



Agenda Report

20-1260

Agenda Date: 1/14/2020

REPORT TO COUNCIL

SUBJECT

Public Hearing: Action on Amendment No. 1 to Development Agreement with Innovation Commons Owner LLC (Previously Yahoo!) [Council Pillars: Promote and Enhance Economic and Housing Development and Sustainability]

BACKGROUND

In 2010, the City Council approved a Planned Development (PD) rezoning of the subject property on Democracy Way from Light Industrial (ML) to Planned Development to allow Yahoo!, Inc. ("Yahoo!") to construct up to 3.06 million square feet of office/R&D development. The project included a Development Agreement (DA) between the City and Yahoo! to secure the development rights 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. The DA includes various performance deadlines for construction activity and is scheduled to expire in June 2020 if construction has not commenced at that time. The current property owner, Innovation Commons Owner LLC, is requesting a three-year extension of each of the performance deadlines included in the DA.

In June 2016, Yahoo! transferred all of its development rights and obligations to LeEco Real Estate Group ("LeEco"). LeEco was later acquired by the current property owner, Innovation Commons Owner LLC, which is an affiliate of Kylli, Inc. ("Kylli") and all of the development responsibilities and obligations of the DA transferred to the current owner. Kylli filed a new application in 2017 for land use entitlements that would supersede the current PD Zoning by rezoning the property to allow up to 6,000 residential units, 3.65 million square feet of office, 400,000 square feet of retail/community amenities, 300,000 square feet of hotel facilities and 70,000 square feet of educational facilities. Kylli has indicated that they are requesting the three-year extension in order to maintain the existing development rights for 3.06 million square feet of office/R&D pending the City's consideration of their pending applications. An action to request a three-year extension does not suggest or influence support for a final decision on the pending entitlements.

The Planning Commission considered the proposed project on October 23, 2019 at a noticed public meeting and forwarded recommendations to the City Council to approve the three-year extension with an added term to the DA to reduce vehicle trips.

DISCUSSION

At the Planning Commission meeting of October 23, 2019, staff provided a presentation of the proposed project followed by a presentation from the applicant. The Planning Commission staff report is provided as Attachment 1 to this Council report.

The Planning Commission discussed the proposed extension and asked clarifying questions about how this application relates to Kylli's pending PD Zoning. Staff clarified that the purpose of the

requested three-year extension is to maintain the existing development rights for 3.06 million square feet of office/R&D while the pending entitlements are pursued.

The Planning Commission also expressed concern that traffic has worsened in the project vicinity since the 2010 approval and suggested that as part of the DA extension the DA should be revised to incorporate a trip reduction percentage requirement. The 2010 Yahoo! Santa Clara Campus Final Environmental Impact Report (FEIR) identified a transit demand management (TDM) program as a mitigation measure, which includes commuter shuttles, eco passes, and a carpool matching program. However, a percentage reduction goal was not identified in the EIR or land use entitlements. At the hearing, the applicant was not able to confirm the level of trip reduction that could be achievable for the project but expressed a willingness to explore what would be feasible prior to the City Council hearing. The Planning Commission voted (4-3-0) to recommend approval of the DA extension to Council with the incorporation of requirement to achieve up to a 35 percent overall trip reduction through TDM measures.

Following the hearing, Hexagon Transportation Consultants provided a memo summarizing their analysis of the potential trip reductions for the Yahoo! office development using available Transportation Demand Management (TDM) Monitoring Report data from other similar office projects in the area (Attachment 2 to this Report). As noted in the memo, TDM case study data suggests that the Yahoo! office development could achieve a 25 percent vehicle trip reduction with implementation of TDM measures such as bike parking, showers, lockers, last-mile shuttle service to nearby transit stations (Caltrain, BART, and/or ACE), carpool ride matching, carpool preferential parking, personalized commute assistance, new hire orientation, commute kiosk, intranet site with commute information, promotional events and other TDM marketing and information programs.

In recent years the City has typically established a 20 percent trip reduction target for comparable office type development. This level of reduction is consistent with the 20 percent reduction in Vehicle Miles Travelled (VMT) established as a strategy for meeting greenhouse gas emission reductions in the City's Climate Action Plan adopted by the City Council in 2013. The proposed 25 percent reduction is a more aggressive target by comparison. A trip reduction goal greater than 30 percent, such as the 35 percent reduction recommended by the Planning Commission, would likely be achieved only if the project were to be occupied by a single large employer that invested in extensive long-haul employee commuter shuttle services.

The applicant has shared that no potential tenant or tenants have been identified for the development associated with the DA and confirmed acceptance of modification to the DA terms to incorporate a 25 percent vehicle trip reduction standard. The specific language for the vehicle trip reduction has been incorporated into the DA Amendment attached to this report.

ENVIRONMENTAL REVIEW

An Addendum to the 2010 Yahoo! Santa Clara Campus Final Environmental Impact Report (FEIR) for the Development Agreement extension project was prepared in accordance with the CEQA. The analysis concludes that no substantive revisions are needed to the 2010 EIR, because no new significant impacts or impacts of substantially greater severity would result from the proposed DA amendment. In addition, there have been no changes in circumstances in the project area that would result in new significant environmental impacts or substantially more severe impacts. The previous Mitigation Monitoring or Reporting Program remains in effect for the project.

FISCAL IMPACT

There is no additional cost to the City other than staff time and expense. As proposed, the terms of the DA that would be modified are the duration, and the addition of a new term requiring a 25 percent vehicle trip reduction with implementation of TDM measures. 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. Additionally, development of the project would increase property tax and other tax revenues for the City.

COORDINATION

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

PUBLIC CONTACT

On December 18, 2019, notice of the public hearing was published in the Weekly (formerly the Santa Clara Weekly), a newspaper of general circulation. On December 10, 2019, a notice of public hearing of this item was posted in three conspicuous locations within 300 feet of the project site and mailed to property owners within 1,000 feet of the project site. Notice was also mailed to each local agency expected to provide water, sewage, streets, roads, schools, or other essential facilities or services to the project. Planning Staff has not received public comments for this application.

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>> or at the public information desk at any City of Santa Clara public library.

ALTERNATIVES

1. Introduce an Ordinance to approve the First Amendment to Development Agreement between the City of Santa Clara and Innovation Commons Owner LLC for a three-year extension, and adding a requirement for a 25% overall vehicle trip reduction through Transportation Demand Measures.
2. Introduce an Ordinance to approve the First Amendment to Development Agreement between the City of Santa Clara and Innovation Commons Owner LLC for a three-year extension.
3. Do not introduce an Ordinance to approve the First Amendment to Development Agreement between the City of Santa Clara and Innovation Commons Owner LLC for a three-year extension.

RECOMMENDATION

Alternative 1: Introduce an Ordinance to approve the First Amendment to Development Agreement between the City of Santa Clara and Innovation Commons Owner LLC for a three-year extension and adding a requirement for a 25% overall vehicle trip reduction through Transportation Demand Measures.

Reviewed by: Andrew Crabtree, Director of Community Development

Approved by: Deanna J. Santana, City Manager

ATTACHMENTS

1. Planning Commission Staff Report
2. TDM Analysis Memo by Hexagon Transportation Consultants
3. 2010 Development Agreement
4. Addendum to the Final Environmental Impact Report
5. Development Agreement Ordinance
6. Amendment No. 1 to Development Agreement