



# City of Santa Clara

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## Agenda Report

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20-297

Agenda Date: 4/7/2020

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### INFORMATIONAL REPORT TO CITY COUNCIL

#### **SUBJECT**

Update on project located at 500 Benton Street with Republic Metropolitan LLC [Council Pillar: Promote and Enhance Economic and Housing Development]

#### **BACKGROUND**

On November 19, 2019, City Council approved the Second Amendment to the Exclusive Negotiations Agreement with Republic Metropolitan LLC (Developer) for the site located at 500 Benton Street [APN: 230-08-061]. While Council approved the Second Amendment which extended the term of the agreement to August 5, 2020, Council also directed staff to report back to Council within 120 days (March 18, 2020) with an update on the revised term sheet, along with updates on the proposed water well location and the preservation of the historic railroad buildings.

#### **DISCUSSION**

The following responds to Council's request for an update on the Term Sheet, water well and the historic railroad buildings.

#### ***Term Sheet***

As per the Second Amendment to the Exclusive Negotiations Agreement, the Developer is required to submit a new term sheet ("Revised Term Sheet") to VTA and the City within 90 days after the execution of the Second Amendment. The Revised Term Sheet presents all economic terms of any proposed Lease Option Agreement (LOA) or Disposition and Development Agreement (DDA) between the parties.

On February 14, 2020, the City received the Developer's Revised Term Sheet. The ENA contemplates that all parties use their best efforts to negotiate and develop mutually acceptable terms and conditions of a DDA or LOA (the "Final Term Sheet"), within 120 days following the submittal of the Revised Term Sheet (i.e., June 13, 2020). City staff and Developer discussed the Developer's Revised Term Sheet on March 19.

The Final Term Sheet is intended to provide for the economic terms and conditions pursuant to which the Developer will have the right to lease the property and construct the project. These terms would be documented in a Disposition and Development Agreement (DDA) and brought for Council consideration together with CEQA and project land use entitlement actions.

The key terms of the Revised Term Sheet are summarized below together with a general status of the item:

#### **Proposed Project:**

Mixed-use project including market rate / student housing development consisting of 545 beds in 170

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units, an affordable housing development consisting of 70 units dedicated to low-income families, 18,600 sf of retail/office space, 316 garaged parking spaces, and includes relocation of water well and pump station.

The Developer has submitted a Planning Application for the proposed project.

**Financial Terms:**

The Developer has proposed a 99-year Ground Lease with financial terms for both VTA and the City. Parties are reviewing the project underwriting; proposed rents; and, proposed escalations/rent adjustments over time.

**Cal Train Relocation:**

The Property is currently improved with surface parking which is used by Cal Train through separate agreements with both the City and VTA. The Cal Train parking would be temporarily relocated offsite during construction and relocated back primarily to the VTA Parcel after completion of the Affordable Housing Component's construction. The VTA Lease will contain the terms and a form of sublease for the Cal Train Relocation.

**Community Improvement Plan:**

During the DDA/LOA Term, VTA and Developer will work collectively and cooperatively to develop a public safety and student ridership program for the Student Housing Component in order to meet the stated program goals ("Transit Ridership Incentive Program"). During the DDA/LOA Term, the VTA and Developer will negotiate a separate agreement to provide monthly ridership passes to the program ("TRIP Agreement"). The TRIP Agreement will provide that, after construction of the Project, Lessee will provide a one-time payment of an amount not to exceed up \$1,000,000.00 to the TRIP ("TRIP Funds") for the funding of the TRIP, the details to be provided for in the DDA/LOA.

**Police Department Parking:**

While not included in the current Term Sheet, the City has requested that 30-50 parking spaces be made available for Police Department use. There is not adequate parking available in front of the Police Building for the public accessing the Police services and/or the community room within the Police Building.

**Water Well Relocation**

This item is included in the Term Sheet but for the purposes of this Report, it is broken out separately.

There is currently a City underground production water well ("well") and its appurtenances in approximately 50 feet by 62 feet lot which is located on the City Parcel (APN 230-08-78) in the center of the parking lot. The current project site also has potential to install multiple wells. The current well location is in conflict with the proposed development Project footprint.

To mitigate the conflict, the Developer will be required to abandon the existing well and provide another well of equal or better water quality and production. The existing well is one of the top producing water wells in the City's water system that brings drinking water to Santa Clara.

For the relocation, the Developer has proposed an onsite location at the southeast corner of Benton Street and El Camino Real. In addition to the proposed well site at 500 Benton Street, the Developer must also - consistent with the requirements of the City and State Department of Drinking Water

(DDW) - provide a potential viable site of approximately 100 feet x100 feet for a future well that will deliver an equal or better water quality and production level in comparison to the current well 3-02. City staff has asked the Developer to offer a site for a future well but has not received any information.

Developer is currently working with the City Water and Sewer Department to satisfy the operations and maintenance elements of the proposed site, and City/DDW Regulatory requirements. California Environmental Quality Act (CEQA) review for the proposed well is in process. The City's Water and Sewer Department staff is working with the Developer's engineering firm, Infrastructure Engineering, and Well consultant Todd Groundwater, to obtain the 50-foot radius variance and source water assessment from DDW.

Developers' consultant will be required to drill a test hole with permitting and contract approval by the City (various departments - Public Works, Community Development, Water District etc.). Once the test hole is drilled and results are obtained then the Developer must coordinate with City to provide the requested information to DDW for their approval, provided the results are satisfactory and in line with the current well or better.

Final production well plans, and specifications need review and approval by the City and DDW. The design and construction may take two to six months based on the CEQA requirements and other approvals after the test hole is drilled. After the proposed well is in service, the existing well would be abandoned.

As of the date of the preparation of this Report, it is unknown whether or not the proposed well site will meet the production and quality requirements set forth as equal or better than the existing well.

### ***Preservation of historic railroad buildings***

The City will act as the Lead Agency for the completion of the CEQA process for the project. Cultural Resources Treatment Plan will need to be developed to complete the CEQA process due to the Project's proximity to Mission Santa Clara.

The Project is also located adjacent to Santa Clara Depot, a Historical Resource Inventory property, which requires that the Historical and Landmarks Commission review the project for neighborhood compatibility and consistency with the City's Design Guidelines. The HLC recommendation will be provided to the relevant Boards and Commissions for considerations as the project proceeds through the entitlement process.

### **Next Steps**

There are a number of items to address and accomplish prior to the finalization of a Term Sheet for Council consideration and Council's consideration of a DDA. The ENA sets out a 120-day time period (or June 13, 2020) for the finalization of a Term Sheet. The ENA contemplates that prior to the end of the ENA term (August 5, 2020), the Project would have secured the following approvals: CEQA clearance; project entitlements; and a final Disposition and Development Agreement with the City and VTA. Under normal conditions, preparing and finalizing CEQA clearance in this timeframe (a necessary prerequisite for project entitlements and consideration of a DDA) would be problematic. Given the current coronavirus public health crisis, deploying City resources and third-party services to achieve these milestones may not be possible. Absent other Council direction, Staff will continue to facilitate efforts on this project to the extent allowable given other resourcing needs.

**ENVIRONMENTAL REVIEW**

The action being considered does not constitute a “project” within the meaning of the California Environmental Quality Act (“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.

**COORDINATION**

This report has been coordinated with the City Attorney’s Office.

**FISCAL IMPACT**

There is no additional cost to the City to prepare this report other than administrative staff time and expenses. Third party costs associated with the negotiation and preparation of the Disposition and Development Agreement have been paid by the Developer from a deposit to the City.

**PUBLIC CONTACT**

Public contact was made by posting the Council agenda on the City’s official-notice bulletin board outside City Hall Council Chambers. A complete agenda packet is available on the City’s website and in the City Clerk’s Office at least 72 hours prior to a Regular Meeting and 24 hours prior to a Special Meeting. A hard copy of any agenda report may be requested by contacting the City Clerk’s Office at (408) 615-2220, email [clerk@santaclaraca.gov](mailto:clerk@santaclaraca.gov) <mailto:clerk@santaclaraca.gov> .

**RECOMMENDATION**

Note and File the Informational Memo on the project located at 500 Benton Street with Republic Metropolitan LLC.

Reviewed by: Ruth Mizobe Shikada, Assistant City Manager

Approved by: Deanna J. Santana, City Manager

**ATTACHMENTS**

1. Site Map