



COMMUNITY DEVELOPMENT DEPARTMENT
CITY HALL
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CITY COUNCIL STAFF REPORT

Meeting: August 21, 2012

Subject

Consideration of authorization to proceed with a General Plan Amendment.

Recommended Action

Staff recommends that the Council authorize staff to initiate a General Plan Amendment to increase citywide development allocations, review key opportunity sites, and provide direction on funding the remaining budget needed to process the General Plan amendment.

Background

In June 2012, the City Council budgeted \$350,000 towards a General Plan Amendment when the City's 2012-2013 Fiscal Year Budget was adopted. This is a result of the approval of the Modification to the Master Use Permit for the 18-acre Main Street Cupertino mixed-use project approved on May 15, 2012, in which the applicant provided \$350,000 to help process a General Plan Amendment by the City to replenish the City-wide office allocation that was used by the project.

In addition to the increase in office allocation, staff would like to take the opportunity to propose expanding the scope of the General Plan Amendment process to include replenishing the City's dwindling commercial and hotel development allocations, reviewing housing opportunities in keeping with the community's character, and evaluating the community's goals and objectives on certain opportunity sites within the City, including the Vallco Shopping district.

Discussion

The proposed scope of the General Plan Amendment could include:

1. Office Allocation Increase

The existing office allocation currently available citywide is 738,755 square feet, including 633,053 square feet for Major Employers (which includes General Plan restrictions that require significant revenue generation to the City and serve as major employers in the City) and 17,956 square feet in the Heart of the City Specific Plan area of unrestricted office square footage.

Proposal: Add 2 -3 million square feet of citywide office allocation.

2. Commercial Allocation Increase

The existing commercial allocation currently available citywide is 212,350 square feet, including 117,170 square feet in the Heart of the City Specific Plan area, 6,784 square feet in the Monta Vista area, 78,104 square feet in the Vallco Park South area and 12,124 square feet in the City Center area.

Proposal:

1. Add 2 million square feet of citywide commercial allocation to accommodate future development opportunities for retail and/or big-box stores in the City.
2. Add CG (General Commercial) zoning to the BQ (Quasi-Public Building) zones on large sites to provide the potential for additional retail development in the City.

3. Hotel Allocation Increase

The existing hotel allocation currently available citywide is 339 units. Given recent inquiries about possible future development opportunities for additional hotels in the city, staff believes that an increase in hotel allocation should be reviewed.

Proposal: Add 1,000-1,500 rooms to the hotel allocation to accommodate possible future hotel development.

4. Opportunity Sites – Some of these include:

- A. **Vallco Shopping District** – The Vallco Shopping District has historically been defined in the General Plan as the City’s regional shopping district. It is one of the few major commercial areas in the City that has significant redevelopment potential. The City and community have expressed great interest in seeing the mall revitalized and reach its full potential.

In the past year, various groups have expressed interest in developing the adjacent parcels and parking lot areas within Vallco. These proposals have been disjointed and are lacking in realizing a common vision or objective for the Vallco Shopping District. Staff believes that the General Plan amendment process will create a community vision for the Vallco Shopping District that will help create a new set of land use parameters and development objectives that would provide a framework to evaluate amendments and clear direction for its future development. The General Plan process would also help outline development guidelines for a Master Plan for the area which would include, but not be

limited to: objectives/parameters for the area; design visions and themes; mix of land uses; and building volumes, heights and connectivity within the center to unify the sites.

- B. Other Opportunity Sites – In the past year, a few applicants have come forward with proposals that could potentially require a General Plan amendment. Some examples of the opportunity sites include the Cupertino Inn and the Target Center. Staff believes that the community vision developed as part of the General Plan would help evaluate the desirability of the proposed amendments. It would also provide a unique opportunity for the community to provide input on the amendments at a City-wide level instead of a site-by-site basis, which only looks at a limited scope. Finally, since the City is limited to approve up to only four (4) General Plan Amendments a year, staff is proposing to consolidate these amendments into one General Plan Amendment as this is typically done when changes are proposed in relation to policy and land use changes.

Staff would like to note that the above list is not exhaustive and that once Council authorizes the concept for the General Plan amendment, staff will bring a complete list of sites as part of the authorization of the final budget and scope in about six to eight weeks.

Outreach Efforts to Date

Staff has conducted several outreach meetings with the property owners within the Vallco Shopping District, Cupertino Inn and Target sites, as well as the Chamber of Commerce. The outreach was conducted to gauge the level of interest in participating in the General Plan Amendment discussions.

To date, staff has received a moderate to high level of interest on the part of the property owners. Most of the property owners are extremely interested in participating in the process and some have indicated financial support for the process. Some owners in the Vallco Shopping District have expressed concerns related to the timing of their individual applications. This issue has been addressed later in the staff report below.

Process and Timing

Once the Council provides authorization, the project is expected to take approximately one year to fifteen months.

The process and timing will entail:

Process

Timing

- | | |
|---|-------------------------------------|
| 1. Issues and economic/retail market analysis –
<i>review of issues, constraints, opportunities, Cupertino’s commercial/retail market niches and future development trends</i> <ul style="list-style-type: none">• Review of documents• Analysis of issues• Economic and market analysis | 2 months |
| 2. Community Visioning –
<i>creating a community vision that will form the framework to evaluate the land use alternatives</i> | 3 months (some overlap with Item 1) |
| 3. Development of Land Use Alternatives <ul style="list-style-type: none">• FAR/Development capacity alternatives• Building height alternatives• Vallco Master Plan alternatives | 3-4 months |
| 4. Environmental Impact Report (EIR) process | 5-6 months |
| 5. General Plan Amendments <ul style="list-style-type: none">• Draft of the General Plan amendments• Draft of the Vallco Master Plan• Final General Plan amendments & Vallco Master Plan | (concurrent with EIR) |
| 6. Planning Commission and City Council public hearings | 2 months |

Total Process

12-15 months

As part of this process, development proposals on key opportunity sites will be deferred until after the General Plan Amendment has been approved by the City Council. However, the Master Plan for the Vallco Shopping District and individual proposals on opportunity sites have an opportunity to proceed on a parallel track once the Council has determined the Preferred Alternative of Land Uses in the General Plan, which is expected approximately five to six months into the General Plan process. The Master Plan, which is expected to be a four to five month process, would be adopted after the General Plan amendments. Individual proposals may be scheduled for hearings after the General Plan amendment and Master Plan have been adopted. The opportunity to parallel the Master Plan and individual proposal processes gives applicants a

significant opportunity to stay involved and create plans that are consistent with the General Plan, and ensures that their proposals are processed in a timely manner.

Public Outreach and Resources

Public outreach and resources to initiate the General Plan Amendment process are anticipated to include:

1. **Planning/Outreach Consultant** – to assist with the outreach, meeting facilitation, planning process, reports, graphics and presentations.
2. **Retail/Economic Consultant** – to assist the City identifying economic development opportunities, including land use and retail mix Citywide and on key opportunity sites.
3. **Environmental Consultant** - to prepare the Environmental Impact Report (EIR) and related studies include traffic, air quality, noise, etc.
4. **Community Meetings** – meetings to facilitate a community vision for the General Plan and the opportunity sites. Outreach would include residents, business owners, property owners of key opportunity sites, organizations such as the Chamber of Commerce, and community groups.

Budget Estimates

The total proposed budget to process the proposed General Plan Amendment would range from \$1.1M-\$1.3M depending on the scope of the project and the extent of community outreach. The City has received \$350,000 from Sand Hill Property Company to fund towards a General Plan Amendment to increase the citywide office allocation. Therefore, the total budget still needed to fund the General Plan Amendment is approximately between \$750,000 and \$950,000.

To fund the remaining budget needed to process the General Plan Amendment, the City has contacted property owners in the Vallco Shopping District and opportunity sites to see if they would like to contribute towards these amendments. The City has received letters of support from the Chamber of Commerce and some of the property owners. As to financial contributions, some property owners indicated that they would contribute their pro rata share of the costs. It is anticipated that this GP will largely be self-funded by the owners of sites included in the Vallco Shopping District and opportunity sites. A detailed discussion of fee payments is discussed below.

Mitigation Fees

It is anticipated that the cost of the General Plan Amendment will be divided among the property owners of the key opportunity sites that are included in the analysis. Property owners whose sites have been included in the analysis but have not contributed their pro-rata share of the costs would be required to pay their share in the form of an advance planning fee as a condition of

approval of their project. Staff will bring an estimated cost per site/property owner once the scope of the General Plan amendment has been approved.

Prepared by: Aki Honda Snelling, Senior Planner

Reviewed by: Aarti Shrivastava, Community Development Director

Approved for Submission by: Amy Chan, Interim City Manager

Attachments:

- A. Letter of Support from KCR Development
- B. Letter of Support from Vallco Shopping Mall
- C. Letter of Support from Barry Watkins
- D. Letter of Support from Chamber of Commerce

8. Subject: Accounts Payable for period ending August 10, 2012
Recommended Action: Adopt Resolution No. 12-092
9. Subject: Passage of a resolution to authorize City's legal counsel to represent the City before the State Board of Equalization ("BOE")
Recommended Action: Adopt Resolution No. 12-093 authorizing the City's legal counsel to represent the City before the BOE
10. Subject: Municipal Improvements, 10292 Orange Avenue
Recommended Action: Accept Municipal Improvements
Description: The work included driveway approach, sidewalk and curb & gutter improvements in the City right-of-way

SECOND READING OF ORDINANCES

11. Subject: Second reading amending Cupertino Municipal Code Section 19.104 (Signs)
Recommended Action: Conduct second reading and enact Ordinance No. 12-2098: "An Ordinance of the City Council of the City of Cupertino Amending Chapter 19.104 (Signs) of the Cupertino Municipal Code regarding the placement of temporary political signs and related minor clarifications and language streamlining."
Description: Application: MCA-2012-01; Applicant: City of Cupertino; Location: Citywide; Municipal Code Amendment to Chapter 19.104 (Sign Ordinance) regarding the placement of temporary political signs and related minor clarifications and language streamlining

Mahoney moved and Chang seconded to read the ordinance by title only and that the City Clerk's reading would constitute the second reading thereof. Ayes: Chang, Mahoney, Santoro, Sinks and Wong. Noes: None.

Mahoney moved and Sinks seconded to enact Ordinance No. 12-2098. Ayes: Chang, Mahoney, Santoro, Sinks, and Wong. Noes: None.

PUBLIC HEARINGS

ORDINANCES AND ACTION ITEMS

12. Subject: Consideration of authorization to proceed with a General Plan Amendment
Recommended Action: Authorize a General Plan Amendment

Written communications for this item included a letter supporting authorization to proceed with a General Plan Amendment process from Mike Rohde Vallco Shopping Mall General Manager, John Vidovich De Anza Properties owner, and an amended letter from John Zirelli Cupertino Chamber of Commerce President; a letter from Ivor Samson SNR Denton partner on behalf of Sears Roebuck and Co. seeking continued information and opposing a development moratorium as part of the General Plan Amendment process in regards to the Sears property; a packet of information from Barry Watkins; a chart from staff noting allocation information; and a staff PowerPoint presentation.

Director of Community Development Aarti Shrivastava reviewed the staff report via a PowerPoint presentation.

Barry Watkins, managing member of Stevens Creek/Cupertino Target Center said he strongly supported a General Plan Amendment. He noted that land is expensive, construction costs are high, and interest rates are currently low but will probably go up in the future. He also suggested that Council consider using Kosmont, a Los Angeles area firm that works with government agencies, to analyze the scope of the area, assess the market and community vision and strategy, undertake the initial project planning, issue any tax exempt bonds that may be needed, and provide financial and cost analysis financing. Mr. Watkins said that he thought Kosmont could help bridge the gap for financial incentives to make the General Plan Amendment more productive.

Ivor Samson, SNR Dentin representing Sears in Vallco Mall, said that he sent a letter to Council on August 20. Mr. Samson indicated that Sears does not know enough about the scope of the General Plan Amendment to take a positive or negative position at this time. He noted that his concern was regarding a moratorium or policy for delaying a project that would otherwise be permissible under the existing rules. He also said that he doesn't believe that moving developments in parallel will work because developers won't risk investing in a proposal in a General Plan that is in the process of being developed that will not be adopted until a later date. Mr. Samson said that he opposes any moratorium or policy that limits development during a process.

Community Development Director Aarti Shrivastava clarified that there would not be a moratorium with the General Plan Amendment. City Attorney Carol Korade also explained that her understanding was that this meeting was only to provide direction to staff on whether to proceed or not and then there are months of research to bring back to Council before an amendment would be adopted.

Barbara Perzigian, General Manager of Cupertino Inn, said she strongly supported moving forward with authorizing the General Plan Amendment. She noted that the hotel has a project it wants to get started. Ms. Perzigian also suggested that Council consider using Transient Occupancy Tax revenue to get things going.

Jerry Leap Director of Sales at Cupertino Inn, said he strongly supported beginning the General Plan Amendment process.

Edward Chan, KCR Development, said that they own a triangular parcel by the JC Penney parking lot and 280 freeway where the Farmer's Market was. Mr. Chan expressed concern regarding the deferral of building until the General Plan Amendment was done. He noted that they have plans for a hotel on this parcel and would like approval of the project without the adoption of the Vallco Master Plan and General Plan Amendment because the hotel economy may be different by the time the plans are completed.

Kevin McClelland, Chamber of Commerce, said that the Chamber has met with most of the developers who currently are developing projects or have in the past and received feedback from them. He urged Council to approve initiating the process of the General Plan

Amendment. He also noted that the Chamber would not support any conditions related to deferral of projects until the General Plan Amendment is approved or requiring payment of mitigation fees up front. Mr. McClelland said that once there is more information regarding the scope that there would be financial support from interested stakeholders to help with funding.

Jennifer Griffin said that she wants Vallco to be successful and prefers that it remain a shopping center. She noted her concern about the scope of the General Plan Amendment taking years while the City is still trying to complete the Main Street project. She also questioned if the Vallco Redevelopment Agency (RDA) could be revived.

Chang moved and Mahoney seconded, and the motion carried unanimously, to authorize the initiation of a General Plan Amendment process that will begin with staff returning back to the City Council in four to six weeks with the following:

1. Scope of work for the General Plan Amendment process including the timing of a Master Plan for the Vallco Shopping Center in conjunction with the General Plan Amendment process.
2. Proposal to fund the General Plan Amendment including the City share and payment of fair share by property owners (to include apportionment based on payments made in advance and those that are deferred).
3. Projects that do not require a General Plan Amendment or any deviations would not be deferred during the General Plan Amendment process, however, projects in the Vallco Shopping Center would have to update the approved Vallco Master Development plan and the South Vallco Master plan as related to their project.
4. Provide a list of the BQ (Quasi-Public Building) properties where the CG (General Commercial) zoning is proposed to be added.

REPORTS BY COUNCIL AND STAFF

Council member Sinks said that he would like to agendaize for the next meeting to have staff bring back alternatives for addressing the geese issue at Memorial Park. Mahoney concurred but with no set date. Interim City Manager Amy Chan said that staff would provide information to Council in their weekly notes regarding the geese issue.

Mayor Santoro said that he met with the superintendents and school board members from both Cupertino school districts to discuss collaborating on the issue of traffic around the schools. The groups agreed to hold a quarterly meeting with the members comprising of one member and alternate from each of the following: Fremont Union High School District Board; Cupertino Union School District Board; Cupertino City Council; and City staff. Mayor Santoro said that he would appoint a Council member once he hears interest from the other Council members.

Council members highlighted the activities of their committees and various community events.

At 9:47 went back into closed session.

ADJOURNMENT