



# City of Sunnyvale

## Agenda Item-No Attachments (PDF)

---

**File #:** 14-0191, **Version:** 1

---

### **REPORT TO CITY COUNCIL**

#### **SUBJECT**

2014 Quarterly Consideration of General Plan Amendment Initiation Requests: 915 De Guigne Drive - Industrial to Residential Medium Density

**File #:** 2014-7244 (associated with file #s: 2011-7021 & 2011-7017)

**Location:** 915 De Guigne Drive (APN: 205-21-001)

**Proposed Project:**

**GENERAL PLAN AMENDMENT INITIATION** Request to study a change from Industrial to Residential Medium Density and discussion of an Area Plan, Sense of Place Plan, Market and Fiscal Impact Analysis and parkland dedication.

**Owner/Applicant:** Watt Companies

**Project Planner:** Shaunn Mendrin, (408) 730-7429, smendrin@sunnyvale.ca.gov

#### **BACKGROUND**

The subject site is located adjacent to the 73 acre East Sunnyvale Industrial to Residential (ITR) area. The subject site and several other properties along De Guigne Drive and Stewart Avenue were part of a larger study area evaluated in 2006-2007 but were not selected to change from industrial to residential. An Environmental Impact Report was prepared at that time that studied the transition of the entire area to residential. The City Council approved a smaller ITR than what was studied (see map in Attachment 1).

Study Initiation and Area Plan: In 2010, Equity Office (owner of 920 De Guigne) and Spansion (owner of 915 De Guigne) submitted General Plan Initiation requests to study a change in the current industrial land use to residential, which was authorized by the City Council. The Council clarified later in 2010 that the study should evaluate the remaining industrial land in the East Sunnyvale Area and required the development of an Area Plan and Sense of Place Plan. Spansion was in contract with Prometheus Real Estate Group for the sale of the land and Prometheus was the primary contact from 2011 to 2013. Prometheus developed a draft Area Plan which staff felt needed further refinement and Council directed that the contract for the preparation of the Area Plan should be managed by the City. The boundary of the Area Plan is shown on Attachment 1 and covers approximately 55 acres. When Prometheus stopped pursuing its application, work on the Area Plan, which was being funded by Prometheus, ceased as well.

Park Site: Parkland dedication was also a major land use issue that was discussed as the Area Plan was developed. Council discussed whether dedication of parkland (as opposed to payment of in-lieu fees) would be required for residential use but a determination was not reached on this issue. However, Council requested further environmental information since the Spansion site is currently a federal Superfund site undergoing cleanup and this designation will continue until site closure is completed. The groundwater and soil sampling took several months to complete per City standards. In spring 2013, based on the groundwater and soil test results staff determined that the proposed

park area could not meet City standards for park dedication. Staff does not recommend accepting any park site until remediation has been fully completed and site closure is received from the federal Environmental Protection Agency (EPA) and the Bay Air Quality Management District. The applicant discontinued further work on the application at that time.

Recently, City staff met with representatives of EPA and learned about new research concerning the groundwater contamination that is found on the Watt Companies site and the surrounding area. This new information could be useful for refining the parkland dedication standards and evaluating possible park sites.

Ownership and Status of General Plan Amendment Applications: After Prometheus dropped their interest in the Spansion site, the property was sold to Watt Companies. Additionally, the Equity Office site was recently sold to St. Paul Fire and Marine. Equity Office did not participate in the planning efforts after they submitted their formal application since they found a tenant for their site in 2011. Staff contacted St. Paul Fire and Marine and determined that they are not interested in pursuing the previous application for a General Plan Amendment. Staff has closed all General Plan Amendment applications since ownership of the subject properties has changed.

See Attachment 2, Chronology and Background Information for more detail.

On April 14, 2014, the Planning Commission reviewed the proposed GPI request and recommended that the City Council approve the GPI request and to prepare a Sense of Place Plan for the entire East Sunnyvale area and to conduct a Market and Fiscal Analysis in Alternatives 1a, 2a and 3. See Recommendation discussion below and Draft Planning Commission minutes in Attachment 6.

## **DISCUSSION**

City staff met with Watt Companies regarding the 915 De Guigne site in early 2014. Staff advised that a new General Plan Initiation request was required since the existing applications were closed. On March 24, 2014, Watt Companies submitted a General Plan Initiation letter for the 915 Site requesting that the City study a land use change of the site from Industrial to Medium Density Residential (R3). The letter is included as Attachment 3. Following is a summary of Watt Companies requests with staff comments in *italics*:

- **Land Use Change:** Request to allow a General Plan Amendment study to change the land use designation to Medium Density Residential (R3), which would allow up to 521 units including up to 400 units for sale.

*The subject site is approximately 24 acres and could allow up to 600 units at an R3 density. The requested density study is consistent with the 2007 East Sunnyvale EIR; however, the site is also a Superfund site and it has a PG&E substation on the site, making it unique for industrial uses. Staff is also concerned with changing the land use designation for one parcel bordered by industrial uses to the south and east. If the Council is interested in studying a change in land use for the Watt site, the Council may want to include consideration of zoning regulations or development guidelines to minimize land use conflicts with the office/industrial uses along De Guigne Drive and Stewart Avenue.*

*The previous General Plan Amendment for Spansion also included preparing a Market and Fiscal*

*Impact Analysis to assess current market conditions for industrial uses and determine the fiscal impact of converting the property to residential use. This study was never finalized and should be completed to fully inform the Council if they choose to move forward with the GPI request. Additionally, market conditions for non-residential and residential uses have changed significantly since the draft study was prepared, and economic factors should be considered when studying the impacts and benefits of a possible General Plan Amendment for the subject property.*

- **Scope of General Plan Study:** The applicant is requesting that the General Plan Amendment study only evaluate the 915 De Guigne site. They also request not preparing an Area Plan for the larger East Sunnyvale Area as previously directed by the City Council.

*Staff supported preparing an Area Plan several years ago when a sizable amount of building space in the vicinity was vacant. However, market conditions have changed significantly since then and the surrounding properties are now leased for viable office/research and development uses, which are expected to continue in the foreseeable future. The immediate benefit of an Area Plan given current economic conditions is questionable and staff suggests that if the Council chooses to initiate the GPI request, it be limited to the Watt Companies property only.*

*Staff recognizes however that introducing residential uses to an area that borders industrial uses could lead to future land use compatibility problems. Examples of compatibility issues include industrial uses with hazardous materials on-site or 24-hour operations. These can be an intrusive nuisance for adjacent residents. Any General Plan study should consider the land uses and zoning in the surrounding area and evaluate measures to minimize possible conflicts between residential and non-residential uses. Possible measures could pertain to defining development standards for landscape buffers, building setbacks, noise reduction, and site planning. These measures can be implemented without an Area Plan. An Area Plan could be beneficial, however, if the Council believes that transitioning adjacent properties to residential uses could be the optimum long-term solution to eliminate land use conflicts (e.g. rezoning to ITR-Residential to Industrial.)*

*Through the study issues process, the City Council also directed staff to prepare a Sense of Place Plan to establish for transit, pedestrian and bicycle circulation standards for the East Sunnyvale ITR and immediate area. The Sense of Place Plan was incorporated into the Area Plan when the 2010 GPI requests were approved. As a minimum, staff suggests that a Sense of Place Plan should be prepared. If an Area Plan is preferred, then the Sense of Place Plan should be a component of the Area Plan. Either option should be funded by the applicant. The primary difference between both plans is that a Sense of Place Plan focuses on establishing public access standards and capital improvement priorities within the study area, while an Area Plan is a more comprehensive land use plan with private development standards and design guidelines as well as a sense of place standards.*

- **Park Land Dedication:** The applicant is requesting direction that no park dedication be required for residential use of the site.

*The applicant has indicated that they are considering a project with about 521 residential units. Based on the 5 acres per thousand population dedication requirement, this would require a minimum of 4.68 acres. The previous Preliminary Review from Prometheus located the proposed*

*park in the least contaminated area on the site (see Attachment 4). As noted above, based on groundwater and soil sampling data, it has not been demonstrated that the cleanest area of the site can meet the City's park dedication standards.*

*In the larger East Sunnyvale area which includes the Watt Companies property, several plumes of groundwater contamination are undergoing remediation, which prevents these areas from meeting the City's park dedication standards. For example, the Irvine project on Stewart Drive was prepared to dedicate about 0.6 acres for a park, but the site ultimately could not meet the dedication standards due to soil conditions. Instead, Park-In-Lieu fees were accepted for the project. Other projects in the East Sunnyvale area are the Fusion project which provided parkland (now Swegles Park) and the Taylor Morrison Project on Taylor which paid Park-In-Lieu fees for 0.53 acres. The AMD site (30 acres to the East) may redevelop with residential uses in the future, but it is unclear what the soil conditions are and if the site would be acceptable for park dedication.*

*The General Plan notes that the nearby San Miguel neighborhood is underserved by open space (GP Figure 3-5, see Attachment 5). Additionally, General Plan (Key Initiative #2, p. 3-38) places priority on developing new open space in the existing East Sunnyvale ITR area located immediately east of the proposed study area. Fair Oaks Park is located within ¼ mile to the west of the subject property, although access is not direct. The General Plan contains the following policies regarding park dedication:*

*Policy LT -6.14 In applying the Park Dedication requirements for new development, place a priority on acquiring land over in-lieu payment, particularly when the development is in areas identified as underserved and/or when the land is of sufficient size or can be combined with other land dedication to form larger Mini Parks or Neighborhood Parks.*

*Policy LT-8.9 Refrain from engaging in the development of open space and/or recreational facilities without prior assurance that ongoing maintenance needs will be addressed.*

*Policy LT-8.11 Support the acquisition of existing open space within the City limits as long as financially feasible.*

*Policy LT-8.13 Mitigate as feasible the open space need in areas identified as underserved through the acquisition of new parkland and/or the addition of amenities in order to bring sites in line with Design and Development Guidelines.*

*Based on current available information, the Watt Companies site will not meet park dedication standards given its current status as a Superfund site with site closure not expected in the near future. Staff does not recommend accepting any parkland that cannot meet the dedication standards. In considering the GPI request, the Council should consider whether a land use change to residential could be acceptable without provision of an on-site park. The applicant has also stated that finding an off-site parcel for parkland dedication is not feasible. Therefore, Park-In-Lieu fees may be the only available option for satisfying the above General Plan policies if residential use is studied for the subject property.*

- **Environmental Review:** The applicant is requesting that the study be evaluated through an Addendum to the 2007 East Sunnyvale EIR.

*The General Plan initiation request is not a project within the meaning of CEQA. If the request is*

*granted, environmental review will be conducted as part of the General Plan Amendment application, and the level and scope of review will be determined through that process.*

### **FISCAL IMPACT**

No fiscal impact would result as part of this action. The applicant would be required to pay the appropriate Planning Application Fees and provide funding for any additional studies and environmental review. If the Council removes the requirement for parkland dedication in this area, Park In-Lieu fees would be due for any approved residential development.

### **PUBLIC CONTACT**

Planning Commission: Public contact was made by posting the agenda on the City's official-notice bulletin board outside City Hall; and by making the agenda and report available at the Sunnyvale Public Library, the Planning Division, on the City's website and mailing notice to all properties within 300 feet of the subject site. Staff received one letter from St. Paul Fire & Marine Insurance Company (owner of 920 De Guigne) regarding the proposed GPI request (See Attachment 7).

Planning Commission held a public hearing on this item on April 14, 2014. Two members of the public spoke on the item-the property owner representative and a local resident (see Planning Commission Minutes, Attachment 6). Staff also received a letter from Craig Kammerer of Jones Lang LaSalle (see Attachment 8).

City Council: Public contact was made by posting the Council 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 at the Sunnyvale Public Library, the Office of the City Clerk, on the City's website and mailing notice to all properties within 300 feet of the subject site.

If the General Plan study is initiated by the City Council, staff will conduct expanded noticing to surrounding residents, businesses and property owners, and will highlight any associated zoning regulations which may be discussed that will affect adjacent non-residential properties.

### **ALTERNATIVES**

1. General Plan Initiation and Density
  - a. Approve the GPI request allowing the applicant to submit a General Plan Amendment application to study changing the land use from Industrial to Medium Density Residential, including studying possible development standards or zoning regulations to buffer and minimize conflicts with adjacent office/industrial uses.
  - b. Deny the GPI request and continue the Industrial designation.

If Alternative 1a is proposed, consider the following additional alternatives:

2. Area Plan and Sense of Place Plan
  - a. Study a possible General Plan change for the Watt Companies property only (approximately 25 acres), and prepare a Sense of Place Plan for transit, pedestrian, bicycle and automobile circulation for an expanded East Sunnyvale area (~100 acres) as shown on Attachment 1 to be funded by the applicant.

- b. Study a possible General Plan change covering all Industrial parcels in an expanded East Sunnyvale area (approximately 55 acres) as shown in Attachment 1, and prepare an Area Plan for the study area that includes a Sense of Place Plan for transit, pedestrian, bicycle and automobile circulation to be funded by the applicant.
3. Market and Fiscal Impact Analysis  
Prepare a study, to be funded by the applicant and contracted by the City, to assess the market feasibility of office/industrial land uses in the study area and the relative fiscal impacts and benefits to the City of residential and non-residential land uses.

### **STAFF RECOMMENDATION**

Staff makes no recommendation on the requested General Plan Amendment Initiation request. If the Council selects Alternative 1a to approve the GPI request, then staff recommends approving Alternative 2a to study a possible General Plan change for the Watt Companies parcel only and preparing a Sense of Place Plan for an expanded East Sunnyvale area. Staff further recommends approval of Alternative 3 to prepare a Market and Fiscal Impact Analysis.

Council had previously authorized studying a change in land use for this area and may wish to complete that analysis. The subject property is located at a transitional location with residential uses to the north and industrial uses to the south. Staff notes, however, that the property is a large industrial site with a PG&E sub-station. These two factors could be ideal for certain types of businesses, such as data centers, that might not find comparable sites elsewhere in Sunnyvale. Staff further suggests that the Council consider the General Plan policies for park dedication and the suitability of Park In-Lieu Fees since meeting park dedication standards for a public park site will be unlikely for the property.

Because the properties located south and east of the Watt Companies property will likely remain as office/industrial uses for a while and are suitable to continue with an Industrial designation in the General Plan, the benefits of an Area Plan are diminished. However, land use compatibility between residential and industrial uses is a concern that should be addressed in the General Plan study if initiated by the Council. Additionally, it is important to prepare a Sense of Place Plan for the entire East Sunnyvale area that provides an integrated plan for pedestrian, bicycle and transit access and defines priorities for neighborhood improvements. Staff recommends that along with filing an application for a General Plan Amendment, the applicant should fund preparing the Sense of Place Plan. In addition, the applicant should fund a Market and Fiscal Impact Analysis to evaluate current market conditions for industrial uses and to determine the fiscal impacts on the City of converting the property to residential use.

### **PLANNING COMMISSION RECOMMENDATION**

The Planning Commission reviewed the proposed GPI request and moved to recommend the City Council approve the following (7-0). The Planning Commission recommendation includes a provision to also look at the Industrial to Residential designation.

1. General Plan Initiation and Density
  - a. Approve the GPI request allowing the applicant to submit a General Plan Amendment application to study changing the land use from Industrial to Medium Density Residential *with the potential of an Industrial to Residential designation*, including studying possible

development standards or zoning regulations to buffer and minimize conflicts with adjacent office/industrial uses.

2. Area Plan and Sense of Place Plan

- a. Study a possible General Plan change for the Watt Companies property only (approximately 25 acres), and prepare a Sense of Place Plan for transit, pedestrian, bicycle and automobile circulation for an expanded East Sunnyvale area (≈100 acres) as shown on Attachment 1 to be funded by the applicant.

3. Market and Fiscal Impact Analysis

Prepare a study, to be funded by the applicant and contracted by the City, to assess the market feasibility of office/industrial land uses in the study area and the relative fiscal impacts and benefits to the City of residential and non-residential land uses.

See the Draft Planning Commission minutes (Attachment 6) for additional discussion.

Prepared by: Shaunn Mendrin, Senior Planner

Reviewed by: Trudi Ryan, Planning Officer

Reviewed by: Hanson Hom, Director, Community Development

Approved by: Robert A. Walker, Interim City Manager

## **ATTACHMENTS**

1. Maps of East Sunnyvale Vicinity
2. Background Information
3. Watt General Plan Initiation Request
4. 2012 Prometheus site plan proposal
5. General Plan Open Space Figure 3-5
6. Planning Commission Draft Minutes dated April 14, 2014
7. St. Paul Fire & Marine Insurance Company Letter dated April 10, 2014
8. Jones Lang LaSalle Letter dated April 14, 2014