City of Sunnyvale

Agenda Item

18-0259 **Agenda Date:** 5/14/2018

REPORT TO PLANNING COMMISSION

SUBJECT

Amend the Lawrence Station Area Plan: Forward a Recommendation to the City Council to Select a Preferred Housing Study and Direct Staff to Complete Required Environmental Review.
Project Planner: George Schroeder, (408) 730-7443, gschroeder@sunnyvale.ca.gov

REPORT IN BRIEF

The Lawrence Station Area Plan (LSAP) was adopted by the City Council on December 6, 2016, at which time the Council also directed staff to return with a plan to study additional housing opportunities within the LSAP area. Creating new opportunities for residential development near transit is consistent with the goals of the Sunnyvale General Plan and responds to a need in the community for additional housing.

An initial step in the study for additional housing opportunities in the LSAP is to select the preferred method to increase housing options. The chosen method will be used as the project description for evaluating environmental impacts and necessary plan amendments. The LSAP Plan Amendment and environmental review is expected to be completed in Spring 2019.

Staff is proposing three housing study alternatives for consideration (maps shown in Attachment 7 provides a visualization of these options):

- **Option 1 - Greater density:** This option would increase the maximum units per acre in zoning districts where residential development is already allowed in the LSAP.
- **Option 2 - Expand area for housing:** This would allow residential development in LSAP zoning districts that were not originally designated for residential uses.
- **Option 3 - Combination of Option 1 and 2**.

Staff recommends studying **Option 3** because it provides the most potential for residential growth while also preserving the opportunity for other land uses to be built within the LSAP district.

This item is scheduled for the City Council meeting of May 22, 2018, but it is planned for continuation for the meeting of June 26, 2018.

BACKGROUND

The City Council adopted the LSAP and certified the associated Environmental Impact Report (EIR) on December 6, 2016 (RTC No. 16-1108). The plan supports mixed-use office/research and development (R&D), residential and retail uses in the approximate ½ mile radius around the Lawrence Caltrain Station. The land uses and circulation identified in the plan support transit ridership, and provide improved access throughout the area for pedestrians, bicyclists, and motor vehicles. After the adoption of the LSAP, the City Council adopted the Horizon 2035 Land Use and

Transportation Element (LUTE) of the General Plan, which included the growth assumptions that were adopted with the LSAP.

During the approval hearing for the LSAP, the City Council discussed a higher number of housing units for the LSAP project area (2,323 units are allowable). The City Council adopted the LSAP without modifications to the number of housing units proposed, and provided direction to study an increase in the allowable number of housing units in the LSAP area. Adoption of the LSAP also included an implementation action to prepare a Sense of Place Plan to address design criteria for streetscape elements and prepare implementation requirements for the plan elements.

Following the adoption of the LSAP, the City Council allocated $200,000 to the LSAP Housing Study and Sense of Place Plan as part of the Fiscal Year 2017/2018 adopted budget (Project No. 833700). Staff has hired a consultant and commenced work on the Sense of Place Plan under the existing budget allocation; however, the scope for the environmental review and plan amendments associated with the increase in housing opportunities exceed the available funding allocated by the City Council. Additional funding needs are assumed in this project as part of the FY 2018/19 Recommended Budget.

EXISTING POLICY

Sunnyvale General Plan, Lawrence Station Area Plan, and Climate Action Plan:
Key goals and policies from the General Plan (Land Use and Transportation and Housing Elements), Lawrence Station Area Plan, and Climate Action Plan that pertain to the housing study are provided below. See Attachment 3 for a full list of relevant goals and policies.

General Plan

Land Use and Transportation Element

Policy LT-14.2: Support the following adopted specialized plans and zoning tools, and update it as needed to keep up with evolving values and new challenges in the community: Downtown Specific Plan, Lakeside Specific Plan, Arques Campus Specific Plan, Lawrence/101 Specific Plan, Precise Plan for El Camino Real, Moffett Park Specific Plan, Peery Park Specific Plan, and Lawrence Station Area Plan.

Housing Element

Policy HE-4.2: Continue to direct new residential development into specific plan areas, near transit, and close to employment and activity centers.

Lawrence Station Area Plan

Goal LU-G4: Although the plan allows for flexible use of property, a balance should be found to ensure the mix of uses remains diverse at all times.

Goal LU-G10: Maximize development intensities in order to support transit usage.

ENVIRONMENTAL REVIEW

The requested direction on choosing which housing method to study does not require environmental review under the California Environmental Quality Act (CEQA) in that it can be seen with certainty that there is no possibility that providing a recommendation or direction may have a significant effect on the environment (CEQA Guidelines Section 15061(b)(3)). In addition, this action falls under the exception in Section 16262 of the CEQA Guidelines for feasibility or planning studies for possible

future actions which have not yet been approved, adopted, or funded. If the Council decides to select a preferred method for providing additional housing, staff will conduct the appropriate environmental review required by CEQA to determine whether any new significant impacts will occur or new mitigation measures are required, and will prepare the appropriate CEQA document which may include an addendum to the existing EIR, mitigated negative declaration, or supplemental EIR.

The certification of the EIR for the LSAP includes a Statement of Overriding Considerations for the following significant and unavoidable environmental impacts after implementation of mitigation measures:

- Construction air quality
- Cumulative air quality
- Traffic operational impacts at certain intersections and freeway segments

See Attachment 4 for a table from the LSAP EIR detailing the environmental impacts and mitigation measures associated with the existing plan.

DISCUSSION

The purpose of the LSAP is to promote greater use of the Lawrence Caltrain Station and guide the development of a new urban neighborhood centered on a Caltrain station with a mix of land uses that allow people to access their homes, jobs, recreational facilities, and neighborhood goods and services within proximity of one another, reducing their dependence on the automobile. To support transit use, the plan allows the highest development intensity within walking distance of the station. The plan is based on guiding principles of allowing diverse and flexible land uses, dense station area development, improving connectivity, and establishing unique neighborhood character and identity.

LSAP Development Capacity

The adopted LSAP allows for a maximum development capacity of 2,323 net new housing units and 1.2 million net new square feet of office/R&D development. This buildout level was studied in the EIR for the LSAP to ensure that long-term development within the plan area would not adversely impact the environment or exceed the capacity of infrastructure systems necessary for the growth. Since adoption of the plan, two large projects were approved using the development allowances in the LSAP: a mixed-use project with residential units and commercial uses at 1120-1130 Kifer Road by Greystar; and, a new office campus for Intuitive Surgical at 1050 Kifer Road.

When the LSAP was adopted, a temporary capacity was established to provide an opportunity to periodically review residential and office/R&D development in the LSAP to ensure a balance of use types. The program requires staff to advise the City Council as development nears or reaches the temporary cap; providing City Council an opportunity to review use types and consider amending the cap to ensure an appropriate balance of uses. As the following two tables demonstrate, the two land uses are relatively in balance. Development approvals are slightly higher for the office/R&D uses; when considering a preliminary review request submitted for a 743-unit residential project at the Calstone/Peninsula Building Materials site south of the station the residential is higher and if it is formally submitted and approved, the Phase I allocated units will be used up.

Approved Projects in the LSAP

	Total (net)	Temp Cap (net)	Approved (net)	% of Total	% of Phase I
Residential	2,323	1,160	520	23%	45%
Office/R&D	1,200,000	650,000	392,000	33%	60%

Approved plus Potential Projects in the LSAP

	Total (net)	Temp Cap (net)	Approved + Potential (net)	% of Total	% of Phase I
Residential	2,323	1,160	1,263	54%	101%
Office/R&D	1,200,000	650,000	392,000	33%	60%

LSAP Housing Opportunities

The LSAP area has a total of six zoning designations. Residential development is currently allowed in four of the zoning districts:

- Mixed-use zoning designations: MXD-I, MXD-II, and MXD-III, which includes the area north of the railroad tracks from the western boundary to Calabazas Creek and the Calstone/Peninsula Building Materials site south of the railroad tracks;
- High density residential: R-5 located on Willow Avenue.

Residential is currently **not** allowed in two areas of the plan:

- Industrial: M-S/LSAP, all property north of the railroad tracks east of Calabazas Creek (outside the ½ mile radius from the Caltrain station);
- Mixed-use office/retail: Designated O-R, the properties north of Reed Avenue between Willow Avenue and Lawrence Expressway.

Most the 2,323 residential units allowed by the Plan are focused in the MXD-zoned areas. See Attachment 6 for a map of the existing zoning designations.

In the adopted LSAP, properties that are located closer to the Caltrain station (properties north of the railroad tracks and zoned MXD-I) require a higher minimum density than those further from the station, but the maximum density is the same throughout the MXD-I and MXD-II-zoned areas. Properties in the MXD-I, MXD-II, and MXD-III areas have a flexible mixed-use zoning designation that allows residential or office uses, or both. This type of zoning is responsive to potential market changes and provides the opportunity for people to live, work, and recreate in the same general area.

The LSAP includes an incentive program that can be used to maximize the buildout of properties. The incentives were selected to achieve the vision and goals of the plan, such as improving access to the Caltrain station, and contributing towards the vision and goals of the LSAP. Projects that incorporate incentive elements can increase the density allowed on a given parcel up to the specified maximum allowable density. To view the entire LSAP incentive program, see Attachment 5.

Housing Study Alternatives
Staff has identified three options for the study to increase the number of residential units in the LSAP:

1. Increase the total number of allowable units and the maximum density allowed in the MXD-I and MXD-II-zoned areas;
2. Expand the areas that allow residential areas to the M-S/LSAP areas east of Calabazas Creek and amend the zoning for the properties on Reed Avenue between Willow Avenue and Lawrence Expressway from O/R (office/retail) to a mixed-use residential designation.
3. Both options 1 and 2 above.

In addition to these options, staff considered developing criteria that would allow existing industrial buildings to be converted to residential uses to reduce the cost of building residential units, and/or allowing the Kifer Commerce Park industrial condominium property to allow a percentage of units to be converted to residential purposes to allow potential live-work units. These options could be considered as well, but the potential new residential units may not be sufficient to address the Council direction to study more housing opportunities in the Plan area.

The table below shows the number of units that could be provided through the options identified as the alternatives. All three alternatives include an increase in residential density beyond what is currently allowed, and still retains the ability for flexible mixed-use development within the LSAP. The maps depicting each alternative are in Attachment 7 and a comparison table is below.

Zoning District	**Existing Max. Density w/ incentives**	**Option 1- Increased Density**	**Option 2- Expand area**	**Option 3- Both 1 and 2**
MXD-I	68 du/ac	100 du/ac +803 units	No change	100 du/ac +803 units
MXD-II	68 du/ac	100 du/ac +961 units	No change	100 du/ac +961 units
MXD-III	54 du/ac	No change	No change	No change
O-R	0	N/A	54 du/ac +166 units	54 du/ac +166 units
M-S/LSAP	0	N/A	54 du/ac +909 units	54 du/ac +909 units
R-5	Based on lot area. See SMC Table 19.30.040.	No change	No change	No change
Additional units		**1,764**	**1,075**	**2,839**
Current LSAP buildout - units		2,323	2,323	2,323
Possible Revised Buildout		**4,087**	**3,398**	**5,162**

Option 1 - Increase Density
This option consists of increasing maximum allowable densities (with incentives) at MXD-I and MXD-

II properties only, and raising the LSAP development capacity to accommodate the net new unit potential. MXD-I and MXD-II properties are located north of the tracks along Kifer Road, Lawrence Station Road, and Sonora Court, and currently allows a maximum residential density of 68 du/ac with incentives. Option 1 would potentially increase the maximum allowable density with incentives to 100 du/ac, which staff estimates could add approximately 1,764 net new units (803 units in MXD-I and 961 units in MXD-II). In this scenario, the remaining LSAP development capacity would increase from 2,323 units to 4,087 units (including approved and pending development applications).

The MXD-I and MXD-II properties are within walking distance to the Lawrence Caltrain Station and the potential density increase is consistent with General Plan goals to provide higher residential densities near major transit stations. This option would evaluate potential compatibility issues because there are no existing residential uses adjacent to these parcels and the proposed density of 100 du/ac would be the highest allowable in the City.

Staff identified 17 opportunity sites consisting of approximately 55 acres in the MXD-I and MXD-II zoning districts where there is a reasonable potential for future redevelopment. The 1,764 net new units were obtained by subtracting the proposed maximum unit potential of 100 du/ac from the existing density of 68 du/ac on the opportunity sites. Parcels not included in the opportunity sites are those that have active development entitlements or recent construction, have multiple owners, or are unlikely to redevelop, such as the Costco parcels. All of the properties with lower redevelopment expectations would still be eligible to redevelop with higher density residential through the shared development reserve.

No changes are proposed in other zoning districts within the LSAP under this option and the option would not require rezoning or expansion of the boundaries where residential is allowed. In this scenario, staff has not included consideration of a density increase at the Calstone/Peninsula Building Materials site (MXD-III zoning) due to its proximity to existing medium density housing developments.

Option 2 - Expand Area for Residential
Option 2 consists of expanding the boundaries of where residential is allowed by rezoning M-S/LSAP and O-R properties to allow residential uses with a maximum allowable density of 54 du/ac with incentives. This would result in the potential for 1,075 new units (909 units in M-S/LSAP and 166 units in O-R). In this scenario, the LSAP development capacity would increase to 3,398 residential units (including the approved Greystar project). Staff has estimated the 1,075 potential new units by applying the maximum unit potential of 54 du/ac on all properties, then adjusting the yield of the full potential of M-S/LSAP properties by half because it is assumed that only a portion of the M-S/LSAP properties would redevelop to residential if a rezoning was to occur.

Under Option 2, no changes are proposed in other zoning districts within the LSAP and existing densities on MXD-I and MXD-II properties would remain the same.

Option 3 - Increase Density and Expanded Area
Option 3 combines Option 1 and Option 2 which would create the potential for 2,839 additional units for a total buildout of 5,162 units.

No changes are proposed to the other MXD-III and R-5 zoning districts within the LSAP under this option. Option 3 includes the highest increase in housing units and would be the most intensive

option to consider.

Housing Study Considerations

M-S/LSAP Properties

The M-S/LSAP properties consist of approximately 34 acres and are bounded by Calabazas Creek to the west; Kifer Road to the north; Uranium Drive to the east; and the railroad tracks to the south. The LSAP's original vision for this area was to remain an employment center and transition over time from lower intensity industrial to higher industrial/office/R&D intensities mainly because the area is outside the customary walking distance of the station (¾ miles away). In addition, there is a history of heavier industrial uses in this area that have been served by a rail spur that bisects the district.

Since the adoption of the LSAP, the City has received inquiries about the potential for residential on recent listings of M-S/LSAP properties for sale.

There are several considerations for introducing residential uses in this long-standing industrial area including the compatibility of residential uses adjacent to heavier industrial uses and the resulting noise, air quality, and aesthetics. Although the current LSAP allows residential and industrial uses to be located adjacent to each other, the expectation is that the newer office uses tend to be cleaner and quieter in nature. Another item to consider is the loss of potential sales tax revenue from business-to-business transactions on industrial properties and existing policies within the General Plan that encourage retention of industrial parcels for the City's economic base, and to allow smaller companies to locate.

Residential-industrial interface concerns would typically be addressed on a case-by-case basis as properties redevelop. These concerns could be proactively addressed with a plan amendment by limiting certain types of industrial uses or allowing residential uses only on a certain side of the rail spur. These considerations and others would be studied further if the M-S/LSAP district is included in the preferred alternative.

O-R Properties

The O-R properties consist of four properties totaling approximately three acres that are bounded by Willow Avenue to the west and north; Lawrence Expressway to the east; and Reed Avenue to the south. The LSAP envisions this area to remain as a mixed office/retail center catering mostly to local needs. Although these properties were previously zoned for transition from industrial to residential, residential was excluded in this area because of plans for the Lawrence Expressway Grade Separation Project, which may result in the taking of property and concerns for the impact of that project on residential uses. Details of the specific impacts of the grade separation on these properties have yet to be developed by Santa Clara County. Additionally, the site is situated to be an ideal location for retail and already provides neighborhood-serving commercial uses such as a grocery store and auto repair.

At the LSAP adoption hearings in 2016, the property owner of three of the four O-R properties expressed interest in redeveloping their property to a mixed-use product, including residential. This property owner does not own the parcel along Lawrence Expressway that would most be affected by the grade separation project.

Although the original reasons for not including residential in the O-R zoning district still exist, residential uses could be beneficial in this area because of its direct access to the station via Willow

Avenue. Allowing residential uses may also incentivize redevelopment, which would implement much needed pedestrian and bicycle improvements within the area. Consideration could be given for allowing residential only in a mixed-use scenario.

Additional Amendments to the LSAP Related to Increased Housing
If the Council chooses to study one of the proposed alternatives, staff will also study other changes associated with increased density allowances. This may include: allowable height limits, changes to the incentives program, and minimum and maximum densities without incentives.

Next Steps
Once the City Council selects a preferred land use alternative, work will begin on the LSAP Plan Amendment and environmental review, with anticipated completion in Spring 2019. It is expected that an additional outreach meeting, environmental scoping meeting, and two study sessions will be held before formal Planning Commission and City Council hearings for the adoption of the plan amendments and associated environmental review. In addition to the environmental impacts, economic considerations of the preferred alternative will also be studied as part of a Fiscal Impact Analysis and Market Study. Utility and infrastructure impacts will also be studied.

FISCAL IMPACT

Consultant Scopes of Work
The FY 2017/18 adopted budget included $200,000 for both the LSAP Housing Study and Sense of Place Plan (Project No. 833700). To date, $17,600 of those funds have been used to document existing traffic counts in the area. The City is also moving forward with a contract with Callander Associates for work on the Sense of Place Plan. The estimated costs for their work, with a 10 percent contingency, is $126,453. This would bring the budget available for the consultant work on the Housing Study (and required environmental review document) to $55,947. A separate RTC for an award of contract will be brought to the Council later.

For the Housing Study, the City has consulted with Ascent Environmental for environmental, economic, and engineering review services and Hexagon Transportation Consultants for transportation analysis. Personnel from both firms completed work on the existing LSAP. The firms have developed draft proposals for the different scopes of work (Attachments 8 and 9), both of which exceed the remaining budget. The cost for the environmental documents will be the same regardless of which option is chosen. The scopes assume that an EIR would be needed for the CEQA review. The adoption of the plan amendment could include the establishment of a Specific Plan Fee for the City's costs to be reimbursed, over time, as other properties within the LSAP are redeveloped or uses are changed. Below is a breakdown of costs:

STUDY	**CONSULTANT**	**COST**
Utility analysis, Water Supply Assessment, marketing and fiscal analysis)	Ascent Environmental	$108,286
CEQA Review - EIR	Ascent Environmental	$191,685
Contingency *10% of study costs*		$29,997
Sub-Total	Ascent Environmental	**$329,968**

Transportation Impact Analysis (with 10% contingency)	Hexagon Transportation Consultants	$117,700
Grand Total		**$447,668**
2017/18 budget in Project 833700		**$55,947**
Additional funding estimated for Project 833700		**$391,721**

PUBLIC CONTACT

Community Meeting

The City held a community meeting on April 11, 2018. Property owners and residents within 300 feet of the LSAP boundaries were notified, as well as the Ponderosa Park, Lakewood Village, and San Miguel neighborhood associations; City of Santa Clara; County of Santa Clara; and the local school districts. The meeting was held in an open house format at the Ponderosa Park Building at 811 Henderson Avenue. Over 42 community members attended the meeting.

The following comments were received at the meeting:

- Impacts to public services (schools, public safety) and infrastructure should be studied.
- Concern with the potential for more traffic congestion on Lawrence Expressway and nearby streets.
- Concern with potential loss of industrial properties if rezoning to residential.
- Concern with the potential for taller buildings to be built north of the tracks.
- Support for Option 3.
- More affordable housing is needed in the area.
- Questions on whether any other development standards (e.g. height, setbacks) or park in-lieu fees would change as part of this process.
- Questions on whether nonresidential land uses could still be built.

E-mail comments were received on the following (see Attachment 10):

- Potential privacy impacts from taller buildings north of the tracks.
- Support for Option 3.
- Increase density above 54 du/ac for Option 3

Notice of Public Hearing, Staff Report and Agenda:

- Published in the *Sun* newspaper
- Posted on the City of Sunnyvale's Web site
- E-mails sent to LSAP interested parties
- 1,968 notices were mailed to property owners and residents within 300 feet of the project as shown in Attachment 2
- Provided at the Reference Section of the City of Sunnyvale's Public Library
- Agenda posted on the City's official notice bulletin board

ALTERNATIVES

Recommend to the City Council:

1. Select Option 3 as the preferred alternative for study, which would increase the density allowance for MXD-I and MXD-II zoned areas and expand the area for housing as depicted in

Attachment 7.
2. Direct staff to proceed with the study to amend the Lawrence Station Area Plan and the related environmental review.
3. Option 1 or Option 2 as the preferred method to add housing opportunities
4. Consider one of the options with modifications such as total number of units, or density.
5. Take no action.

STAFF RECOMMENDATION

Recommend to the City Council: Alternatives 1 and 2: 1) select Option 3 as the preferred alternative for study, which would increase the density allowance for MXD-I and MXD-II zoned areas and expand the area for housing as depicted in Attachment 7 to the report, and 2) direct staff to proceed with the study to amend the Lawrence Station Area Plan and the related environmental review.

Staff supports Option 3 for several reasons:

- The option is consistent with the goals, policies and principles identified in the adopted LUTE and LSAP.
- The option retains the ability for flexible mixed-use development and allows other types of land uses, such as office/R&D, to be considered.
- The option responds to the need for more housing in Sunnyvale, and facilitates new residential development near transit which is also a strategy and goal of the Climate Action Plan to reduce greenhouse gas emissions.
- Studying the larger area and densities provides the City Council maximum flexibility when deciding on potential amendments to the Lawrence Station Area Plan.

Option 3 achieves LUTE and LSAP goals of locating higher density residential uses in proximity to transit and workplace destinations to reduce single-occupant vehicle trips and encourage use of other modes of transportation. Option 3 may also help accommodate future population growth by allowing higher density residential development in an area that is not directly adjacent to lower-density neighborhoods.

Selection of this alternative (or any other) does not require the Council to amend the LSAP to include the associated housing increases, it merely allows staff to study the full extent of the impacts associated with the increase in housing units. These impacts would then be disclosed to the community as an aid for deciding how best to amend the LSAP to include additional housing opportunities.

The City would initially fund the costs to prepare the plan amendment and associated environmental and traffic studies, but would recover the costs in the future with adoption of a Specific Plan Fee. This fee would be charged to all future development projects in the plan area for their pro rata share of the study preparation costs as well as ongoing maintenance costs.

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Reviewed by: Trudi Ryan, Director of Community Development
Reviewed by: Tim Kirby, Finance Director
Reviewed by: Teri Silva, Assistant City Manager

18-0259 **Agenda Date:** 5/14/2018

Approved by: Kent Steffens, City Manager

ATTACHMENTS

1. *Not Used, Reserved for Report to Council*
2. Noticing Map
3. Key Goals and Policies from Existing Planning Documents
4. Existing LSAP Environmental Impacts and Mitigation Measures
5. LSAP Incentives Program
6. Existing LSAP Housing Allowances Map
7. Housing Study Alternatives Maps
8. Draft Proposal for Environmental, Economic, and Engineering Services
9. Draft Proposal for Transportation Impact Analysis
10. Public Comments