3/20/18 Study Session

City of Santa Clara

CityPlace Santa Clara Overview

Study Session

March 20, 2018

City of Santa Clara

Presentation Overview

- The Project
  - Plans and Phases
- City Approvals
  - EIR
  - Entitlements
  - Master Community Plan

2

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POST MEETING MATERIAL

Presentation Overview

- The Transaction
  - Development Agreement
  - Disposition and Development Agreement
- Fiscal Overview
- Ongoing Efforts
  - Key Tasks

The Project

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The Project

Public Private Partnership

Retail/Entertainment focus

Regional draw

Supports City General Fund

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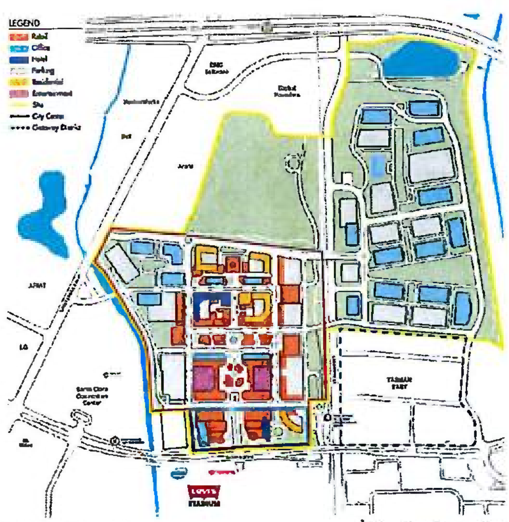

PROGRAM USE PLAN

PROGRAM SUMMARY

240 acres
9.2 million sf
Total Project

5.4 million sf
Office

1.1 million sf
Retail

1,680 units
Residential

700
Hotel Rooms

250,000 sf
Food & Beverage

190,000 sf
Entertainment

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Phasing Concept

Phase 1: ~873,000 sf
Phase 2: ~2.4 million sf
Phase 3: ~750,000 sf
Phase 4: ~1.1 million sf

Phase 5: ~1.44 million sf
Phase 6: ~1.3 million sf
Phase 7: ~1.3 million sf

City Center

Gateway ~ 873,000 sf

Station, Boulevard, Hotel District, and Residential Design Districts:
~ 3.15 million sf

Gateway District

- Cutting Edge Office
- Business Hotel
- Food & Beverage
- Residential

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Station District

- Entertainment
- Restaurants
- Cinema
- Retail

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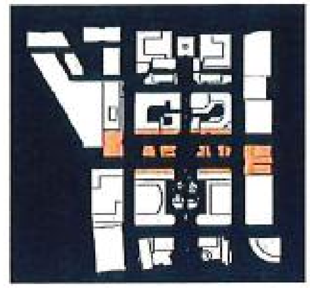
The Boulevard



- Global Brand Anchored
- Pavilion Retail
- Activated Public Space

11

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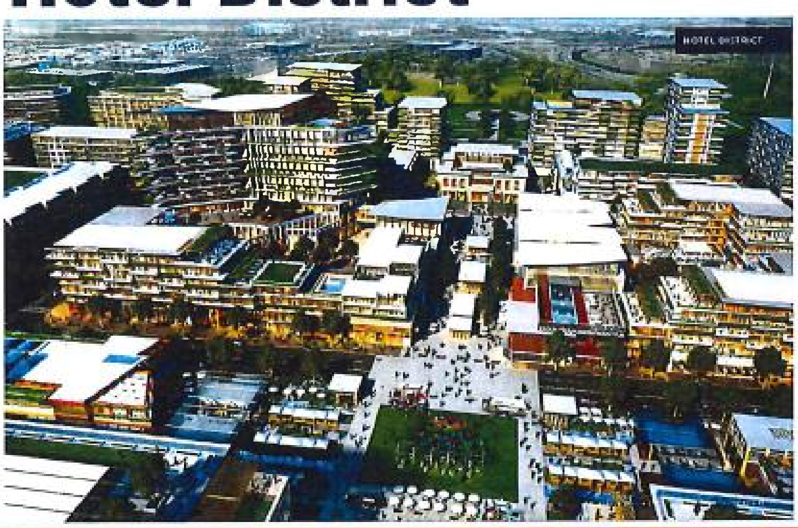
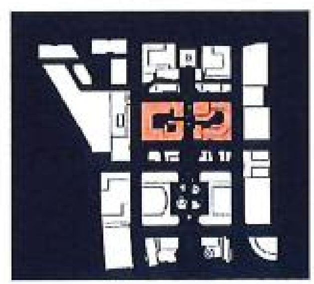
Hotel District





- Equinox Hotel
- Loft Live/Work
- Lifestyle Retail
- Signature Chefs

12

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Residential Design District

- Retail
- Lifestyle Residential

13

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Project Approvals – June 2016

- Environmental Impact Report
- General Plan Amendment
- Zoning: Planned Development – Master Community
- Master Community Plan
- Infrastructure Master Plan
- Disposition and Development Agreement
- Development Agreement

14

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CEQA Litigation

- Litigation filed by City of San Jose in July 2017
- Santa Clara prevailed with trial court decision in November 2017
- San Jose filed an appeal to trial court's decision on Jan. 5, 2018
- To avoid Court of Appeal trial, settlement reached on Jan. 12, 2018
- In addition to the payments required by Santa Clara for traffic-related in San Jose (~$11 million), up to an additional $8.5 million will be paid by Related. The $8.5 million may be reduced based upon overall housing production in Santa Clara
- Good faith efforts to work together on North San Jose and with VTA
- Settlement allows project to proceed

15

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Revised Schedule – Phase I

Outside date for Phase Option Notice: December 13, 2018

Outside date for Submittal of first DAP: April 15, 2019

Outside date for conveyance of Ground Lease: August 14, 2019

Outside date for start of construction: August 13, 2021

16

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EIR

17

EIR

- Studied Project and Several Variants
- Many of the study areas were found have less than significant impacts after mitigation
- Impact areas that remained significant after mitigation included:
  - Jobs/Housing
  - Air Quality
  - Biological Resources
  - Transportation
- Statement of Overriding Considerations Adopted

18

Traffic Impacts and Mitigation

- Full responsibility
  - 28 intersection improvements in Santa Clara, County of Santa Clara, and San José
- Fair share contribution
  - 45 intersection and interchange improvements on the expressways and adjacent city intersections

19

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Traffic Impacts and Mitigation

- VTA voluntary contribution of $16 million to regional freeway and transit improvements
- Multimodal Improvement Plan/Deficiency Plan
  - 3 affected Congestion Management Plan (CMP) intersections in the City of Santa Clara

20

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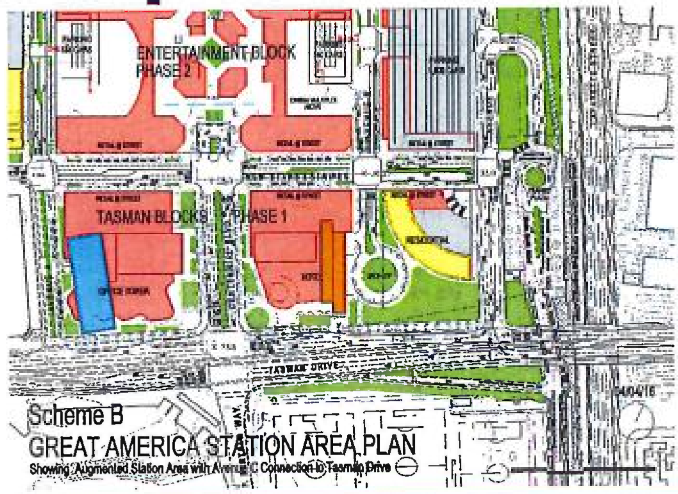
Transportation Improvements

- Relocated Stars and Stripes
- Eastbound Tasman Drive slip-ramp
- New Avenue B
- Avenue C connection to Tasman Drive with potential left-turn out
- Expanded bus loading area



21

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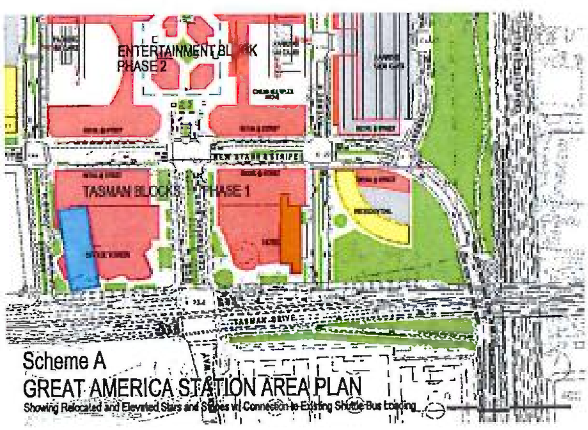
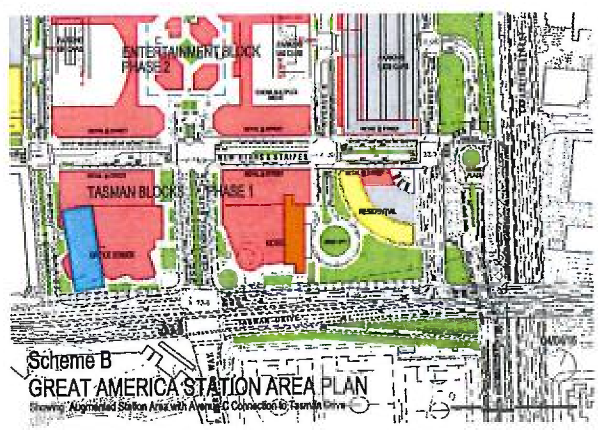
Transit Improvements





22

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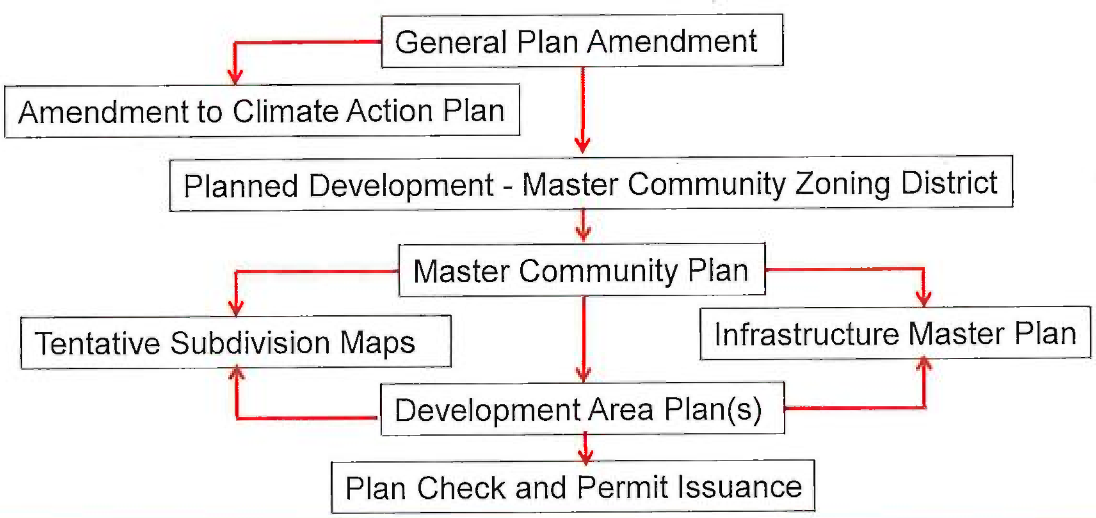
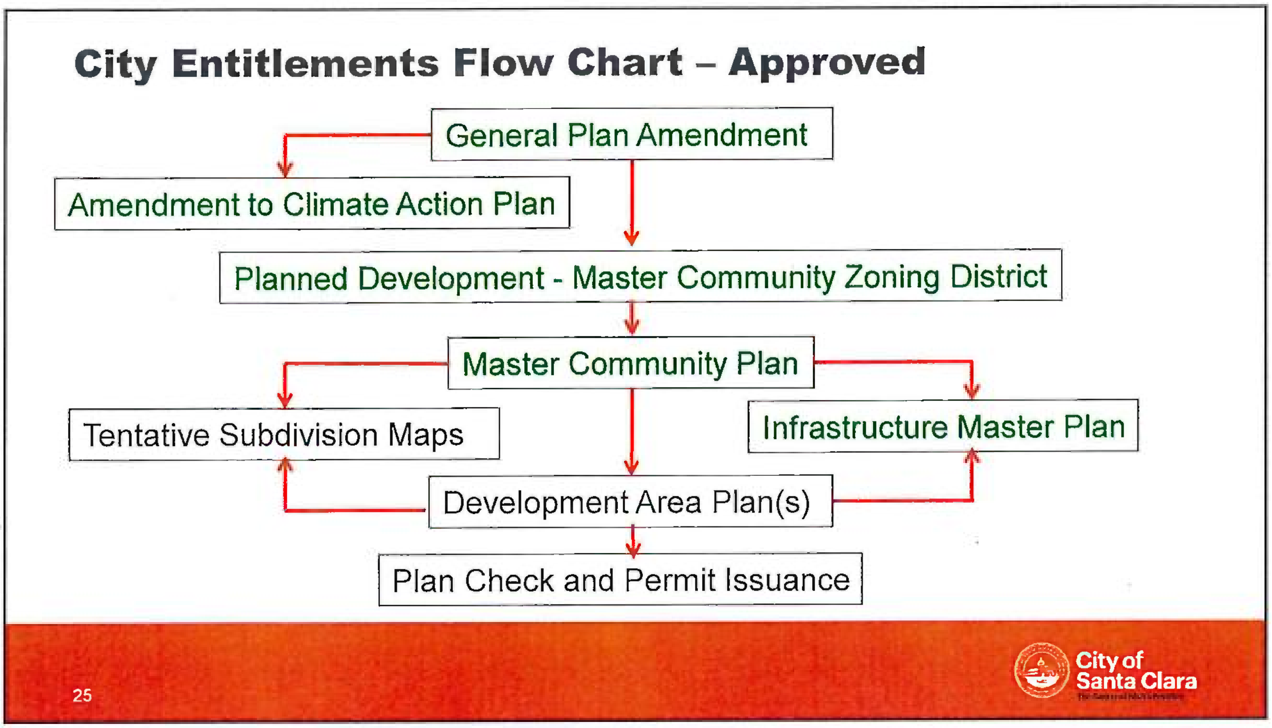
Entitlements

23

City Entitlements Flow Chart



24


City Entitlements Flow Chart – Approved
General Plan Amendment
Amendment to Climate Action Plan
Planned Development - Master Community Zoning District
Master Community Plan
Tentative Subdivision Maps
Infrastructure Master Plan
Development Area Plan(s)
Plan Check and Permit Issuance
25
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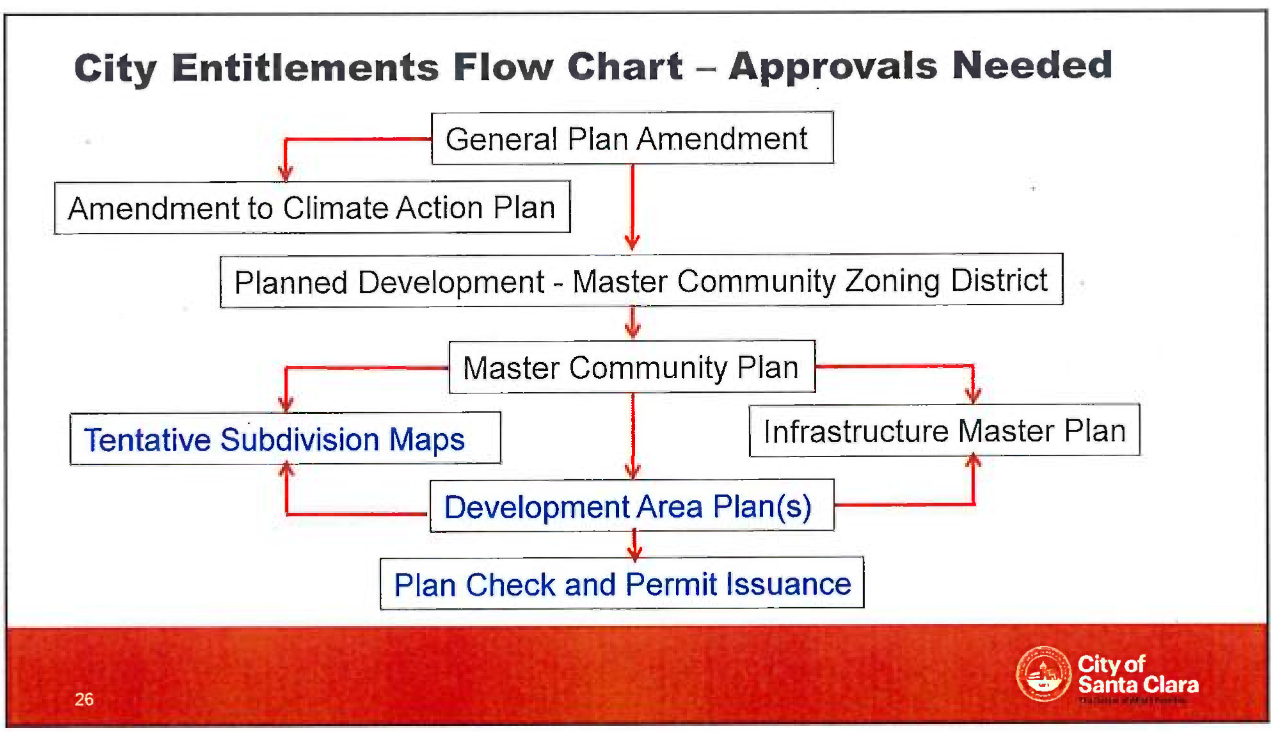
City Entitlements Flow Chart – Approvals Needed
General Plan Amendment
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26
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MCP

27

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Key Elements of MCP

- **Purpose:** provide a comprehensive program to govern the use of land and to provide for orderly development of the project

- Conceptual development framework – standards
- Includes narrative and graphic descriptions of allowed development
- Designed to ensure consistency with General Plan
- Includes preliminary Infrastructure Master Plan
- Describes Development Area Plan approval process

28

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Land Use Areas

29

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Conceptual Land Use Plan

30

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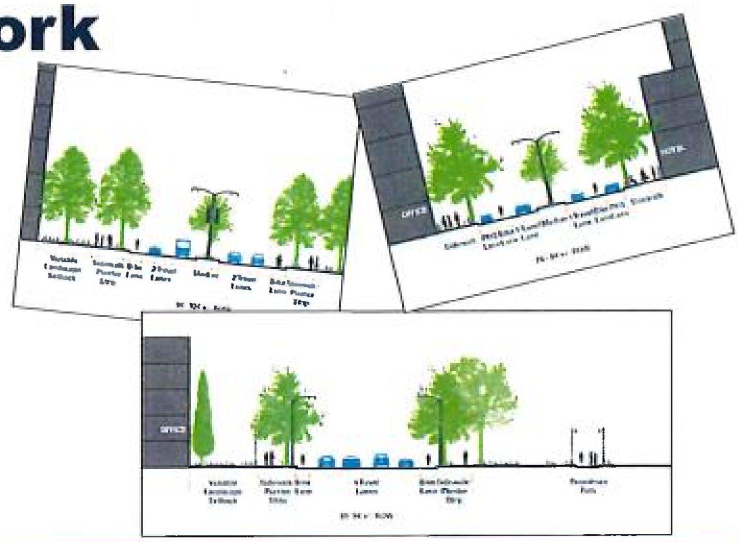
Street Network



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Bicycle and Bus/Transit Network

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Parks & Open Space

- Parks and open space throughout
- Related will take down Parcel 3 (Park parcel), construct the access road and reconvey it to the City with $5 million for park development
- Funds for the cost to design and fully develop the new 31 acre park have not been identified

33

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Development Area Plans (DAPs)

- City Place MCP provides for special procedures for submittal and approval of DAPs
- Process reflects unique nature of the project
- Executive Project Clearance Committee and Priority Project Manager
- CityPlace DAP Procedures: architectural materials may be approved with DAP by Council or architectural materials may be submitted after DAP approval by Council, and approved by Planning Director

34

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DAP Submittal

- Narrative of Compliance with MCP
- Development Obligations
- Signage Plan
- Tentative Subdivision Map
- Topography
- Architectural Materials
- Infrastructure Plan
- Open Space
- MMRP Report
- Retail Plan
- Traffic Analysis

35

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Infrastructure Master Plan (IMP)

- Access
- Storm Water Drainage
- Potable Water
- Recycled Water
- Wastewater
- Electric, Gas, and Telecommunications
- Landfill Infrastructure

36

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Development Agreement

37

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Key Development Agreement Provisions

- Vests Entitlements for 30 Years
- Affordable Housing
  - 10% of the units developed
- Development Fees
  - In general: type of fee and rates static for 7 years from first DAP

38

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Funding for Public Services and Facilities

- Project will pay for all park maintenance except City Place Park
- Project will pay for any enhanced public services such as street maintenance, repair of streets due to settlement of landfill
- Project will pay for the construction of a replacement of FS #10 and staffing for a new hazardous materials unit if necessary for landfill conditions
- Project will pay for enhanced police services (e.g., evenings/ weekends)

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Housing

- Ability to develop housing on the landfill will come through a variety of approvals from:
  - Regional Water Quality Control Board; Cal Recycle; County Local Enforcement Agency; other regional/state agencies
- To extent housing is developed, 10% will be affordable to at least a moderate income level
- Affordable housing planned in Phase 2

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Traffic and Transit Issues

- Local traffic fee will remain capped for the later of 7 years or 50% of the office development. Fee amount can increase after.
- Per other Development Agreements, regional traffic fees will be charged.
- Project will make a **voluntary** payment to VTA in the amount of $16 million for freeway improvements.
- Project will construct mitigation at identified intersections
- Project will make fair share payments to San Jose, County, Santa Clara and Sunnyvale

41

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Traffic and Transit Issues

- The Local and Regional Traffic Fees paid by the Project will be used to fund Multimodal Improvement Plan (MIP) designed to enhance transportation facilities where mitigation is not feasible.
- Multimodal Improvement Plan is underway
- In addition to using the Local and Regional Traffic fees to fund the MIP, City and Developer will share equally in costs above that amount up to a total of an additional $8 million (or $4 million each).
- The Developer's maximum obligation is approximately $17.4 million

42

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Responsibility for Development Fees and City Costs

- Development fees and DPW plan check fees– frozen at current rate for seven years after first DAP
- Developer responsible for payment of certain costs associated with third party consultant activity including environmental, fiscal analysis, legal and more.
- Developer will pay for a City Priority Project Manager to assist in the efficient processing of CityPlace plans

43

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Disposition and Development Agreement

44

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Disposition and Development Agreement

Key terms:

- Phasing and Uses
- Schedule of Performance
- Minimum Development
- Rent and Rent Escalations
- Responsibility for Infrastructure
- Conditions to Ground Lease Conveyance

45

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Minimum Development

- Phase I: 600,000 sf office, hotel, retail
  - 300 key hotel and 50,000 sf retail
- Phase 2: 700,000 sf
  - 500,000 sf retail plus 200k sf of office OR 300 key hotel
- 200 residential units in Phase 1 or 2
- Minimum retail
  - Phase 1: 50,000
  - Phase 2 and 3: 750,000 sf

46

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Beginning Annual Rent

- Phase 1 – $750,000 @ take down;
  $1.0M @ opening; $1.5M @ stabilization
- Phase 2 – $1,500,000;
- Phase 2A – $750,000;
- Phase 3 – $500,000;
- Phase 4– $750,000;
- Phase 5 – $750,000;
- Phase 6 – $875,000; and
- Phase 7 – $875,000.

Escalations on Rent – Phase 1

- Annual 3% per year in addition to the beginning annual rents except for the following
- Years 25, 35, 53, 61, 80 and 90 – rent increases by 10%
- In Year 20: Fair Market Rent Adjustment. Adjustment has a floor and ceiling.
- In Years 45, 70: Fair Market Rent Adjustment. Adjustment has a floor.

Escalations on Rent – Phases 2 - 7

- Annual 3% per year except for the following
- Years 15, 25, 35, 53, 61, 80 and 90 – rent increases by 10%
- In Year 45: Fair Market Rent Adjustment based on the development and taking into account the premium costs associated with the extraordinary infrastructure needed to develop the site. Adjustment has a floor and ceiling.
- In Year 70: Fair Market Rent Adjustment similar to Year 45 with a higher floor and ceiling.

Pre-Conditions to Ground Lease

Items that need to be completed prior to a ground lease:

- Development Area Plan (DAP) approved for phase
- DAP includes: buildings, uses, infrastructure
- Report on tenanting efforts regarding retail/office
- Financing Plan
- Landfill approvals
- CC&Rs
- Construction schedule submitted

Pre-Conditions to Start of Construction

- City approval of schedules regarding special obligations such as minimum development and relocation of fire station
- Securing all permits
- Detailed financing plan
- Security for improvements

51

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Schedule of Performance

Take Down Phase	Outside Date for Phase Option Notice[2]	Outside Date for first DAP Submittal	Outside Date for Land Take Down	Outside Date for Commencement of Construction of Infrastructure
1	December 13, 2018	April 15, 2019	August 14, 2019	Within 2 years after Actual Take Down of Phase 1
2[1]	December 13, 2019	April 14, 2020	August 13, 2020	Within 2 years after Actual Take Down of Phase 2
Phase 2A	Three (3) months prior to Outside Date for Land Take Down	n/a	The earlier to occur of: (i) 12 months after Commencement of construction of any residential buildings within Phase 2; or (ii) 24 months from the Commencement of Infrastructure within Phase 2.	n/a

52

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Schedule of Performance

3	Eight (8) months prior to Outside Date for Land Take Down	Four (4) months prior to Required Land Take Down Date	4 years after Actual Phase 2 Take Down	Within 1 year after Actual Take Down of Phase 3
4	Eight (8) months prior to Outside Date for Land Take Down	Four (4) months prior to Required Land Take Down Date	5 years after Actual Phase 3 Take Down	Within 2 years after Actual Take Down of Phase 4
5	Eight (8) months prior to Outside Date for Land Take Down	Four (4) months prior to Required Land Take Down Date	3 years after Actual Phase 4 Take Down	Within 2 years after Actual Take Down of Phase 5
6	Eight (8) months prior to Outside Date for Land Take Down	Four (4) months prior to Required Land Take Down Date	2 years after Actual Phase 5 Take Down	Within 2 years after Actual Take Down of Phase 6
7	Eight (8) months prior to Outside Date for Land Take Down	Four (4) months prior to Required Land Take Down Date	2 years after Actual Phase 6 Take Down	Within 2 years after Actual Take Down of Phase 7

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Fiscal Overview

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Overall Fiscal Benefits

- Average Annual Rent: $9M to $14M
- Based upon 2016 analysis, net annual tax benefits to the General Fund at full build out: estimated at approximately $16.9 million
- Provides for significant tax benefits to other taxing agencies including SCUSD at $22.1 million annually.
- Overall tax benefits will be dependent on timing of development and land uses
- City property tax share (approximately 10.17%)

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Key Expenditure Impacts on City's General Fund

- **Fire:** Existing capacity exists to serve Project's basic fire and emergency services needs, but if landfill requires more equipment/personnel, Related will fund
- **Police:** Estimate is will need equivalent of 8 full time police officers for proposed Project @ $2.4M/year cost
- **Parks & Recreation:** Ongoing maintenance of on-site parks/open space privately funded (new 31 acre park would increase City costs but not enough known to project)
- General Fund costs for Public Works; Fire; Parks; Library; Com Dev and General Government: About $1.3M/year for proposed Project

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Net Annual Fiscal Impacts – City General Fund

	Phases 1-3	Phases 4-8	Total Project
Proposed Project			
General Fund Revenues	$16.1M	$4.6M	$20.7M
(less) General Fund Expenditures	($3.0M)	($0.7M)	($3.8M)
Net Fiscal Impact *(annual)*	$13.1M	$3.9M	$16.9M
Minimum Development at Full Buildout			
General Fund Revenues	$7.6M	$2.6M	$10.1M
(less) General Fund Expenditures	($1.1M)	($0.7)	($1.8M)
Net Fiscal Impact *(annual)*	$6.5M	$1.9M	$8.3M

Ongoing Efforts

Work with Outside Agencies

- VTA
  - Multimodal Improvement Plan
  - Transit
- Regional Water Quality Control Board:
  - Landfill: Water Discharge Requirements (WDR) and Permit
- Cal-Recycle/County Lead Enforcement Agency (LEA):
  - Landfill: Methane Collection System

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Work with Outside Agencies

- California Division of Drinking Water (DDW)
  - Amendment to Water Permit
- Santa Clara Valley Water District
  - Access across San Tomas Aquino
- Corp of Engineers/Dept. Fish & Game
  - Creeks and Wetlands
- PG&E
  - Access across Transmission Easement

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Other Ongoing Efforts

- Staffing plans
- Temporary relocation of Fire Station 10
- Location for Permanent Fire Station 10
- Preparation for Right of Way needs
- Construction Access/Staging
- Day-to-Day Coordination

61

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Steps to a Phase I Groundbreaking

DAP

- Related to submit a Phase Option Notice for Phase 1 (outside date: ~December 2018)
- City Manager accepts/approves the Phase Option Notice
- Related submits Development Area Plan ("DAP") Application for Phase 1 (outside date: ~April 2019)
- Planning Commission to consider DAP Application (within 3 months after it is deemed complete)
- City Council to consider DAP Application

62

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Steps to a Phase I Groundbreaking

<u>Ground Lease</u>
Execution of the first Ground Lease for the Project (outside date: approximately 18 months). Preconditions include:

- Execution of Landfill Operation & Management Agreement
- Issuance of title commitment
- Receipt of all approvals necessary to begin construction of infrastructure
- City approval of relocation of existing fire station
- City approval of tentative subdivision map

63

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Steps to a Phase I Groundbreaking

<u>Construction</u>
Prerequisites for Related to commence construction of infrastructure (outside date: approximately two years after the execution of the Ground Lease) include:

- Approval of Construction Management Plan
- Approval of architectural review application (if not submitted as part of DAP application)
- Approval of Financing Plan
- Submission of Phase Schedule of Performance
- Submission of Completion Guaranty

64

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Future Council Review/Actions

- Multimodal Improvement Plan
  - Review of Projects
  - Consideration of the Plan
- Development Area Plan
- Tentative Map
- Public Infrastructure (i.e., roadways, potential CFD, gas collection system, electric substation)
- Fire Station
- CityPlace Park

65

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THE MISSION CITY

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