



## Agenda Report

21-1246

Agenda Date: 11/9/2021

### REPORT TO COUNCIL

#### SUBJECT

Action on the Adoption and Certification of an Environmental Impact Report; Adoption of a Mitigation Monitoring or Reporting Program; and Architectural Approval of a Data Center project located at 1200 -1310 Memorex Drive

#### COUNCIL PILLAR

Promote and Enhance Economic, Housing and Transportation Development

#### EXECUTIVE SUMMARY

On August 8, 2019, Skybox Development LLC ("Applicant") filed an application for the 9.18-acre site at 1200-1310 Memorex Drive that is currently developed with three buildings: a three-story, approximately 350,037 square foot building; a two-story, approximately 45,986 square foot building; and a one-story, approximately 2,944 square foot building.

The proposed project (PLN2019-14055) is the development of a four-story 472,920 square foot data center building with an attached six-story 87,520 square foot ancillary use office and storage component, for a combined square footage of 560,440, along with the associated electrical substation, paved parking areas and landscaping. The data center building would be approximately 85 feet in height, with additional screening features extending to a height of 99 feet. The data center portion of the building would house computer servers for private clients in a secure and environmentally controlled structure and would be designed to provide 60 megawatts (MW) of information technology (IT) power.

The project includes the demolition of the existing historic industrial buildings on-site, and a minor modification to the Zoning Code standards to allow the increased height of 99 feet and a reduction in the zoning code parking standards for a data center. An Environmental Impact Report was prepared to fulfill the California Environmental Quality Act (CEQA) requirements for the project.

The City Council will be considering both the adoption of the Environmental Impact Report (EIR) and approval of the architectural review of the proposed project.

#### BACKGROUND

##### Existing Site Conditions:

The project site is located at the intersection of Memorex Drive and Ronald Street. The project site is bounded by parcels developed with industrial uses to the north, commercial and industrial uses to the west, industrial uses to the east and residential uses to the south. The Assessor's Parcel Number is 224-66-006.

The 9.18-acre subject project site is developed with three buildings: a three-story, approximately

350,037 square foot building; a two-story, approximately 45,986 square foot building; and a one story, approximately 2,944 square foot building. The buildings are concentrated in the northwestern portion of the site adjacent to Memorex Drive and consist of a mix of architectural styles and materials typical of light industrial warehouse uses, including cinderblocks, stucco, and large windows. The site currently has four driveways on Memorex Drive and three driveways on Ronald Street/Di Giulio Avenue. Trees and ornamental landscaping are located along a portion of the Memorex Drive frontage of the property, as well as the eastern property boundary. As part of the project, the existing buildings would be demolished, and the associated parking lot would be removed.

Land use zoning designations surrounding the project site consist of Light Industrial to the north, east, and west and Single Family Residential to the south, separated from the site by a railway corridor. General plan designations surrounding the project site consist of Light Industrial to the north and east, Low Intensity Office/Research and Development to the west, and Very Low Density Residential to the south.

#### Historical and Landmarks Commission

This project was first heard at the July 1, 2021 Historical and Landmarks Commission (HLC) meeting and was continued to the September 2, 2021 HLC meeting. At the July 1, 2021 HLC meeting, the HLC made a motion to continue this item until after the public comment period for the Environmental Impact Report (EIR) was complete, so that the HLC could review the Final EIR prior to their discussion of the project. After a lengthy discussion at the September 2, 2021 HLC meeting, the HLC voted (5-0-1), with Commissioner Vargas-Smith abstaining, to recommend that the City Council certify the EIR and further recommended selection of one of the project alternatives as the project, the "Preservation Alternative - Retain Historical Resource." The HLC also voted to make the following recommendations if the City Council declined to adopt the alternative as the project, or if the Council selected another alternative: 1) the City historian is to review Historic American Buildings Survey (HABS) documentation prior to issuance of the demolition permit; 2) the HLC is to review the historical monuments prior to issuance of Certificate of Occupancy; and 3) character defining elements of original building are to be incorporated into the new design.

#### DISCUSSION

The following discussion addresses the two actions before the City Council, consideration of the project Environmental Impact Report (EIR) and approval of the project's architectural design. Certification of the EIR is an independent consideration from the project design review, focused upon the adequacy of the EIR to meet the legal requirements of CEQA. The design review process is similarly focused upon the project's fulfillment of site and architectural design requirements. Also discussed below is the topic of noise, as it has been a topic of community interest.

#### Environmental Impact Report

An EIR was prepared for the project due to its potential impact upon a historic resource and includes an analysis of the potential impact as well as mitigation measures.

The existing buildings located at 1200-1310 Memorex Drive are the former headquarters of the Memorex Corporation. A Historic Resource Evaluation completed by the Architectural Resources Group (ARG) in December 2019 for the EIR determined that the project site is eligible for listing in the California Register of Historical Resources (CRHR) under Criterion 1, Association with Significant Events. This eligibility is based on the site's association with the development of the modern electronics industry and the broader context of Silicon Valley's development in the 1960s and 1970s. Under CEQA, the significance of a historical resource is considered to be "materially impaired" when

a project demolishes or materially alters the physical characteristics that justify the determination of a historical resources' significance. The project includes demolition of the existing improvements on site and therefore would, per the CEQA thresholds, have a significant and unavoidable impact on a historical resource.

To be considered eligible for listing under CRHR Criterion 1, a property must be associated with one or more events important in a defined historic context. This criterion recognizes properties associated with single events, a pattern of events, repeated activities, or historic trends. The event or trends, however, must clearly be important within the associated context. Further, mere association of the property with historic events or trends is not enough, in and of itself, to qualify under this criterion: the specific association must be considered important as well.

The EIR requires that the project incorporate four mitigation measures (MM CUL-1.1 to CUL-1.4) to reduce the impact to historic resources, including a HABS Recordation, video documentation, interpretive display, and oral history collection. Prior to project implementation, the applicant has agreed that the historical resource will be recorded to HABS standards established by the National Park Service. Video documentation of the subject property will supplement HABS documentation, including recording the exterior and interior of the industrial complex at 1200 - 1310 Memorex Drive, as it appears, prior to project implementation. Using visuals in combination with active narration, the documentation shall include as much information as possible about the spatial arrangement, circulation patterns, historic use, current condition, construction methods, and material appearance of the historic resource. Both onsite and offsite interpretive displays may be appropriate mitigation measures for the demolition of the industrial complex at 1200 - 1310 Memorex Drive. Onsite displays should be located in a prominent space within the new development, such as a lobby, where they may be viewed by employees and visitors to the property. Displays should be permanent and should address the history and architectural features of the industrial complex at 1200 - 1310 Memorex Drive and its operation during the property's period of significance. The project applicant will prepare an oral history collection that focuses on the operation of the Memorex Corporation between 1961 and 1971, when the subject property served as the company headquarters. To the extent feasible, at least one former employee of the Memorex Corporation who was employed at the subject property shall be interviewed for the oral history.

According to CEQA Guidelines Section 15126.4(b), all feasible mitigation must be completed even if it does not mitigate project impacts below a level of significance. Although recordation of a resource prior to demolition does not mitigate the physical impact on the resource, it is considered to serve a "legitimate archival purpose." The project would thus include as mitigation the recordation of the building as described above. However, the mitigation would not fully offset the loss and the impact would remain significant and unavoidable. Per CEQA, the City is required to adopt a Statement of Overriding Consideration when an EIR determines that a project would result in a significant and unavoidable impact.

#### *Statement of Overriding Considerations*

In order to adopt the Environmental Impact Report, the City Council must also adopt a Statement of Overriding Considerations per CEQA to explain the reasons for why the project's benefits outweigh the significant impact that is not mitigated to a less than significant level. In the case of this project, the significant impact is related to the demolition of structures with significant historical association. The Statement of Overriding Considerations includes several positive attributes of the project including recognition that redevelopment of the site has a beneficial use to support the growing

demand for internet use and will provide a net positive impact in terms of revenue provided to the City in comparison to services needed.

#### Zoning and General Plan Conformance

The proposed redevelopment would be consistent with the City's General Plan land use Light Industrial designation in that the proposed project would implement specific goals and policies of the City's General Plan and result in land development that is compatible with City standards, surrounding land uses, and the overall General Plan strategies, goals and policies. Specifically, development of data centers furthers the City's General Plan Goal 4.6 *Maintain the City's Fiscal Health and Quality Services*. This strategy acknowledges the need for the City to ensure that new growth strengthens and diversifies the City's tax base and address any demands placed on infrastructure and services. Data centers create a net positive contribution to the City's fiscal health.

This project is also largely consistent with the Light Industrial (ML) district standards in which data centers are a by right use. The applicant is requesting a Minor Modification to allow proposed modifications for increased height and reduced parking.

The proposed minor modification would allow reduced parking (113 spaces) where 140 parking spaces are required per strict adherence to Chapter 18.74 of the Zoning Ordinance which establishes a standard parking requirement for data centers of one space per four thousand (4,000) square feet of gross floor area. As is typical with other recent data center projects, the one space per four thousand square feet standard would result in an excess of parking in relation to the operational needs of the data center based upon the projected actual number of employees and visitors to the site.

The applicant is requesting a minor modification for increased height where a maximum of 70 feet is allowed per the Light Industrial (ML) Zoning District. The data center building would be approximately 85 feet in height. An additional acoustical screening feature, which includes a noise attenuating parapet wall along the southern façade would extend to a height of 99 feet. The City has granted similar height exceptions in industrial areas where it would not negatively impact surrounding properties.

#### Project Design and Architecture

The building facades are articulated with details and materials to provide an attractive appearance and to minimize the massing of the four-story building. The project includes infrastructure improvements and site design measures consistent with City requirements. Monuments are proposed to be placed on site to commemorate the historic events that took place at the existing buildings (Attachment #4). Mature landscaping will be planted along the southern project boundary to reduce visibility of the project from the single-family residences south of the existing railroad tracks.

#### Noise

All data centers are subject to the City's noise ordinance and required to operate below set noise levels. Due to several complaints received in the past year regarding night-time noise issues, the City contracted with a consultant to investigate the noise levels and identify the source as the noise resulting in complaints is still from a non-determined source. The City's acoustical consultant installed temporary noise monitors at various locations in the City to determine where the source of the noise is coming from and how to move forward to address this concern; but, during a 2-week

installation period, they were not able to identify a specific noise source or observe noise levels exceeding City standards. City staff have previously taken noise measurements late at night and early in the morning in proximity to data centers and other industrial uses, as well as within the nearby neighborhoods, but have not been able to identify noise levels that exceed the City's standards.

To avoid an impact related to operation of the proposed data center, the project has included noise reduction measures. The project has an air-cooling system that has been designed to address the noise source of the associated rooftop cooling equipment. Specifically, the cooling rooftop equipment will be wrapped with acoustical blankets. In addition, the project includes an acoustical parapet rooftop wall along the southern elevation of the building to further minimize noise traveling to the south, where single family residences are located across existing railroad tracks. Noise resulting from operations of rooftop equipment and associated electrical substation would meet the 55 dBA daytime and 50 dBA nighttime criteria at the nearest residences.

#### Transmission Line Extension

A 60 kilovolt (kV) overhead transmission line would be extended to the site to connect the proposed new substation associated with the data center project to the existing electrical grid. The transmission line would be 3200 feet and form a loop, with the route starting on the east side of Lafayette Street and heading west on Shulman Avenue to Memorex Drive. From there, the route would continue west to Ronald Street and then head south to Di Giulio Avenue to connect to the proposed substation. The route would then head east from the substation to Lafayette Street and turn north towards Mathew Street to close the loop. The majority of the transmission line will be overhead, but SVP staff analyzed a possible underground alternative for the portion of the transmission line located on Di Giulio Street fronting existing residential uses (approximately 750 feet).

The development of an underground design was extremely difficult due to constrained utility spacing within the street. Staff and the consultants spent approximately nine months analyzing different options to develop a constructable underground alternative. Although a possible underground alternative was ultimately identified, staff is recommending this 750-foot section for overhead construction due to near-term construction and access constraints, long-term operational constraints, and limited aesthetic benefits with the underground option.

#### *Summary of Overhead Alternative*

- It is consistent with typical City residential design standards and installations.
- Will only require 6-8 weeks of intermittent construction activity spread over 4 months (not continuous construction).
- No additional poles would be installed within this section.
  - Taller (20 additional feet) wooden poles will replace the existing distribution poles at the same location.

#### *Summary of Underground Alternative*

- Construction will require significant trenching along Di Giulio Ave for 9-12 months.
  - Restricted or no street access on Di Giulio Ave and to Di Giulio Court during construction hours
  - Removal of residential street parking along Di Giulio Ave during construction

- Requires an above ground water service and water service interruptions during construction (approximately 9 months).
- The existing wooden distribution poles fronting residential development will remain in place.
- Will required a large riser pole at property Lafayette and Di Giulio Ave
- Will require substandard spacing between utilities and the underground transmission line which will affect future maintenance and operations
  - Will require shutting down the transmission line when any work occurs on the water main, sewer main, and water and sewer laterals.

### *Community Meeting*

A community meeting was held on November 1, 2021 for property owners and tenants affected by the transmission line construction to receive feedback on the two underground and overhead configuration alternatives. The meeting had 11 attendees with four members of the community speaking. All who spoke expressed support for the overhead configuration option.

## **ENVIRONMENTAL REVIEW**

An Environmental Impact Report was prepared for the project by the environmental consultant firm David J. Powers & Associates, in accordance with the California Environmental Quality Act (CEQA). The Environmental Impact Report (EIR) and Notice of Availability were posted on the City's website at

[<https://www.santaclaraca.gov/Home/Components/BusinessDirectory/BusinessDirectory/372/3649>](https://www.santaclaraca.gov/Home/Components/BusinessDirectory/BusinessDirectory/372/3649) on June 17, 2021, and circulated for 45-day review from June 17, 2021 to August 2, 2021, in accordance with CEQA requirements. The Planning Department received comments in response to the EIR from the Bay Area Air Quality Management District (BAAQMD). No other comments on the EIR were received by staff.

The EIR examined environmental impacts associated with project development and identified potentially significant biological resources, cultural resources, geology and soils, hazards and hazardous materials, noise, and transportation impacts. With incorporation of mitigation measures, most of the potentially significant impacts would be reduced to less than significant, with the exception of cultural resources. A detailed discussion of the potential impacts and mitigation measures to be applied to the project are specified in the EIR and would be implemented through project conditions of approval for the project. In addition, a set of CEQA Findings has been prepared for all of the significant impacts identified in the EIR, and a Statement of Overriding Considerations has been prepared for those impacts that would not be reduced to less than significant with mitigation applied. Responses to the comment letter on the Draft EIR (DEIR) are incorporated in the Final EIR (FEIR). The DEIR and FEIR constitute the EIR for the Project.

## **FISCAL IMPACT**

There is no fiscal impact to the City for processing the requested application other than administrative staff time and expense typically covered by processing fees paid by the applicant. As previously discussed with the City Council, the development and ongoing operation of data centers provides a fiscal benefit to the City.

**COORDINATION**

This report was coordinated with the City Attorney's Office.

**PUBLIC CONTACT**

On October 14, 2021, the notice of public hearing for the October 26, 2021 City Council meeting for this item was posted in three conspicuous locations within 300 feet of the project site and was mailed to property owners and tenants within a 1,000-foot radius of the project boundaries. The public hearing was continued from the October 26, 2021 City Council meeting to the November 9, 2021 City Council meeting. A second notice was mailed on October 29, 2021 to property owners and tenants within a 1,000-foot radius of the project boundaries and the notice was posted within three conspicuous locations within 300 feet of the project site in advance of the November 9 City Council meeting.

A community meeting was held on November 1, 2021 to discussion transmission line extension options for partial undergrounding or aerial configuration options. Notices were sent to property owners and tenants on DiGiulio Avenue, DiGiulio Court, Ronald Street, and Lafayette Street, that could be affected by the transmission line construction.

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>>.

**ALTERNATIVES**

1. Adopt a resolution approving and certifying the Final Environmental Impact Report prepared for the demolition of the existing buildings located at 1200-1310 Memorex Drive and the construction of a new data center project, including CEQA Findings, a statement of overriding considerations, and a Mitigation Monitoring or Reporting Program.
2. Adopt a resolution approving and certifying the Final Environmental Impact Report prepared for the demolition of the existing buildings located at 1200-1310 Memorex Drive and the construction of a new data center project, including CEQA Findings, and a statement of overriding considerations, and a Mitigation Monitoring or Reporting Program, and accept the recommendation from the Historical and Landmarks Commission to add the following conditions of approval: 1) the City historian is to review HABS documentation prior to issuance of the demolition permit; 2) HLC is to review the historical monuments prior to a public hearing prior to issuance of Certificate of Occupancy; and 3) the Developer shall incorporate character defining elements of original building into the new design to the satisfaction of the Director of Community Development.
3. Adopt a resolution approving and certifying the Final Environmental Impact Report prepared for the construction of a new data center project at 1200-1310 Memorex Drive, but selecting the "Preservation Alternative - Retail Historical Resource" as the Project, which disallows the demolition of the existing buildings on site; and adopt CEQA Findings, a statement of overriding considerations, and a Mitigation Monitoring or Reporting Program.
4. Adopt a resolution to approve the architectural review for the 1200 Memorex Data Center located at 1200-1310 Memorex Drive.
5. Disapprove the architectural review for the 1200 Memorex Data Center located at 1200-1310 Memorex Drive, and direct staff to bring back a resolution of denial at a future meeting.

**RECOMMENDATION**

## Alternatives 1 &amp; 4

1. Adopt a resolution approving and certifying the Final Environmental Impact Report prepared for the demolition of the existing buildings located at 1200-1310 Memorex Drive and the construction of a new data center project, including CEQA Findings, a statement of overriding considerations, and a Mitigation Monitoring or Reporting Program; and
4. Adopt a resolution to approve the architectural review for the 1200 Memorex Data Center located at 1200-1310 Memorex Drive.

Reviewed by: Andrew Crabtree, Director of Community Development

Approved by: Deanna J. Santana, City Manager

**ATTACHMENTS**

1. Historical and Landmarks Commission Report of July 1, 2021
2. Historical and Landmarks Commission Minutes of July 1, 2021
3. Historical and Landmarks Commission Report of September 2, 2021
4. Applicant Renderings of Historical Monuments
5. Draft Environmental Impact Report
6. Final Environmental Impact Report and MMRP
- 7 CEQA Findings
8. Statement of Overriding Considerations
9. BAAQMD Comment Letter
10. Resolution Adopting the Environmental Impact Report
12. Resolution Approving the Architectural Review
12. Conditions of Approval
13. Development Plans
14. 1200 Memorex Data Center Renderings