



File #: 17-0765, Version: 1

### REPORT TO CITY COUNCIL

#### SUBJECT

**DOWNTOWN SPECIFIC PLAN AMENDMENT INITIATIONS:** Three applications in the Downtown Specific Plan (DSP) area for DSP Blocks 18 and 22 include requests to study an increase in allowable office square footage and housing units and to decrease allowable retail square footage and hotel use:

**File:** 2017-7365

**Location:** 300 S. Mathilda Avenue, 2502 Town Center Lane, 200 W. Washington Avenue, 225 S. Taaffe Street / DSP Block 18 (APNs 209-34-019, 020, 021, 024, 025, 029, 030 / 209-35-002 / 209-35-013 thru 019, 023, 024, 029 / 209-39-001 thru 004 / 209-40-001 thru 004 / 209-41-001 thru 004)  
Proposed Project: DOWNTOWN SPECIFIC PLAN AMENDMENT INITIATION

Request to initiate a study to consider modifications to DSP Block 18 to replace the allowable hotel with office space (up to 362,00 square feet), increase allowable housing from 292 units to 790 units, reduce allowable retail space from 1,007,876 square feet to 675,000 square feet, and replace established height limits with flexible height limits subject to approval by through a Special Development Permit.

**Applicant / Owner:** STC Venture LLC

**File:** 2017-7364

**Location:** 200 W. Washington Avenue / DSP 18 (APN 209-35-022)

Proposed Project: DOWNTOWN SPECIFIC PLAN AMENDMENT INITIATION

Request to initiate a study to consider modification to development standards for DSP Block 18 (Macy's site) to replace allowable ground floor retail of 88,500 square feet with flexible retail/office flex space, replace 88,500 square feet of second floor retail space with office space, and allow additional floors with approximately 210,000 square feet of office space, along with allowing a new bike/pedestrian connection between W. Washington Avenue and Redwood Square.

**Applicant / Owner:** Sand Hill Property Company/200 Washington LLC

**File:** 2017-7362

**Location:** 111 W. Evelyn Avenue / DSP Block 22 (APN 209-06-082)

Proposed Project: DOWNTOWN SPECIFIC PLAN AMENDMENT INITIATION

Request to initiate a study to replace an existing 1.46-acre corner parking lot with an approximately 69,000 square foot, three-story office building with underground parking resulting in a total of 111,000 square feet where 54,000 is currently allowed.

**Applicant / Owner:** Chang Architecture/Giurland, Inc

**Environmental Review:** The decision to initiate a Specific Plan Amendment study does not require environmental review under the California Environmental Quality Act (CEQA) because the initiation of a study does not constitute a project with the meaning of CEQA pursuant to CEQA Guidelines section 15378 (a) as it has no potential for resulting in either a direct physical change in the environment, or

a reasonably foreseeable indirect physical change in the environment. If initiated, the proposed Specific Plan Amendment will be subject to the provisions of CEQA.

**Project Planner:** Gerri Caruso, (408) 730-7591, gcaruso@sunnyvale.ca.gov

### **SUMMARY OF COMMISSION ACTION**

The Planning Commission considered this item on July 24, 2017 and voted on the three projects with three separate motions. (text in ***Bold Italics*** are Planning Commission amendments):

#### **Block 18A (Macy's):**

##### Alternative 1.

- 1.a. Initiate a Specific Plan Amendment study to consider reducing the existing 177,000 s.f. of retail area and allow increased square footage and up to five stories of flexible uses including office, ***housing*** and/or retail uses. ***Do not study flex or office space for the ground floor and only consider retail or service uses for the ground floor.***
- 1.b. Consider creation of a pedestrian and bicycle path from Washington Avenue to Redwood Square. ***Emphasize the treatment and feel in creating the internal pedestrian passageway, with a focus on retail services in that passageway.***
- 1.c. Create development standards in conjunction with the proposed land use changes, such as increased building height and design guidelines for street-facing retail space. Consider a modified vision for Redwood Square.
- 1.d. Study alternative uses, such as additional housing.
- 1.e. Coordinate special studies such as traffic analysis, market and fiscal analyses, environmental, infrastructure and utility capacity and conditions, water supply assessment, parking, etc.

The vote was 5-0, with Chair Harrison absent and Vice Chair Rheame recused.

#### **Block 18B (Town Center/CityLine):**

##### Alternative 2.

2. a. Initiate a Specific Plan Amendment study to consider ***allowing an increase of residential units, no increase in office area, and no reduction of the hotel or retail space.***
2. b. Create development standards in conjunction with the proposed land use changes, such as increased building height and design guidelines for street-facing retail space. Consider a modified vision for Redwood Square.
- 2.c. Study alternative uses, such as additional housing ***and specifically study a variety of housing sizes.***
- 2.d. Coordinate special studies such as traffic analysis, market and fiscal analyses, environmental, infrastructure and utility capacity and conditions, water supply assessment, parking, etc.

The vote was 5-0, with Chair Harrison absent and Vice Chair Rheame recused.

#### **Block 22 (Murphy Square):**

##### Alternative 3.

- 3.a. Initiate a Specific Plan Amendment study to consider Increasing the allowed office area.
- 3.b. Study alternative uses, such as additional housing.
- 3.c. Coordinate special studies such as traffic analysis, market and fiscal analyses, environmental, infrastructure and utility capacity and conditions, water supply assessment, parking, etc.

**3.d. Study allowing private parking on this site to be made available to the public after business hours.**

The vote was 5-0, with Chair Harrison absent and Vice Chair Rheume recused.

**Review for entire Downtown Specific Plan area:**

Alternative 4.

Study parking, **transit** and better design for the pedestrian realm for the Downtown Specific Plan considering alternative land use scenarios in recommendations 1, 2 and 3. **Include the study of a flexible parking design and improvements for the pedestrian realm with respect to the proposed changes in retail and office buildings.**

Alternative 5.

Coordinate outreach and community engagement on all sites.

Alternative 8.

Study up to 750 additional residential units above the current approved level.

The vote was 5-0 (these alternatives were included in the motion for the Block 18B consideration), with Chair Harrison absent and Vice Chair Rheume recused.

**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.

Letters received prior to the Planning Commission report preparation are included in that report. Any letters received after that are included in Attachment 13.

**ALTERNATIVES**

The three requests would all require an amendment to the Commercial Core of the DSP, including land use and development standards. The different owners of Block 18A and Block 18B are requesting overlapping proposals. Some aspects of the proposals, such as increased building height and loss of retail area, would need to address the community vision for the downtown Commercial Core.

Without community engagement and analysis of the impacts or benefits, staff is reluctant to reach any preliminary conclusion on the desirability of the suggested land uses or building forms. Community values in the past have a desire for more retail, however the retail markets continue to change. The community has also emphasized lower or stepped heights; expressed a growing interest in providing additional and higher density housing while there are concerns expressed with the levels of growth in the community. Land use decisions should be informed by a market and financial analyses as well as the community response to the land use changes. In all cases staff suggests that studies and analysis should be coordinated to the extent feasible and that community outreach should be coordinated for all the downtown studies.

Staff is recommending that, for purposes of study (including fiscal, infrastructure and environmental review) that the maximum amount requested by various property owners be evaluated. This full exposure of the issues will vet and examine all the elements related to land use and design, which positions the City well to determine the proposed range of land uses along with the related fiscal impacts.

The following alternatives are identified (text in **Bold: Planning Commission modification recommended by staff**):

1. Block 18A (Macy's):
  - a. Initiate a Specific Plan Amendment study to consider reducing the existing 177,000 s.f. of retail area and allow increased square footage and up to five stories of flexible uses including office, **housing** and/or retail uses.
  - b. Consider creation of a pedestrian and bicycle path from Washington Avenue to Redwood Square. **Emphasize the treatment and feel in creating the internal pedestrian passageway, with a focus on retail services in that passageway.**
  - c. Create development standards in conjunction with the proposed land use changes, such as increased building height and design guidelines for street-facing retail space. Consider a modified vision for Redwood Square.
  - d. Study alternative uses, such as additional housing.
  - e. Coordinate special studies such as traffic analysis, market and fiscal analyses, environmental, infrastructure and utility capacity and conditions, water supply assessment, parking, etc.
  
2. Block 18B (Town Center):
  - a. Initiate a Specific Plan Amendment study to consider allowing an increase in residential units, an increase in office area, and reduction of the hotel and retail space.
  - b. Create development standards in conjunction with the proposed land use changes, such as increased building height and design guidelines for street-facing retail space. Consider a modified vision for Redwood Square.
  - c. Study alternative uses, such as additional housing **and specifically study a variety of housing sizes.**
  - d. Coordinate special studies such as traffic analysis, market and fiscal analyses, environmental, infrastructure and utility capacity and conditions, water supply assessment, parking, etc.
  
3. Block 22 (Murphy Square):
  - a. Initiate a Specific Plan Amendment study to consider Increasing the allowed office area.
  - b. Study alternative uses, such as additional housing.
  - c. Coordinate special studies such as traffic analysis, market and fiscal analyses, environmental, infrastructure and utility capacity and conditions, water supply assessment, parking, etc.
  - d. **Study allowing private parking on this site to be made available to the public after business hours.**
  
4. Study parking **and transit** for the Downtown Specific Plan considering alternative land use

scenarios in recommendations 1, 2 and 3. **Include the study of flexible parking design and improvements for the pedestrian realm with respect to the proposed changes in retail and office buildings.**

5. Coordinate outreach and community engagement on all sites.
6. Modify any of the above alternatives.
7. Do not initiate any further studies for the Downtown Specific Plan Blocks 18 and 22.
8. Study up to 750 additional residential units for Blocks 18 and 22 combined.

### **STAFF RECOMMENDATION**

Alternatives 1 a-e, 2 a-d, 3 a-d, 4, 5 and 8 as listed in the report, for approval of the requests for initiation of Specific Plan Amendments to the Downtown Specific Plan related to Blocks 18 and 22.

Staff recommends that the City Council initiate coordinated Specific Plan Amendment studies for the Downtown Specific Plan including modifications for DSP Blocks 18 and 22 to consider increases in allowable office space and residential units, elimination of the hotel, a reduction in allowable retail space and modified development standards including increased building height. The study would include appropriate environmental review including a transportation impact analysis and visual impact analysis. The study would also include a market analysis to determine the appropriate mix of commercial uses in the DSP. Replacing allowable commercial space with residential uses would be considered. Staff recommends that additional housing be studied for all the sites, in keeping with recent City Council directions to explore options for additional housing opportunities in the City. The plan amendment study would also consider incentive-based zoning for community benefits such as green buildings, higher levels of affordable housing and contributions to community facilities. Staff recommends studying a total of 750 additional housing units for all of Block 18 and Block 22 combined (in addition to the 292 units already allowed in Block 18). A fiscal analysis would be included to determine the impact to the City for providing services to an intensified DSP. The study would also include a downtown parking analysis. Development standards, including building height, would be reviewed. The study would consider a redefined vision for Redwood Square.

Since the DSP would need to be amended for any of these requests, including all requests in the action would not significantly impact the completion of the work. Doing the work at one time would allow a full public discussion on the requests. A precise schedule for the Specific Plan Amendments is not available. The timing will be affected by how quickly applicants submit formal applications and the time needed to prepare required studies, based on the final scope of review. Staff and the applicants would be motivated to establish a tight schedule of 12-18 months for the plan amendments due to several factors. These include:

- the on-going construction work and potential phasing of additional improvements to minimize impacts on new tenants (residential and non-residential), the existing neighborhood and the broader community;
- coordinating on-going and additional environmental remediation into construction phases and agreements;
- coordinating scope and timing of infrastructure improvements; and,

- completing major downtown redevelopment projects in a timely manner to serve the community.

Staff does not support the following modifications that were recommended by Planning Commission:

- **18A (Macy's)**. Do not study flex or office space for the ground floor and only consider retail or service uses for the ground floor.
- **18B (Town Center)**. Do not study an increase in office area, or reduction of the hotel or retail space.

Staff agrees with the sentiment to have a strong retail base in the Downtown; however, the changing nature of retail suggests that studying a different mix of uses (including housing and office uses) may better support the long-term goal of a strong retail base. Staff anticipates that a portion of the ground floor of the site will be viable retail and the study could identify which portions of the ground floor of 18A and 18B (up to 100%) should be reserved for retail and service uses. The market and fiscal analyses can inform the community if a mix of uses would support a broader range of retail activity. Studying additional office uses for 18A only, may limit the appropriate balance and mix of uses to support a viable project.

Staff also agrees that a hotel is a desirable feature for the Downtown. The market analysis will consider this use with respect to both the long- and short-term viability of a hotel in the downtown. Staff recommends keeping, in the study, a broader mix of uses.

Prepared by: Gerri Caruso, Principal Planner  
Reviewed by: Andrew Miner, Planning Officer  
Reviewed by: Trudi Ryan, Director of Community Development  
Reviewed by: Walter C. Rossmann, Assistant City Manager  
Approved by: Deanna J. Santana, City Manager

## **ATTACHMENTS**

1. Report to Planning Commission 17-0639, July 24, 2017 (without attachments)
2. Maps of Downtown Specific Plan Projects and Districts
3. Comparison Table of proposed SPIs and adopted plans
4. Complete Sunnyvale Strategies
5. Related General Plan and DSP Policies
6. Applicant's request Letter Block 22, Chang Architecture - 111 Evelyn Ave.
7. Block 22 conceptual plans
8. Applicant's request letter Project 18A, Sand Hill (Macy's building)
9. Applicant's Conceptual Land Use Plans Project 18A Sand Hill
10. Applicant's request letter Project 18B, STC Venture LLC
11. Applicant's Conceptual Land Use Table Project 18B STC Venture LLC

## **Additional Attachments for Report to Council**

12. Excerpt of Draft Minutes of the Planning Commission Meeting of July 24, 2017
13. Public Comment Letters
14. Applicant's Supplemental Information