

**Council Meeting: July 27, 2010**

SUBJECT: 2010-7454 – Request to initiate a General Plan Amendment study to change the land use designation for 915 De Guigne Drive from Industry (IND) to Industrial-to-Residential Medium Density (ITRMED).

REPORT IN BRIEF

The City received a letter on behalf of Spansion, Inc., requesting the City Council initiate a General Plan Amendment study for 915 De Guigne Drive (see Attachment A). The applicant requests the General Plan designation for the subject site be changed from Industry (IND) to Industrial-to-Residential Medium Density (ITRMED) order to allow redevelopment of the existing site with housing. The applicant stated their current intent is to request Rezoning of the site to allow R-3 residential densities, although they are not in contract with any residential developer at this time. At the requested Medium Density Residential General Plan designation, the 24.4-acre site could support up to 659 dwelling units.

BACKGROUND

In 2007, the City Council considered General Plan Amendments to allow Industrial-to-Residential (ITR) conversion for the area bounded by Lawrence Expressway, Wolfe Road, Stewart Drive, and East Duane Avenue. The study area, know as the East Sunnyvale ITR, was comprised of approximately 130 acres including the subject property. An Environmental Impact Report was prepared considering a range of densities and land uses for the full study area. During public notification of the proposed changes, Spansion expressed concerns with additional residential development in close proximity to their operations and requested that the City Council minimize the area selected for ITR designation. The Council decided not to change the General Plan land use designation for Spansion's site and for several other industrial sites, reducing the adopted ITR area to approximately 73 acres.

EXISTING POLICY

Only the City Council is authorized to initiate proceedings to consider an amendment to the General Plan (SMC Section 19.92.020). The City Council must first review a General Plan Amendment Initiation request in order to determine if the request warrants further study. If a study is initiated, the applicant would submit subsequent discretionary applications for a General Plan Amendment and Rezoning (including payment of application fees) and would be subject to hearings by the Planning Commission and City Council.

The approval of an initiation does not commit the City Council to approve the General Plan Amendment or Rezoning requests, nor to approve any specific project proposal.

The following are the key General Plan goals relating to this General Plan Amendment Initiation request:

Land Use and Transportation Element

Goal C2: Ensure ownership and rental housing options in terms of style, size and density that are appropriate and contribute positively to the surrounding area.

Housing and Community Revitalization Sub-Element

Goal A: Foster the expansion of the housing supply to provide greater opportunities for current and future residents within limits imposed by environmental, social, fiscal and land use constraints.

Goal N1: Preserve and enhance the quality character of Sunnyvale's industrial, commercial, and residential neighborhoods by promoting land use patterns and related transportation opportunities that are supportive of the neighborhood concept.

Additional related General Plan goals, policies, and action statements are listed in Attachment D.

DISCUSSION

The applicant is proposing to change the General Plan designation for the subject site from Industry (IND) to Industrial-to-Residential Medium Density (ITRMED) to allow the conversion of manufacturing uses to residential uses. The 24.4-acre site could accommodate up to 659 dwelling units if approved for a Medium Density Residential designation (see Attachment E, summary of potential residential units).

Surrounding properties have various General Plan designations including Schools, Low Density Residential, Medium Density Residential, Neighborhood Commercial, and Industry (see Attachment B, General Plan land use map). To the southwest along Stewart Drive is an approximately 11-acre area which was designated General Business in 2007 to provide commercial services for residents of the ITR area.

Relationship to Proposed Changes on Surrounding Properties

On May 11, 2010, the City Council initiated General Plan Amendment studies for three other parcels in the surrounding area (see Attachment B, General

Plan land use map). Taylor Morrison requested a study of reduced residential density for 1044 East Duane Avenue, which is part of the previously-approved East Sunnyvale ITR (RTC #10-100). Equity Office Properties requested an ITR Low Medium Density designation for 920 De Guigne Drive, which is among the properties studied but not approved for ITR designation in 2007 (RTC #10-102). Staff recommended inclusion of an additional site owned by Equity Office Properties at 935 Stewart Drive due to its immediately adjacent location. The City Council initiated General Plan Amendment studies for all three properties.

The General Plan Amendment Initiation requested by Spansion, along with the three recently-initiated studies, would result in a study area which encompasses the majority of the original 2007 East Sunnyvale ITR. If the City Council approves Spansion's initiation request, the Council may also wish to study the remaining five parcels which were not changed as part of the 2007 study (see Attachment B, General Plan land use map). Inclusion of these parcels (a total of approximately 10 acres) would allow all properties studied in 2007 which still retain an Industry designation to be re-evaluated. With a Medium Density Residential land use designation, the additional five properties could accommodate up to 267 dwelling units (see Attachment E, summary of potential residential units). The study could also include consideration of lower density residential designations, additional demand for commercial space which may be generated by new ITR conversions, and the potential for providing additional commercially-zoned property within the overall East Sunnyvale ITR area.

Housing Element and Regional Housing Needs Allocation

The General Plan Amendment study requested by Spansion, with the five additional sites to the east and south, could provide up to 926 new housing units given a Medium Density Residential designation. If the Council approves Taylor Morrison's General Plan Amendment and Rezone for the nearby site at 1044 East Duane Avenue, additional ITR conversions in the area could assist in meeting the City's Regional Housing Needs Allocation (RHNA) goals by offsetting the loss of units on the Taylor Morrison site.

Neighborhood Compatibility

Converting the Spansion site to residential uses could provide a transition to the existing single-family residential neighborhood to the north (across Duane Avenue) and the school site to the west. However, if adjacent properties retain their nonresidential designations, new residential on the Spansion site could be located directly adjacent to industrial and office uses. Studying all remaining nonresidential parcels from the 2007 East Sunnyvale ITR would allow the Council to determine the appropriate land uses and densities for the neighborhood as a whole. Potential land use compatibility issues of the various options would be reviewed and disclosed through the environmental review component of the study.

Applicant Justifications

The applicant states that the current manufacturing facility on the subject site is functionally obsolete and will not be needed for Spansion's future operations. Given the proposed ITR conversions on other nearby sites, the applicant believes it is more appropriate to develop this site with residential uses rather than remain as under-utilized industrial space. The applicant also states the current residential housing market would support additional residential property in this area. Spansion believes transition of this site from industrial to residential uses would provide necessary housing opportunities as envisioned by the original East Sunnyvale ITR study.

Conclusion

If the City Council chooses to initiate the requested General Plan Amendment study, consistency with the General Plan Sub-Elements will be further evaluated. At a minimum, the study will examine the following:

- Evaluate the economic impacts associated with the loss of industrial property.
- Consider the appropriateness of medium density residential adjacent to the industrial uses to the east and south.
- Consider the appropriateness of medium density residential adjacent to low density and medium density residential uses to the north.
- Evaluate the impacts of the proposal on housing supply and housing affordability in the City.
- Evaluate impacts on the demand for commercial services and the potential for additional commercially-zoned property within the East Sunnyvale ITR area.
- Consider the relationship between the applicant's requests and related proposals for ITR designations and modified densities on surrounding properties.

FISCAL IMPACT

There is no fiscal impact to the City to either initiate or deny a General Plan Amendment study. If the City Council initiates the study, the applicant will be required to pay all appropriate fees to offset staff costs of preparing the study. Should subsequent applications be filed for this project, appropriate application fees will also be required for the processing of those requests. If a General Plan Amendment study is initiated, the study will include analysis of any potential fiscal impacts which could result from a change in General Plan or Zoning designation for this site.

ENVIRONMENTAL REVIEW

This action is not considered a "project" under the California Environmental Quality Act (CEQA) because initiation of a General Plan Amendment study has

no potential to create a significant environmental impact (California Public Resources Code Section 21065). If a General Plan Amendment study is initiated, appropriate environmental review will be conducted as part of the study prior to any recommended action to modify the site's General Plan or Zoning designation. A program-level Environmental Impact Report (EIR) was prepared in 2007 for the East Sunnyvale ITR Study, which will serve as the starting point for any further environmental review required.

PUBLIC CONTACT

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall, at the Sunnyvale Senior Center, Community Center and Department of Public Safety; and by making the agenda and report available at the Sunnyvale Public Library, the Office of the City Clerk and on the City's Web site. Nearby property owners and tenants are typically not notified until a study has been initiated; however, in this case staff provided written notification of the General Plan Amendment Initiation request to several adjacent property owners due to the potential for their sites to be included in the study.

ALTERNATIVES

1. Initiate a General Plan Amendment for the subject site as requested (24.4 acres) and study a General Plan land use designation change from Industry to Industrial-to-Residential, considering a variety of residential densities.
2. Initiate a General Plan Amendment for the subject site and five additional properties shown in Attachment B (a total of 34.4 acres), and study a General Plan land use designation change from Industry to Industrial-to-Residential, considering a variety of residential densities including the potential for additional commercial sites within the overall East Sunnyvale ITR area.
3. Initiate a General Plan Amendment study for a different combination of sites and/or a different residential density or land use designation.
4. Do not initiate a General Plan Amendment study.

RECOMMENDATION

Alternative 2 – Initiate a General Plan Amendment for the subject site and five additional properties shown in Attachment B (a total of 34.4 acres), and study a General Plan land use designation change from Industry to Industrial-to-Residential, considering a variety of residential densities including the potential for additional commercial sites within the overall East Sunnyvale ITR area.

Staff finds that studying ITR designation for the subject site is warranted given the recent initiation of General Plan Amendment studies for the industrial

properties on the east side of De Guigne Drive. The City Council may wish to retain some industrially-zoned property in the area; initiation of a study does not commit the Council to approve any change in land use designation. Adding the subject site and the five additional properties shown in Attachment B will allow for a more comprehensive study of appropriate land uses in the East Sunnyvale ITR area.

Reviewed by:

Hanson Hom, Director, Community Development Department

Reviewed by: Trudi Ryan, Planning Officer

Prepared by: Mariya Hodge, Associate Planner

Approved by:

Gary M. Luebbers

City Manager

Attachments

- A. Applicant's letter of request
- B. General Plan land use map for surrounding area
- C. Zoning map for surrounding area
- D. General Plan goals and policies
- E. Summary of potential residential units on East Sunnyvale ITR sites

June 25, 2010

RECEIVED

JUN 25 2010

PLANNING DIVISION

City Council
City of Sunnyvale
456 West Olive Avenue
Sunnyvale, CA 94088

**Re: Request for Initiation of General Plan Amendment and Rezoning;
915 DeGuigne Drive**

To the Honorable Mayor and Councilmembers:

On behalf of my client, Spansion, Inc. ("Spansion"), owner of the approximately 24.5-acre property ("Property") at 915 DeGuigne Drive, Sunnyvale, this is to request that the City Council initiate a General Plan Amendment and Rezoning of the Property from its current "MS" industrial zone district to an "MS-ITR-R3" residential zone district. Initiation of this General Plan and zoning change will authorize Spansion to convert its obsolete manufacturing facilities to much-needed new housing opportunities for current and future Sunnyvale residents, as part of a master-planned redevelopment of the Property and several nearby industrial properties.

We believe that this request is fully consistent with Sunnyvale's own long-range vision for conversion of selected locations from manufacturing uses to a balanced range of residential, park, school and retail uses. Sunnyvale's Community Development staff recently proposed the Property for the very same General Plan Amendment/Rezone that Spansion now is requesting. We believe that the residential market for this location now is ready for this "industrial to residential" conversion, and that Spansion's future disposition of the property will help attain Sunnyvale's goal of creating an attractive, affordable and well-balanced new community which incorporates the Property.

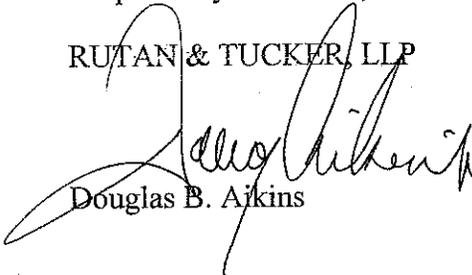
A General Plan Amendment and Rezoning of the Property to "MS-ITR-R3" would set the stage for a qualified residential homebuilder to obtain a mutually desirable Special Development Permit defining multi-family housing types which complement the existing residential neighbors, the other multi-family housing types proposed for adjacent former industrial parcels, and the nearby schools, retail stores and public park.

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We appreciate your consideration of this request. Spansion's management team and consultants will be happy to answer any questions about it.

Respectfully submitted,

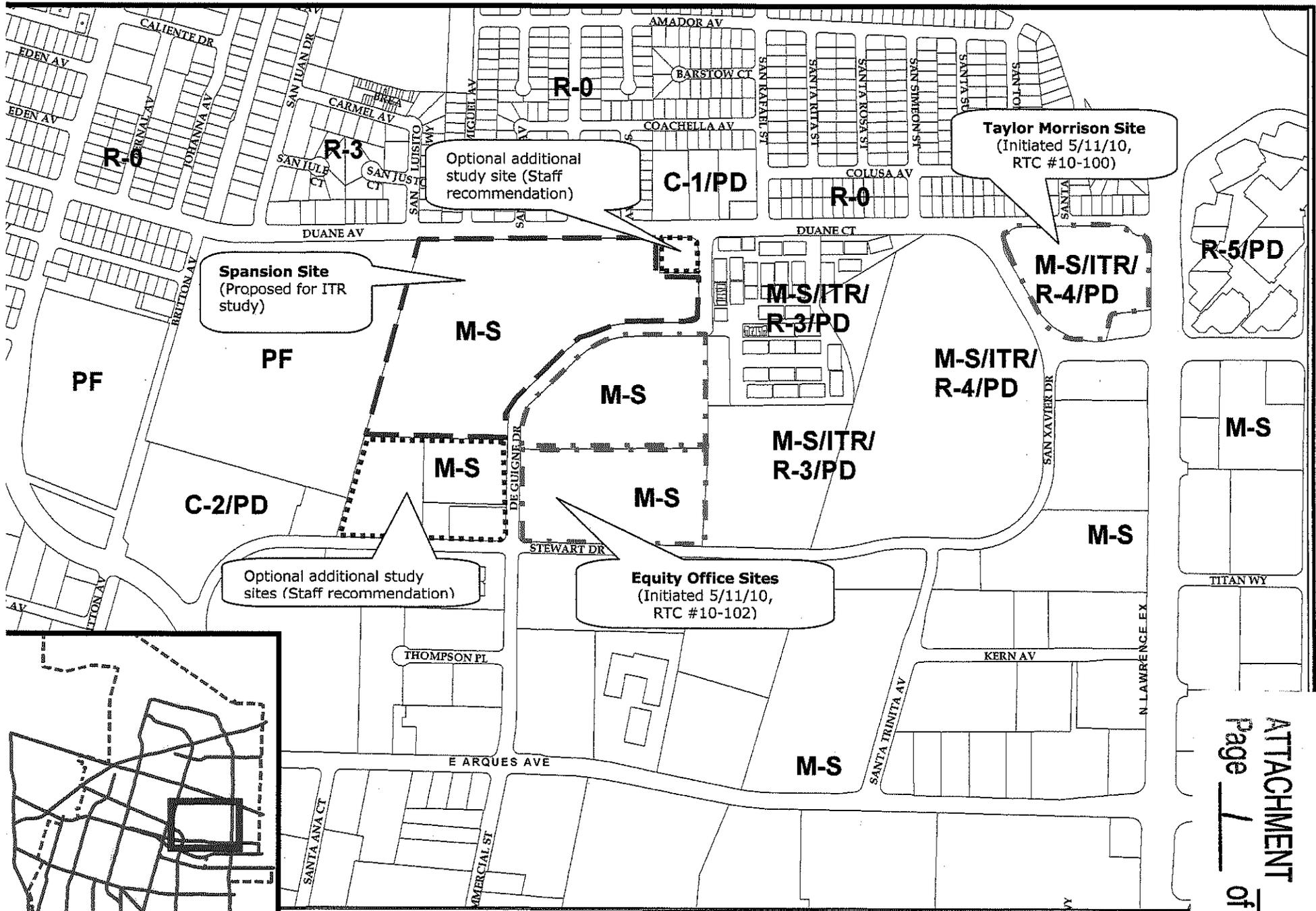
RUTAN & TUCKER, LLP



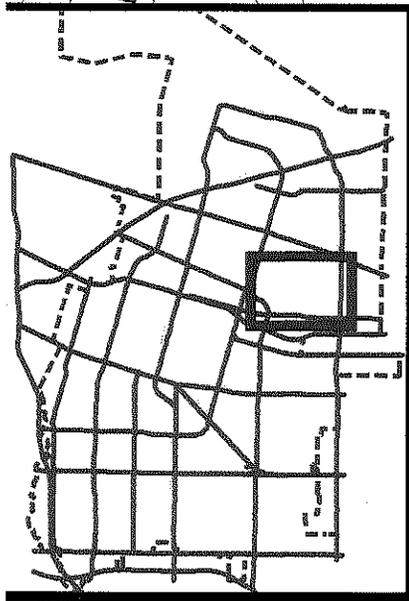
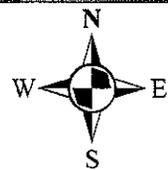
Douglas B. Aikins

DBA:mtr

cc: Mr. George Uribe; Spansion, Inc.
Alana Fremgen, Esq.; Spansion, Inc.
Mr. Craig Kammerer; Jones Lang LaSalle



East Sunnyvale ITR Area Zoning Designations



Taylor Morrison Site
(Initiated 5/11/10,
RTC #10-100)

Spansion Site
(Proposed for ITR
study)

Optional additional
study site (Staff
recommendation)

Optional additional
study sites (Staff
recommendation)

Equity Office Sites
(Initiated 5/11/10,
RTC #10-102)

EXISTING POLICY (continued)

The following General Plan goals, policies, and action statements relate to this General Plan Amendment Initiation request:

Land Use and Transportation Element

Policy C1.1: Recognize that the City is composed of residential, industrial and commercial neighborhoods, each with its own individual character; and allow change consistent with reinforcing positive neighborhood values.

Action Statement C1.1.3: Require appropriate buffers, edges and transition areas between dissimilar neighborhoods and land uses.

Goal C2: Ensure ownership and rental housing options in terms of style, size and density that are appropriate and contribute positively to the surrounding area.

Policy C2.1: Provide land use categories for and maintenance of a variety of residential densities to offer existing and future residents of all income levels, age groups and special needs sufficient opportunities and choices for locating in the community.

Policy C2.2: Encourage the development of ownership housing to maintain a majority of housing in the city for ownership choice.

Policy C2.3: Maintain lower density residential development areas where feasible.

Policy C2.4: Determine appropriate density for housing based on site planning opportunities and proximity to services.

Action Statement C2.4.1: Locate higher density housing with easy access to transportation corridors, rail transit stations, bus corridor stops, commercial services, and jobs.

Goal N1: Preserve and enhance the quality character of Sunnyvale's industrial, commercial, and residential neighborhoods by promoting land use patterns and related transportation opportunities that are supportive of the neighborhood concept.

Policy N1.1: Protect the integrity of the City's neighborhoods; whether residential, industrial or commercial.

Policy N1.2: Require new development to be compatible with the neighborhood, adjacent land uses and the transportation system.

Action Statement N1.2.1: Integrate new development and redevelopment into existing neighborhoods.

Action Statement N1.2.2: Utilize adopted City design guidelines to achieve compatible architecture and scale for renovation and new development in Sunnyvale's neighborhoods

Policy N1.4: Preserve and enhance the high quality character of residential neighborhoods.

Action Statement N1.4.1: Require infill development to complement the character of the residential neighborhood.

Policy N1.6: Safeguard industry's ability to operate effectively, by limiting the establishment of incompatible uses in industrial areas.

Policy N1.9: Allow industrial, residential, commercial, and office uses in the Industrial to Residential (ITR) Futures sites.

Housing and Community Revitalization Sub-Element

Goal A: Foster the expansion of the housing supply to provide greater opportunities for current and future residents within limits imposed by environmental, social, fiscal and land use constraints.

Action Statement A.1.d: Study increasing the density of residential areas near transit stops and along major transportation corridors in conjunction with regional transportation plans.

Policy A.2: All new residential developments should build at least 75 percent of permitted zoning density.

East Sunnyvale ITR Area
Summary of Potential Residential Units

Site	Approx. Gross Acreage	Current GP	Current GP Max Units	Proposed GP Study	Proposed GP Max Units	Potential Alternate Density for GP Study	Alternate GP Max Units
Initiated 5/11/10							
1044 E. Duane (Taylor Woodrow)	7.3	ITR-High Density	306	ITR-Medium	197	ITR-Medium	197
920 De Guigne (Equity Office)	10.3	Industry	0	ITR-Low Medium	144	ITR-Low Medium	144
935 Stewart (Equity Office)	10.2	Industry	0	ITR-Low Medium	142	ITR-Low Medium	142
<i>subtotal</i>	27.8		306		483		483
Proposed 7/27/10							
915 De Guigne (Spansion)	24.4	Industry	0	ITR-Medium	659	ITR-Low Medium	341
936 E. Duane (optional additional site)	0.8	Industry	0	ITR-Medium	21	ITR-Low Medium	11
825 Stewart (optional additional site)	4.3	Industry	0	ITR-Medium	116	ITR-Low Medium	60
455 De Guigne (optional additional site)	3.0	Industry	0	ITR-Medium	80	ITR-Low Medium	41
845 Stewart (optional additional site)	1.2	Industry	0	ITR-Medium	31	ITR-Low Medium	16
835 Stewart (optional additional site)	0.7	Industry	0	ITR-Medium	19	ITR-Low Medium	9
<i>subtotal</i>	34.4		0		926		478
Other existing E. Sunnyvale ITR sites							
962 E. Duane (Serrawood)	13.9	ITR-Medium Density	375	No change proposed	375	No change proposed	375
1 AMD Place (AMD)	18.6	ITR-Medium Density	502	No change proposed	502	No change proposed	502
	11.3	ITR-High Density	475	No change proposed	475	No change proposed	475
955 Stewart (Equity Office)	10.5	ITR-Medium Density	284	No change proposed	284	No change proposed	284
813-815 Stewart (commercial sites)	10.8	General Business	0	No change proposed	N/A	No change proposed	N/A
<i>subtotal</i>	65.2		1636		1636		1636
TOTAL	127.4		1942		3045		2597