

Attachment 7

Six Month Update on Council Strategic Policy Priorities

The City Council established Strategic Policy Priorities at its two day session in September 2014. Since that time, the City Council has been mindful of aligning additional workload to these priorities or building resources and/or capacity to advance these goals. As six months has passed since this action, below is an update on the status of each and/or proposed next steps to advance these efforts. Additionally, since that time, two other policy priorities have been referred to staff and it was suggested that the City Council address those items through review of these Policy Priorities along with the adopted study issues.

Civic Center Modernization Project Update

On February 24, 2015 the City Council approved the Community Engagement Plan for the Civic Center Modernization Project (RTC 15-0111). The plan includes a variety of ways to gather community input as alternatives are developed and evaluated. Three community workshops are planned and a new online engagement tool is being launched soon to make it easy for people to share ideas and see the input of other community stakeholders. Implementation of the Community Engagement Plan will begin in March and run through November 2015. Concurrently, staff is engaged in completing the space analysis and market analysis.

Downtown Sunnyvale

As the Mayor stated at the Study Issues Session, considerable advancements had been made to impact the development of the Downtown; however, new events have recently slowed down those efforts. The City continues to work with both parties involved in litigation and, separately, the City Attorney has provided the City Council with updates on the status of the litigation as available. As the City is not the decision-maker for these activities, or a named party in the litigation, public comment on these activities is always limited.

At the strategic workshop, Council discussed and included questions, comments, and provided general direction related to the Town Center project. In particular, Council informally expressed support for updating the Downtown Specific Plan (2003), now or within the next two years, and expressed interest in possible strategies to pursue in the near term. Staff described two primary options for amending the Specific Plan based on the desired scope and objectives:

Option 1: For a Specific Plan Amendment that is focused on Town Center or Block 18, staff has explored with the property owner if they are interested in filing a General Plan Initiation (GPI) request for Council to authorize a Specific Plan Amendment study. The scope would need to be defined, but discussions have included an interest to reevaluate the amount of retail space that is reflected in the approved plans for the Town Center project. A decrease on retail space

coupled with an increase in office and/or residential uses have been discussed as well as significant revisions to the approved site plan. An amendment to the Master Special Development Permit for Block 18 would also be necessary. Option 1 would be fully funded by the property owner.

Option 2: While staff has explored Option 1 with the property owner, a GPI request has not been submitted yet. If the Council wishes to move forward with a Specific Plan Amendment study and not wait for the property owner to file a request, the Council could initiate the study. The Council should provide direction on whether this study should focus on Block 18 or a larger downtown area. The scope of the study would also have to be defined, and could include revisiting the appropriate mix and density of retail, residential, and office uses in the entire downtown area. The study could also explore the management and supply of downtown parking, which is currently a deferred study issue. Depending on the scope of the study, it can be done by staff although another study issue would likely have to be deferred. However, a consultant is advisable if a market analysis is included or a substantial update to the Downtown Specific Plan is anticipated. The consultant cost may range from \$50,000 to \$200,000. If the amendments trigger an environmental impact report, then another \$250,000 or more may be needed. A Specific Plan Amendment study would take 9 to 18 months to complete.

If the Council believes that a Specific Plan Amendment study is premature while litigation is pending on the Town Center property, staff suggests several intermediate actions. One option is to contact the Urban Land Institute (ULI) for technical assistance. ULI offers a program whereby they would assemble a panel of land use and real estate experts to evaluate and envision the future potential of the Town Center project. Their program includes a community engagement process that involves interviewing key stakeholders in the community. Retail, office and residential brokers would also be contacted to discuss the feasible amount and mix of land uses for the project. The ULI panel would provide guidance on how to best move forward to ensure the Town Center remains an attractive destination for residents, visitors, and employees. The cost of the ULI program is about \$125,000. Staff would request a formal proposal if the Council is interested in pursuing this option.

Another intermediate action is to obtain the services of an economic consultant to analyze the market potential for the Town Center project before embarking on a Specific Plan Amendment study. This analysis would be beneficial to define the scope of a future study. The consultant would perform a thorough market and fiscal analysis to identify the appropriate mix and quantity of retail, office, and residential space for a successful Town Center project. As an initial step, staff contacted retail/office brokers to discuss the amount of retail and office space that is feasible for the Town Center. The feedback from brokers varies; some retail brokers believe the Town Center is a very attractive location while others see it as tier B location. Office brokers perceive the Town Center as a good location due to its close proximity to the Caltrain station. The brokers' opinions depend on the current market cycles and their focused expertise. An economic

consultant could provide a more thorough assessment as well as an objective evaluation of the realistic market potential and fiscal implications of various land uses.

Staff recommends considering a budget supplement to allocate \$50,000 to obtain an economic consultant to evaluate the market potential and appropriate land use mix for the Town Center, with particular emphasis on assessing the amount and type of retail uses that are feasible for the project.

Open Space Acquisition Planning: Future of Golf Courses

The Parks of the Future Study (POTF) identified areas where the City should pursue park opportunities. As a possible next step, the City Council could prioritize a specific area identified in the POTF, and per Council Policy 1.2.7, authorize the City Manager to pursue property within the priority area up to a specified size and cost. Property acquisition is very competitive based on the current real estate market, and having this proactive approach might make the City successful in identifying and acquiring a parcel. Staff is also recommending DPW 15-09 for study, which will review the establishment of a park mitigation fee for non-residential development. If implemented, this will provide the City with more funding opportunities for park enhancements and land acquisition.

The Golf Course constraints and opportunities are much more complex as they affect budgets, staffing, as well as a number of other items. Staff suggests that if there is interest, a study issue could be proposed for next year to study possible options for the golf course, including pros and cons. In the meantime, Council has expressed specific concern regarding the City's current challenges with Golf Course restaurant operations. A brief update regarding that issue follows:

Status of the Golf Restaurant Closure

In March of 2013 the City entered into a 15-year license agreement with Synergy Golf Management Inc. to operate the restaurants at Sunnyvale and Sunken Gardens Golf Courses. Synergy was obligated to install a number of capital improvements at the restaurants and pay \$8,000 in rent monthly, with a 2% annual increase each April, in exchange for the exclusive right to operate the restaurants and retain all profits. In October 2013 the Licensee claimed financial hardship and was granted a partial rent deferral wherein they paid a reduced rent from November 2013 – March 2014 and an increased rent from May – September 2014.

The City issued a notice of default to Synergy on May 20, 2014 for failure to pay \$33,000 in rent. After the initial notice the operator continued to not pay rent, and on November 14, 2014, the city issued another notice of default for various failures including unpaid rent totaling over \$78,000. The operator didn't correct the failures within 30 days, and per the notice of default, the license was terminated on December 14, 2014. At that time the operator was locked out of the restaurants, and the restaurants were closed to the public. The City has been in contact with the operator's legal representative in an effort to negotiate a final settlement. A request for proposals process has been initiated to secure a new

operator. Proposals are due by March 20, 2015, and a new operator could be operational by August 2015.

Ability of Infrastructure to Support Development and Traffic

The City is currently completing the traffic analysis for the Land Use and Transportation Element (LUTE), Peery Park Specific Plan, and the Lawrence Station Area Plan. As part of that work staff will determine the traffic levels as well as transportation infrastructure to support Sunnyvale's growth. Staff will also bring forward to Council an update to the City's Traffic Impact Fee to account for new improvements. To prepare for these comprehensive studies, a Study Session has also been scheduled for April 28 to review prevailing practices to assess transportation, infrastructure, and related impacts.

Cold Weather Shelter Program Study Session

On March 3, the Council heard presentations from County of Santa Clara staff on the status of the County's program to address homeless housing needs in the County (and specifically the Sunnyvale area) and also heard from a representative of Destination: Home, a collaborative program to end homelessness in the County. Council asked staff to follow-up on several items, which could be defined as future study issues:

Possible Zone Change to Allow More Sites for Homeless Shelters: In 2010, the Council approved a Zoning Code amendment to permit homeless or emergency shelters by right on properties in the M-S/POA (Industry and Service – Places of Assembly) zoning district and with a use permit on other properties in the M-S district. This amendment was enacted to comply with California Government Code 65583 which requires every city to identify specific sites where homeless shelters are permitted without a use permit. Staff believes that a sufficient number of sites are available in the City for a possible replacement cold weather shelter and has advised County staff of the City's zoning regulations. If the Council would like to consider expanding the allowable locations for homeless shelters, such as in certain commercial or residential districts, a study issue is appropriate for evaluating this possible Zoning Code amendment study.

Possible Sites for a Replacement Cold Weather Homeless Shelter: City Housing staff, along with staff from other cities and housing organizations, have continued to work collaboratively with County staff to address the County's homeless population, with emphasis on the priorities of the Destination: Home program which places priority on housing the homeless in permanent or transitional housing. This has also included strategies to respond to the County's announcement in 2011 to phase out funding for the Sunnyvale Armory Cold Weather Shelter. On August, 12, 2014, the Council discussed the potential of using the gymnasium at the Community Center as an interim cold weather shelter for the upcoming 2014/15 winter season. After lengthy discussion, the Council passed a motion to "continue to support the County effort on a replacement cold weather homeless shelter" and to "actively support the County as the lead agency." The Council also removed the Community Center and all other City park sites from the list of possible options and suggested evaluating

other locations for an interim cold weather shelter, including but not limited to San Jose's George Travis Center, the City's Onizuka site, the County's property at Fair Oaks and California, and also working with the County as the lead agency on an inclement weather program.

In response to Council direction, staff has actively engaged in discussions with County staff as the lead agency on possible sites in Sunnyvale for an interim or permanent cold weather shelter, and has provided information on the above City properties as well as other City-owned parcels. County staff has also explored possible private properties in Palo Alto, Mountain View and Sunnyvale in an effort to identify a suitable site in the North County area. Thus far, County staff has not identified a viable site for further analysis, but staff will continue to actively engage with the County to provide staff support as needed.

Fair Oaks Avenue/Route 237 City Property: A suggestion was made to consider exploring this City property for a possible homeless shelter, transitional housing or permanent affordable housing. The site is located at the Fair Oaks Avenue freeway off-ramp on the south side of Route 237. It contains approximately 1.5 acres, but actually consists of two parcels bisected by the off-ramp and Persian Drive. This property was previously considered by the Council in 2011 through a study issue (DPW 11-10) to explore the feasibility of developing the site for an unattended, self-pay parking lot to serve the nearby Fair Oaks light rail station. The Council chose not to pursue developing a parking lot, but indicated that this possibility could be reconsidered once the Levi Stadium is completed.

This site was included in the City's properties list that was provided to County staff for consideration of sites for a replacement homeless shelter. The site is zoned M-S so this use could be considered with a use permit. Residential use would require a General Plan amendment and zone change. However, development of the site for a homeless shelter or residential use raises issues of concern, particularly the challenge of providing safe vehicular and pedestrian access since the property is bisected by the freeway off-ramp. Other issues such as potential air quality and noise impacts would also need to be evaluated, which could require an environmental impact report if impacts cannot be adequately mitigated. If the Council would like to explore the possible disposition of the property for a homeless shelter, staff could further raise this option to the County. Staff suggests that the County should continue to take the lead on identifying a site for a shelter with the City providing a support role, consistent with Council direction in August 2014 as noted above.