



# City of Sunnyvale

## Agenda Item-No Attachments (PDF)

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File #: 21-0820, Version: 1

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### REPORT TO PLANNING COMMISSION

#### SUBJECT

**Proposed Project:** General Plan Amendment Initiation: to consider a 100% Floor Area Ratio (FAR) combining district on 10 parcels in the M-S zoning district totaling 63 acres.

**Location:** 974 East Arques Avenue (APNs: 205-36-006, 205-36-007, 205-36-008), 190 Commercial Street (APN: 205-35-001), 198 Commercial Street (APN: 205-35-002), 930 East California Street (APN: 205-35-003), 1050/1090 East Arques Avenue (APN: 205-37-009), 928/930 East Arques Avenue (APN: 205-35-017), and 955/965 East Arques Avenue (APNs: 205-25-018 and 205-25-019)

**File #:** 2021-7282

**Zoning:** M-S - Industrial and Service

**General Plan:** Industrial

**Applicant / Owner:** RMW Architecture & Interiors (applicant) / Applied Materials, Inc. (owner)

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

**Project Planner:** Momoko Ishijima, (408) 730-7532, [mishijima@sunnyvale.ca.gov](mailto:mishijima@sunnyvale.ca.gov)

#### REPORT IN BRIEF

#### BACKGROUND

General Plan Amendment Initiation (GPI) requests are considered 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 (Attachment 2). If the City Council approves the GPI, a formal application for a GPA may be filed by the property owner or applicant. The City Council must approve the GPA and related rezoning before the specific project is considered.

Staff received a GPI request from the applicant on April 16, 2021 requesting to consider a 100% floor area ratio (FAR) combining district for 10 parcels totaling 63 acres. All parcels are owned by Applied Materials, where they envision expanding their Sunnyvale Campus as their core global innovation platform for business, engineering, and advanced research, and development (R&D) lab operations. Three of the parcels (APNs: 205-36-006, -007, and -008) are part of the Arques Campus Specific Plan adopted by City Council in 1999, which allowed 72% FAR. The new proposal would expand Applied Materials' campus plan, and the General Plan designation and subsequent rezoning would allow the company to grow in the City. Applied Materials, Inc. was founded in 1967 and has had a campus presence in Sunnyvale since 1995.

The City Council is scheduled to consider this item on September 28, 2021.

#### EXISTING POLICY

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, it provides direction for decision-making on City services and resources. The 2017 adopted Land Use and Transportation (LUTE) Chapter 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 anticipates that the proposed project area would experience minor infill, improvements, and redevelopment up to 35% FAR through 2035. The LUTE has several policies to improve the jobs-to-housing ratio, promote business retention and expansion, 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.

### **Open Space, Parks and Wetlands**

*Policy LT-9.1:* Ensure that the planned availability of open space in both the city and region is adequate.

*Action LT-9.1d:* Integrate useable open spaces and plazas into commercial and office developments.

### **Supportive Economic Development Environment**

*Policy LT-11.1:* Provide existing businesses with opportunities to grow in Sunnyvale and provide opportunities to expand into new technologies.

*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.

*Action LT-13.8b:* Maintain and review, as needed, criteria for superior quality architecture, landscaping, and site development for office, industrial, and R&D projects that request to develop beyond standard floor area ratio limits.

*Policy LT-13.9:* Maintain areas of Class B and C buildings to support all types of businesses and provide a complete community.

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

*Policy LT-14.1:* Prepare specific area plans and special zoning tools (including, but not limited to

specific plans, precise plans, design guidelines, specialized zoning, and sense of place plans) to guide change in areas that need special attention.

### **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.

*Action LT-14.8c:* Include a discussion of community benefits in area plans and specific plans that defines the City's priorities and outlines an implementation program.

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

The entire area has a General Plan designation of Industrial and is zoned M-S (Industrial and Service). The General Plan designation is for R&D, manufacturing, office, and heavy industrial uses. Attachment 5 is a General Plan land use map of the vicinity.

### **Arques Campus Specific Plan**

As mentioned in the Background section of this report, City Council adopted the Arques Campus Specific Plan in 1999, which includes three parcels of the main Applied Materials campus (APNs: 205-36-006, -007, and -008). The Arques Campus Specific Plan allowed 72% FAR with a Development Agreement, which included a 15-year guarantee of entitlements and financial contributions for community-wide benefits (See Attachment 8). The development envisioned in the Specific Plan has not been realized and the existing FAR remains at 34%. The GPI request area includes the Arques Campus Specific Plan area and the surrounding properties and envisions a larger campus development.

### **Council Policy 1.1.13 - Review Criteria for Projects Greater than 35% FAR:**

The policy establishes criteria to evaluate the merits of Use Permit applications that exceed the baseline FAR in industrial zoning districts. The review criteria consist of: community character; environmental (traffic and air quality); site design and architectural; and an optional category of economic and fiscal factors.

### **ZONING STANDARDS**

The M-S zoning district allows a maximum FAR of 35%, with building heights up to 75 feet and eight stories. An additional 10% FAR or height by 10 feet can be earned by exceeding the maximum standards in the City's Green Building program. Requests for FAR beyond 45% (or above 35% FAR without the Green Building incentive) require a Use Permit with Planning Commission and City Council review, and are subject to the review criteria for higher intensity industrial development.

There are certain industrial areas in the City that are designated for more intensive development (up to 70% or 100% FAR). Properties zoned M-S/100% are allowed an additional 25 feet in height for a maximum of 100 feet and eight stories (not including rooftop equipment and elevator shafts).

Transportation Demand Management (TDM) programs are also required for projects in designated high-intensity industrial zoning districts. The Central and Wolfe campus is the only site currently zoned M-S/100%; all the sites originally designated with 70% or 100% FAR are now part of the Moffett Park Specific Plan or Peery Park Specific Plan areas.

### **CITYWIDE DEVELOPMENT POOL**

The City maintains a limited amount of available office/industrial square footage (Citywide

Development Pool) that may be applied to higher FAR projects that provide community benefits. The Pool was created by crediting square footage (35% FAR) for sites developed without industrial, research and development or office uses. Sites with uses such as places of worship, hotels and commercial retail contribute to the Citywide Development Pool. The square footage approved for a specific project (typically a Use Permit) is subtracted from the Citywide Development Pool. There is no formal Council policy on whether the Citywide Development Pool should be adjusted if there are zoning changes to higher FARs. However, one example of how the City has previously addressed this issue is the nearby development at Central Expressway and Wolfe Road, which was rezoned in 2014. In that case, the additional development potential approved was deducted from the Development Pool. The current balance of the Citywide Development Pool is 1.2 million square feet.

If the GPI is granted, future GPA and rezoning is approved for this project, and the City Council decides to grant the square footage from the Citywide Development Pool, the balance would be exhausted.

### **ENVIRONMENTAL REVIEW**

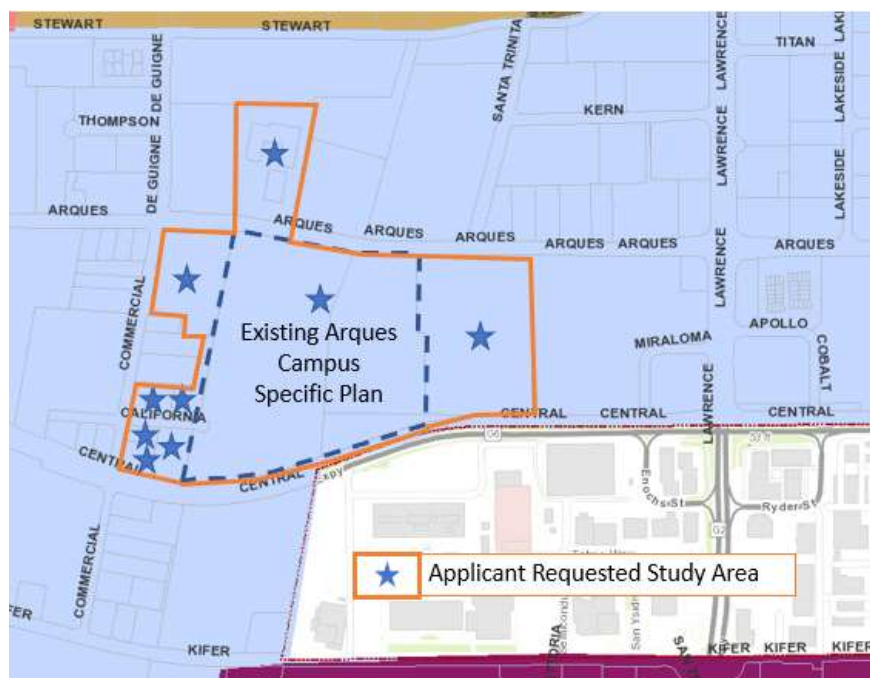
The decision to initiate a GPA study does not require environmental review under the California Environmental Quality Act (CEQA) because the mere initiation of a study does not constitute a project under CEQA pursuant to CEQA Guidelines Section 15378(a) as it has no potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment. If initiated, the proposed GPA and associated rezoning (RZ) would be subject to the provisions of CEQA and environmental analysis would be conducted.

### **DISCUSSION**

The requested study area is bound by Central Expressway to the south, Commercial Street to the west, and East Arques Avenue to the north except for 955/965 East Arques Avenue, which is located on the north side of East Arques Avenue. There are 10 parcels in the requested boundary of the study area. See Attachment 3 for the applicant's conceptual site plan.

The total GPI request area is 63 acres. The existing land uses in the area are industrial, with the largest use by Applied Materials for R&D and office. Currently, there is approximately 932,825 square feet of building area in 10 buildings with an overall FAR of approximately 33%.

The area proposed for study, by Applied Materials, is shown in the map below:



The GPI request area is surrounded by industrial uses. The City of Santa Clara border is located south of Central Expressway and the Lawrence Station Area Plan (LSAP) boundary is also located 0.25 mile to the south. Industrial uses are currently located within the portions of the City of Santa Clara, and industrial and multi-family uses are located within the LSAP south of Kifer Road. Residential development is also located in the East Sunnyvale Industrial to Residential (ITR) area about 0.25 miles away, north of Stewart Avenue. This ITR area includes several residential developments, with 1051 units currently under construction. The Central and Wolfe project (100% FAR) and the proposed Fortinet General Plan Amendment (GPA) and rezoning project (100% FAR) are located to the west and south within 0.25 mile. See Attachment 4 for vicinity maps of the area.

The GPI request area is located 0.5 mile north of the Lawrence Caltrain station and 1.5 miles east of the Sunnyvale Caltrain station. These major transit sites are conveniently located for potential new commuters with rides to transit or who may bicycle the distance. The area is also serviced by Santa Clara Valley Transportation Authority (VTA) and Altamont Corridor Express (ACE) bus lines.

### Conceptual Proposal

The applicant, representing Applied Materials, Inc., is requesting that the City consider a study to enable rezoning the proposed study area from M-S to M-S/FAR 100%, which would facilitate a master-planned office/R&D campus project. A conceptual project proposal was submitted with the GPI application to illustrate the request (See Attachments 2 and 3). The actual project would require a separate permit consideration if the GPI is initiated, and the GPA and rezoning are ultimately approved.

The conceptual proposal consists of the following elements:

- Retain 167,000 sq. ft. of Office/R&D and 17,000 sq. ft. of manufacturing at the existing Applied Materials campus
- Demolish existing structures on all other parcels totaling 748,825 sq. ft.
- Construct 2,385,297 sq. ft. of Office/R&D (net increase by 1,636,472 sq. ft.)

- Allow a height limit of 100 feet and 8 stories
- Allow lot coverage maximum of 45%
- Parking ratio of 3.3 spaces per 1,000 gross square footage of FAR
- Overall plan area FAR of 100%.

### **Recent Examples of Projects with 100% or Greater FAR**

The proposed density is similar to the nearby Central and Wolfe office development. The project was rezoned from M-S to M-S/FAR 100% based on the site's industrial designation, proximity to arterial roadways, and sufficient distance away from single-family residential and other sensitive land uses. The City also approved a rezoning from M-S/FAR 55% and 75% to M-S/FAR 100% for the office campus at the northwest corner of Mathilda and Maude Avenues in 2012, because of the site's gateway location, and because of how the project met the City's objectives of encouraging Class A office developments while being able to provide traffic mitigation measures and public improvements. That campus is now in the Peery Park Specific Plan (PPSP) with a different zoning designation.

If sufficient development reserve is available, all properties within the PPSP can be considered for 100% or 120% FAR if specified community benefits are provided and approved by the Planning Commission or City Council. Since the adoption of the PPSP in 2016, four office projects have been approved for 100% FAR or greater; the development reserve is essentially depleted.

The Lawrence Station Area Plan (LSAP) was adopted in 2016 and is scheduled for City Council consideration of an update on September 14, 2021. The update would increase housing and would expand the boundary line to the west. Office/R&D projects in the LSAP can be considered for up to 150% FAR in some locations with a Development Agreement and the provision of community benefits.

The Fortinet campus GPI was considered by City Council on August 22, 2017, which included 11 parcels on 17.85 acres. City Council authorized a GPA study for a larger study area as an industrial intensification site in the General Plan to allow 100% FAR with the preparation of a Specific, Area, or Precise Plan. This project is currently on hold by the applicant.

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

If initiated by the City Council, subsequent GPA and rezoning applications would be required to consider the 100% FAR. The recently adopted LUTE did not identify the proposed study area as an industrial intensification area; therefore, the General Plan would need to be amended to reflect the change. The Changing Conditions Map contained in the LUTE (Attachment 6) identifies the study area as where enhancement is to occur through build-out (2035). This enhancement would entail minor infill, improvements and redevelopment where urban form may change, but would still be consistent with the current character. The LUTE categorizes industrial intensification sites as "transform" areas where major redevelopment would occur with significant changes to urban form and character, including FAR. The subsequent GPA request would designate the study area as a "Transform - Office/Industrial" character of change area in the LUTE. Other than Moffett Park and Peery Park the only other Industrial/Office Transform area is Reamwood Avenue and Tasman Drive (industrial sites) near a VTA Light Rail Train station.

The rezoning request would be needed to amend the existing M-S zoning designation to the M-S/FAR 100% to be consistent with a General Plan change. 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. The following finding is required to approve a future GPA and rezoning:

*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 increasing the allowable floor area or retaining similar existing land uses. The study would analyze: traffic and transportation implications; water, sewer, and other utility impacts; effects on city services; other environmental impacts; and potential visual impacts associated with increased building heights and massing. Typically, a fiscal impact analysis is also prepared to gauge the potential effects on revenues and City services. The potential for Community benefits will also be evaluated as part of the study. The City would also review the appropriateness of the proposed boundary for the industrial intensification area. The applicant would be responsible for the costs of all studies as part of the GPA and rezoning review process.

Staff suggested the GPI process for this potential development because of the programmatic nature of the request. The request affects several properties and was not contemplated with the recently adopted LUTE. The applicant could apply for a Use Permit for higher FAR without changing the General Plan and Zoning, but the application would still require review by the Planning Commission and City Council. The differences in the processes are as follows:

- A GPA/RZ requires conceptual-level design details. If a GPA is approved, a subsequent application with specific project design features would be submitted for Planning Commission and possibly City Council consideration.
- A Use Permit application to exceed 35% FAR would be subject to the specific review criteria for project over 35% FAR as specified in Council Policy 1.1.13;
- The City does not have the discretion to specify the boundary of a study area with a Use Permit Application, but may do so for a GPA/RZ; and
- Use Permits expire if not exercised within two years, whereas GPAs (including Specific Plans) and rezoning actions do not expire.

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

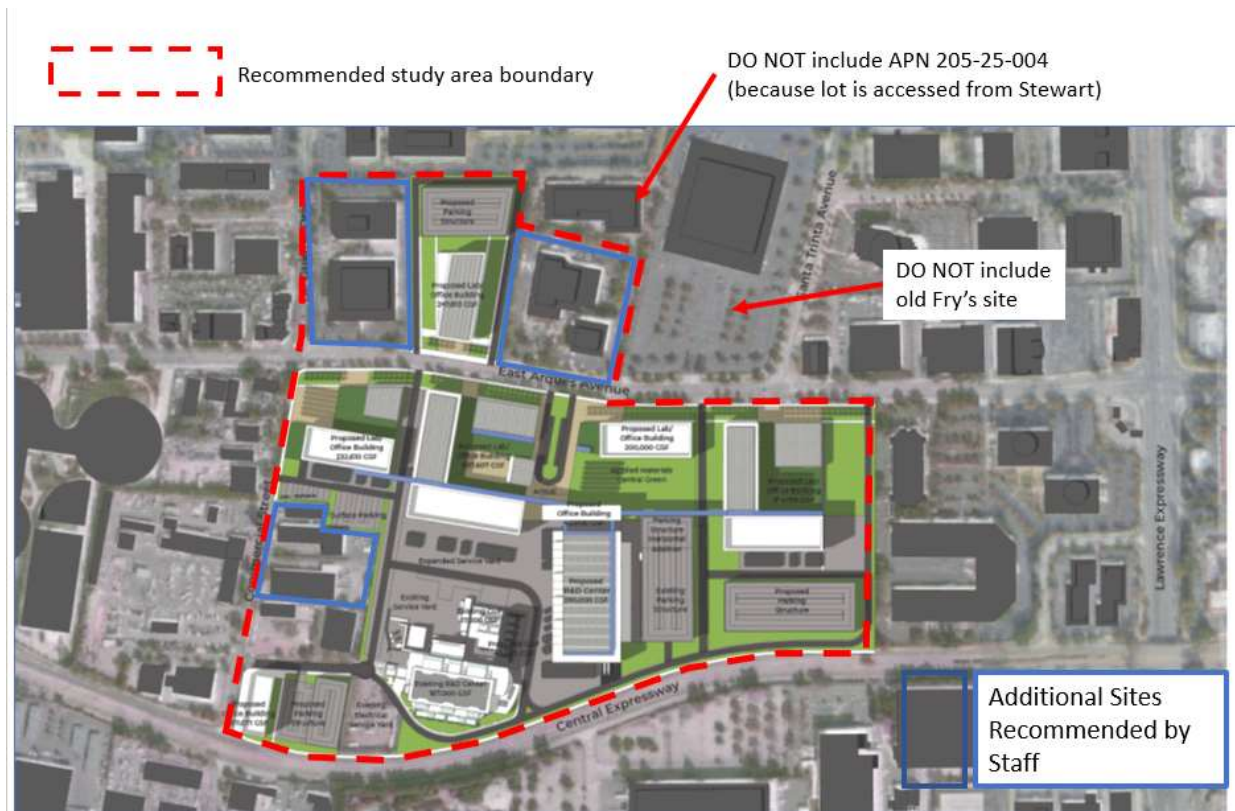
As noted earlier in the report, the GPI request area is located within close proximity to the Central and Wolfe office development and the LSAP boundary. The Central and Wolfe office development was approved in 2014 with 100% FAR. The City approved a project within the LSAP to construct two new four-story office buildings and associated parking structures resulting in 80% FAR for Intuitive Surgical's campus on Kifer Road. Phase I of this development has been constructed with Phase II pending construction. The Greystar development east of the Intuitive Surgical campus has been developed with a 520-unit multi-family residential and 7,000 square feet of retail development. Intuitive Surgical is proposing a 77% FAR office development project also on Kifer Road (part of the expanded LSAP boundary), which is scheduled to be considered by City Council on September 14, 2021.

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

Staff proposes a slightly expanded Applied Materials study area to capture three additional parcels on Commercial Avenue and two additional properties on the north side of Arques Avenue. This boundary includes five properties not controlled by Applied Materials. Staff finds these boundaries recognize the changing nature of real estate, including the possibility that future requests will be



made for the other properties in the area, or an interest to protect some lighter industrial uses from future land use changes. Expanding the study area to include the entire area described above (see Attachment 7) could provide better guidance of how to plan the area. If that option is chosen, a new Specific Plan would provide the best direction for the applicant, future projects, and decision makers reviewing the projects. These parcels total 17 acres and the expanded study area would total 80 acres. Staff will contact the owners of any property not owned by Applied Materials, Inc. to advise them of the study and potential study.



An expanded study area would help ensure a coordinated review of traffic and environmental impacts, provision of community benefits, sense of place and infrastructure improvements, and support for retention and expansion of existing businesses. The LUTE suggests preparation of specific plans to guide change in areas that need special attention.

The PPSP, adopted in 2016, is an example of a comprehensive plan for a larger industrial area that includes a community benefits program, provision for open space, and requirements to fund transportation improvements. The PPSP encourages a range of workplace types and expansion opportunities to ensure the continued success of existing businesses in the area.

## FISCAL IMPACT

There are no fiscal impacts associated with a GPI request. All fees and costs for development processing, related special studies and CEQA analysis would be covered by the applicant. A General Plan Amendment study will include a fiscal impact analysis.

## PUBLIC CONTACT



As of the date of the staff report preparation, staff has received no comments on the item.

Notice of Public Hearing, Staff Report and Agenda:

- Published in the Sun Newspaper
- Posted on the City of Sunnyvale's Website
- Agenda posted on the City's official notice bulletin board
- Notices mailed to property owners and tenants within 300 feet

See Attachment 4 for Vicinity and Noticing Map.

### **ALTERNATIVES**

Recommend to City Council:

1. Initiate a General Plan Amendment study to consider identifying the 10 parcels within the GPI request area as an industrial intensification site in the General Plan to allow 100% FAR.
2. Initiate a General Plan Amendment study of a larger study area as an industrial intensification site in the General Plan to allow 100% FAR with the preparation of a Specific, Area, or Precise Plan (as shown in Attachment 7 to the report).
3. Do not initiate a General Plan Amendment study and leave the current zoning designation as M-S. An applicant could apply for a Use Permit for the City to consider a FAR greater than 35% for a specific development project.

### **STAFF RECOMMENDATION**

Alternative 2: Recommend to the City Council to initiate a General Plan Amendment study of a larger study area as an industrial intensification site in the General Plan to allow 100% FAR with the preparation of a Specific, Area, or Precise Plan (as shown in Attachment 7 to the report).

The area is already planned for higher intensity development through the Arques Campus Specific Plan. Expanding the boundaries and considering higher intensity development could assist a successful company expanding their presence in Sunnyvale. Staff finds that a larger GPI study area is a more thorough approach to planning for this area. A Specific Plan could provide a thorough study of the types of uses and intensities, a holistic view of traffic impacts and area improvements and sense of place additions. It is possible the area will experience more redevelopment interest in the future and doing a study of a slightly larger area would provide a broader approach rather than taking projects on a piecemeal basis. All studies required for a General Plan Amendment or preparation of a specialized plan would be paid by the applicant.

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Reviewed by: Trudi Ryan, Director of Community Development

Reviewed by: Teri Silva, Assistant City Manager

Approved by: Kent Steffens, City Manager

### **ATTACHMENTS**

1. *Not Used, Reserved for Report to Council*

2. Applicant's GPI Request Letter
3. Applicant's Conceptual Development Plan
4. Vicinity and Noticing Maps
5. General Plan Land Use Map of Vicinity
6. LUTE Changing Conditions Map
7. Expanded Study Area
8. Link to Arques Campus Specific Plan (1999)