

REPORT TO COUNCIL

SUBJECT

Town Center Status Update and Proposed Schedule of Key Milestones (Information Only)

BACKGROUND

In December 2015, the Successor Agency to the former Sunnyvale Redevelopment Agency, whose Board is comprised of the City Councilmembers, acknowledged the financial capability and professional experience of the proposed development team to acquire, finance and complete the Town Center project. Wells Fargo Bank has entered into a purchase agreement with the selected development team: a joint venture consisting of J.P. Morgan Asset Management, Hunter Properties, Inc., and Sares Regis of Northern California. Sale of the two office buildings on Mathilda Avenue (Buildings A and C occupied by Nokia and Apple) closed in December 2015 with J.P. Morgan Asset Management as the sole owner. The recently formed joint venture, STC Venture, LLC, (Developer) is currently in its due diligence period for acquisition of the remainder of the Town Center property.

DISCUSSION

Considerable progress has been made with the Developer to address a number of items involving multiple project documents. Staff has met almost weekly since January 2016 with representatives of J.P. Morgan, Hunter Properties and Sares Regis to facilitate the timely resolution of issues. The two most critical actions are summarized below:

- **Update 2010 Amended Disposition and Development and Owner Participation Agreement (ADDOPA)** - A modified and restated ADDOPA between the Successor Agency and STC Venture, LLC has been drafted and is under review. Subject to appropriate approvals, the proposal is to extend the ADDOPA to December 31, 2020 for completion of the Minimum Project. A number of modifications and updates to the ADDOPA have been discussed with primary revisions covering of the following items:
 - (1) Scope of the Minimum Project, including the construction schedule and intermediate milestone dates for completion of project elements;
 - (2) Conditions that will trigger liquidated damages if elements of the Minimum Project are not completed by specified dates;
 - (3) Elimination of annual payments to the developer (previously based on project tax increments received by the former Redevelopment Agency);
 - (4) Clarification that residential units can be rental or for-sale housing; and
 - (5) Obligation to include affordable housing units in the project.

In addition to approval by the Successor Agency, the Santa Clara County Oversight Board will also need to review and approve certain provisions of the amended ADDOPA.

The modified and restated ADDOPA is expected to be considered by the Successor Agency and Oversight Board in several months and depends on reaching tentative agreement with

STC Venture, LLC on the above modifications.

- **Amend Town Center Special Development Permit (SDP)** - The Developer has requested amendments to certain conditions of approval for the SDP. The primary amendment pertains to allowing the residential units to be either rental or ownership housing by removing the restriction that requires the units to be offered for sale only. Other proposed amendments include: allowing a leasing office and active residential amenity space in a limited amount of ground floor retail space; and demolishing the existing steel frame structures in Block 3 (Redwood Square) and installing interim parking and landscaping improvements. Staff is evaluating the merits of both proposals to determine the implications on the approved development plan and relevant agreements. Additional revisions involve updating the conditions of approvals to reflect the project status and current city standards (e.g. green building and public improvements). No significant changes to the Town Center master development plan or the quantity and mix of uses are proposed at this time.

A formal SDP application to amend the conditions of approval was filed on April 8 by the Developer and is tentatively scheduled for Planning Commission consideration on May 23, 2016.

While the above items have been the focus of attention, staff has also engaged in discussions with the Developer on the following items:

- **Building Code and Green Building Program** - Building and Fire Prevention staff have discussed with Sares Regis (the residential partner in STC Venture, LLC) concerning the existing code requirements for completing the three partially constructed mixed use residential buildings (Buildings D, E and F). While staff has indicated that existing improvements can generally be grandfathered in, uncompleted work which primarily consists of interior improvements should strive to comply with current building codes. The Developer has indicated that they will meet the City's current green building standards and, to the extent feasible, will file amended building plans to satisfy current state Title 24 energy conservation standards. Applicable code changes for the future theater building (Building T) have also been discussed with the Developer. Construction plans for this building were previously approved by the Building Division, but the building permit was never pulled, so a new permit application will be required.
- **Public Improvements** - While a significant portion of the public street and utility improvements for the project has been completed, pending items include the extension of Murphy Avenue, traffic signals and decorative crosswalks at perimeter intersections, landscaped street medians on Iowa and Sunnyvale Avenues, frontage improvements for Block 6, and neighborhood entry markers. Public Works staff has been working with the Developer to update the construction standards and estimated costs for the outstanding work and to determine a phasing plan for these improvements. The existing subdivision agreement for the project will be amended to reflect current construction costs and the public improvement bonds will need to be updated.
- **Retail Leasing Plan and Tenant Design Criteria Manual** - Hunter Properties is the commercial retail partner in STC Venture, LLC, and is taking the lead to complete the retail storefronts and to market and lease the retail space. Staff has discussed with the Hunter Properties the contents of the Retail Leasing Plan (required per the ADDOPA) and a Tenant

Design Criteria Manual (required per the SDP) that must be submitted for City review and approval. The goal of the Retail Leasing Plan is to provide complementary and quality retailers and restaurants for Sunnyvale residents as well as to enhance downtown Sunnyvale as a distinctive regional shopping and entertainment destination. The Tenant Design Criteria Manual is to ensure high quality architecture and signage, a cohesive and attractive retail district, and a strong pedestrian environment.

- **Assignment of Existing Agreements** - In addition to entering into a modified and restated ADDOPA, other existing agreements must be assigned or transferred to STC Venture, LLC with minor modifications as needed:
 - Operations and Reciprocal Easement Agreement (OREA)
 - Subdivision Agreement
 - Public Parking Ground Lease (for the parking structures constructed by the developer)
 - Public Street and Utility Maintenance Agreement
 - Penney's Structure Operation and Maintenance Agreement

Assignment of these agreements to the Developer, as amended, would occur concurrently with approval of the modified and restated ADDOPA or could be processed through subsequent actions.

As it is widely appreciated, this project, and its complex agreements, predate the dissolution of redevelopment and require close attention to detail to balance out the interest of the City, binding agreements, and reality of the existing market. It is our goal to begin presenting to the City Council on proposed action in the July - August timeframe. All parties are motivated to move the project forward and begin the next phase of development. However, there are many moving pieces that are subject to the approval of other governing bodies that may result in a change of schedule. If such is the case, or when the schedule becomes more refined, staff will be sure to make that information public.

PUBLIC CONTACT

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 and on the City's website.

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ATTACHMENT

1. Sunnyvale Town Center - Ground Floor Site Plan