



City of Sunnyvale

Agenda Item

20-0342

Agenda Date: 7/27/2020

REPORT TO PLANNING COMMISSION

SUBJECT

Proposed Project: Introduction of an Ordinance Approving and Adopting a **DEVELOPMENT AGREEMENT** between the City of Sunnyvale and STC Venture LLC (CityLine) and related entities: STC Venture Block B, LLC; STC Venture 200WA, LLC; STC Venture Block 3RWS, LLC, and STC Venture Block 6, LLC

File #: 2020-7182

Zoning: DSP Block 18

Applicant / Owner: STC Venture LLC (applicant/owner)

Environmental Review: Environmental Impact Report

Project Planner: Trudi Ryan, tryan@sunnyvale.ca.gov

REPORT IN BRIEF

General Plan: Downtown Specific Plan

Existing Site Conditions: Mixed use retail/residential/office, vacant department store, structured and surface parking and current construction of residential and retail uses.

Surrounding Land Uses:

North: Historic Murphy Avenue; Mixed use residential/retail

South: Low-medium density residential, small offices

East: Plaza de las Flores senior housing, commercial uses, low-medium density residential.

West: (across Mathilda) mixture of low-medium density residential, commercial, and high density residential (under construction)

Issues: Benefits to the City and the Developer

Staff Recommendation: Recommend to City Council: Introduction of an Ordinance Approving and Adopting a Development Agreement between the City of Sunnyvale and STC Venture LLC (CityLine) and related entities: (STC Venture Block B, LLC; STC Venture 200WA, LLC; STC Venture Block 3RWS, LLC, and STC Venture Block 6, LLC)

BACKGROUND

Description of Proposed Project

The Development Agreement applies primarily to a portion of a larger site, commonly referred to as CityLine (and sometimes referred to as the former Sunnyvale Town Center mall site). The larger development area is approximately 34 acres. The Project that is the subject of the Development Agreement applies primarily to Sub-blocks 1, 3, and 6 of Block 18 of the Downtown Specific Plan (DSP). See Attachment 4 for a map of the vicinity and mailing area for notices.

The Development Agreement would allow development that exceeds the published residential density and office intensity in an updated DSP; the DSP will be considered for update by the City

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Council on August 11, 2020. The full buildout of the Project is for an office, residential, retail and publicly accessible open space development. The Project subject to this Development Agreement will consist of the following development:

	Residential Units	Retail Square Footage	Office Square Footage
Base	525	181,931	387,000
Affordable Housing Density Bonus	210	N/A	N/A
Commercial Core Community Benefit Housing Bonus	58	N/A	N/A
Office Bonus		N/A	265,801
TOTAL	793	181,931*	652,801

**Retail Square Footage is allowable new construction-net new is 4,131 square feet after demolition of 177,800 square foot department store building on Sub-Block 3. In accordance with the Specific Plan, office square footage may be substituted with retail.*

Previous Actions on the Site

The entire site which is under STC Venture LLC ownership (and the various related LLCs), plus the Target site, is located in a former Redevelopment Project area and is covered by a number of agreements and planning permits. The site is currently approved for:

- 1,000,000 square feet of retail (including Macy's, Target, and a movie theater with up to 1,800 seats)
- 315,000 square feet of office
- 292 housing units (of which 12.5% are income restricted to low-income households),
- Hotel with up to 200 rooms
- Redwood Square
- Associated parking (much of which is available for the general public to use for Downtown activities)

The applicant acquired the site in 2015 and 2016 after several years of stalled construction; the applicant has implemented a few changes, including updating architectural features and completing 198 apartment units, removing steel from the Redwood Square area and making temporary Redwood Square improvements (e.g., lawn, benches, bike station, vehicle parking). There is currently construction on the site for additional housing units, retail tenant improvements, another retail building (for Whole Foods Market and AMC Movie Theater) and related enhancements to the adjacent parking garage. There is currently no construction on the three primary sub-block areas that are subject to this Development Agreement.

On May 3, 2016 the City Council initiated a Downtown Specific Plan (DSP) Amendment study for the

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site. At the time, the Macy's site was under separate ownership and is now under the same control/ownership as the rest of the DSP Block 18 application. The study was incorporated into a larger study that includes sites in DSP Block 1a and DSP Block 22. An Environmental Impact Report (EIR) has been prepared for the DSP amendment and zoning code modifications, which will be considered at the same August 11, 2020 City Council meeting, prior to consideration of this Development Agreement. At the time the DSP amendment study was initiated there was a thought to reuse the Macy's building and add office above, however that concept has been abandoned by the owners to allow more design options and to enable underground parking to serve the office use. The Council action to initiate the study of office did not include a maximum amount of office square footage to study.

The City Council is scheduled to consider this item on August 11, 2020 in conjunction with the Downtown Specific Plan Amendment and the related development agreements.

EXISTING POLICY

The following are key goals and policies from the Land Use and Transportation Chapter of the General Plan and the adopted and the pending update to the Downtown Specific, which pertain to the proposed project. A more complete list of relevant General Plan and Downtown Specific Plan goals and policies is available in Attachment 5.

GENERAL PLAN

GOAL LT-14 SPECIAL AND UNIQUE LAND USES TO CREATE A DIVERSE AND COMPLETE COMMUNITY - Provide land use and design guidance so that special and unique areas and land uses can fulfill their distinctive purposes and provide a diverse and complete community fabric.

Community Benefits

Policy LT-14.8 Ensure that development projects provide appropriate improvements or resources to meet the city's future infrastructure and facility needs; and provide development incentives that result in community benefits and enhance the quality of life for residents and workers.

DOWNTOWN SPECIFIC PLAN (*adopted 2003*)

Downtown Vision Statement (*no change proposed for 2020 update*)

"An enhanced, traditional downtown serving the community with a variety of destinations in a pedestrian-friendly environment."

From page 5-5 of the Draft 2020 Downtown Specific Plan

A. Maximum Development Levels

The maximum development potential is shown in Table 5-1. Additional development, beyond what is identified in Table 5-1, may be allowed through use of local or the State's Affordable Housing density bonus program (California Government Code section 65915 et. seq.), provision of community benefits, or a combination of both. If community benefits are being offered, a Development Agreement is required. The final development program is subject to environmental review.

B. Maximum Building Height

All land uses shall be subject to the maximum building heights specified in Table 5-1. Additional building height, beyond what is identified in Table 5-1, may be approved through the provision of open space and increased building setbacks around open space, as a concession associated with

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the State Housing Density Bonus provisions, Community Benefits, other citywide development incentive programs (such as a Green Building Program) or a combination of any of these techniques. All structures above the maximum height identified in Table 5-1 may require review and approval by the Federal Aviation Administration.

C. Community Benefits Program

A development agreement is required to memorialize the details and timeframe for providing community benefits. Examples of community benefits include, but are not limited to, the following items:

- * Affordable housing units
- * Contribution to a community benefit fund
- * Dedication of land for public improvements
- * Additional public parking

ENVIRONMENTAL REVIEW

A part of its review of the amendments to the Downtown Specific Plan (DSP), the City prepared a Draft and Final Environmental Impact Report (collectively, "EIR") (State Clearinghouse #2018052020) pursuant to the California Environmental Quality Act (CEQA). The EIR provided a program-level review of the environmental impacts of the DSP amendments as well as a project-level review of six specific development proposals within the DSP, including the developments proposed by the applicant. Certification of the EIR included a Mitigation Monitoring and Reporting Program (MMRP) with provisions to reduce the potentially significant impacts to a less than significant level, although some impacts will remain significant and unavoidable after mitigation. A Statement of Overriding Considerations for significant unavoidable impacts to cultural and historic resources, noise, utilities, and traffic will be considered by the City Council as part of its action on the EIR. An adopted Statement of Overriding Considerations is deemed by the certification of the EIR to be applicable to subsequent projects that are consistent with or that implement the DSP's goals and objectives. As the lead agency, the City of Sunnyvale implements the adopted MMRP for each subsequent project that includes the approved mitigation measures of the EIR. The development projects that are the subject of the Development Agreement are within the scope of the DSP EIR and is therefore exempt from additional CEQA review, both because they were specifically analyzed in the EIR and because they have no significant impacts that were not analyzed as part of the programmatic EIR for development in the DSP area (CEQA Guidelines Section 15168(c)(2) and (4) and Public Resources Code Section 21094(c)).

DISCUSSION

Present Site Conditions

Partially developed mixed use site with office, residential and retail uses.

General Project Description

The 34-acre mixed-use site is generally bounded by Mathilda Avenue, Washington Avenue, Sunnyvale Avenue and Iowa Avenue and is commonly referred to as CityLine (and sometimes referred to as the former Sunnyvale Town Center mall site). Existing buildings and uses in CityLine include occupied office buildings on Mathilda Avenue, completed and occupied apartment residences above future retail along Washington and McKinley Avenues, the former Macy's building (currently vacant), the AMC Theater/Whole Foods Market building nearing completion on the eastern portion of McKinley and future residential along Iowa Avenue. The Target site, located within the southern half

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of the property, is under separate ownership; however, it is considered part of this mixed-use neighborhood and shares access and parking with CityLine. The site excludes the Bank of the West site (at Iowa and Mathilda), which is under separate ownership and is independent of the CityLine mixed-use development.

The proposed development, addressed in the Development Agreement, includes requests to exceed the maximum office square footage and number of housing units (apartment residences) published in the updated DSP; and, includes a request to exceed the maximum height. The overall project is mixed-use consisting of office, housing, and ground floor retail.

The following chart summarizes Phase I (existing, under construction and soon to be under construction) and Phase II (proposed) uses. Phase II will include demolition of the former Macy's building and result in a small amount of net new retail construction. In addition, parking will be provided to meet the needs of the uses (as determined by a shared parking study). Approximately 2,326 spaces will be built for the project, which are in addition to the existing parking on the property. The amount of required parking can be adjusted in future phases based on a new analysis required for each phase of development.

GENERAL DEVELOPMENT

	Phase I (completed and approved)	Phase II Base 2020 DSP	Phase II Bonus	Total
Housing Units	292	525	268	1,085
Retail/Commercial (square feet) */**	258,069	181,931	n.a.	440,000
Office (square feet)	314,199	387,000	265,801	967,000

* Excludes Target, not a part of this Development Agreement (173,000 square feet)

** Excludes vacant Macy's building (177,800 square feet)

Development Agreement

A Development Agreement (DA) is a tool used by some cities to assist in providing certain assurances for a developer and a city. A development agreement is essentially a contract between the city and the developer that the City Council approves through adoption of an ordinance. A development agreement outlines obligations of the developer and must describe the benefit to both the developer and the City. The City has entered into development agreements with other project sponsors, including Lockheed Martin Missiles and Space (1995), Regis Homes of Northern California (1996 - Navair Manor), Murphy Square (2000), Applied Materials (2003), Landbank Investments (2015) and Jay Paul (2006, 2014, 2016).

A DA is commonly used to guarantee development approvals to the landowner and to provide additional benefits to both the City and a developer that could not otherwise be obtained through standard land use approvals. The City has primarily used Development Agreements for major development projects that may take longer to complete construction or where additional development potential is being requested.

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The Downtown Specific Plan amendments have been written to enable additional housing units, additional square footage of non-residential uses, and greater height, subject to density bonus laws, incentive programs or a Development Agreement. Some increases in land use intensity would be possible without a development agreement, however the total project proposed for the CityLine site would not be possible without a Development Agreement.

The property owner (applicant and developer) is identified as “Landowner” in the DA. Landowner is proposing to enter into a Development Agreement with the City. The term of the DA would be 10 years with one possible 10-year extension once residential units on either Sub-block 3 or Sub-block 6 are ready for occupancy. The DA identifies the terms and obligations of both parties, the general and vested entitlements, and identification of the mutual benefits to both parties. The full draft of the development agreement is found in Attachment 2. Below are summaries of the respective benefits outlined in the DA.

City Benefits

- Community Benefit Fund Contribution. Up to \$10,632,040.
- BMR Units. A total of 88 Below Market Rate (BMR) Units of which
 - 26 are affordable to Very-Low Income Households
 - 52 are affordable to Low Income Households
 - 10 are affordable to Moderate Income Households.
- All Electric Appliances. All appliances provided in Residential Units shall use electric power only; natural gas shall be prohibited for such uses.
- Privately Owned Publicly Accessible Park Space. Landowner to design, construct and maintain Park Space (approximately three-quarters of an acre), at no cost to the City. City would have use of the space 16 times a year and the park space would be open to the public daily.
- Ice Rink. Operation of a winter-season ice rink or other recreational opportunity, as mutually agreed upon, for three (3) winter seasons.
- Publicly Available Parking. Landowner to construct publicly available parking in new parking garages in Sub-Blocks 3 and 6. About 345 parking spaces will be available for public use throughout the day and about 1,100 additional spaces will be available evenings and weekends.
- Dynamic Parking Supply System. Provision of a dynamic parking supply system for new public parking on Sub-Blocks 3 and 6, which will be interconnected to and coordinated with the existing public parking throughout Block 18. The system would alert motorists to the number of available spaces in a garage and direct motorists to other public parking locations.
- LED Streetlights. Landowner to install LED Streetlights on public and private streets and Park Space.
- Point of Sale for Project Construction. Landowner to designate the City as the point of sale for California sales and use tax purposes during Project construction.

Landowner Benefits

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- Density Bonuses:
 - Additional Housing Units: A forty percent (40%) density bonus of 210 housing units, similar to the density bonus enabled through the California state density bonus law provisions; and 58 additional housing units through the Commercial Core Community Benefits Housing Bonus program; and,
 - Bonus Office Square Footage: 265,801 gross square feet of office development over the amount allowed in the Specific Plan.

Location	Use	Feet	Stories
Sub-Block 1 <i>Mathilda and south of McKinley</i>	Office	90	5-6
Sub-Block 3 <i>South of Washington; west of Murphy</i>	Office	111	7
Sub-Block 3 <i>North of McKinley; west of Murphy</i>	Residential	142	12
Sub-Block 6 <i>South portion, north of McKinley</i>	Residential	85	6

Increased Height Limit. The right to build additional height above the 75 feet allowed in Block 18 of the DSP. Excluding underground parking and with allowances for roof top equipment and mechanical penthouses these buildings would be:

- Freeze on Impact Fees. No increase to or imposition of new impact fees adopted (development related processing fees could increase) apply for a period of 30 months for Sub-blocks 1 and 3 and for 60 months for Sub-block 6.
- Building Code. New local Amendments to building codes would not apply until January 1, 2023 (this provision would include changes such as Reach Codes).
- City Cooperation on Outside Permits. City will cooperate with Landowner to obtain any permits or approvals required of other governmental or quasi-governmental agencies.
- City Processing of Medical Clinic Requests. Applications for Medical Clinics (up to 5,000 square feet reach, up to a total of 15,000 square feet), anywhere on the CityLine site, will be considered through a Miscellaneous Plan Permit (MPP) for the first year of the agreement.
- Application Approvals. City shall use good faith efforts to process applications for Subsequent Approvals in accordance with expedited and collaborative processing procedures.
- Infrastructure Guarantee. Landowner has assurance of the availability of City infrastructure necessary to serve the Project and the Property.
- Biweekly Meetings. Landowner and City will meet approximately every two weeks to track progress and work on resolution of issues associated with Subsequent Approvals and Construction.

Other Provisions

The DA also addresses:

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- The landowner can generally select the sequence of development with a provision that not more than 200,000 square feet of office can be occupied until construction starts and is diligently pursued to completion on at least 300 housing units.
- Retention of surface parking spaces on a portion of Sub-Block 6 as publicly accessible parking spaces during construction on Sub-Block 3.
- Subsequent reviews required: Special Development Permits (SDP) are required for site plan, architectural review, operating standards, etc.; Miscellaneous Plan Permits (MPP) may be required, consistent with provisions in the Zoning Code; and other approvals such as tentative and final maps, encroachment permits, etc.
- Construction management mitigation measures are required to protect nearby residents and businesses as well as visitors to and those driving through the Downtown.
- Landowner will receive park land dedication credit for 96% of the area of Redwood Square, a privately owned publicly accessible park space.
- General provisions regarding review, responsibilities of each party, procedures for default, etc.
- Use and Maintenance provisions of the publicly accessible park (a draft version of the agreement is Exhibit G to the DA).

Negotiations

A team of staff members, led by the City Manager, conducted a series of conversations over several months to prepare the DA. Negotiations needed to balance the City's interests and the developer's interests. Staff was mindful of the community interest in accelerating downtown development and community interest in addressing housing and housing affordability and accelerating climate action and greenhouse gas reductions. Staff also considered that this level of development could have negative effects on City resources and services and is recommending a range of community benefits to address community needs.

FISCAL IMPACT

In addition to the specific benefits outlined in the development agreement, the project would be expected to pay normal fees and taxes including increased property taxes, retail sales tax directly from the retail businesses and indirectly from resident, employee and business purchases from other Sunnyvale businesses. The project would also pay the normal development fees associated with subsequent approvals and construction permits.

A direct economic benefit for the proposed project, even without a Development Agreement, would be the fees a developer would pay as part of the permitting process. The amount is expected to be close to \$50 million dollars in one-time revenue: park dedication in-lieu fee (\$31.99 million), housing mitigation fee (\$11.05 million), transportation impact fee (\$4.77 million), construction tax (\$1.27 million), and a general plan maintenance fee (\$351,000). School impact fees would be paid directly to the Sunnyvale School District and the Fremont Union High School District; the fees would be based on a fixed cost per net new square footage.

Although some of the development impact fees are frozen for 30 months, the difference in potential revenue is offset by the cash community benefits of over \$10 million as well as the incentive for earlier construction provided by the frozen fees. Once the sites are redeveloped the property taxes would be reassessed; office workers and residents will be available sooner to support retail uses in the Downtown.

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REQUIRED PLANNING COMMISSION FINDINGS

Under the City's procedures for review of development agreements (Resolution No. 371-81) (Attachment 7), in order for the Planning Commission to recommend adoption of the development agreement, the Planning Commission must find that the development agreement is:

- (1) Consistent with the objectives, policies, general land uses and programs specified in the general plan and any applicable specific plan;
- (2) Compatible with the uses authorized in, and the regulations prescribed for, the land use district in which the real property is located;
- (3) In conformity with public convenience and good land use practice;
- (4) Not detrimental to the public health, safety and general welfare;
- (5) Of a beneficial effect on the orderly development of property and the preservation of property values;
- (6) Consistent with the requirements of the resolution.

PUBLIC CONTACT **EIR**

- Notice of Preparation, May 1, 2019
- EIR Scoping Meeting, May 22, 2019
- Notice of Availability, November 22, 2019
- Draft EIR was Provided at the Reference Section of the City's Public Library, Community Center, and the City's One Stop Permit Center
- Planning Commission public hearing on DEIR: December 16, 2019

Outreach/Notification

- Sunnyvale Downtown Association: September 4, 2019
- Community Outreach Meeting at Washington Park: March 13, 2019
- Community Outreach Meeting at Washington Park: February 11, 2020
- On-line posting of Draft EIR and Draft DSP (November 2019)
- On-line posting of Final EIR, updated Draft DSP, zoning code amendments, and draft staff reports for related Downtown actions (July 2020)
- Notification to list of interested parties and general availability of information via social media and Update Sunnyvale were provided along with a link to Downtown Specific Plan web pages
- Downtown Specific Plan web pages: On-line posting of Final EIR, updated Draft DSP, zoning code amendments, four related Draft Reports to Planning Commission

Notice of Public Hearing

- **Notice of Public Hearing, Staff Report and Agenda:**

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- Published in the Sun newspaper.
- Posted on the City of Sunnyvale's Web site.
- Agenda posted on the City's official notice bulletin board.
- 10,272 notices were mailed to property owners and tenants within 2,000 feet of the DSP boundary.
- Email notices sent to Sunnyvale Downtown Association, Sunnyvale Chamber of Commerce, and all of the Sunnyvale Neighborhood Associations.

As of the date of staff report preparation, staff has received no comments from members of the public regarding the Development Agreement.

ALTERNATIVES

1. Make the findings required by Resolution No. 371-81 (Attachment 3 to the Report).
2. Do not make the findings required by Resolution No. 371-81.
3. Recommend to City Council the Introduction of an Ordinance Approving and Adopting a Development Agreement between the City of Sunnyvale and STC Venture LLC and related entities: STC Venture Block B, LLC; STC Venture 200WA, LLC; STC Venture Block 3RWS, LLC, and STC Venture Block 6, LLC (Attachment 2 to the Report).
4. Recommend that City Council do not introduce the Ordinance and provide direction to the staff and developer on desired modifications.

STAFF RECOMMENDATION

Alternatives 1 and 3: (1) Make the findings required by Resolution No. 371-81 (Attachment 3 to the Report); and, (3) Recommend to City Council the Introduction of an Ordinance Approving and Adopting a Development Agreement between the City of Sunnyvale and STC Venture LLC and related entities: STC Venture Block B, LLC; STC Venture 200WA, LLC; STC Venture Block 3RWS, LLC, and STC Venture Block 6, LLC (Attachment 2 to the Report).

This Development Agreement presents an opportunity to support and encourage build-out of a major component of the City's downtown core. The mix of proposed land uses will contribute to a vibrant downtown, and with subsequent approvals for site plan, architecture and operations, support the vision "with a variety of destinations in a pedestrian-friendly environment." Other City goals and policies are supported including additional housing (including and buildout achievement of 11.5% as income restricted affordable units), supporting higher density near transit, reducing reliance on natural gas, and ensuring that development provides appropriate improvements or resources to help meet the city's future infrastructure and facility needs. Incentives for earlier development may result in earlier increases in general fund revenues to support City services.

Prepared by: Trudi Ryan, Director, Community Development
Reviewed by: Connie Verceles, Assistant to the City Manager
Reviewed by: Teri Silva, Assistant City Manager
Approved by: Kent Steffens, City Manager

ATTACHMENTS

1. *Not Used, Reserved for Report to City Council*

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2. Draft Ordinance and Development Agreement
3. Draft Planning Commission Findings
4. Vicinity Map
5. Relevant City Policies
6. Link to EIR and other Downtown Documents
7. Resolution No. 371-81