old, compared to a County figure of about 25 percent. People over 60 years old accounted for only 9 percent of the population in 2000, compared to approximately 13 percent in the County. While the City’s age composition has changed very little since 1990, the City’s elderly population as a percentage of the total population is expected to increase over time, to approximately 16 percent of the population in 2020 (based on ABAG projections).

- **Gilroy Includes Many Lower Income Households.** Gilroy’s median household income in 1997 was approximately $51,100, up from $40,736 in 1990. However, while the median income has increased due to higher income households locating in the City, the number of “low” and “very low” income households (i.e., earning less than 80% of median) has increased—not so much because new low income households are moving to the City, but because those households already living here are unable to keep up with rising income levels and soaring housing prices. By 1997, nearly 55 percent of Gilroy households fell into the lower income categories, up from 53 percent in 1990.
Economic Growth

Gilroy’s economic health is of vital importance to the community, and a key concern of the General Plan. Economic trends and projections that the General Plan is based upon and must respond to include:

- **Strong Local Job Growth.** While Gilroy’s population is expected to increase approximately 50 percent between 2000 and 2020, the number of jobs in the City is expected to increase nearly 70 percent. In total, Gilroy is expected to account for approximately 7 percent of Santa Clara County’s job growth between 2000 and 2020. This projected growth, summarized in Figure 2-7, will be strongest in the manufacturing/wholesale and service sectors. This means that more local residents will have the opportunity to live and work in Gilroy, but it will also mean that an increasing number of people will live elsewhere, and commute to jobs in Gilroy.

<table>
<thead>
<tr>
<th>Category</th>
<th>Estimated Jobs Year 2000</th>
<th>percent of total</th>
<th>Estimated Jobs Year 2020</th>
<th>percent of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail</td>
<td>3,370</td>
<td>14%</td>
<td>4,700</td>
<td>12%</td>
</tr>
<tr>
<td>Mfg/W wholesale</td>
<td>4,310</td>
<td>18%</td>
<td>10,530</td>
<td>27%</td>
</tr>
<tr>
<td>Service</td>
<td>10,190</td>
<td>44%</td>
<td>16,690</td>
<td>43%</td>
</tr>
<tr>
<td>Agriculture*</td>
<td>830</td>
<td>4%</td>
<td>850</td>
<td>2%</td>
</tr>
<tr>
<td>Other</td>
<td>4,670</td>
<td>20%</td>
<td>6,310</td>
<td>16%</td>
</tr>
<tr>
<td>Total</td>
<td>23,370</td>
<td>100%</td>
<td>39,080</td>
<td>100%</td>
</tr>
</tbody>
</table>

*The number of agricultural jobs is somewhat misleading due to the way in which they are categorized by ABAG. Many agriculture-related jobs in Gilroy are reflected in the Manufacturing/Wholesale category, which includes food processing and similar operations.

**Figure 2-7.** Projected Job Growth in Gilroy, 2000 - 2020 (Source: ABAG, 2000)

- **Increasing Integration with the Silicon Valley Economy.** The Silicon Valley economy is likely to continue its boom-bust pattern of growth. With each successive boom, the shortage of land in the North County area will become more acute, and businesses will look further afield for office space. Several firms have already located in Morgan Hill, and efforts have been initiated to develop the Coyote Valley area. If recent trends continue, Gilroy will see similar types of development within the 20-year planning period—presenting benefits as well as challenges to the community.

- **Continued Industrial and Commercial Development.** Recent years have seen increased activity in industrial and commercial development. In 2000, nearly 28 acres of industrial land were developed, compared to 17 acres in...
1999, 20 acres in 1998, approximately 8 acres in 1997 and 4.5 acres in 1996. In commercial projects, 1998 saw development of more than 17 acres, compared to 15.8 in 1997 and 15.3 in 1996. If job growth projections prove accurate, these levels of development will continue during the 20-year planning period.

- **Housing Affordability Crisis.** Many of Gilroy's retail businesses, manufacturing operations, food processors, and public sector agencies rely on wage-earning households and middle-income professionals. As housing prices, rents, and the overall cost of living in Gilroy continue to rise, these residents will find it increasingly difficult to remain in Gilroy. Already, more and more households are finding the affordability gap to be insurmountable, with even teachers, police officers, and other public employees unable to afford a median priced home in the City. Over time, this trend could undermine the very diversity that has been Gilroy's hallmark since it was founded, with many of the people who work in the City forced to live in lower-cost communities such as Hollister and Los Banos. It could also undermine economic development and business retention efforts, as businesses choose to relocate to the communities where their employees can afford to live.