



Agenda Report

18-279

Agenda Date: 3/28/2018

REPORT TO PLANNING COMMISSION

SUBJECT

Second Amendment to Development Agreement between the City of Santa Clara and SI 55, LLC

BACKGROUND

In 2008 the City Council approved a rezoning of the subject property on Lawson Lane from Light Industrial (ML) to Planned Development (PD) to allow Sobrato Development Companies No.70 to construct a corporate campus consisting of up to 516,000 square feet of office space in three buildings; an 8,000 square foot amenity building; two parking structures and surface parking lots providing a combined total of 1,720 spaces; and site improvements.

The project included an approved Development Agreement (DA) between the City and Sobrato Development Companies to secure phased development of the project over a 10-year term with the vested right to develop in accordance with the permitted uses and intensity of development set forth in the approved PD. An Environmental Impact Report (EIR) was prepared and circulated in accordance with the California Environmental Quality Act (CEQA). The City Council certified the Final EIR and approved the project at a public noticed meeting in April 2008.

Phase 1 construction of 306,900 square feet of office space in two office buildings, a parking structure and commons buildings on the east side of Lawson Lane (East Campus) began in 2008 and was halted for a period of time due to the downturn in the economy. Construction was reinitiated in 2011 and completed in 2013, with subsequent occupancy by the Service Now company in 2016.

In May 2012, Sobrato Development Companies No. 70 / SI 55, LLC filed an application to amend the PD zoning and DA to modify the site design and intensity of the previously approved corporate campus project Phase 2. The application included the addition of 97,800 square feet of office space (increasing building area from 209,100 square feet to 306,900 square feet in two buildings); the addition of a 17,158 square foot commons building; and the addition of 1,092 parking spaces on the west side of Lawson Lane (West Campus). Upon full build-out of the approved and proposed projects, the corporate campus would thus include 613,800 square feet of office, 25,158 square feet of commons space, and 2,812 parking spaces on the combined 16.09 acre project site. A Mitigated Negative Declaration (MND) was prepared and circulated in accordance with CEQA for the amended project. In April 2013, the City Council adopted the MND and approved the PD zoning amendment and first amendment to the DA at a public noticed meeting.

While Phase 1 was completed, Phase 2 construction of the West Campus has not commenced, and building permit applications are not expected to be filed with the City prior to expiration of the DA. The entitlements set forth in the PD zoning approval would thus expire on the termination date of the DA on June 5, 2018.

DISCUSSION

The Sobrato Organization / SI 55, LLC has filed an application to amend the DA and extend the term of expiration to June 4, 2020, and thereby extend the PD zoning approval for the project by two years. The extended term is requested to allow the property owner/applicant to obtain building permits for construction of Phase 2 in accordance with the previously approved PD amendment. A tenant for Phase 2 has been identified and secured that would occupy the buildings upon completion of construction. This second amendment to the DA includes new fee provisions for payment by the developer of regional traffic fees and water connection fees in return for the extended term. It does not include additional term extensions of the agreement beyond 2020.

FISCAL IMPACT

Approval of the proposed second amendment to the DA would provide payment of regional traffic fees at \$2.50 per square foot of Phase 2 office development for a total of \$767,250 prior to issuance of building permits. The developer would also be obligated to pay water connection fees, as established by resolution of the City Council, prior to issuance of building permits.

In addition, the project would be subject to building permit and development fees in accordance with the City's Fee Schedule and be made payable at the time of building permit issuance for Phase 2 construction.

Development of the project would increase property tax and other tax revenues for the City and provide additional construction and permanent jobs.

ENVIRONMENTAL REVIEW

An Addendum to the 2008 Final Environmental Impact Report (FEIR) and 2013 Mitigated Negative Declaration (MND) for the Lawson Lane Development Agreement Extension Project was prepared in accordance with the CEQA. The addendum provides an analysis of resource areas which would be potentially affected by the proposal, for a two-year term extension of the DA, in order to determine whether new effects would occur or new mitigation measures should be required. The analysis concludes that no substantive revisions are needed to the 2008 FEIR or 2013 MND, because no new significant impacts or impacts of substantially greater severity would result from the proposed DA amendment; there have been no changes in circumstances in the project area that would result in new significant environmental impacts or substantially more severe impacts; and because no new information has come to light that would indicate the potential for new significant impacts or substantially more severe impacts than were discussed in the 2008 FEIR or 2013 MND. The previous Mitigation Monitoring or Reporting Program remains in effect for the project.

PUBLIC CONTACT

The notice of public hearing for this item was posted within 500 feet of the project site and mailed to property owners within 500 feet of the project site. Newspaper notice of this item was published in the *Santa Clara Weekly* on March 14, 2018.

ALTERNATIVES

1. Approve a Resolution Recommending that Council approve the Second Amendment to the Development Agreement between the City of Santa Clara and SI 55, LLC.
2. Do not Approve a Resolution Recommending that Council deny the Second Amendment to the

Development Agreement between the City of Santa Clara and SI 55, LLC.

3. Note and file the Addendum to the 2008 Final Environmental Impact Report and 2013 Mitigated Negative Declaration

RECOMMENDATION

Alternatives 1) and 3):

1. Approve a Resolution Recommending that Council approve the Second Amendment to the Development Agreement between the City of Santa Clara and SI 55, LLC.
3. Note and file the Addendum to the 2008 Final Environmental Impact Report and 2013 Mitigated Negative Declaration.

Prepared by: Debby Fernandez, Associate Planner

Reviewed by: Gloria Sciara, Development Review Officer

Reviewed by: Kevin Riley, Acting Planning Manager

Reviewed by: Andrew Crabtree, Director of Community Development

Reviewed by: Alexander Abbe, Assistant City Attorney

Reviewed by: Brian Doyle, City Attorney

Reviewed by: Walter C. Rossmann, Chief Operating Officer

Approved by: Manuel Pineda, Assistant City Manager

ATTACHMENTS

1. Reserved
2. Addendum to the Final Environmental Impact Report and 2013 Mitigated Negative Declaration Resolution
3. Second Amendment to Development Agreement between the City of Santa Clara and SI 55, LLC.
4. Resolution Recommending City Council Approval of the Second Amendment to Development Agreement Between the City of Santa Clara and SI 55, LLC
5. Development Agreement Ordinance