RESPONSE TO COUNCIL QUESTION
RE: JULY 8, 2025 AGENDA

Item 1 25-604: Study Session on Citywide Plan to Reduce Homelessness and Its Impacts

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Question 1: The list of affordable housing complexes in the report “City of Santa Clara’s Citywide Plan to Reduce Homelessness and Its Impacts” is incomplete and inaccurate: It says Agrihood is “in progress” and that Kifer Senior Apartments is “currently in development.” It also misses “USA Properties Mainline North” project. It also fails to mention that 5% of the units in Patrick Henry will be inclusionary ELI units.

Response: Staff will update this to reflect that Agrihood is leased up, USA Mainline is now leasing, and that Patrick Henry Drive will have a 5% affordability requirements.

Question 2: I see the following: The City, in partnership with WeHope, is piloting a service that provides weekly mobile shower and laundry service for unsheltered individuals. But the website says: Through a partnership with WeHOPE, the City provides weekly mobile shower and laundry services for unsheltered individuals. Dignity on Wheels sets up every Wednesday from 9:00 a.m. - 1:30 p.m. in the parking lot at Marsalli Park. VTA Bus Lines 22, 59, and 60 stop near the corner of El Camino Real and Lafayette Street for easy access to these services. Dignity on Wheels will provide hot showers, free laundry service, and connections to other support services. Download the Dignity on Wheels Flyer.

My question is why Marsalli Park instead of near the library or St Justins when people come for food? It seems to me it should be more accessible to unhoused people where the “live” or congregate. Also can I get statistics like how many showers per year and how many unique clients?

Response: The service was moved from Bassett Drive due to low usage, lack of transit access, and changing patterns of RV encampments. Marsalli Park is more centrally located and adjacent to three bus lines. In addition, there were concerns about concentrating too many services at Central Park. The number of people served per month at Marsalli Park has increased from 7 in November 2024 to 34 in May 2025. June data is not yet available.

Question 3: What is the in-lieu fee for developers who don’t want to do inclusionary housing? How does that compare to the cost of inclusionary units?

Response: Housing projects with less than 10 units have the option to build one affordable unit or pay an in-lieu fee. The fee is calculated as follows: (Gross square feet of total residential floor area) minus (square feet of existing residential floor area) multiplied by (per square foot fee) equals (total housing impact fee). The current fees are as follows per the Municipal Fee Schedule:

Development Impact Fees Affordable Housing Fees For Sale Residential Single Family Home Townhome Condominium	 Per Square Foot $ 45.72 $ 38.09 $ 30.48	 No No No	Charged by: HCSD Collected by: HCSD	Date: 4/29/2025 Res. No. 25-9437	Objective: Impact Development Fee Prop 26 Exception: 6 Full Cost: $ -	Inflate annually by Feb - Feb change in regional BCI SCMC 17.40.060.
Development Impact Fees Affordable Housing Fees Rental Residential Any Tenure Type	 Per Square Foot $ 30.48	 No	Charged by: HCSD Collected by: HCSD	Date: 4/29/2025 Res. No. 25-9437	Objective: Impact Development Fee Prop 26 Exception: 6 Full Cost: $ -	Inflate annually by Feb - Feb change in regional BCI SCMC 17.40.060.

Projects with <u>more</u> than 10 units must build the affordable units or utilize one of the following means of compliance. Paying in-lieu fees is not an option per the Affordable Housing Ordinance.

(g) The City Council may authorize a developer to utilize an alternate means of compliance with subsection (a) of this section, in part or in whole, such as a <u>dedication of land</u> for affordable housing, the <u>development of affordable units at an off-site location</u>, or some <u>combination</u> thereof. In either case, the City priority shall be for a location that is accessible to public transit. Such an alternative shall be memorialized through a development agreement.

(1) For a dedication of land, the value of the land must be at least equivalent to the value of the subsidy that would be required to produce the inclusionary units otherwise required under subsection (a) of this section.

(2) For the provision of units off site, the developer must commit to constructing the units within a time frame comparable to what the City would achieve through the inclusionary requirement. In addition, the developer must construct a greater number of affordable units than would be required under subsection (a) of this section, or at least an equal number of units with a greater degree of affordability. (Ord. 1974 § 1, 1-23-18).

Source: <u>Chapter 17.40 CITYWIDE AFFORDABLE HOUSING REQUIREMENTS</u>

Question 4: Even though the document is dated July 8, 2025, there is no mention of the Benton Lawrence Interim supportive housing project. Why?

Response: The Benton/Lawrence funding announcement from the State occurred late last week and the RTC and attachments were already being finalized for posting given the holiday. The staff presentation will acknowledge the change in status and include City Council action on this project as part of next steps.

Question 5: What would it take for CSC to create a "one-stop" provider like Sunnyvale Community Services?

Response: In FY 23/24 the operating expenses for Sunnyvale Community Services was $14M.

Creating a new non-profit would require seed funding to develop a business plan, incorporating and securing tax-exempt status, forming a board, writing bylaws, hiring staff, leasing and/or constructing space, etc. This will be a significant work effort that will exceed beyond the two-year workplan. If there is strong interest on this topic, Council can include a work item in the draft workplan for staff to complete initial research; however, this will require reorganizing the workplan since there is limited capacity to complete all of the current work items. Further research and assessment, likely through a consultant, would be needed to determine the scope and cost of a potential "one-stop" provider.

Question 6: Could CSC ban renting out of RVs to unhoused folks like putting a rental time limit of one month?

Response: The City cannot implement regulations or restrictions that apply specifically to unhoused individuals. If the Council is interested in pursuing a policy that is applied equally to all RVs, the Council can include a work item in the draft workplan for staff to research and implement this work item; however, as mentioned above, this will require reorganizing the workplan since there is limited capacity to complete all of the current work items.

Question 7: Has CSC considered Tiny Homes?

Response: The City has not explored Tiny Homes and it is not currently a part of the draft workplan. This option will require significant work and due diligence. If there is strong interest on this topic, Council can include a work item in the draft workplan for staff to research this work item; however, as mentioned above, this will require reorganizing the workplan since there is limited capacity to complete all of the current work items. Further research and assessment, likely through a consultant, would be needed to determine the scope, feasibility, and cost of developing and operating Tiny Homes.

Question 8: How does the CSC budget proposal for TBRA, Intensive Case Management, Street Outreach/Case Management, Safe Parking and Encampment cleanups compare to neighboring cities like Mt View, Sunnyvale and Milpitas?

Table 1. FY 2025/26

Services	Budgeted / Funded	Unfunded
Tenant Based Rental Assistance (Abode Services)	$ 942,697	$ -
Tenant Based Rental Assistance (Abode Services – HOME ARP)	$ 606,744	
Intensive Case Management (County)	$ 125,000	$ -
Landlord/Tenant Mediation (Project Sentinel)	$ 69,159	$ -
Homelessness Prevention (County)	$ 50,000	$ -
Mobile Shower and Laundry (WeHOPE)	$ 50,178	$ -
Domestic Violence Services (NextDoor)	$ 30,000	$ -
211 Hotline (United Way)	$ 5,000	$ -
Proposed Street Outreach/Case Management, Temporary Hotel Program, and Inclement Weather Hotel Program (WeHOPE)[11]	$ 856,088	$ -
Encampment Cleanups (Tucker Construction)	$ 112,200	$ 65,000
Towing[12]	$ 67,000	TBD
Proposed Safe Parking Program (Pending viable site)	$ -	$ 1,600,000
Remaining State Grant to Fund TBD Services that Further Enhance the City's Homelessness Response	$ 87,828	$ -
TOTAL	**$ 3,001,890**	**$ 1,665,000**

Response: Staff located preliminary numbers for the following programs:

- Tenant Based Rental Assistance (TBRA):
  - Santa Clara has allocated $942,697 in general fund and $606,744 in HOME ARP in FY 25/26 for TBRA.
  - San Jose is the only other city that operates a HOME funded TBRA program in Santa Clara County and it has budgeted $4.5M in FY 24/25.
- Intensive Case Management (Project Based)
  - Santa Clara has a revenue agreement with the County for intensive case management services (project based) for $125,000 per year.
  - Mountain View has a revenue agreement with the County for intensive case management services (project based) for $120,000 per year.
- Street Outreach/Case Management/Emergency Hotel Shelter/Inclement Weather Hotel:
  - Santa Clara is proposing to allocate $856,088 for street outreach/case management, a 5 room hotel shelter program, and inclement hotel program with an additional $50,178

annually (separate contract) for a weekly mobile shower/laundry service. If the City creates a safe parking program, this same outreach team would serve that site at no additional cost.

- Sunnyvale is the closest "apples to apples" comparison because they recently procured a vendor through a competitive bid process and Santa Clara is leveraging their procurement to expedite this process. The scope is very similar:
  - $909,780 per year for 2 outreach workers, 2 case managers, and 0.5 program manager. This program includes mobile case management/outreach as well as 5 hotel rooms and 2 mobile shower/laundry sessions per week. An additional $73,185 per year goes to Sunnyvale's inclement weather hotel program (10 beds/night).
- Milpitas pays for outreach at $199,000 per year for 2 outreach workers. With a smaller team, case management is lighter and more focused on assessment.
- Palo Alto pays $460,000 per year and anticipates increasing this to $512,000 annually for 2 outreach workers and 0.1 Director.
- Mountain View pays $120,000 per year for referral and case management for RV residents and $15,000 per year for restrooms/wash stations.

- Safe Parking:
  - Mountain View invested $700,000 with $1,100,000 from the County.
  - Palo Alto did not contribute funding, but they provided a site.
  - Sunnyvale has not yet committed funds to Safe Parking.

- Encampment Clean-ups:
  - The City does not have data on how much other cities budgeted for encampment cleanups.

Item 5 25-417: Action on an Award of Contract for the Northern Receiving Station Upgrades and Expansion Project Contract No. 2454 to Henkels and McCoy West, LLC and Related Budget Amendment

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Question 1: Has SVP conducted outreach or received feedback from non-bidding firms about why they declined to submit proposals and is there any indication that regional or national contractors are tied up with other capital work, leading to low bid volume?

Response: It is not typical for us to reach out to firms until after the contract is awarded. Overall, the construction industry has been extremely busy over the past approximately 5 years which has led to lower bid volume and these projects are more specialized due to the complex nature of the work. Regional projects of similar complexity have typically received 2 bidders. See the third question regarding more information on low bid volume specifically for SVP.

Question 2: Why was the engineer's estimate $20M higher than both bids? Was the estimate based on outdated labor/material costs or conservative contingencies? Is there a risk that the low bids reflect missing scope, inadequate contingencies, or aggressive underbidding?

Response: The engineer's estimate included conservative assumptions in working hours to support tight outage/clearance windows and working around live/energized parts for the work. It is feasible that through the contractors means and methods that they could perform the work quicker than we anticipated. Both bidders include significantly higher percentages of self-performed work which we believe could be a contributing factor to lower bids. Since both bids were within 3% of each other, we feel confident in the bids received but there is always a risk in contracting that the contractors interpreted our bid documents differently than we intended.

Question 3: Has SVP experienced low bid counts on other power infrastructure projects in the last 12 months? If so, is this being analyzed for policy adjustments? Is this a result of internal processes that have allowed certain projects to be sole-sourced despite best practices of RFP?

Response: Yes we have historically received a low number of bids for our projects. Past analysis has provided the following explanations:

a. There are a low number of qualified contractors out there for this type of work in general. It is relatively specialized and has a smaller pool of companies to pull from in general
    i. The "portfolio" of projects we offer are relatively smaller than project offered by larger entities like PG&E. Contractors are more likely to spend their time providing bids for these larger higher dollar value projects
    ii. Prior feedback from contractors indicates there is a perception that the City bidding, billing and Prevailing wage processes are challenging compared to non-public entities that are directly competing with us for these services.
b. For reference here are the number of bids received for some past projects:
    i. Stender way Junction T-lines – 2
    ii. Memorex Junction/ San Tomas Junction T-Lines – 2
    iii. GAP streetlight – 1
    iv. Tasman Streetlight – 2
    v. Bowers Junction transmission lines – 2
    vi. Storm Water Project – 3
c. Older Projects:
    i. Caltrain Electrification – 1
    ii. Serra Substation – 3
    iii. South loop project – 1 (for re-bid, first time bid received no response)

Question 4: Should the City explore new prequalification strategies, incentive structures, or bundled contracting to increase bidder interest in future solicitations?

Response: SVP explored the potential for prequalification on these large receiving station projects, however we thought that may actually limit our pool of candidates as we were bidding the projects in quick succession. Prequalification could shorten the bid period in the future but it does not necessarily mean we would receive more bids.

SVP did require a mandatory pre-bid meeting for the projects which ensured that bidders had an understanding of the property and the work onsite. We had a number of bidders participating in both site walks.

Item 7 25-457: Public Hearing: Consideration of Various Actions to Amend the City Place Santa Clara Project (PLN24-00060) Located at 5155 Stars and Stripes Drive to Provide for a New Scheme C Land Use Scenario to add Light Industrial as a Permitted Land Use on Parcels 1 and 2, Replacing the Originally Planned Office Uses and Transferring Unused Development Intensity to Parcel 4 and to Implement Other Project Changes

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Question 1: People often ask—why not start with restaurants, office and retail to be ready for 2026 events? I think it is important for our public and council to better understand that the answer isn't preference, it's financial reality. The Bay Area retail is still recovering: Q1 2025 vacancy is 25% for office, net absorption is down over

100,000 sq ft, and rents average $33/sq ft/year (CBRE). In contrast, light industrial is steady with 6.5% vacancy and rents around $4/sq ft/month NNN (CBRE). Can staff explain how stable early phases like these can unlock financing for the full vision- housing, retail, and open space to come to fruition in later phases and conversely, explain the risk and probable economic fallout if done retail first? We are having a disconnect between our wish list and economic realities.

Response: This is an important and understandable question, particularly in the context of the upcoming 2026 Major Events. Both the City and Related would have strongly preferred to see key elements of the project completed ahead of these large-scale events. However, due to prevailing economic and real estate market conditions, particularly the significant challenges in the office and retail sectors, Related has indicated that it was not financially viable to proceed with vertical development on that schedule. As such, the project timeline and land uses are proposed to be adjusted to reflect current market realities while maintaining the long-term vision.

Office continues to have a declining demand as the office vacancy in the Bay Area is approximately 25%. While Valley Fair and Santana Row have been able to maintain low vacancy, retail recovery overall remains slow. For new retail developments, anchor tenants and significant capital investment are typically required. In contrast, light industrial continues to be a stable and financeable asset class which translates to stronger investor and lender confidence.

Beginning the project with stable light industrial uses allows Related to generate revenue that could attract project-level financing, which in turn unlocks the ability to build later phases that require greater capital investment but generate broader public benefit such as housing, retail, restaurants, and office.

Building on speculative retail or office uses is not where the market is today and comes with its own risks which include prolonged vacancies and carrying costs on unleased buildings. That could then delay the buildout of the remaining project phases due to insufficient revenue which could then stall or fail the overall vision of the project.

Question 2: Are there safeguards or triggers to ensure that once light industrial revenue is stabilized, development proceeds on the higher-cost public benefit areas?

Response: Yes. The project is governed by multiple tiers of binding documents—the Master Community Plan (MCP), Development Agreement (DA), and Disposition and Development Agreement (DDA) which include land use phasing requirements, infrastructure obligations, and financial commitments.

The DDA includes a Schedule of Performance that ensures development of the phases of the project within the timeline. Scheme C also updates the phasing requirements and creates milestones to enhance accountability as part of Scheme C implementation while allowing flexibility for Phases 1 and 2 to proceed when financially viable. Related is obligated to proceed with developing Phases 1 and 2 in accordance with the Schedule of Performance once the office vacancy rates stabilize.

Question 3: There is no data center currently planned. However, amending the land use to allow for this option enables market-responsive development. I want to emphasize that there is not a guarantee of data centers at this point and too much time is spent on that 'what if' and positioning ourselves to deny that potential. I believe the public thinks we are zoning specifically for data centers and this is not the case.

Response: No, the proposed amendment does not specifically approve a data center on Parcels 1 and 2. The amendment would add "light industrial" as a permitted land use within Parcels 1 and 2, thereby allowing a broader range of industrial uses including, but not limited to, data centers. The intent is to preserve market flexibility, not to commit to or guarantee any one use. It is important for the public to understand:

- No data center is currently proposed or approved.
- Any future data center would be subject to a separate environmental and city review process.
- The amendment helps Related remain economically responsive while retaining control over ultimate use and design.
- Any data center would require a process for a power commitment from SVP.

Question 4: Are there conditions or approval steps tied to any future data center proposal, including Council or public review?

Response: Yes. Even if data centers become a permitted use under "light industrial," the project remains subject to review processes, including:

- Staff review with Project Clearance Committee through the Architectural Review under the Master Community Plan.
- Development Area Plan (DAP) approval, which must be authorized by the Planning Commission and City Council.
- CEQA review is required for any data center.
- Community engagement, either as part of formal hearings or additional outreach depending on project scope.

In short, no future data center or any industrial use can proceed without multiple points of City and public oversight.

Question 5: Can staff clarify what infrastructure (e.g., power capacity, wastewater) is being built to support long-term flexibility while protecting the City's interests?

Response: The City and Related have coordinated on infrastructure planning that balances flexibility for future land uses with protection of City capacity and environmental standards. Key elements include:

- Electrical Infrastructure: Adequate power conduits and substation locations are being reserved but not overbuilt. Any high-load user, such as a data center, will require SVP approval.
- Wastewater and Sewer: System sizing has been planned for mixed-use development. High-intensity users will be required to conduct pre-treatment and submit load calculations.
- Stormwater Management: Stormwater solutions are being phased in with each development area.
- Traffic and Transportation: TDM programs and intersection improvements are phased to support walkability and reduce VMT across land use types.

The City retains discretion to approve or deny utility upgrades that deviate from baseline assumptions. The city has analyzed the utility upgrades in the 2016 EIR and subsequent amendments.

Question 6: What types of businesses, aside from data centers, are expected under "light industrial"? Will/Could any be job-intensive or community-serving- examples?

Response: Yes. The "light industrial" category is broad and includes a range of potential job-generating and community-beneficial uses, such as:

- Advanced Manufacturing (e.g., semiconductors, robotics, clean tech)
- R&D and Biotech Facilities
- Urban Logistics and Last-Mile Delivery Centers
- Maker Spaces and Craft Production
- Food Production/Distribution Hubs

- Flexible Tech Incubators or Labs
- Recycling and Circular Economy Uses

Question 7: I see the following but I don't see any timeline or commitment to a date. Why?:
FD4. The Developer shall provide a replacement Fire Station in accordance with the Disposition and Development Agreement.

Response: The DDA provides the replacement of Fire Station 10 must be done before first Certificate of Occupancy for Phase 2 and per the DDA Amendment Fire Station 10 will need to be completed by the earlier of the first Certificate of Occupancy of Phase 2 or the Certificate of Occupancy for the first million sf on Parcels 1 and 2 combined.

Question 8: It seems that with the long schedule there should be time for Supplemental EIRs and there were three CEQA addenda in 2020 but I see the following: *The PlanningCommission discussion focused on the permitted uses on the northeast Parcels 1 and 2. The Commission deliberated on the possibility of adding additional uses such as, "Office Campus", "Education Campus" and "Medical Campus" to the list of permitted uses for the Light Industrial Parcels 1 and 2. Staff explained that since these uses were not analyzed in the environmental document, it would require a new environmental analysis in accordance with CEQA.*

Response: The schedule of performance for Scheme C incorporates the minimum time necessary after the approval of MCP amendments to secure users, plans and approvals on Parcels 1 and 2.

Please note the existing MCP under the 2016 EIR includes an office campus on Parcels 1 and 2. If offices are desired the developer retains the right to develop under Scheme A or B. If there is interest in the future in other uses being developed on Parcels 1 and 2 further CEQA review can be undertaken and MCP amendments considered.

Question 9: I would like to understand better the power commitments to this project and potential data centers. There was an initial commitment to provide power but as the project has been delayed, was the unused power made available to other customers? Do we need to rewrite the power commitments to allow for clawbacks? Can we get a commitment to participate in DSGS for future data centers?

Response: In 2019, the City and Related entered into a Substation Agreement which allocated 27 MVA for Related's City Place development. That development did not contemplate data centers. The project has changed substantially since the Substation Agreement was executed and the current proposal would require significant infrastructure upgrades. This means the current Substation Agreement will require modifications and, depending on the Related's final proposal and SVP studies, an additional substation agreement and/or other agreements may be required.

27 MVA remains available for the Related's project.

SVP is currently negotiating an amendment to the Substation Agreement which may include claw backs and other provisions to ensure the City's ratepayers are protected.

The DSGS program is available to all large customers and we support Related utilizing this program.

Question 10: Right now I see that they are doing 15% affordable at 100% of AMI. How do we get ELI and LI units?

Response: In 2016, the City had no affordable rental housing requirements but secured agreement from Related to provide 10% affordable units. The Development Agreement amendment increases the amount of affordable units as well as the level of affordability.

The agreement does not require ELI or LI units. The most common way to achieve those levels of affordability is to partner with a specialized affordable housing developer that can leverage public funds to subsidize deeper levels of affordability. This level of affordability could make residential development as part of a mixed-use development infeasible.

Question 11: What does it take for the City to start developing recreation facilities on the 35 acre parkland parcel?

Response: The project requires an RFP for a consultant services design schematic, which will include stakeholder input and community outreach. Once the City has a council approved schematic design, the city will launch another RFP for construction documents this (could be negotiated with the schematic design firm). Once construction documents are complete then we would bid the project for construction.

The developer is committed to a total of $5 million for costs. Based on DPW engineering estimates, the design and construction of a 35-acre parks with basic amenities (no pools or community centers) will be upwards of $100M. The project of this magnitude can be developed in phases. Relative to the timeline of the project, the City estimates having $50M in park impact fees to help develop the park in 5-10 years depending on the pace of actual development in Northern Santa Clara.

Under the Disposition and Development Agreement the developer is to construct the road into City Park as part of constructing Phase 2 of the project. Phase 2 also includes the construction of City Place Parkway which leads into the park access road. Please note, Related has the right to use the park parcel for Phase 2 construction staging and use the soil from the Parcel for project construction prior to turning the site over to the City for development.