



City of Sunnyvale

Agenda Item-No Attachments (PDF)

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REPORT TO COUNCIL

SUBJECT

Consider an Extension of the Exclusive Negotiating Agreement (ENA) with The Related Companies of California, LLC for Development of Affordable Housing on City Property Located at 441-499 W. Iowa Avenue (APNs 165-130-74, 165-130-46, 165-130-68, 165-130-45, 165-130-73, and 165-130-69 - Also Known as Block 15)

BACKGROUND

On March, 12, 2018, the City Council entered into an Exclusive Negotiating Agreement with The Related Companies of California, LLC (Related) for the development of the affordable housing project on a City owned site at Mathilda Avenue/Iowa Avenue and Charles Street-which is part of Block 15 of the Downtown Specific Plan area (RTC No. 17-0082). The ENA allowed both parties to negotiate the long-term lease of the property for a term of one year and which granted the City Manager the authority to extend the term for an additional six months. During the first year, Related created a project website, completed due diligence activities, and conducted three community outreach meetings for the proposed development.

Due to financial uncertainties, the City and Related could not finalize the negotiations within the one-year term of the ENA. Since both parties were interested in continuing the project, the City Manager used the authority in the ENA and extended the ENA term for an additional six-months to September 13, 2018. During this time, Related applied for Preliminary Review of the project conceptual plans, and the parties further discussed details of a Development and Disposition Agreement (DDA) and long-term ground lease agreement.

EXISTING POLICY

General Plan, Housing Element

Goal HE-1: Assist in the provision of adequate housing to meet the diverse needs of Sunnyvale's households of all income levels.

Goal HE-5: Promote equal housing opportunities for all residents, including Sunnyvale's special needs populations, so that residents can reside in the housing of their choice.

Downtown Specific Plan

Goals and Policies

- B. Establish the Downtown as the cultural, retail, financial and entertainment center of the community, complemented by employment, housing and transit opportunities.
 - B.2. Encourage below-market-rate housing in all residential neighborhoods.
- D. Protect and enhance existing neighborhoods.
 - D.3. Encourage intensification of specified high-density residential and commercial districts while maintaining the character and density of single-family neighborhoods surrounding the

downtown.

ENVIRONMENTAL REVIEW

This action is exempt from the California Environmental Quality Act ("CEQA") pursuant to CEQA Guidelines section 15262 (feasibility and planning studies). This action is further exempt from the definition of a project pursuant to CEQA Guidelines section 15061(b)(3) because it can be seen with a certainty that there is no possibility that it may have a significant effect on the environment. When a development project is submitted for development review, it will be reviewed pursuant to CEQA to assess its potential environmental impacts.

DISCUSSION

During the past six months, Related has prepared a conceptual development proposal for the site that shows building massing, landscaping, parking, and other proposed improvements to be constructed as part of the Development. City staff reviewed the conceptual proposal and provided comments. Related intends to proceed with a formal planning permit application following the approval of the DDA by the City Council.

In addition, Related has provided a preliminary financing plan, containing an estimated development budget, an operating pro forma, and affordability restrictions. The Financing Plan has been used to evaluate the financial feasibility of the development to assist in the negotiation of terms regarding disposition of the Site.

The City and Related have been in extensive negotiations in the past few months to finalize the terms of the DDA as well as the long-term lease agreement and the City's Housing Mitigation Loan terms. Both parties were hoping to have the DDA ready before the ENA termination date (September 13, 2018). However, an extension for a period of two months is deemed necessary to allow both parties to fine-tune some of the DDA terms and the associated documents. See Attachment 1 for the ENA Extension Letter Agreement. It is intended that the DDA will be presented for City Council consideration within a few weeks, and the additional time is included in case City Council requests modifications to the DDA.

FISCAL IMPACT

The recommended action will not impact the General Fund. If the ENA successfully concludes with a recommended ground lease and/or city financing commitment to the project, those actions could impact the General Fund positively and/or create expenditure(s) in one or more Housing special revenue funds. Those impacts cannot be evaluated in detail until the end of the ENA period, when the terms of any lease and/or loan agreements have been negotiated.

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.

RECOMMENDATION

Authorize the extension of Exclusive Negotiating Agreement with The Related Companies of California, LLC for the development of the affordable housing project on Block 15 for a period of two (2) months; and authorize the City Manager to sign the extension letter in substantially the same form

as Attachment 1 to the report.

Prepared by: Shila Behzadiaria, Associate Planner

Reviewed by: Trudi Ryan, Director, Community Development Department

Reviewed by: Teri Silva, Assistant City Manager

Approved by: Kent Steffens, City Manager

ATTACHMENTS

1. ENA Extension Letter Agreement