



# City of Sunnyvale

## Agenda Item

18-0521

Agenda Date: 6/25/2018

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### REPORT TO PLANNING COMMISSION

#### SUBJECT

##### **Proposed Project:**

**SPECIAL DEVELOPMENT PERMIT** to redevelop a commercial site (Denny's) into a five-story mixed-use building consisting of 4,860 square feet of restaurant floor area (Denny's) and 75 residential units (rental apartments) utilizing the State Density Bonus and City's Green Building Incentive for density bonus.

**VESTING TENTATIVE MAP** to create 75 residential condominium units and 1 commercial condominium unit.

**Location:** 311 South Mathilda Avenue (APN: 165-13-050)

**File #:** 2017-7379

**Zoning:** DSP15 - Downtown Specific Plan Block 15

**Applicant / Owner:** Lane Partners (applicant) / C B Development 5no Five Inc (owner)

**Environmental Review:** Mitigated Negative Declaration

**Project Planner:** Momoko Ishijima, (408) 730-7532, mishijima@sunnyvale.ca.gov

#### REPORT IN BRIEF

**General Plan:** Transit Mixed Use

**Zoning:** DSP15 - Downtown Specific Plan Block 15

**Existing Site Conditions:** Restaurant

##### **Surrounding Land Uses**

**North:** Commercial and single family residences

**South:** Single family and multi-family residences

**East:** Sunnyvale Downtown District

**West:** Single family and multi-family residences

**Issues:** Land use compatibility and Sunnyvale Municipal Code (SMC) deviations for building stories and setback.

**Staff Recommendation:** Alternative 1: Make the findings required by CEQA in Attachment 3, adopt the Mitigated Negative Declaration, and approve the Special Development Permit and Vesting Tentative Map with the recommended findings in Attachment 3 and conditions of approval in Attachment 4.

#### BACKGROUND

##### **Description of Proposed Project**

The project site is 1.01 acres in size and is currently occupied by a one-story 4,057 square foot Denny's restaurant building. The applicant proposes a Special Development Permit and a Vesting Tentative Map application for the construction of a 75-unit rental apartment with a 4,860-square foot commercial space on the ground floor. The applicant proposes to utilize the California State Density Bonus for affordable housing and the City's Green Building incentive for a density bonus. The project proposes to include 11% or six (6) very low income Below Market Rate (BMR) units (50% of the area

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median income or AMI).

- Special Development Permit  
A Special Development Permit (SDP) is required for the site and architectural review on project sites located in the Downtown Specific Plan (DSP) zoning designation. A SDP allows for the consideration of deviations from specified development standards in exchange for superior design, environmental preservation or public benefit.
- Vesting Tentative Map  
The Vesting Tentative Map is required prior to a Final Map for the creation of 75 residential condominium units and one (1) commercial condominium unit. The Vesting Tentative Map shows the location of the proposed lot lines, easements, and other improvements (see Attachment 6). A Vesting Tentative Map grants the developer the right to build the project for the life of the map and secures the approved project against future Sunnyvale Municipal Code (SMC) amendments that might otherwise affect the project. The Vesting Tentative Map is valid only in conjunction with the approved site plan and conditions of approval. The Tentative Map conditions of approval are listed in Attachment 4. The Final Map is approved and recorded by the Director of Public Works and must be in substantial conformance to the Vesting Tentative Map.

See Attachment 1 for a map of the vicinity and mailing area for notices and Attachment 2 for the Data Table of the project.

### **Previous Actions on the Site**

The Use Permit (#1307) for the construction of a Denny's restaurant was approved by the Planning Commission on July 11, 1966. The 4,057-square foot one-story restaurant building was constructed in 1967 and has been in continuous operation as a 24-hour restaurant.

The Downtown Specific Plan was adopted by the City Council in 2003 (updated in 2013) and contains policies, design guidelines, and development standards for the approximately 125-acre plan area bounded by the railroad to the north, Bayview Avenue to the east, El Camino Real to the south, and Charles Street to the west. The project site is located on Block 15, which is on the west boundary of the Downtown Specific Plan. Block 15 is bounded by South Mathilda Avenue to the east, Charles Street to the west, West McKinley Avenue to the north, and West Iowa Avenue to the south. Block 15 is designated for very high density housing (total 152 units in the block) and a maximum of 10,000 square feet of retail commercial as primary uses.

### **EXISTING POLICY**

**General Plan Goals and Policies:** Key goals and policies from the General Plan Land Use and Transportation Chapter, Housing Element, and Downtown Specific Plan which pertain to the proposed project are provided in Attachment 3.

The current zoning of DSP15 allows for high density residential and mixed use type developments. The proposed use attains the objectives and purposes of the General Plan of the City of Sunnyvale and the Downtown Specific Plan by providing a transit and pedestrian oriented mixed-use (commercial and residential) development that supports the diversified uses of the Downtown.

**Applicable Design Guidelines:** The Downtown Specific Plan includes Design Guidelines which

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provide recommendations for site layout, architecture, and design. These guidelines are referenced in the discussion and analysis below as well in Attachment 3.

### **ENVIRONMENTAL REVIEW**

A Mitigated Negative Declaration has been prepared in compliance with California Environmental Quality Act (CEQA) provisions and City guidelines (see Attachment 5). An Initial Study determined that construction of the proposed project would not experience or create any significant environmental impacts with implementation of the recommended mitigation measures. Environmental issues that required mitigation include potential impacts to historical and cultural resources and noise. The Mitigation Measures have been incorporated as Conditions of Approval (see Attachment 4).

### **DISCUSSION**

#### **Present Site Conditions**

The Project site is located at 311 South Mathilda Avenue on the southwest corner of South Mathilda Avenue and West McKinley Avenue. The project site has three frontages with South Mathilda Avenue to the east, West McKinley Avenue to the north, and Charles Street to the west. The Cityline (Sunnyvale Town Center) project is to the east across South Mathilda Avenue. The vacant lot directly across the street on the southeast corner of South Mathilda Avenue and West McKinley Avenue is currently under review for a modification to the approved Cityline project for retail and office use.

The approximately 1-acre site is currently occupied by a one-story restaurant building on the northeast corner of the lot, and surrounded by an asphalt parking lot. The 4,057-square foot restaurant is operated by Denny's and open 24 hours each day. The site currently has driveway access from all three frontages. The project site is located near several transit routes, including a bus service operated by the Santa Clara Valley Transportation Agency (VTA) and a passenger rail service operated by Caltrain. The VTA bus service stop for Route 54 is located directly in front of the project site at the South Mathilda Avenue frontage. The Sunnyvale Caltrain Station is located 0.3 mile to the northeast of the project site.

#### **Special Development Permit**

**Use and Site Layout:** The application is for the removal of the existing restaurant building and the construction of a mixed-use development with 75 residential units and a 4,860-square foot restaurant on the ground floor. The proposed project includes eight (8) studio, 41 one-bedroom, and 26 two-bedroom apartment units that range in size from 596 square feet to 1,376 square feet. The footprint of the proposed building will occupy most of the site with 72% lot coverage, and massing that ranges from two stories on Charles Street to five stories on South Mathilda Avenue above one level of subterranean parking. The massing steps up from two to three, three to four, four to five (from west to east) to provide a gradual stepping transition from two to five stories.

The front entrance of the restaurant is proposed to be maintained on South Mathilda Avenue with a driveway at approximately the same location as the current driveway along South Mathilda Avenue. The enclosed ground-level parking is for patrons and employees of the restaurant only and will be accessed from the driveway on South Mathilda Avenue, which will be limited to right turn in and right turn out. The apartment driveway entrance and leasing office will be located on West McKinley Avenue and leads to a below-grade parking garage for residential tenants and their guests only. A third driveway, located on Charles Street, will be available only for solid waste and recycling services and a loading zone for residential and restaurant delivery trucks.

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The development provides sufficient indoor and outdoor amenities for the future residents including a clubroom, fitness room, rooftop patio/deck, and an outdoor courtyard that includes seating and a cooking area.

**State Density Bonus:** Chapter 19.18 of the SMC allows a density bonus of up to 35 percent above the maximum allowable density if the project provides affordable units in accordance with the State Density Bonus Law (California Government Code Sections 65915 through 65918). To be eligible for the density bonus, State law requires at least five percent of the base units to be available to very-low income (VLI) households. To qualify for the maximum 35 percent density bonus, a project must provide a minimum of 11 percent VLI units.

Block 15 of the Downtown Specific Plan has an associated density of 54 units per acre which will allow for a maximum 54 units on this 1.01-acre site. To reach the proposed 75 units, the project intends the following:

- Apply the 35% California State Density Bonus Law by providing six 'very low' income units at 50% of the area median income (11% of the total number of units), which adds 19 additional units.

**Green Building:** A minimum of 80 points on the GreenPoint Rated checklist are required for new multi-family residential construction. With 110 points or greater, the project may increase building height, lot coverage, or density. A preliminary GreenPoint Rated checklist was prepared by the applicant with 110 points targeted. The applicant proposes to utilize the incentive to increase allowable density by an additional 5 percent.

- Use the City of Sunnyvale's 5% Green Building Density Bonus to provide additional two (2) units.

**Development Standards:** The project complies with most of the applicable development standards in the SMC, such as lot coverage, parking, and solar access.

#### State Density Bonus Concessions

The project applicants are allowed two concessions from development standards for projects that include at least 10% very low income units [Government Code Section 65915 (d)(2)(B)]. This project is requesting the following two concessions:

- DSP Block 15 has a building height limit of 50 feet on South Mathilda Avenue (SMC 19.28.090). The proposed project will have a building height of 65 feet.
- Landscaping: Sunnyvale Municipal Code (SMC) 19.28.110 requirements for landscaping is 20% (8,960 square feet) of the lot area. The project proposes 13.2% (5,901 square feet) landscaping area.

#### Requested Deviations

In addition to State Density Bonus law related concessions, deviations from certain development standards such as height, setback or lot coverage requirements in the Sunnyvale Municipal Code (SMC) may be considered by the decision-making bodies with the SDP application. The project includes the following deviations:

- DSP Block 15 has a limit of 4 stories on South Mathilda Avenue (SMC 19.28.090). The proposed project will have 5 stories on South Mathilda Avenue. Staff is supportive of the deviation

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as the project steps down to two stories on the Charles Street side and the increased building stories on South Mathilda Avenue is necessary to provide the requested density and allow for the BMR units.

- The setback requirement on the Charles Street side is 10 feet [SMC 19.28.100(e)]. The proposed setback on Charles Street is 6 feet 4 inches. Staff is supportive of the deviation because the property line jogs in and there is a six-foot difference as compared to the location of the property line of the adjacent neighbors and the project would appear to be providing a 12-foot 4-inch setback.
- Recycling and solid waste enclosures must be located within 150 feet of any dwelling unit [SMC 19.38.030(e)(1)(k)]. The project proposes a trash room with a trash chute, located on the south side of the building, on each residential floor. A secondary trash vestibule will be located on the north side of the building on each residential floor for the convenience of residential units located more than 150 feet from the trash chute. Trash collected in the trash vestibules will be transferred to the main Trash Discharge Room on the ground floor by the apartment maintenance staff. Staff is supportive of the deviation despite the secondary trash vestibules not having direct access to the recycling and solid waste enclosure (Trash Discharge Room), it provides an alternative trash disposal room within 150 feet distance which would be serviced by the maintenance staff. The residents also have the option to walk the longer distance to the trash chute for direct disposal.

The Project Data Table in Attachment 2 summarizes the project's compliance with Sunnyvale Municipal Code development standards.

**Architecture:** The project architecture is contemporary, with rectilinear wall and roof forms, white, brown and grey stucco exterior, and taupe and wheat horizontal siding. Decorative accents include cedar rain screens, metal seamed roof, metal awnings, and decorative perforated metal and glass balcony railings.

The South Mathilda Avenue elevation includes the main entrance for the Denny's restaurant on the ground floor which is distinguished with the application of wood siding, cedar rain screens, and large storefront windows with black surrounds. The residential units on the second floor are setback between eight (8) ~ 15 feet from the face of the restaurant. The façade on South Mathilda Avenue have varying projections and height which break up the vertical massing. The northeast corner of the building is recessed with a small landscaped plaza and accentuated on the top floor with a large roof overhang and eave with metal and wood siding on the exterior.

The West McKinley Avenue elevation gradually steps down from five to four and four to three stories from South Mathilda Avenue to Charles Street. The main entrance for the apartment residences and the leasing office are located on the ground floor on West McKinley Avenue. The façade on West McKinley Avenue also has varying projections and height which break up the vertical massing.

The Charles Street elevation is designed as two story residences which provide an interface compatible with the single-family, duplex and low scale multi-family apartments that are located on Charles Street. Front stoops are maintained along the ground-floor units to provide a linkage to the street. The two-story residences have been designed to be less contemporary incorporating more traditional elements that relate to the neighborhood, such as wood siding on the exterior and low pitched shed and flat roofs.

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**Setbacks:** The project site has three frontages. SMC 19.28.100(e) requires a 5-foot minimum and 10-foot average setback along South Mathilda Avenue and a minimum 10-foot setback on West McKinley Avenue and Charles Street. The project meets the required setbacks, except for the deviation for the Charles Street frontage.

**Landscaping and Tree Preservation:** The project is required to provide a minimum of 20% landscaping per SMC 19.28.110. The project proposes 13.2% or 5,901 square feet of landscaping where 20% is required. The proposed development is an urban project with 72% lot coverage with below grade parking. Some of the deficiencies in the landscaping is offset by the outdoor amenities and open space in the courtyard and roof patios.

Out of the 17 trees proposed for removal, 16 are considered “protected” per SMC 19.94. Protected sized trees are required to be replaced per the City’s Tree Replacement Policy. Two non-protected trees are located on adjacent properties and will be preserved during construction. The project site is characterized by an abundance of palm trees with nine Canary Island date palm trees and nine Mexican Fan Palm trees. Tree removals are required due to the construction of a below grade parking garage and the building footprint exceeding 72%. One protected sized California Pepper tree is located in the middle of the project site. Tree removal is reviewed through the Special Development Permit process and replacement trees are required to be planted as a condition of the approval. There are 13 trees proposed for removal which are in the public right-of-way, of which six are protected sized trees. New street trees will be planted per City standard specifications.

**Solid Waste and Recycling Access:** Recycling and solid waste is collected on the ground floor from trash chutes and trash vestibules on each floor and brought to the main trash enclosure (Trash Discharge Room) on the southwest corner of the building where regular trash pick-up will be scheduled on the driveway on Charles Street. The restaurant recycling and solid waste will also be transferred from the restaurant to the Trash Discharge Room. The Trash Discharge Room will be internal to the building and will not be visible.

**Parking:** The minimum number of parking spaces required for a 4,860 s.f. restaurant use is 45 spaces (SMC 19.28.140) or 1 space per 110 square feet of floor area. The project provides 47 spaces within a parking area on the ground floor accessed from South Mathilda Avenue. The project proposes 14 bicycle spaces where a minimum of three unsecured bicycle racks are required. Bicycle racks are proposed outside in front of the restaurant on South Mathilda Avenue and inside the parking garage.

The residential portion of the project qualifies for the reduced parking under the State Density Bonus Law which is 0.5 parking spaces per bedroom (51 parking spaces). The project exceeds the parking requirement by providing 82 parking spaces. The residential parking would be located below grade with access from West McKinley Avenue. The project proposes 54 bicycle parking spaces for the residential component of the project where 19 is required. Overall, the project exceeds the vehicle parking requirement by 37 parking spaces.

**Transportation Demand Management (TDM):** The SMC requires all new multi-family residential uses to participate in a TDM program. A minimum of 7.5 points is required from the menu of strategies in the City’s TDM program. The project attains 14.5 points (see Attachment 9 for information concerning the TDM plan).

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**Traffic:** A Traffic Impact Analysis was prepared for the project by Wood Rodgers Inc., dated April, 2018. Trips from the existing 4,057-square-foot Denny's restaurant were subtracted from the proposed project's trip generation. The resultant traffic is anticipated to generate a total of 503 daily, 39 AM peak hour (8 inbound, 31 outbound), and 52 PM peak hour (35 inbound, 17 outbound) net new trips under typical traffic demand conditions. This TIA report analyzed 17 study intersections and based on direction from City staff, the "Cumulative plus Project" scenario in this TIA also included analysis of traffic from a proposed Affordable Housing Development located just south of the project site on the northwest quadrant of the South Mathilda Avenue / Iowa Avenue intersection. Based on the VTA and City of Sunnyvale significance criteria used in this TIA, the project was found to have "less than significant" impacts on all 17 study intersections under "Existing plus Project", "Background plus Project", and "Cumulative plus Project" AM and PM peak hour conditions.

The site has significant limitations given the relatively small dimensions, requirement for separate parking areas for the restaurant and the residential units, and the Downtown Specific Plan (DSP) policies to not have a driveway onto Charles Street. The site was designed to maintain the driveway to the restaurant from South Mathilda Avenue in order to separate the commercial use from the adjacent residential neighborhood. Although there are limited sight distances for the driveway from West McKinley Avenue into the below-grade residential parking lot, staff and the Department of Public Works Traffic and Transportation Division will allow left turns westbound on West McKinley Avenue into the project driveway and right turn only out on eastbound West McKinley Avenue to meet the restriction of the DSP to having a driveway directly on Charles Street. The loading area and trash enclosure could not be accommodated on either South Mathilda Avenue nor West McKinley Avenue, so it was located along Charles Street since the use of this driveway will be relatively limited.

Neighbors have also raised concerns about parking, specifically overflow parking from the restaurant at peak times and allowing access to the residential units from Charles Street. Maintaining the restaurant pedestrian entrance and driveways to the parking area to the South Mathilda Avenue side of the project should mitigate that impact. Also, providing the driveway to the residential parking area from West McKinley Avenue will eliminate an entrance directly to Charles Street.

In addition, staff will be reviewing the landscaping, building projections, and no parking zones adjacent to the driveways during the onsite and offsite improvement plan reviews.

**Usable Open Space and Amenities:** Usable open space is provided within the patios and the courtyards in the center of the project on the second floor. The project exceeds the minimum requirement by providing 113 square feet per unit where 50 square feet minimum is required. The development will provide sufficient indoor and outdoor amenities for the future residents including a clubroom, fitness room, rooftop patio/deck, and an outdoor courtyard that includes seating and a cooking area.

### **Easements and Utilities**

Existing curb cuts and driveways on all frontages would be removed, and new curb, gutter, sidewalks, driveway approaches, street trees and street lights will be installed in the public right-of-way per City standard specifications. On South Mathilda Avenue and West McKinley Avenue, the improvements shall be upgraded per Downtown Streetscape Standard Detail requirements. Per the Mathilda Avenue Plan Line, a 15-foot wide street dedication in the form of an easement is required on South Mathilda Avenue and will include the installation of a 12-foot wide attached sidewalk with 4-foot

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square tree wells. Overhead utilities along the project frontage on the West McKinley Avenue and Charles Street frontages will be required to be undergrounded or relocated.

### **FISCAL IMPACT**

The project proposes to retain the long-standing restaurant which will be comparable in size and is expected to be brought up to modern standards. The project is subject to payment of the traffic and park in-lieu fees to the City and school impact fees to the Sunnyvale School District as noted in the Conditions of Approval. The project is not expected to have a negative fiscal impact to the City.

### **PUBLIC CONTACT**

#### **Neighborhood Outreach Meeting**

The applicant held a community outreach meeting on February 15, 2018. Property owners and residents within 2,000 feet of the site were notified. The meeting was held at the Washington Park Building. Over 20 community members attended the meeting. The project's density and the proposal to provide affordable units were generally well received. The neighborhood concerns were regarding the impacts to existing residents on Charles Street due to overflow parking from both the restaurant and the project's residents, quality and scale of the residential units facing Charles Street, and solid waste service and pick-up on Charles Street.

#### **Planning Commission Study Session**

A study session was held with the Planning Commission on February 26, 2018. At the study session, Commissioners provided comments related to the site layout and architecture of the project. The Planning Commissioners commented favorably to the architecture. Concerns were noted regarding the harsh color contrast of the third story behind the two-story residences as viewed from Charles Street, the request to include stoops on the residences facing Charles Street, removal of palm trees from the proposed tree selection, request to use more aluminum windows instead of vinyl windows, and increase more affordable units. The applicant addressed the Planning Commissioners concerns by providing revised color schemes with more complementary and including stoops on the residences along Charles Street. Regarding the removal of palm trees, the applicant is proposing to retain some of the palm trees as it relates to Denny's historical identity. Higher quality vinyl windows will be proposed as the differences between vinyl and aluminum windows are minimal with the appropriate manufacturer. In terms of the number of affordable units, the project meets the State and City requirements by providing 11% VLI units.

#### **Public Comments**

As of the date of staff report preparation, staff has received five comments from the neighbors related to the project (See Attachment 10). Four of the comment letters expressed concerns related to the density, height, and impacts on Charles Street/Washington Park neighborhood residents for both parking and traffic. One comment letter recommended a taller project to provide more units.

#### **Notice of Public Hearings**

- Published in the Sun newspaper
- Posted at the site
- 3,054 notices were mailed to property owners and tenants within 2,000 feet of the project as shown in Attachment 1
- Notices were sent to the Charles Street 100 Neighborhood Association, Sunnyvale West



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Neighborhood Association and Heritage District Neighborhood Association

### Staff Report

- Posted on the City of Sunnyvale's web site
- Provided at the Reference Section of the City of Sunnyvale's Public Library

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- Posted on the City's official notice bulletin board
- Posted on the City of Sunnyvale's web site

### ALTERNATIVES

1. Make the findings required by CEQA in Attachment 3, adopt the Mitigated Negative Declaration, and approve the Special Development Permit and Vesting Tentative Map with the recommended findings in Attachment 3 and conditions of approval in Attachment 4.
2. Make the findings required by CEQA in Attachment 3, adopt the Mitigated Negative Declaration, and approve the Special Development Permit and Vesting Tentative Map with the recommended findings in Attachment 3 and modified conditions of approval in Attachment 4.
3. Do not make the required findings and direct staff where changes should be made.
4. Deny the project.

### STAFF RECOMMENDATION

Alternative 1: Make the findings required by CEQA in Attachment 3, adopt the Mitigated Negative Declaration, and approve the Special Development Permit and Vesting Tentative Map with the recommended findings in Attachment 3 and conditions of approval in Attachment 4.

The project site is located in the Downtown Specific Plan Area, and zoned for high density residential and commercial mixed-use developments. The proposed project retains the long-standing commercial restaurant onsite and proposes to redevelop the site with a variation of housing sizes and types including six (6) very low income housing units. The proposed use attains the objectives and purposes of the General Plan of the City of Sunnyvale and the Downtown Specific Plan by providing a transit and pedestrian oriented mixed-use development that supports the diversified uses of the Downtown while providing a lower profile interface to the residential neighborhood on Charles Street.

Prepared by: Momoko Ishijima, Associate Planner

Reviewed by: Gerri Caruso, Principal Planner

Approved by: Andrew Miner, Assistant Director of Community Development

### ATTACHMENTS

1. Noticing and Vicinity Map
2. Project Data Table
3. Recommended Findings
4. Recommended Conditions of Approval
5. Mitigated Negative Declaration
6. Site and Architectural Plans
7. Applicant Project Description
8. Green Point Rated Checklist
9. Transportation Demand Management Plan
10. Letters from Neighbors

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