



City of Sunnyvale

Agenda Item-No Attachments (PDF)

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REPORT TO COUNCIL

SUBJECT

Consideration of Undergrounding Additional Overhead Services Related to 365 S. Mathilda Avenue and Approval of Budget Modification No. 1 in the Amount of \$399,880

BACKGROUND

On April 27, 2020, the Planning Commission approved Special Development Permit (SDP) 2019-7269 to redevelop six City-owned parcels totaling 1.44 acres into a 90-unit affordable housing project. The Project is entitled to construct four-story apartments consisting of 83 units along South Mathilda Avenue and West Iowa Avenue, and seven (7) two-story townhouse style units along Charles Street. The Project includes one (1) manager unit in the total unit count, underground parking, and amenity spaces on the ground floor. The Project provides units for households with Extremely Low (30% area median income) to Moderate (110% area median income) income with 25% of the units for households with developmental or intellectual disabilities. The project utilizes the State Density Bonus Law.

The Project is subject to Sunnyvale Municipal Code (SMC) Section 19.38.090, and SDP 2019-7269 condition of approval BP-29 and EP-9, which require all utilities fronting the project site to be placed underground. These include utilities on Charles Street and Iowa Avenue. The Developer is responsible for undergrounding utilities located on the premises or within rights-of-way contiguous to the Project site. The Developer shares the undergrounding costs with the City when the utilities extend past their property or cross the street and the City bears the costs for more extensive work associated with the undergrounding. For this Project, there are extensive off-site requirements that would be the responsibility of the City.

Previous Actions on the Site

The project site is located in an area with older subdivisions in the City of Sunnyvale. The properties were used for agricultural land and housing as early as 1930, with a former roadway bisecting the property as early as 1911. Two parcels on the project site are vacant (APNs: 165-13-068 and 069). 388 Charles Street includes a circa 1930 single family house and detached garage, 365-377 S. Mathilda Avenue includes a duplex constructed in 1942 (APN: 165-13-074). 396 Charles Street (APN: 165-13-046) includes a circa 1930 single family house and detached garage. 402 Charles Street (APN: 165-13-045) and 406 Charles Street (APN: 165-13-074) both have single family houses constructed in 1948.

The Downtown Specific Plan (DSP) was adopted by the City Council in 2003 (last updated in 2020, RTC 20-0726) and contains policies, design guidelines, and development standards for the approximately 125-acre plan area generally bounded by the railroad to the north, Bayview Avenue to the east, El Camino Real to the south, and Charles Street to the west. The project site is located on Block 15 of the DSP, which is on the west boundary of the plan area. Block 15 is bounded by South

Mathilda Avenue to the east, Charles Street to the west, West McKinley Avenue to the north, and West Iowa Avenue to the south and is designated for very high-density housing (total 152 units in the block, before density bonuses, at an approximate density of 54 units per acre) and a maximum of 10,000 square feet of retail commercial as primary uses.

Over several years the City purchased the subject properties in order to assemble land to facilitate redevelopment of the existing low density commercial and residential uses to a higher density multi-family/commercial mixed use, as envisioned in the DSP for this area. These properties were purchased over time with the last purchase occurring in 2015. This last acquisition enabled the City to have greater control over the future use of the southern portion of Block 15. Ultimately, the City Council decided that an affordable housing development was desirable.

In 2016 the City issued a Request for Proposals for the 1.44 acres of City-owned property in Block 15 for affordable housing, with an emphasis on projects that could provide at least a portion of the housing for special needs households (e.g., seniors, disabled adults). In March 2018, the City entered into an Exclusive Negotiating Agreement (ENA) with The Related Companies of California, LLC for the development of the affordable housing project on the City owned properties at Mathilda Avenue/Iowa Avenue and Charles Street. In November 2018, the City Council approved a Disposition and Development Agreement (DDA) between the City and the applicant providing financial assistance to construct the affordable housing project (RTC 18-0550). Extensive community outreach and input was incorporated into this process.

EXISTING POLICY

GENERAL PLAN

GOAL CC-2 ATTRACTIVE STREET ENVIRONMENT - Create an attractive street environment which will complement private and public properties and be comfortable for residents and visitors.

Sunnyvale Municipal Code

Section 19.38.090 Underground Utilities.

SMC Section 19.38.095 General Requirements. Added by City Council in 2006.

SMC Section 19.38.100 Allocation of costs for undergrounding.

Amended by City Council in 2006, this Section identifies that the City shall contribute to undergrounding costs for overhead utilities beyond developer's property frontage.

Subsection (d) of this section states "Nothing herein shall obligate the city of Sunnyvale to pay the allocated costs as describe. The City may decide not to contribute to the cost of placing the service underground. In such case, the appropriate review authority of the City reserves the right to substitute a reasonable and less costly alternative; to require partial undergrounding; or to require any reasonable combination of undergrounding, no undergrounding, and conduits to mitigate the visual effects of above-ground service or such alternatives may be utilized in order to facilitate future undergrounding."

Pursuant to Sunnyvale Charter Section 1305, at any meeting after the adoption of the budget, the City Council may amend or supplement the budget by a motion adopted by affirmative votes of at

least four members to authorize the transfer of unused balances appropriated for one purpose or another, or to appropriate available revenue included in the budget.

ENVIRONMENTAL REVIEW

The Project was determined at the time of entitlement to be consistent with the Environmental Impact Report for the City's General Plan and no additional environmental review was required pursuant to the California Environmental Quality Act (CEQA) Guidelines Section 15183 and Public Resources Code Section 21083.3. Furthermore, the undergrounding of the overhead services is exempt from the CEQA pursuant to CEQA Guidelines section 15061(b)(3) because it can be seen with a certainty that there is no possibility that it would have a significant effect on the environment.

DISCUSSION

As identified in SMC Chapter 19.38, all utilities and communication services associated with new development are required to be placed underground along the project frontage. The City is obligated to sometimes pay for portions of utility undergrounding that extend beyond property lines or cross City streets. Developers are reimbursed by the City for doing undergrounding work beyond a developer's obligations.

During the SDP process, the Applicant's design team confirmed that the existing overhead utilities along the Charles Street frontage, in the north-south direction, could be undergrounded by extending the underground limits an additional 250 feet south of Iowa to the next existing pole, and avoid standing a new pole. The extension of this undergrounding would join previous efforts already constructed or planned to be constructed, by adjacent development. The estimated cost of that extension work was approximately \$203,000. This work was identified as being eligible for cost sharing, 50% between the City and Developer and funding is available in Project 802150 - Utility Undergrounding Cost Sharing.

The majority of existing overhead structures can be easily removed along the Project frontage, with the exception of an existing wood pole that services overhead utilities crossing from Charles Street to Florence Street in the east-west direction. At the time of project entitlement, the Applicants' design team was not fully able to confirm with PG&E the steps and costs needed to underground this overhead line. As part of the approved SDP, the following two Conditions of Approval (COA) relate to underground of overhead utilities were included:

BP-29 Underground Utilities: All utilities fronting the property shall be undergrounded per Sunnyvale Municipal Code Chapter 19.38.095. Overhead utilities beyond the frontage of the project may be eligible for cost reimbursement by the City.

EP-9 Dry Utilities: Submit dry utility plans and/or joint trench plans (PG&E, telephone, cable TV, fiber optic, etc.) to the Public Works Department for review and approval prior to the issuance of any permits for utility work within any public right-of-way or public utility easements.

Overhead utilities along project street frontage shall be undergrounded per PG&E Rule 20B. Prior to the City approving plans for the project's public street improvements, the Developer shall conduct an analysis of undergrounding the distribution line that extends to the west from the joint pole on the east side of Charles Street and provide an intent and cost estimate to the City for consideration as a condition of project approval. City may contribute to the cost of undergrounding utilities for the portions extending beyond the project frontage. Separate encroachment permits shall be required for

various dry utility construction.

The Developer's design team continued discussions with PG&E over several months, subsequent to SDP approval, and brought forth to the City the feasibility of undergrounding the existing overhead line between Charles Street and Florence Street for an estimated cost of \$399,880.

Staff's recommendation is to leave the existing wood pole in place and not include undergrounding of the distribution line that extends to the west to Florence Street as part of the Project. Funding for this additional scope would be the City's responsibility and would be taken from the General Fund. From a cost benefit perspective, it is not advantageous to spend additional City funds for a small area. If this option proceeds, it would be the developer's responsibility to make contact with the affected property owners to arrange the individual service connections and notification of work on their property within the existing utility easement.

With recent development to the north (Denny's site) and south (Charles Street Apartments), the one pole proposed to remain would be the only one on the east side of Charles Street between McKinley Avenue and Olive Avenue. Attachment 1 shows existing condition and a visual depiction of the two options for consideration.

FISCAL IMPACT

Project 802150 - Utility Undergrounding Cost Sharing is funded by the General Fund with an available balance of \$405,355 for planned in progress and upcoming projects. Spending from this project is sporadic and unpredictable. The adopted budget for the project only shows the addition of \$137,458 to cover additional expenses over the next twenty years. A Budget Modification is required to appropriate additional funds of \$399,880 if City Council authorizes to underground the distribution line that extends to the west from the joint pole on the east side of Charles Street as part of the project condition of approval. Budget Modification No. 1 has been prepared to fund this work should Council choose that alternative.

**Budget Modification No. 1
FY 2021/22**

	Current	Increase/ (Decrease)	Revised
<u>General Fund</u>			
<u>Expenditures</u>			
Project 802150 -	\$ 405,355	\$ 399,880	\$ 805,235
Undergrounding Overhead			
Utilities			
<u>Reserves</u>			
Budget Stabilization Fund	\$ 54,761,444	(\$ 399,880)	\$ 54,361,564

For FY 2021/22, the General Fund will continue to realize reduced tax revenues due to the pandemic and relies on the use of reserves, spending reductions, and one-time Federal stimulus funding to remain in balance.

PUBLIC CONTACT

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall, Sunnyvale Public Library and Department of Public Safety. In addition, the agenda and report are available at Office of the City Clerk, and on the City's website. Prior to construction, the developer and PG&E will be responsible for coordinating with residents that are directly affected by the modified service connections and any work with PG&E's easement.

ALTERNATIVES

1. Authorize the use of approximately \$101,500 as a 50% match from Project 802150 Undergrounding Overhead Utilities to extend undergrounding down Charles Street south of the project site.
2. Do not authorize the undergrounding of the overhead service distribution line that extends to the west from the joint pole on the east side of Charles Street as part of the Project condition of approval and to leave the existing wood pole in place and do not authorize Budget Modification No. 1 in the amount of \$399,880.
3. Authorize undergrounding of the overhead service distribution line that extends to the west from the joint pole on the east side of Charles Street and remove the existing wood pole as part of the Project condition of approval and approve Budget Modification No. 1 in the amount of \$399,880 to fund the work.

STAFF RECOMMENDATION

Alternatives 1 and 2: 1) Authorize the use of approximately \$101,500 as a 50% match from Project 802150 Undergrounding Overhead Utilities to extend undergrounding down Charles Street south of the project site and; 2) Do not authorize undergrounding of the overhead service distribution line that extends to the west from the joint pole on the east side of Charles Street as part of the project condition of approval and to leave the existing wood pole in place and do not authorize Budget Modification No. 1 in the amount of \$399,880.

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Reviewed by: Tim Kirby, Director of Finance

Reviewed by: Teri Silva, Assistant City Manager

Approved by: Kent Steffens, City Manager

ATTACHMENTS

1. Exhibits of Existing Condition, Option 1 configuration, and Option 2 configuration
2. Sunnyvale Municipal Code Section 19.38