



# City of Sunnyvale

## Agenda Item

17-0639

Agenda Date: 7/24/2017

### REPORT TO PLANNING COMMISSION

#### SUBJECT

#### **DOWNTOWN SPECIFIC PLAN AMENDMENT INITIATIONS**

Three applications in the Downtown Specific Plan (DSP) area for DSP Blocks 18 and 22 include requests to study an increase in allowable office square footage and housing units and to decrease allowable retail square footage and hotel use:

**File:** 2017-7365

**Location:** 300 S. Mathilda Avenue, 2502 Town Center Lane, 200 W. Washington Avenue, 225 S. Taaffe Street / DSP Block 18 (APNs 209-34-019, 020, 021, 024, 025, 029, 030 / 209-35-002 / 209-35-013 thru 019, 023, 024, 029 / 209-39-001 thru 004 / 209-40-001 thru 004 / 209-41-001 thru 004)

**Proposed Project:** **DOWNTOWN SPECIFIC PLAN AMENDMENT INITIATION**

Request to initiate a study to consider modifications to DSP Block 18 to replace the allowable hotel with office space (up to 362,00 square feet), increase allowable housing from 292 units to 790 units, reduce allowable retail space from 1,007,876 square feet to 675,000 square feet, and replace established height limits with flexible height limits subject to approval by through a Special Development Permit.

**Applicant / Owner:** STC Venture LLC

**File:** 2017-7364

**Location:** 200 W. Washington Avenue / DSP 18 (APN 209-35-022)

**Proposed Project:** **DOWNTOWN SPECIFIC PLAN AMENDMENT INITIATION**

Request to initiate a study to consider modification to development standards for DSP Block 18 (Macy's site) to replace allowable ground floor retail of 88,500 square feet with flexible retail/office flex space, replace 88,500 square feet of second floor retail space with office space, and allow additional floors with approximately 210,000 square feet of office space, along with allowing a new bike/pedestrian connection between W. Washington Avenue and Redwood Square.

**Applicant / Owner:** Sand Hill Property Company/200 Washington LLC

**File:** 2017-7362

**Location:** 111 W. Evelyn Avenue / DSP Block 22 (APN 209-06-082)

**Proposed Project:** **DOWNTOWN SPECIFIC PLAN AMENDMENT INITIATION**

Request to initiate a study to replace an existing 1.46-acre corner parking lot with an approximately 69,000 square foot, three-story office building with underground parking resulting in a total of 111,000 square feet where 54,000 is currently allowed.

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**Applicant / Owner:** Chang Architecture/Giurland, Inc

**Environmental Review:** The decision to initiate a Specific Plan Amendment study does not require environmental review under the California Environmental Quality Act (CEQA) because the initiation of a study does not constitute a project with the meaning of CEQA pursuant to CEQA Guidelines section 15378 (a) as it has no potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment. If initiated, the proposed Specific Plan Amendment will be subject to the provisions of CEQA.

**Project Planner:** Gerri Caruso, (408) 730-7591, gcaruso@sunnyvale.ca.gov

### **REPORT IN BRIEF**

The City of Sunnyvale has received three Specific Plan Amendment Initiation (SPI) requests related to the Downtown Specific Plan (DSP) pursuant to Sunnyvale Municipal Code section 19.92.040 (a). The term general plan as used in section 19.92.040 includes “any amendments to a city-adopted precise plan or specific plan” (see Sunnyvale Municipal Code section 19.92.020). These general plan amendment requests are considered quarterly by the City. Because these three requests relate to the Commercial Core of the DSP they are considered in one report. Attachment 2 includes a map of the Downtown Specific Plan area showing the subject SPI requests, as well as other pending Planning applications in the Downtown and a map of the Downtown Specific Plan districts.

Two of the requests have been submitted for Block 18 of the DSP. These are referred to as Projects 18 A and 18 B. The third request relates to Block 22 and is titled Project 22 in this report. A table outlining the allowable, approved and existing/under construction development, as well as the two Block 18 SPIs is Attachment 3.

Project 18 A (2017-7365). This request refers to the 2-story Macy’s building site. This site is part of Block 18 of the DSP and the existing use of 177,000 s.f. retail building is reflected in the total allowable retail in DSP Block 18 and the Town Center project. Conceptually, the applicant proposes to:

- convert 88,500 s.f. of ground floor retail space to office/retail/flex space;
- convert 88,500 s. f. retail second floor to office and,
- add three to four stories to create 210,000 s.f. of additional office space on floors three to six.

Attachment 8 is the Project 18 A applicant’s letter requesting the initiation of the specific plan amendment study and Attachment 9 is a conceptual land use plan.

Project 18 B (2017-7364). This request refers to the Town Center project area, focused on the area north of McKinley Avenue and east of Taaffe Street. The approved 2007 Town Center project includes square footage and dwelling units for all of DSP Block 18 (including Macy’s and Target but does not include the Bank of the West at the corner of Mathilda Avenue and Iowa Avenue). Construction on the “minimum project” would continue whether or not the study is initiated. The applicant’s request is to:

- increase the number of dwelling units allowed in Block 18 from 292 to 790;
- eliminate the allowable hotel (200 rooms);
- increase the allowable office space from 275,000 s.f. to 686,000 s.f. (an increase of 411,000 s.f.); and,
- reduce the allowable retail space to 675,000 s.f.

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The DSP currently allows a maximum of 1,007,876 s.f. of retail space in all of Block 18. The conditions of approval for the 2007 Town Center Project (and also as updated in 2016) allow up to 1,000,000 of retail. The 2016 MRADDOPA references 931,386 s.f. of retail (includes Macy's, Target, cinema and restaurants). The applicant would like to reduce the total retail to 675,000 (which includes the Macy's building as retail). If both Project 18 A and Project 18 B are approved, the total retail in Block 18 would be about 498,000 which is a about half of what was envisioned when the DSP was adopted.

Attachment 10 is the Project 18 B applicant's letter requesting the initiation of the specific plan amendment study and Attachment 11 is a table of conceptual land uses.

Project 22 (2017-7362). The DSP designates this block for up to 54,000 s.f. of office and retail use. The block currently has approximately 42,000 s.f. of 3-story office and restaurant space. The applicant would like to modify the DSP to allow up to 111,000 s.f. of office space, an increase of approximately 69,000 s.f. Conceptually, the applicant would like to replace the private parking lot at the corner of Evelyn Avenue and Sunnyvale Avenue with a three-story office building and underground parking.

Attachments 6 and 7 are the applicant's request for SPI for Block 22 and a conceptual development proposal.

These three requests are all related to the DSP Commercial Core. The different owners of Projects 18 A and 18 B are requesting overlapping proposals. All projects will likely require amendments to the development standards in the DSP in order to accomplish each project goal and address community standards.

Staff recommends that the Planning Commission recommend that the City Council initiate an amendment to the Downtown Specific Plan for the following:

- Study a range of land uses and development standards for all properties in DSP Block 18 and 22, including those proposed by the applicants.
  - a. Block 18: reduced retail space, elimination of hotel use, increased office space and increased residential units
  - b. Block 22: increased office space
  - c. Consider modified development standards in conjunction with the proposed land use changes, such as increased building height;
- Study alternative uses, such as additional housing for both Block 18 and 22
- Coordinate special studies (to be paid for by applicants) such as: traffic analysis, market and fiscal analyses, environmental, infrastructure and utility capacity and conditions, water supply assessment, parking (18A and 18B). etc.
- Coordinate outreach and community engagement on all sites.

The City Council is scheduled to consider these DSP SPI requests on August 15, 2017. Council's action will be to authorize staff to accept formal applications and to study the requests-and not to approve a specific project. The formal applications will allow staff to analyze several aspects of the proposals, including environmental, market and fiscal analyses. Without the studies, it is not known if the proposed changes in land uses could have significant impacts on or benefits for the community.

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The changing nature of retail suggests that it may be timely to study modifications to planned land uses. Community outreach and engagement are also necessary to assess the community feedback regarding for these changes. Without doing the various studies, staff is unable to determine what impacts the proposed change will have over current entitlements.

## **BACKGROUND**

### **Downtown Specific Plan (DSP)**

The Downtown Specific Plan (DSP) area comprises roughly 125 acres, generally bounded by the Caltrain tracks to the north, Bayview Avenue to the east (extends almost to Washington along Evelyn Ave), Olive Avenue to the south and Charles Street to the west. Preparation of the Downtown Specific Plan (DSP) was initiated in the mid-1980s; the first plan was adopted in 1993. The DSP was updated in 2003 and was last amended in 2013 when the boundaries were expanded to include areas north of Evelyn Avenue by the addition of Blocks 21, 22 and 23.

The intent of the DSP is to strengthen the mix of uses through a series of districts. The DSP states that “promoting mixed uses in the districts is a key feature of the future downtown as it creates a lively street scene, increases walkability, reduces dependence on the automobile, and provides for higher density housing in proximity to mass transit.”

One DSP district, the Commercial Core, has two main goals: to link the different blocks together into a cohesive downtown core and to create a lively street life on all primary streets. Re-establishment of the street grid, increased pedestrian connections, architectural designs and consistent streetscape features will also contribute to linking different areas of the downtown. In addition, street life and vitality are key to providing a vibrant downtown. Ground floor retail, restaurant, and entertainment land uses increase street activity with residential uses facilitating use of the downtown during day and night. High levels of architectural detail for pedestrian interest are important to create a pleasant pedestrian experience.

### **Sites Under Consideration - Blocks 18 and 22**

The sites under consideration are in Block 18 and Block 22 of the DSP. These blocks are considered part of the Commercial Core district of the DSP (see Attachment 2 for a map of DSP Blocks and pending applications and a map of the DSP Districts). This district is described in detail in the DSP; it supports a wide variety of uses ranging from Class “A” office, regional commercial retail (Target and Macy’s), local retail, restaurants, personal service and high density residential. The transit hub for downtown and historic Murphy Avenue are also located in the Commercial Core.

**Block 18.** The entire block is currently designated for a maximum of 292 residential units, a maximum of 322,000 s.f. of office space, 200 hotel rooms and 1,007,876 s.f. of retail/restaurant/entertainment. Not all of the development potential allowable in the DSP has been approved for properties in Block 18. Block 18 consists of the Bank of the West site, and the mixed-use development commonly referred to as the Town Center site. The Town Center site has several property owners which generally own: the office buildings on Mathilda Avenue; Target site; Macy’s site; parking structure at Iowa/Sunnyvale; the public streets; and, the balance of the Town Center. An active Special Development Permit that was approved in 2007 (and updated in 2016) is referred to as the Town Center Project; it is now being marketed by the new owners as CityLine Sunnyvale. In this report it is referred to as the Town Center.

In addition to the Downtown Specific Plan and zoning code, the Town Center project is also subject to terms of the *2016 Modified and Restated Amended Disposition and Development and Owner Participation Agreement* (2016 MRADDOPA) that was approved by the Successor Agency to the Redevelopment Agency on June 30, 2016. The site was originally regulated by an owner participation agreement under the authority granted by the California redevelopment law. The Successor Agency to the Sunnyvale Redevelopment Agency approved the modified and restated agreement for the Town Center Project when the project was transferred to new ownership, STC Venture, LLC, who has made the current request. The operation and maintenance of the Town Center project is governed by the Operations and Reciprocal Easement Agreements (OREA) to which the Successor Agency to the Redevelopment Agency, STC Venture, LLC, the owner of the Macy's property and Target are parties. The OREA governs the ongoing use and operation amongst the parties to the OREA. Changes in the use and operation may require acceptance by all or some of the parties to the OREA.

The 2016 MRADDOPA includes a description of the "full project" as well as a "minimum project." The minimum project is currently underway and has specific performance requirements on the timing of improvements. Initiation of a specific plan amendment study would not affect the minimum project or the performance standards. The minimum project is outlined below.

- **Office:** 314,199 square feet already completed, on Mathilda Avenue
- **Redwood Square:** demolition of steel framing already completed, and temporary improvements at Redwood Square on McKinley Avenue
- **Ground Floor Retail:** ~130,000 square feet on Washington Avenue, McKinley Avenue (including the area underneath Target)
- **Movie Theater + Ground Floor Retail:** up to 60,000 square feet for a second level multi-plex movie theater and ~58,000 square feet retail below on McKinley Avenue between Sunnyvale Avenue and Murphy Avenue
- **Residential:** 198 units above retail on Washington Avenue and McKinley Avenue
- **Parking:** mostly completed including two on Taaffe Street and modifications and rehabilitation of the structure that will be south of the movie theater (east of Target)
- **Public Improvements:** streets, intersection improvements, utilities, etc. as detailed in the agreements.

Other activity on the Town Center site relates to the on-going clean-up work for environmental contamination. The soil and ground water remediation efforts will inform a Specific Plan Amendment study and the final proposed project.

Block 22 is designated in the DSP for a maximum of 54,000 s.f. of office or retail/restaurant /entertainment. Block 22 was created in 2013 as part of a DSP Specific Plan Amendment to add properties on the north side of Evelyn Avenue into the DSP. Block 22 is developed with the Murphy Station building (a three-story office building with approximately 42,000 s.f. of office and restaurant space). The eastern portion of the site is a private at-grade parking lot serving patrons and employee of the businesses on the site. As stated above, Block 22 is designated in the DSP for a maximum of 54,000 s.f. of office or retail/restaurant/ entertainment. This Block is also subject to a Development Agreement from 2000 when the property owners participated in a land swap with the City to create the adjacent Caltrain station parking structure. If the specific plan

amendment study is initiated, a thorough review of the development agreement would be conducted to determine if changes are needed or desired.

### **Former Redevelopment Agency and Successor Agency**

In February 2007, the Sunnyvale Redevelopment Agency entered into the Amended and Restated Disposition and Development and Owner Participation Agreement with Downtown Sunnyvale Mixed Use LLC (“DSMU”) providing for the redevelopment of the Town Center project. In November 2008, the parties entered into a First Amendment to the 2007 Agreement. DSMU was unable to meet its financial and development commitments and the holder of the secured financing interest on the property (Wells Fargo) instituted foreclosure proceedings in September 2009. In August 2010, the Redevelopment Agency and the Court-Appointed Receiver representing Wells Fargo Bank entered into the 2010 Amended Disposition and Development Agreement (2010 ADDOPA). The State dissolved redevelopment agencies in 2011 (effective February 1, 2012), and successor agencies were formed to assume the transitional obligations and administrative responsibilities of former redevelopment agencies, which includes overseeing existing owner participation agreements such as the 2010 ADDOPA. The City Council acts as the governing board to the Sunnyvale Successor Agency for the Redevelopment Agency. The responsibilities of the Successor Agency include assuring that the existing debt service and other obligations of the former Redevelopment Agency are properly paid in accordance with a Recognized Obligation Payment Schedule, and that the Agency's properties and other assets are disposed of in an appropriate manner. Changes to Redevelopment Agency agreements must be approved by the Oversight Board for the Successor Agency and are subject to confirmation by the California Department of Finance.

### **Related DSP Projects and Studies**

In 2016 the City Council authorized a DSP amendment study for Block 1A (Kasik). This site currently houses a post office, incidental retail and 20 residential units. The property owner requested a study of office only on the site; City Council directed that the DSP amendment study explore both office and residential uses (solely or mixed). A formal application has been submitted; however, none of the technical studies have commenced.

In 2017 the City Council prioritized a study issue to examine the parking district needs and explore options that might allow smaller sites to participate in the parking district. The funding for that study was approved in June 2017. Staff and consultant work will be done during the next year. The planned land use mix in the parking district will inform that study.

### **Changing Market Conditions**

It is well known and acknowledged that the retail market is rapidly changing; however, staff finds it prudent to analyze and review the long-term market conditions to determine what uses will contribute to and support a thriving downtown. Preliminary information and past retail studies show that the demographics of the City of Sunnyvale residents and the 3-mile Town Center retail trade area are strong. The residential 3-mile trade area for Town Center is affluent and densely populated and compares favorably to the demographics of downtown Palo Alto, downtown Los Gatos and Santana Row.

Staff recommends that Council approve the DSP SPI so that staff can adequately review and evaluate the proposal to determine the appropriate land uses and develop some “measures of success” that would include the following:

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- Fiscally positive impact on City's General Fund and eliminate Block 6 environmental liability
- Completion of the Town Center in a timely manner
- Appropriate mix of retail, jobs, housing, dining, entertainment, hotel and parking
- Creation of an amenity-rich downtown
- Value created with new land use entitlements for the downtown properties should be reflected in creating a desired downtown

### **Grade Separation Study at Sunnyvale Avenue**

Started in 2017 is an analysis of potential grade separation of Sunnyvale Avenue and the railroad right of way. Due to the proximity of this intersection with the Downtown Sunnyvale train station, options for configuring a grade separation are limited. Preliminary designs have been prepared and community outreach has commenced for the study. Property owners who may be affected by a potential grade separation project have been contacted.

### **Land Use and Transportation Element (LUTE)**

The General Plan was amended in April 2017 with updated goals, policies and actions related to land use and transportation. The LUTE confirmed the Downtown Specific Plan area as a mixed-use Transit Village neighborhood. After the public hearing on the LUTE, the City Council requested that staff return with an information report on how the City could affect the jobs housing ratio; that information memo is still pending. The City Council may want to consider additional housing opportunities in the Downtown area.

### **EXISTING POLICY**

The Land Use and Transportation Chapter of the Sunnyvale General Plan (LUTE) was updated in April 2017. The LUTE consists of an integrated set of goals and policies with the overall purpose of moving Sunnyvale toward a Complete Community. A Complete Community is a sustainable end state that represents a place to live that is less dependent on automobiles. The LUTE introduced three major strategies for achieving a Complete Sunnyvale - *Mixed Use and Village Centers*, *Jobs/Housing Balance* and *Multimodal Transit System*. Attachment 4 outlines these strategies.

The LUTE incorporates and integrates policy direction and land use patterns from other City of Sunnyvale planning documents, including the Downtown Specific Plan (DSP). The DSP is affected by all three major strategies. The LUTE states that the DSP promotes a traditional, full-service, and mixed-use downtown in proximity to major regional transit (Caltrain and bus service). The plan's focus is to provide regional shopping and a mixed-use environment with appropriately located high-density residential in certain locations while preserving the historic elements of Sunnyvale's Downtown.

The DSP area is designated Transit Mixed-Use in the LUTE. Mixed-use designations in the LUTE promote the integration of residential and commercial/office uses together on the same site. These compact developments facilitate walkability, reduce vehicle trips, and create centers of activity in different neighborhoods. The LUTE describes that the Transit Mixed-Use category

“...allows for a wide variety of uses and densities located near rail stops or other major forms of mass transit. High-density residential is desirable closest to transit stops/stations; densities greater than 65 dwelling units per acre may be compatible with this designation. Other residential densities are also desirable in Transit Mixed-Use areas. High-intensity commercial

and office uses should be expected. Buildings may be up to eight stories. In the Downtown area, regional commercial is allowed. Densities and intensities in each Transit Mixed-Use area will be further refined and implemented with a specific plan or area plan and a toolkit of development standards and design guidelines.”

The DSP defined densities and intensities for Blocks 22 and 18 where the current Specific Plan Amendment Initiations (SPI) are requested. The DSP and the DSP zoning define the maximum height for Block 18 as 75 feet, with up to 80 feet for mid-block movie theaters. Architectural features and rooftop equipment may exceed the height limit up to an additional 25 feet.

Relevant Land Use and Transportation Element and Downtown Specific Plan goals and polices related to the current proposals are attached (Attachment 5).

The Sunnyvale Municipal Code (SMC), Title 19 Zoning, provides regulations for developing and using property and also includes the procedures to use when there is a request to modify the zoning or General Plan. SMC Section 19.92.20 states that:

“This chapter applies to any general plan amendment and any zoning amendment. For purposes of this chapter, references to the “general plan” include any amendments to any city-adopted precise plan or specific plan.”

SMC Section 19.92.040 has further provisions on the procedures for initiating a general plan (or specific plan) amendment and if initiated, procedures for considering an amendment. Initiation requests require a Planning Commission recommendation and City Council approval at noticed public hearings.

## **ENVIRONMENTAL REVIEW**

The decision to initiate a Specific Plan Amendment study does not require environmental review under the California Environmental Quality Act (CEQA) because the initiation of a study does not constitute a project with the meaning of CEQA pursuant to CEQA Guidelines section 15378 (a) as it has no potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment. However, the proposed Specific Plan amendments and associated Special Development Permits will be subject to the provisions of CEQA. An Environmental Impact Report (EIR) was prepared for the original DSP (certified in 1990) and a new EIR was prepared and certified for the updated 2003 DSP. Several Addenda and Mitigated Negative Declarations have been prepared for projects (including DSP amendments) in the Downtown. An EIR was prepared for the LUTE and certified in 2017. It is expected that updated traffic impact analysis, construction noise study and air quality/greenhouse gas analysis will be required for these projects; other studies may also be necessary due to changes in environmental conditions or regulations since the original EIR was certified. These studies would inform whether an Exemption, Negative Declaration (or MND), Subsequent EIR or Addendum is appropriate for the environmental analysis.

## **DISCUSSION**

The City of Sunnyvale has received three SPI requests related to the DSP. Because these three requests relate to the Commercial Core of the DSP they are considered in one report. A map of the DSP is attached (Attachment 2). A table outlining the three requests compared to existing approved



plans and agreements is Attachment 3. If any of the SPI requests are recommended to continue, the Downtown Specific Plan will be studied once formal Specific Plan amendment applications are filed and fees are paid. Amendments could include the allowed uses, total amount of square footage or number of units for each use, design guidelines and development standards as necessary. Any technical studies would be paid for by project applicants. Technical reports would include market analysis, fiscal analysis, parking study of numbers and distribution (at least for Block 18), transportation and environmental studies, and other studies identified during staff review (e.g., aesthetic analysis). A community outreach and engagement effort would be conducted to determine community reaction, preferences and acceptance of proposed changes. Each of the following requests to *initiate* a Specific Plan Amendment study will be considered separately; however, to the extent possible staff recommends that if more than one request is initiated that the studies and community outreach be coordinated or combined.

### **Projects 18 A & 18 B**

Two SPI requests have been submitted for Block 18 of the DSP. These will be referred to as Project 18A (Sand Hill/Macy's site) and 18B (Town Center). Block 18 is the largest section of the DSP Commercial Core. It consists of six city blocks and 37.92 acres bound by Washington Avenue to the north, Sunnyvale Avenue to the east, Iowa Avenue to the south and Mathilda Avenue to the west. As part of the 2008 redevelopment of the former Town Center, the site was divided into six numbered blocks (1-6) (see Attachment 2 for map of these sub-blocks). Project 18 A (Sand Hill/Macy's site) is a portion of sub-Block 3. Project 18 B relates to proposed land uses primarily in the remaining portion of sub-Block 3 and sub-Block 6.

#### 18A

Project 18A refers to the 2-story Macy's building site located along Washington Avenue between Taaffe Street and Murphy Avenue (which is planned to extend south through the existing parking lot). The existing Macy's building is essentially built out to its property lines. Areas immediately adjacent, including visible green space, are owned by STC Venture, LLC. The Town Center land use approvals currently include approximately 177,000 s.f. of retail use for the Macy's site which is the actual size of the existing Macy's building. Parking for the site is provided in the existing and future planned parking garages associated with the Town Center project.

Conceptually the applicant would like to convert the ground floor of the existing building to 88,500 s.f. of office/retail/flex space, convert the second story to 88,500 s.f. of office and add three additional stories to create 210,500 s.f. of additional office space (total 298,500 s.f. office on floors 2-5). The applicant's request letter is attached (Attachment 8) and a conceptual site plan is in Attachment 9.

Ground floor retail/office flex space would be intended to accommodate smaller, individual retail and restaurant operators or office space facing Washington Avenue. Flex space would allow the project owner to respond to the changing retail market. Smaller retail units facing Washington would help activate the streetscape and add to the pedestrian quality that is desired for that street. The applicant also proposes to create a better bicycle /pedestrian connection to Redwood Square with the possibility of a connection created through the existing building footprint extending Frances Street from Washington Avenue to Redwood Square. The design of the current building would be modified and the ground floor area would be opened up with windows and entrances to make retail spaces more inviting and improve the appearance from the street. The study would include preparation of a definition of this new land use designation and guidance on when and how the land use changes can be implemented. The study will evaluate differences in infrastructure and impacts for each of the two

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uses (retail and office), for example: parking demands, peak hour trips, water and sewer needs.

The applicant did not submit conceptual plans; however, to achieve a five-story office building would require increasing the existing 45-foot building height to approximately 90 feet. The current height limit in Block 18 is five stories and 75 feet (with an exception for 80 feet for a theater building located near the center of Block 18). If a DSP amendment is approved, this potential future phase would require updated planning permits and agreements.

If the SPI is initiated, the study should include fiscal and market analyses to determine the best uses for commercial property in the DSP area. The study would also look at development standards including building height and design guidelines for the potential new uses. Any required studies for the Downtown Specific Plan amendments would be paid for by the applicants and should be coordinated with the studies for the other sites and community outreach and engagement should also be coordinated. The specific plan amendment study could also include a review of residential use on all the Downtown sites discussed in this report.

### 18 B

Project 18B generally refers to the partially constructed Town Center project site. The conceptual project would expand on the approved design and modify land use and infrastructure improvements to Block 18 (including the 2016 updated designs) that are reflected as the minimum project in the 2016 MRADDOPA. Construction of the minimum project would proceed in accordance with the schedules in the agreement.

The applicant is requesting to increase the number of dwelling units allowed in Block 18 from 292 to 790, eliminate the hotel (up to 200 rooms), decrease the amount of retail and increase the allowable office space from the existing 275,000 s.f. to 686,000 s.f. (increase of 411,000 s.f.). Under this applicant's proposal, Target remains the same; the request overlaps the 18A proposal by including the existing Macy's in the proposed retail totals. If both Project 18 A and Project 18 B are approved, the total retail in Block 18 would be about 498,000 which is a about half of what was envisioned when the DSP was adopted.

The DSP currently allows approximately 1,007,000 s.f. of retail space in Block 18 and 325,000 s.f. of office (which includes an unbuilt office building on Mathilda, which is part of the Town Center project). The approved 2007 Town Center project plans included approximately 931,386 s.f. of retail (includes Macy's, Target and cinema), although the Conditions of Approval allow up to 1,000,000 s.f. of retail. The applicant would like to reduce the total retail allowed to 675,000 s.f. (inclusive of Macy's and Target-although removal of the Macy's retail space would further reduce the retail space by up to 177,000 s.f.).

The applicant has provided a table that indicates, conceptually, where various uses would be located on their site (see Attachment 11). The applicant's request letter is attached (Attachment 9). This next proposed phase would modify the project square feet as discussed above. Also, instead of establishing set height limits the applicant would like the DSP to be modified so that individual project height limits could be reviewed and established with each Special Development Permit. If a DSP amendment is approved, this potential future phase would require updated planning permits and agreements.

If the SPI is initiated, the study should include a market analysis to determine the best uses for

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commercial property in the DSP area. The study would also look at development standards including building height and design guidelines for the potential new uses. The environmental remediation work should be considered in the review of appropriate land uses and in the fiscal analysis. As mentioned above, required studies for the Downtown Specific Plan amendments should be coordinated with similar studies for the other sites (and paid for by the applicants) and community outreach and engagement should also be coordinated. The specific plan amendment study would include a review of the appropriate amount of residential use for Block 18.

**Block 22**

A SPI request has been made for a 1.46-acre site in Block 22 of the DSP (2017-7362) located at the northwest corner of Evelyn Avenue and Sunnyvale Avenue. The project site on Block 22 is immediately adjacent to the Caltrain tracks at the corner of Evelyn Avenue and Sunnyvale Avenue. Adjacent, to the west, is the City-owned parking garage primarily serving Caltrain patrons and further west is the downtown Sunnyvale Caltrain station. Across the tracks to the north are small commercial sites, with residential uses beyond. To the northeast across the tracks is the Northrop Grumman site. Across Sunnyvale Avenue to the east are high density apartment buildings. To the south across Evelyn Avenue is a City parking lot and the Murphy Avenue Landmark District.

The site was incorporated into the DSP through an amendment to the plan in 2013. At the time, the City's database reported the development as 54,000 s.f. The 2013 DSP amendment study considered mixed use office/residential for Block 22; City Council approved office/retail uses only (i.e. the DSP designation is for up to 54,000 s.f. of office use or retail/restaurant/entertainment). The applicant indicates Block 22 currently is built with approximately 42,000 s.f. of 3-story office and restaurant space known as Murphy Square, plus a surface parking lot. A portion of the required parking for the building is provided in the City owned parking garage on the west side.

The applicant proposes to modify the DSP to allow up to 111,000 s.f. of office space, an increase of approximately 69,000 s.f. over existing and 57,000 over the DSP maximum. Conceptually, the applicant would like to replace the private parking lot at the corner of Evelyn Avenue and Sunnyvale Avenue with a three-story office building and underground parking. The applicant has submitted a request letter and conceptual plans to demonstrate possible site layout, building massing and relationship to other buildings (Attachment 6 & 7).

This Block is also subject to a Development Agreement from 2000 when the property owners entered a land swap with the City to create the adjacent Caltrain station parking structure. Approval of any future project would require amendment or elimination of that development agreement.

The areas adjacent to the Caltrain right-of-way have been demonstrated to be successful locations for commercial and residential uses. Staff acknowledges City Council action in 2013 to limit the site to existing uses. Given that other land use studies may also be initiated it may be timely to include this site into the coordinated studies for the DSP amendments. Staff recommends that additional office be analyzed as part of a Specific Plan Amendment study. City Council could direct the study of residential use at this location.

**FISCAL IMPACT**

Initiating a Specific Plan Amendment study does not have a fiscal impact on the City. All technical reports related to the study will be paid for by the applicants. Staff recommends that if any of the studies are initiated there should include a market analysis and a fiscal analysis which will help

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determine the long-term costs and benefits to the City if there are land use changes or intensification. The potential for community benefits would also be evaluated as part of the studies.

### **PUBLIC CONTACT**

Public contact was made through posting of the Planning Commission agenda on the City's official-notice bulletin board outside City Hall, at the Sunnyvale Senior Center, Community Center and Department of Public Safety; and by making the agenda and report available in the Reference Section of the City Library, the Office of the City Clerk and on the City's website. A display ad was placed in the Sunnyvale SUN Newspaper. Notices were sent to property owners and tenants within 1,000 feet of DSP Block 22 and 2,000 feet of Block 18. 4424 notices were mailed. The Downtown Associated was also advised of this request.

### **ALTERNATIVES**

The three requests would all require an amendment to the Commercial Core of the DSP, including land use and development standards. The different owners of 18 A and 18 B are requesting overlapping proposals. Some aspects of the proposals, such as increased building height and loss of retail area, would need to address the community vision for the downtown Commercial Core.

Without community engagement and analysis of the impacts or benefits, staff is reluctant to reach any preliminary conclusion on the desirability of the suggested land uses or building forms. Community values in the past have a desire for more retail, however the retail markets continue to change. The community has also emphasized lower or stepped heights; expressed a growing interest in providing additional and higher density housing at the same time that there are concerns expressed with the levels of growth in the community. Land use decisions should be informed by a market and financial analyses as well as the community response to the land use changes. In all cases staff suggests that studies and analysis should be coordinated to the extent feasible and that community outreach should be coordinated for all the downtown studies.

Staff is recommending that, for purposes of study (including fiscal, infrastructure and environmental review) that the maximum amount requested by various property owners be evaluated. This full exposure of the issues will vet and examine at all the elements related to land use and design, which positions the City well to determine the proposed range of land uses along with the related fiscal impacts.

The following alternatives are identified:

1. Block 18 A (Macy's):
  - a) Initiate a Specific Plan Amendment study to consider reducing the existing 177,000 s.f. of retail area and allow increased square footage and up to five stories of flexible uses including office and/or retail uses.
  - b) Consider creation of a pedestrian and bicycle path from Washington Avenue to Redwood Square.
  - c) Create development standards in conjunction with the proposed land use changes, such as increased building height and design guidelines for street-facing retail space. Consider a modified vision for Redwood Square.
  - d) Study alternative uses, such as additional housing.
  - e) Coordinate special studies such as traffic analysis, market and fiscal analyses,

- environmental, infrastructure and utility capacity and conditions, water supply assessment, parking, etc.
2. Block 18 B (Town Center):
    - a) Initiate a Specific Plan Amendment study to consider reducing retail space, omitting the hotel use and allowing increases in office space and residential units.
    - b) Create development standards in conjunction with the proposed land use changes, such as increased building height and design guidelines for street-facing retail space. Consider a modified vision for Redwood Square.
    - c) Study alternative uses, such as additional housing.
    - d) Coordinate special studies such as traffic analysis, market and fiscal analyses, environmental, infrastructure and utility capacity and conditions, water supply assessment, parking, etc.
  3. Block 22 (Murphy Square):
    - a) Initiate a Specific Plan Amendment study to consider Increasing the allowed office area.
    - b) Study alternative uses, such as additional housing.
    - c) Coordinate special studies such as traffic analysis, market and fiscal analyses, environmental, infrastructure and utility capacity and conditions, water supply assessment, parking, etc.
  4. Study parking for the Downtown Specific Plan considering alternative land use scenarios in recommendations 1, 2 and 3.
  5. Coordinate outreach and community engagement on all sites.
  6. Modify any of the above alternatives.
  7. Do not initiate any further studies for the Downtown Specific Plan Blocks 18 and 22.

## **RECOMMENDATION**

Planning Commission recommendation of Alternatives 1 a-e, 2 a-d, 3 a-c, 4 and 5 to City Council for approval of the requests for initiation of Specific Plan Amendments to the Downtown Specific Plan related to Blocks 18 and 22.

Staff recommends that the Planning Commission recommend that the City Council initiate coordinated Specific Plan Amendment studies for the Downtown Specific Plan including modifications for DSP Blocks 18 and 22 to consider increases in allowable office space and residential units, elimination of the hotel, a reduction in allowable retail space and modified development standards including increased building height. The study would include appropriate environmental review including a transportation impact analysis and visual impact analysis. The study would also include a market analysis to determine the appropriate mix of commercial uses in the DSP. Replacing allowable commercial space with residential uses would be considered. Staff recommends that additional housing be studied for all of the sites, in keeping with recent City Council directions to explore options for additional housing opportunities in the City. The plan amendment study would also consider incentive-based zoning for community benefits such as green buildings,

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higher levels of affordable housing and contributions to community facilities. Staff recommends studying a total of 750 units for all of Block 18 and Block 22 combined, inclusive of any incentives. A fiscal analysis would be included to determine the impact to the City for providing services to an intensified DSP. The study would also include a downtown parking analysis. Development standards, including building height, would be reviewed. The study would consider a redefined vision for Redwood Square.

Since the DSP would need to be amended for any of these requests, including all requests in the action would not significantly impact the completion of the work. Doing the work at one time would allow a full public discussion on the requests. A precise schedule for the Specific Plan Amendments is not available. The timing will be affected by how quickly applicants submit formal applications and the time needed to prepare required studies, based on the final scope of review. Staff and the applicants would be motivated to establish a tight schedule of 12-18 months for the plan amendments due to a number of factors. These include:

- the on-going construction work and potential phasing of additional improvements to minimize impacts on new tenants (residential and non-residential), the existing neighborhood and the broader community;
- coordinating on-going and additional environmental remediation into construction phases and agreements;
- coordinating scope and timing of infrastructure improvements; and,
- completing major downtown redevelopment projects in a timely manner to serve the community.

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Approved by: Deanna J. Santana, City Manager

### **ATTACHMENTS**

1. Reserved for Report to Council.
2. Maps of Downtown Specific Plan Projects and Districts
3. Comparison Table of proposed SPIs and adopted plans
4. Complete Sunnyvale Strategies
5. Related General Plan and DSP Policies
6. Applicant's request Letter Block 22, Chang Architecture - 111 Evelyn Ave.
7. Block 22 conceptual plans
8. Applicant's request letter Project 18A, Sand Hill (Macy's building)
9. Applicant's Conceptual Land Use Plans Project 18A Sand Hill
10. Applicant's request letter Project 18B, STC Venture LLC
11. Applicant's Conceptual Land Use Table Project 18B STC Venture LLC