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File #: 18-0787, Version: 1

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### REPORT TO PLANNING COMMISSION

#### SUBJECT

**Proposed Project:** General Plan Amendment Initiation to consider an amendment to the Peery Park Specific Plan (PPSP) to increase the office/industrial development capacity and allow housing on the 10 parcels in the PPSP-Industrial Edge (IE) zoning district totaling 29.3 acres.

**Locations:** 400-840 W. California Avenue (165-26-009, 010, 011, 012, 013, 014, 016, 018, 019, 020)

**File #:** 2018-7576

**Applicant / Owner:** Skidmore, Owings, & Merrill LLP (applicant) / Steelwave LLC (owner)

**Environmental Review:** The project is exempt from the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines Section 15378 (a).

**Project Planner:** Amber Blizinski, 408-730-2723, [ablizinski@sunnyvale.ca.gov](mailto:ablizinski@sunnyvale.ca.gov)

#### REPORT IN BRIEF

General Plan Amendment Initiation (GPI) requests (which include initiation of Specific and Area plan amendments) are heard on a quarterly basis through a recommendation from the Planning Commission and then action by the City Council. The process for considering a General Plan Amendment (GPA) begins with a written request from a property owner or applicant. If the Council approves the GPI, a formal application for a GPA can be filed by the property owner/applicant. The current City Council practice is to consider the GPA before the specific project application.

Staff received this GPI request from the applicant on July 18, 2018. The applicant is requesting to amend the General Plan and Peery Park Specific Plan (PPSP) to allow an increase in the development capacity for office/industrial uses and to allow housing within the PPSP-IE zoning district on an office park development on 29.3 acres. The property is currently known as the Sunnyvale Business Park, and is developed with 10 office buildings totaling 622,212 sq. ft.

The project, as envisioned by the developer, would result in 105% FAR and 615 housing units (72.4 du/acre) on 10 parcels in the PPSP-IE zoning district totaling 29.3 acres. The project also includes the relocation of the Libby Water Tower, a Sunnyvale Heritage Resource, to a different location on the property. See Attachment 2 for the applicant's GPI request information.

Due to workload demands including updates to four other area plans in process, staff is recommending that the Planning Commission recommend to Council to not initiate the requested GPI and associated amendments to the Peery Park Specific Plan at this time.

#### BACKGROUND

The Peery Park Specific Plan was adopted by the City Council in September 2016 with a development capacity of two million square feet of net new office/industrial uses, 200,000 sq. ft. of net new commercial uses, and up to 215 residential units (allowed only in the PPSP Neighborhood Transition [NT] zoning district). At the adoption hearing, the City Council recommended that staff

return in one year to consider studying additional housing units in two housing opportunity areas in the southern portion of the plan area. These two areas were the only locations in Peery Park where it is possible to add residential uses and maintain consistency with the Santa Clara County Airport Land Use Commission Comprehensive Land Use Plan for Moffett Federal Airfield. Staff returned to the City Council on January 23, 2018 (Report to Council 17-1107) with a recommendation that the City Council not approve the budget modification needed to conduct the housing study until a development project is proposed by the owner of one of the housing opportunity areas, due to staff resource constraints. The Council approved the staff recommendation and did not initiate the amendment to the PPSP. The proposed project site includes one of the housing opportunity areas.

The City Council is scheduled to consider this item on November 13, 2018.

## **EXISTING POLICY**

### **SUNNYVALE GENERAL PLAN:**

The General Plan is the primary policy plan that guides the physical development of the City. When used together with a larger body of City Council policies, including specific plans, it provides direction for decision-making on City services and resources. The recently adopted Land Use and Transportation Element (LUTE) within the General Plan created an integrated set of policies to guide land use, development, and transportation choices with a horizon year of 2035. The LUTE anticipated that the PPSP area would experience moderate growth and change within the development capacity that was approved with the PPSP. The LUTE has several policies to improve the jobs-to-housing ratio, promote increases in housing development, support new office and industrial uses, and ensure coordinated development with community benefits.

### **Regional Participation**

*Policy LT-1.3:* Contribute to a healthy jobs-to-housing ratio in the region by considering jobs, housing, transportation, and quality of life as inseparable when making planning decisions that affect any of these components.

### **Effective Integration of Transportation and Land Use Planning**

*Policy LT-3.4:* Require large employers to develop and maintain transportation demand management programs to reduce the number of vehicle trips generated by their employees.

### **An Attractive Community for Residents and Businesses**

*Policy LT-4.2:* Encourage nodes of interest and activity, public open spaces, well-planned development, mixed-use projects, signature commercial uses, and buildings and other desirable uses, locations, and physical attractions.

### **Supportive Economic Development Environment**

*Policy LT-11.3:* Promote business opportunities and business retention in Sunnyvale.

### **A Balanced Economic Base**

*Policy LT-12.4:* Attract and retain a diversity of commercial enterprises and industrial uses to sustain and bolster the local economy and provide a range of job opportunities.

*Policy LT-12.5:* Encourage land uses that generate revenue while preserving a balance with other community needs, such as housing.

### **Protected Commercial Districts**

*Policy LT-13.8:* Require high design standards for office, industrial, and research and development (R&D) buildings in all business districts.

### **Specialized Plans and Zoning Tools**

*Policy LT-14.2:* Support the following adopted specialized plans and zoning tools, and update them as needed to keep up with evolving values and new challenges in the community: Downtown Specific Plan, Lakeside Specific Plan, Arques Campus Specific Plan, Lawrence/101 Site Specific Plan, Precise Plan for El Camino Real, Moffett Park Specific Plan, Peery Park Specific Plan, and Lawrence Station Area Plan.

### **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.

### **General Plan Land Use Map**

The property has a General Plan designation of Peery Park and are zoned PPSP-IE. The General Plan designation provides for uses consistent with the PPSP. Attachment 3 includes General Plan and Zoning land use maps of the vicinity.

### **PEERY PARK SPECIFIC PLAN**

The project site is subject to the purpose, intent and policies of the PPSP adopted by the Sunnyvale City Council on September 20, 2016. The PPSP includes guiding principles, district policies and a design framework. Projects in the PPSP are subject to a Plan-specific development cap, development code, design guidelines and an implementation plan that includes Community Benefits.

The purpose of the PPSP is to guide both private and public investment activities in the Plan area, and to support and promote the type of investment that will enhance the beauty and vitality of this major Sunnyvale workplace district.

The PPSP-IE zoning district, which is the zoning for this application, allows for a maximum FAR of 100 percent with inclusion of both flexible and defined community benefits, but does not currently allow housing. The proposed FAR for the project exceeds the maximum FAR currently allowed on these parcels, but does not exceed the maximum FAR allowed for other PPSP-IE Futures parcels within the plan area (which is 120 percent FAR).

The established development capacity of PPSP of two million net new square feet as was evaluated in the Environmental Impact Report (EIR). Office/industrial uses would need to be increased to allow the level of development proposed on the site (a request of 329,000 square feet of net new office area). At the time of this report, there is approximately 150,000 square feet of office development capacity left in the PPSP reserve. Staff is aware of interest by other parties in the remaining capacity beyond the subject request. To exceed the total established development capacity would require further environmental review.

Housing was not considered within the PPSP area except for the properties along San Aleso Avenue, for which 183 of the 215 units allowed by the plan have been approved. To add more residential

units and to allow those units in the subject zoning district requires further study and further environmental review.

### **ENVIRONMENTAL REVIEW**

The decision to initiate a General Plan study does not require environmental review under the California Environmental Quality Act (CEQA) because the mere 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 GPA and Specific Plan Amendment would be subject to the provisions of CEQA. If the applicant proceeds with the project concept as currently envisioned, a supplemental or new Environmental Impact Report would most likely be required and would include updated traffic analysis and other technical reports.

### **DISCUSSION**

The subject 29.3 acre site (owned by Steelwave) is bound by California Avenue to the north; the Southern Pacific (Caltrain) railroad tracks to the south; Mathilda Avenue to the east; and the Briarwood Apartment complex to the west. The proposal includes the removal of six of the ten existing office buildings and the construction of three new office buildings, for a net new total of 329,038 sq. ft. of office/industrial space and a resultant total of 951,250 sq. ft. on the eastern 20.8 acres of the site. The project also proposes the addition of 615 housing units on the western 8.5 acres of the site at a density of 72.4 dwelling units per acre (du/acre). The residential units would consist of a mix of townhouses along the western border of the site and taller and denser multi-family residential buildings spanning from California Avenue to the railroad tracks (adjacent to W. Evelyn Avenue). See Attachment 7 for the applicant's conceptual site plan and cross-section illustrations from California Avenue.

The GPI request area is the southernmost property within the Peery Park Specific Plan and is surrounded by office/industrial uses to the north (along with a Sunnyvale Fire Station), medium to low-density residential uses on all sides, and commercial uses to the south across the Caltrain tracks and Evelyn Avenue.

The subject property is located approximately 1/8 of a mile from the Sunnyvale Caltrain station and includes a walking path to the station from the east side of the property. The site is also served by VTA bus route 32 along Mathilda Avenue and California Avenue.

### **Conceptual Proposal**

A conceptual project proposal was submitted with the GPI application to illustrate the request (Attachment 7). These plans contain an explanation of the GPI request, project data information, existing and proposed site plans, and conceptual sections from California Avenue of the proposed residential buildings. The actual project would require separate permit consideration if the GPI is initiated and the GPA and Peery Park Specific Plan amendment were approved.

The conceptual proposal consists of the following elements:

- Demolition of six existing buildings (buildings E, F, G, H, L and K) and associated surface parking, four two to three-story office buildings would remain (310,230 sq. ft.);
- Construction of three, four to six-story office buildings totaling 641,020 square feet (height in feet not yet specified) on the east side of the site. A total of approximately 329,038 net new

square feet is requested and a total FAR of 105%;

- Construction of townhouses along the west property line, and nine three- to eight-story residential buildings containing a total of 615 units on the western 8.5 acres of the site.
- Construction of underground parking for the new office and residential uses, along with first level podium parking beneath the residential buildings;
- Relocation of the Libby Water Tower to a different place on the subject site; and
- New/modified surface parking, landscaping, and site improvements.

### Housing Opportunity Area

The subject site was identified as part of the original PPSP study as one of two housing opportunity areas that may be suitable for mixed-use housing in the PPSP because a portion of the site is located *outside* of the Noise and Safety contours of the Comprehensive Land Use Plan (CLUP) for the Moffett Federal Airfield (where residential uses are not allowed). Attachment 4 is a map that shows the noise and safety contours from the CLUP on the PPSP area map. Attachment 6 shows the housing opportunity areas in the PPSP. The portion of the California Avenue site that is located outside of the noise and safety zones of the CLUP is the western side of the property and is approximately 8.5 acres in size.

### Density

A component of the GPA/SPA would include consideration of the potential minimum and maximum housing densities for this HOA. In addition, a maximum number of units would be established to conduct the environmental review. When the potential housing study was presented to Council in January 2018, potential maximum densities were shown to demonstrate the housing potential as up to 68 du/acre. Those numbers are shown in the table below with an additional column showing 72.4 du/acre, the applicant’s proposal. As a note, the 215 units that were previously studied in the PPSP area were adopted with a density allowance like the range in the Medium Density Residential (R-3) Zoning District, and were located adjacent to a single-family neighborhood and are not within walking distance to a major transit stop.

		<b>R-3 (24 du/acre)</b>	<b>R-4 (36 du/acre)</b>	<b>R-5 (45 du/acre)</b>	<b>LSAP Current Max (68 du/acre)</b>	<b>Proposed Project (72.4 du/acre)</b>
<b>California Ave HOA</b>	8.5 acres	204	306	382.5	578	615

### FAR Consideration

Currently FAR consideration above 100%, to a maximum of 120%, is only allowed in the PPSP-IE Futures Sites along Mathilda Avenue, north of Maude Avenue. The remaining PPSP-IE sites have a maximum considerable FAR of 100% and the maximum FAR is only achievable with the inclusion of defined and/or flexible community benefits. The proposed 105% FAR would exceed the current maximum for the PPSP-IE zoning district and would be considered as a part of the GPA/SPA study and associated environmental review. Due to the proximity to the Caltrain station, this property may warrant consideration of a higher maximum FAR than other properties within the PPSP.

### **Proposed General Plan Amendment and Rezoning**

If initiated by the City Council, subsequent GPA and SPA applications would be required to consider the project. While the recently adopted LUTE identified the PPSP development capacity, and the intensification of industrial/office uses, it did not identify additional increases to the PPSP development capacity or residential uses in the proposed study area. Therefore, the General Plan would need to be amended to reflect the changes. The Changing Conditions Map contained in the LUTE (Attachment 5) identifies the subject site as a “Transform” area where major improvements and redevelopment will occur; however, the site is specifically called out for office/industrial transformation, and not residential. The subsequent GPA request may consider designation of the subject site to a “Transform - Office/Industrial & Residential” character of change area in the LUTE.

The SPA would consider the development standards of the PPSP and, at a minimum, study:

- Increased office FAR potential for this property;
- An increase to the total PPSP development capacity;
- Creation of residential density and development standards for the site;
- Infrastructure capacity;
- Fiscal and market analyses; and
- Appropriate CEQA/environmental review.

Other appropriate studies would be completed as part of the application. A recommendation hearing would be conducted by the Planning Commission and the final determination would be made by the City Council, which would be required to make the following finding to approve the GPA:

*The City Council may approve a General Plan or zoning amendment upon finding that the amendment, as proposed, changed or modified is deemed to be in the public interest.*

To study the applicant’s proposal, the City would analyze the potential benefits of the mixed-use office/residential development project and its compatibility with the vision and goals of the PPSP. The study would analyze traffic and transportation implications and other environmental impacts, as well as potential visual impacts associated with increased building heights and massing adjacent to residential uses. Significant community outreach would be required as part of any amendment to the PPSP, especially to the nearby residential neighbors. The applicant would be responsible for the costs of all studies as part of the GPA/SPA review process.

### **Recent Development Activity in the Vicinity**

As noted, the GPI request area is located within the PPSP and several development projects are currently under construction, approved, or under review in the project vicinity. A new office building (recently announced as leased to 23andMe for their headquarters) is completing construction immediately north of the property. That property includes the rehabilitation of the former Mellow’s Nursery farmhouse (a Sunnyvale Heritage Resource), and construction of a three-story, 80% FAR, office building and a four-level parking structure. Also to the north, but not directly adjacent, the Planning Commission approved a new four-story, 80% FAR, office building on Sobrante Way in early 2018. Both nearby projects, and the others approved within the PPSP area, are consistent with the PPSP and developed under the existing development capacity analyzed in the PPSP EIR document.

### **Potential Expanded Study Area Option**

In addition to the project applicant’s request discussed in this report, staff has received other inquiries from property owners who are interested in proposing development projects beyond the existing

PPSP development capacity. Also, the original Council direction included studying housing on the subject site and a site located at Hermosa Court near Mary Avenue. If the City Council is inclined to initiate the subject General/Specific Plan Amendment study staff recommends a first step to determine what other properties should also be studied to avoid a piecemeal approach to amending the PPSP. If this alternate recommendation is selected, staff would return to the Council with scope and budget information for a comprehensive Specific Plan Amendment for the PPSP. In this scenario, the applicant would pay their fair share of the study costs, and other property owners that are authorized would pay their fair share of the costs.

### **STAFFING LIMITATIONS**

The City is experiencing a very high level of development activity, including very large residential and office projects, in addition to significant updates to four of the five major area plans in the city (e.g., Downtown Specific Plan, Lawrence Station Area Plan, Moffett Park Specific Plan, and the El Camino Real Corridor Plan). The combination of the high level of large and complex planning applications with the updates to these significant area plans creates a limitation of staffing and management to complete these tasks. While the concept of a mixed-use project close to the downtown Caltrain station is intriguing, to do so at this time would require other projects and tasks already underway to be removed from the list of items to complete.

### **FISCAL IMPACT**

There are no fiscal impacts associated with initiating a General Plan Amendment study. Application fees and the costs associated with a GPA study would be paid for by the applicant.

### **PUBLIC CONTACT**

Public contact was made through posting the agenda on the City's official-notice bulletin board and on the City's website and the agenda and report were made available in the Reference Section of the City Library. Notices were sent to all property owners and tenants within 2,000 feet of the site (5,606 notices) (Attachment 8); email messages with notices were sent to neighborhood associations. Staff received one letter in support of the General Plan Amendment Initiation study at the time of publication (Attachment 9).

### **ALTERNATIVES**

Recommend to City Council:

1. Do not initiate a General Plan Amendment study to consider an amendment to the Peery Park Specific Plan to increase the office/industrial development capacity and allow housing on the 10 parcels in the PPSP-IE zoning district totaling 29.3 acres.
2. Initiate a General Plan Amendment study to consider an amendment to the Peery Park Specific Plan to increase the office/industrial development capacity and allow housing on the 10 parcels in the PPSP-IE zoning district totaling 29.3 acres.
3. Initiate a General Plan Amendment study to consider an amendment of the Peery Park Specific Plan to study modified development capacity increases and/or modified properties to study.

### **STAFF RECOMMENDATION**

Alternative 1: Recommend that the City Council do not initiate a General Plan Amendment study to consider an amendment to the Peery Park Specific Plan to increase the office/industrial development

capacity and allow housing on the 10 parcels in the PPSP-IE zoning district totaling 29.3 acres. Workloads in the Planning Division and other Development Services divisions are currently heavy, and significant plan updates are currently underway in four other plan areas (Moffett Park, El Camino Real, Lawrence Station, and Downtown). Additionally, the Peery Park Specific Plan, and related development capacities, were adopted relatively recently, a little over two years ago. Finally, although housing has been discussed as a potential amendment to the PPSP, increases in the industrial/office capacity have not been a part of that discussion and a substantial amount of office/industrial development is already underway within the plan area.

When the Council considers this request, the Council may choose to pursue the requested amendment, may want to consider including other properties, such as residential potential at the Hermosa Court location, or to consider an increase in the overall development capacity for PPSP. This approach would coordinate more comprehensive studies of individual sites.

Prepared by: Amber Blizinski, Principal Planner

Reviewed by: Andrew Miner, Assistant Director of Community Development

Reviewed by: Trudi Ryan, Director of Community Development

Reviewed by: Teri Silva, Assistant City Manager

Approved by: Kent Steffens, City Manager

#### **ATTACHMENTS**

1. Reserved for Report to Council
2. General Plan Initiation Request Information from Applicant
3. General Plan and Zoning Land Use Vicinity Maps
4. Map of the Moffett Federal Airfield Comprehensive Land Use Map Noise and Safety Contours over the PPSP Area
5. Land Use and Transportation Element Changing Conditions Map
6. Map of the Peery Park Housing Opportunity Areas
7. Applicant's Conceptual Development Plans
8. Noticing Map
9. Public Comment Letter