REPORT TO MAYOR AND COUNCIL

NO: 10-208

Council Meeting: August 10, 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). ***(continued from July 27, 2010)***

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. This item was continued from the July 27, 2010, City Council meeting at the request of the applicant.

Staff recommends initiating a General Plan Amendment study for the subject site and five additional properties as shown in Attachment B, which would allow all industrial properties from the original 2007 East Sunnyvale Industrial-to-Residential study to be reconsidered. Staff further recommends incorporating this study, along with the prior initiated study for the adjoining Equity Office Properties sites, into the ongoing update of the Land Use and Transportation Element of the General Plan.

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, known 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.

Staff is currently preparing an update to the Land Use and Transportation Element of the General Plan. This effort, "Horizon 2035," will examine existing and potential future land uses in Sunnyvale as well as consider the relationship between land uses, transportation systems, and climate. As part of the Horizon 2035 process, key neighborhoods which may be subject to future land use changes have been identified for more detailed study. The East Sunnyvale ITR is one of these neighborhoods. Based on current schedules, the estimated completion date for the Land Use and Transportation Element update is fall 2011.

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. In this case, the City Council may choose to initiate a study which would be incorporated into the ongoing Horizon 2035 process. If the City Council chooses this option, the applicant could still be required to submit General Plan Amendment and Rezone applications with fees to cover the costs of incorporating additional issues into the Horizon 2035 process. In either case, 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.

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.

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.

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 potential 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.

Industrial property

The 2007 East Sunnyvale ITR study included a Workplace Demand Analysis to evaluate the City-wide need for industrial property. The study found that Sunnyvale had more than three times the amount of industrially-zoned land as will be required through 2025. However, many of the City's existing industrial properties are small under-utilized parcels which would have to be assembled to accommodate larger industrial and office uses. In contrast, the East Sunnyvale area has several existing large parcels over 10 acres in size, including the 24.4-acre Spansion site. Outside the East Sunnyvale ITR area, there are 14 other industrial properties in the City which have an area of 10 acres or more. Of those, only two have an area of 20 acres or more. As part of a study of additional ITR conversions, staff would examine whether the City's industrial and office needs can be adequately met given the size and location of remaining industrial parcels.

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, staff 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.

Given the broader land use issues to be addressed, staff suggests that the Council incorporate the study of the overall East Sunnyvale ITR area into the ongoing Horizon 2035 process rather than pursue an independent study. Horizon 2035 will consider broad land use and transportation policies as well as focus more specifically on several potential change and transitions areas, including East Sunnyvale. Additional detail could be incorporated to provide a full study of the East Sunnyvale ITR area.

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. If the study is incorporated into the Horizon 2035 process, the applicant could

still be required to submit General Plan Amendment and Rezone applications to cover the added costs of incorporating their request. As part of the study, any potential fiscal impacts which could result from a change in General Plan or Zoning designation for this site will be evaluated. Should subsequent applications for entitlements be filed for this project, appropriate application fees will also be required for the processing of those requests.

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 a starting point for any further environmental review required. An EIR is also being prepared for the ongoing Horizon 2035 effort, and could include any additional environmental review required for the East Sunnyvale area.

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 (amended from July 27 staff report)

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. Incorporate the study, as well as the previously initiated study for the adjacent Equity Office Properties sites (20.5 acres), into the ongoing Horizon 2035 (Land Use and Transportation Element update) process.

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. Incorporate the study, as well as the previously initiated study for

the adjacent Equity Office Properties sites (20.5 acres), into the ongoing Horizon 2035 (Land Use and Transportation Element update) process.

3. Initiate a General Plan Amendment for the subject site and/or additional properties, and study the land uses and densities indicated above, but do not incorporate the study into the ongoing Horizon 2035 process. Consider General Plan Amendment and Rezone requests through a separate study.

4. Do not initiate a General Plan Amendment study, which would also remove consideration of expanding the East Sunnyvale ITR area as part of the Horizon 2035 process.

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. Incorporate the study, as well as the previously initiated study for the adjacent Equity Office Properties sites (20.5 acres), into the ongoing Horizon 2035 (Land Use and Transportation Element update) process.

Staff finds that studying the subject site is warranted given the recent initiation of General Plan Amendment studies for the Equity Office Properties sites 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.

In the previous Report to Council, staff recommended initiating a General Plan Amendment study for the Spansion site and adjacent properties. While staff continues to recommend Alternative 2 (as amended), staff believes it is preferable to incorporate the study of the East Sunnyvale ITR into the ongoing Horizon 2035 process. Horizon 2035, the City's update of the Land Use and Transportation Element of the General Plan, will take a broad look at land use in Sunnyvale and will analyze several potential change or transition areas in the City. The East Sunnyvale ITR area has been identified as one of these potential change areas. Staff finds that consideration of the jobs/housing balance, housing supply, and the sufficiency of office/industrial land would be more appropriately evaluated as part of the City's overall review of its land use policies, rather than as an independent study.

Regarding the General Plan Amendment studies previously initiated by the City Council in May, staff recommends continuing with Taylor Morrison's site (1044

East Duane) as a separate study but incorporating the Equity Office Properties sites (920 De Guigne Drive and 935 Stewart Drive) into the Horizon 2035 process. The Taylor Morrison site is already within the ITR area designated by the City Council in 2007. Their request is not for expansion of the East Sunnyvale ITR area, but for a reduction in residential density. Conversely, the two Equity Office Properties sites are not within the existing ITR area. Equity's request for these sites raises the same land use issues as Spansion's current request. Staff therefore finds that consideration of these sites is also more appropriate to study through the Horizon 2035 process. The combined initiated study area would be approximately 55 acres.

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
F. Applicant's request for continuance received July 27, 2010

RUTAN
ATTORNEYS AT LAW

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ATTACHMENT A
Page 1 of 2

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.

RUTAN
ATTORNEYS AT LAW

ATTACHMENT A
Page 2 of 2

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

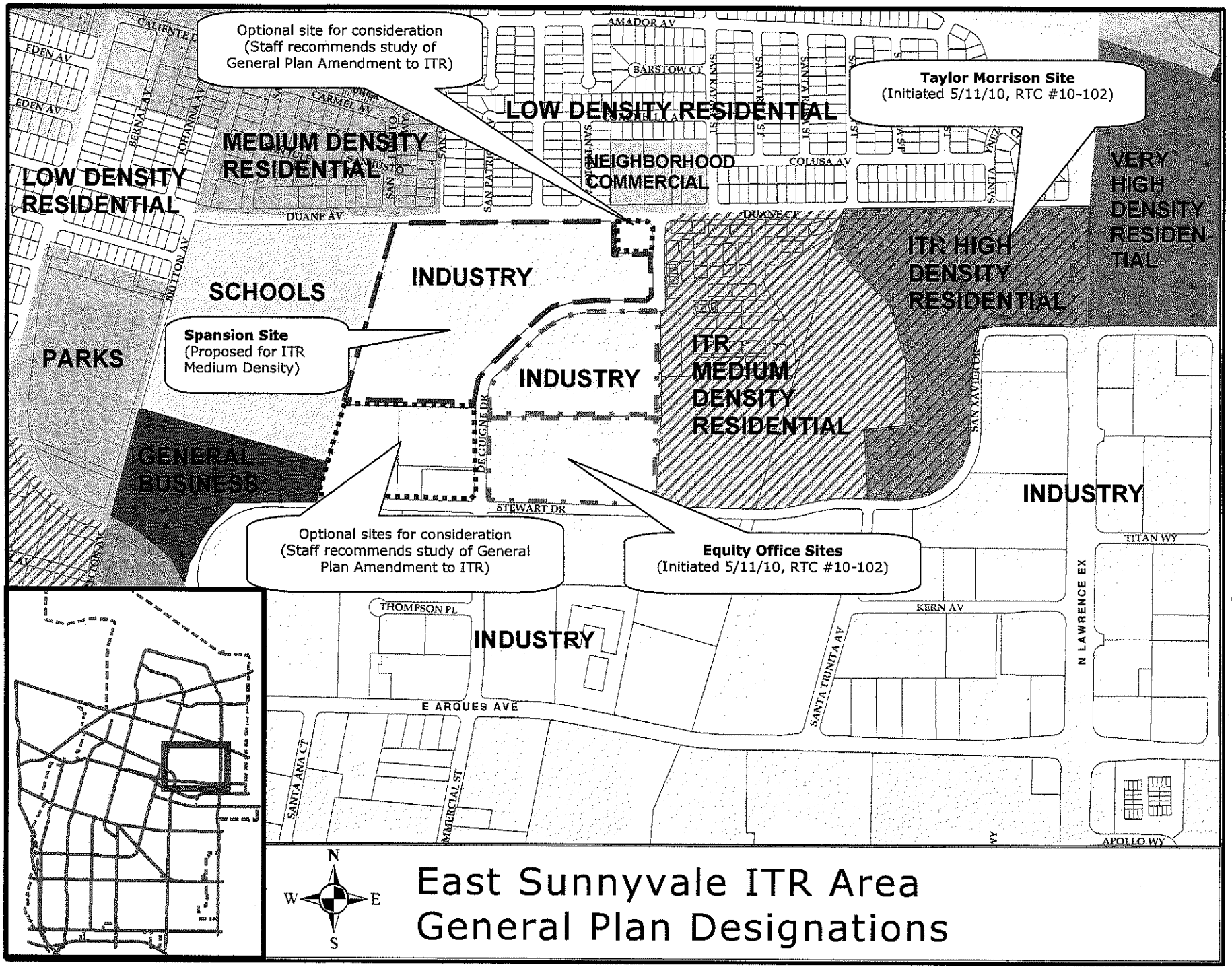
Respectfully submitted,

RUTAN & TUCKER, LLP

Douglas B. Aikins

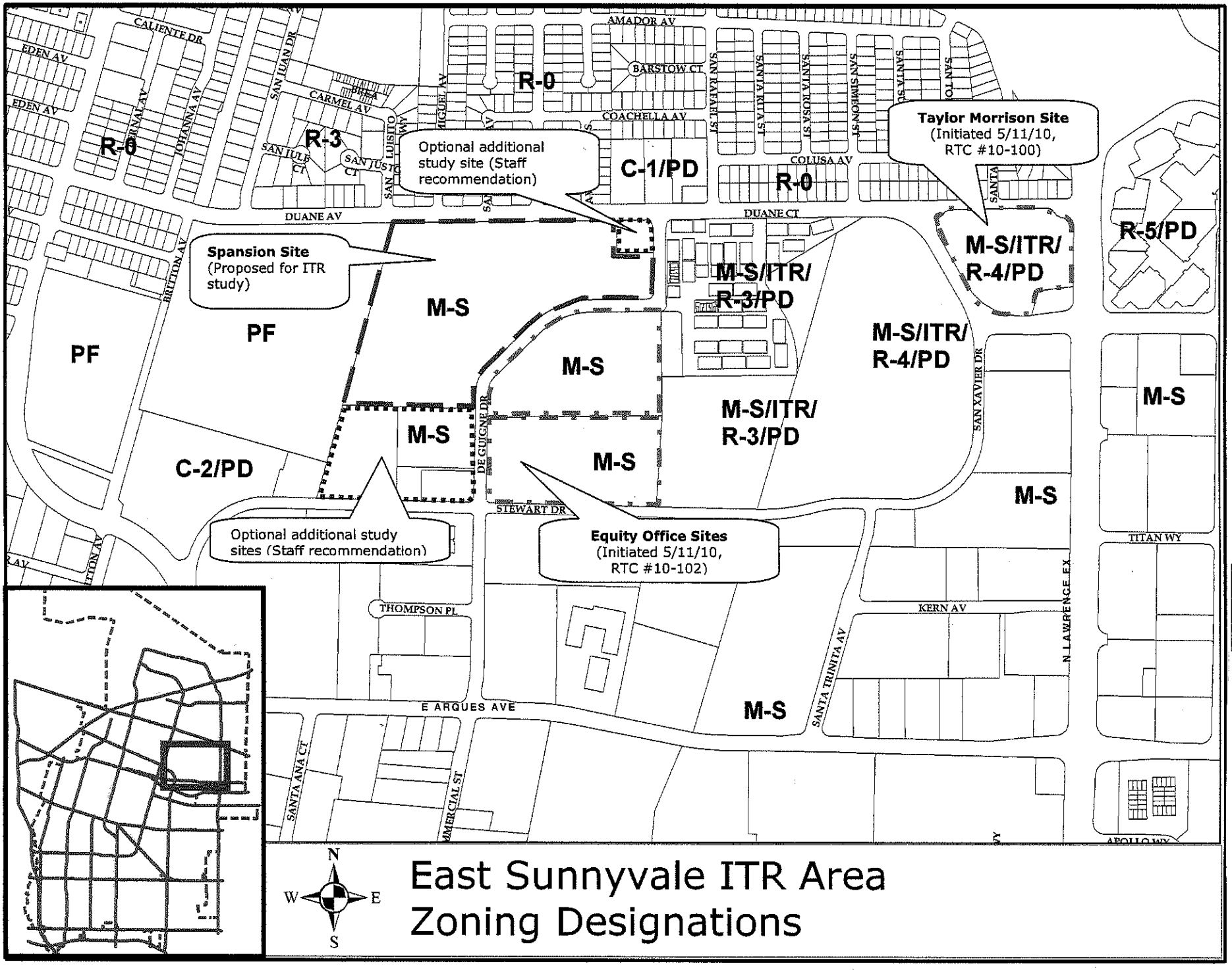
DBA:mtr

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



East Sunnyvale ITR Area General Plan Designations

ATTACHMENT B Page 1 of 1



East Sunnyvale ITR Area Zoning Designations

ATTACHMENT C Page 1 of 1

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
subtotal	*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
subtotal	*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
subtotal	*65.2*		*1636*		*1636*		*1636*
TOTAL	**127.4**		**1942**		**3045**		**2597**

ATTACHMENT E
page 1 of 1

SPANSION™

RECEIVED

JUL 27 2010

PLANNING DIVISION

City Council

City of Sunnyvale

c/o Mariya Hodge

456 West Olive Avenue

Sunnyvale, CA 94088

RE: July 20, 2010: Public Hearing Item #3: Motion RTC 10-195: Request for Initiation of General Plan Amendment and Rezoning (915 DeGuigne Drive)

Dear Honorable Members of the City Council:

Spansion, Inc. respectfully request that the above-referenced item be deferred for a period of two weeks (or next possible available City Council meeting date) in order for the company to have the appropriate management team present and fully briefed when the matter is heard before the City Council session and the potential disposition and relocation of their corporate operations becomes public knowledge. Please understand that the request is not due to a change in direction or intent to pursue rezoning with the City. Thank you for your consideration and please feel free to contact me with any questions.

Very truly yours,

Ajay Changaran
Director – Global Supply Management

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