



DATE: February 26, 2019

CATEGORY: New Business

DEPT.: Community Development

TITLE: **North Bayshore Precise Plan Bonus Floor Area Ratio (FAR) Requalifications**

RECOMMENDATION

Staff recommends that the City Council:

1. Adopt a Resolution Denying Both of the North Bayshore Precise Plan Bonus Floor Area Requalification Requests from SyWest and Google, to be read in title only, further reading waived (Attachment 1 to the Council report).
2. Provide direction on next steps, including a recommended mediation program with specific principles and desired outcomes.

EXECUTIVE SUMMARY

In 2014, the City Council adopted the first North Bayshore Precise Plan (Precise Plan). The Precise Plan included a significant amount of new office square footage to transform the area from a predominantly suburban employment area to a more urban, mixed-use, and pedestrian-oriented environment.

In 2015, the City established a Bonus Floor Area Ratio (FAR) program to allocate approximately 2.2 million square feet of office floor area to property owners in the Precise Plan area. The office Bonus FAR program was created to help achieve the broad land use and development goals of the General Plan and Precise Plan for North Bayshore. At the time, the Precise Plan did not allow residential uses.

Ten (10) applications were submitted to the City for the office Bonus FAR program. One of the applications was for the approximate 30-acre Gateway site and was jointly submitted by SyWest and LinkedIn because each party owned a different portion of the site. In May 2015, the City Council considered the 10 applications and allocated Bonus FAR to five of them, one being the SyWest-LinkedIn application for the Gateway site, which received approximately 1.45 million square feet of office floor area.

The Gateway site is a priority opportunity site near U.S. 101 and North Shoreline Boulevard. As the “gateway” to North Bayshore, the site has special prominence; is intended for the highest development intensities in North Bayshore, with a diverse range of land uses; and is required by the Precise Plan to be master planned. The joint submittal by SyWest and LinkedIn included a Gateway Master Plan.

After the May 2015 Council meeting, two key events transpired. First, LinkedIn and Google swapped various landholdings in 2016. As a result, Google ended up owning LinkedIn’s portion of the Gateway site. Second, the Precise Plan was amended to allow up to 9,850 residential units with a 20 percent affordability goal in three “complete neighborhoods.” The Council approved the amended – and current – Precise Plan in December 2017. The amended Precise Plan also included a requirement that 2015 Bonus FAR recipients submit a planning application, an extension, or a request to requalify the allocation by December 1, 2018.

After the LinkedIn-Google land swap, SyWest and Google attempted to work together to develop a Gateway Master Plan. Those attempts failed and the two parties submitted separate requalification requests in November 2018, prior to the December 1 deadline. SyWest’s requalification request includes their property at the Gateway site only, whereas Google’s requalification request includes a significantly larger area, with a vision for the Gateway site and other significant Google-owned properties in North Bayshore outside of the Gateway site.

This has been a challenging process because of the significant changes in the requalification submittals from the original Bonus FAR allocation; the major differences in the geographic scale, goals, and applicant priorities as described in the requalification submittals; the split ownership of the Gateway site; and the competing interests of SyWest and Google to secure a large portion of office Bonus FAR. However, it is staff’s assessment that neither of the November 2018 requalification submittals should be approved by the City Council because: (1) both are substantially different from the 2015 Bonus FAR allocation; (2) neither is an integrated Master Plan for the entire Gateway area; and (3) the addition of newly allowed residential uses to the Precise Plan has changed the 2015 Bonus FAR evaluation criteria, which now incorporates residential uses as a key criterion for the Gateway site.

Staff recommends that the Council deny the requalification requests from SyWest and Google and support a mediation process with the goal that the two parties achieve a mutually agreeable outcome for the redevelopment of the Gateway site that meets the current Precise Plan and Master Plan requirements. The mediation process would include a lead mediator supported by consultants (traffic, economic, etc.) to facilitate

discussions regarding key Gateway Master Plan issues such as the mix and location of land uses, circulation, transportation demand management (TDM), and urban design. The recommended duration for the mediation program is five to six months, and the cost would be shared equally between SyWest and Google. Staff would return to Council at the conclusion of the process to discuss the outcome of the mediation program. If the two parties cannot agree on a Gateway Master Plan, staff would seek direction on next steps, including whether the City should assume the responsibility to develop the Gateway Master Plan with limited participation by the two property owners. However, it is staff's hope that the two parties would agree to participate in the mediation, as this would provide them a final opportunity to actively determine an integrated Gateway Master Plan, and cooperation through this process could increase the benefit to both parties.

BACKGROUND

This section of the report provides a chronology of preceding events, as well as the context and dynamics of the Bonus FAR process that have informed staff's recommendation on the Bonus FAR requalification requests and next steps.

North Bayshore Precise Plan Overview

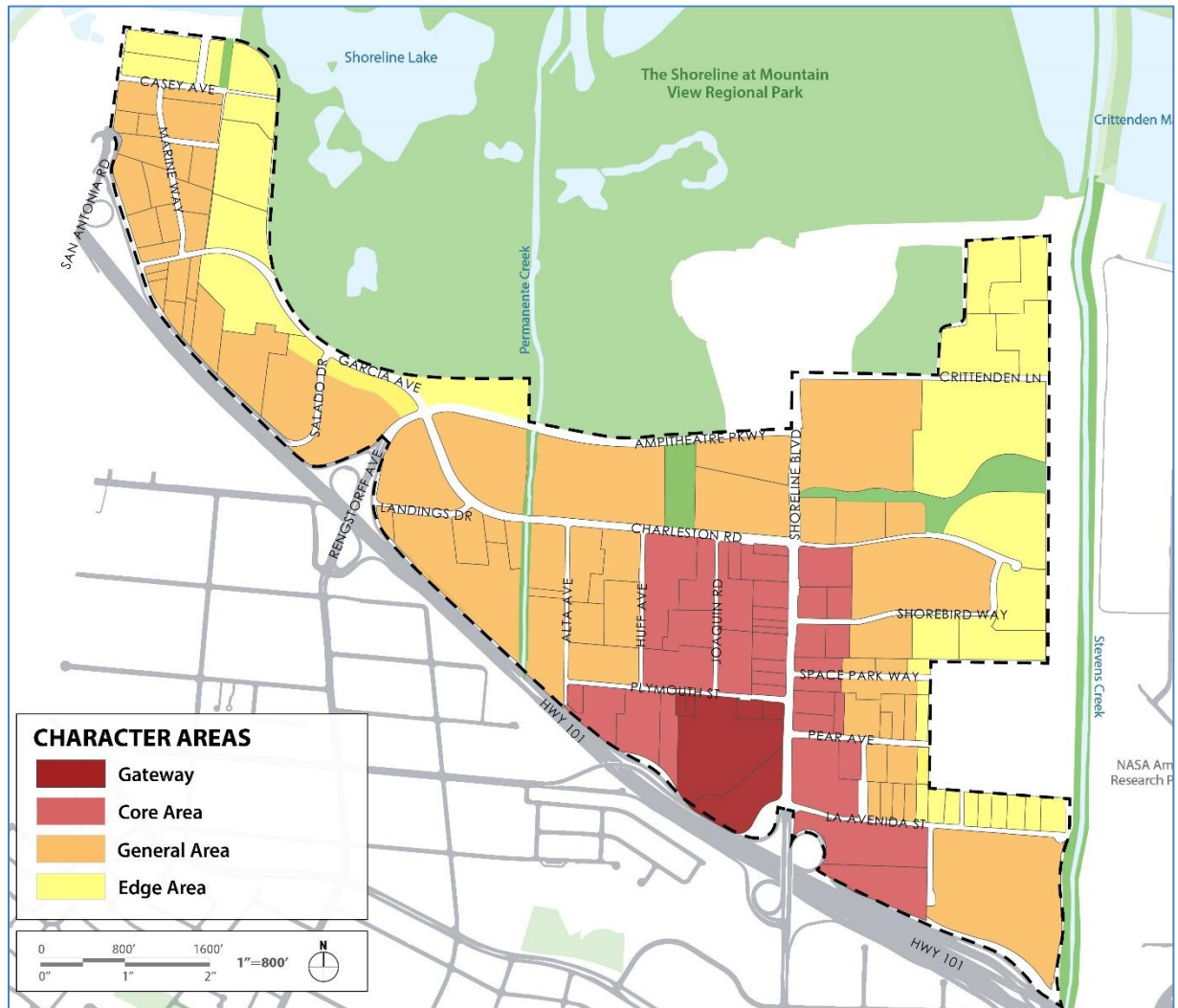
2014 Precise Plan and Character Areas

The Precise Plan has undergone two major iterations over the past several years. The Precise Plan adopted in 2014 consolidated several zoning districts and Precise Plans in the area into one comprehensive North Bayshore Precise Plan. The Plan established a new vision for North Bayshore to transform the area from a car-oriented suburban office park to a more urban environment with a mix of land uses and significant transit, bicycle, and pedestrian improvements. The Plan's key visioning themes focus on innovation and sustainability, habitat protection, design, and mobility. The Plan's vision is further implemented by key planning principles, which are discussed later in this report; new development regulations; and key priority transportation infrastructure projects.

The 2014 Precise Plan allowed for up to 3 million square feet of new office development and identified several "character areas" where regulations would guide new development to fit the desired character (land use, building height, floor area, etc.) in these areas. These character areas include: the Gateway (west side of Shoreline Boulevard at Highway 101); Core, General, and Edge (See Map 1—Character Areas). The Gateway area is the most intensive in terms of allowed FAR and maximum building heights. Building height and intensity are then gradually reduced toward the

Core, General, and Edge areas. The Precise Plan also allowed TDR (Transfer of Development Rights) from the Edge to the Core.

Map 1 – North Bayshore Precise Plan Character Areas



Importance of the Gateway Site

The Gateway site is a priority opportunity site near U.S. 101 and North Shoreline Boulevard. The entire site is approximately 30 acres. SyWest owns approximately 16 acres and Google now owns approximately 14 acres. The Precise Plan’s Gateway character area was established to implement General Plan Policy LUD 16.7, which states, “Support the creation of a gateway development with a diverse mix of uses near Highway 101 and North Shoreline Boulevard.” The General Plan included this policy because the Gateway area was identified as one of several key opportunity sites during

early General Plan meetings. During the development of the 2014 Precise Plan, the City Council noted the importance of the Gateway site and its priority relative to the rest of North Bayshore. The resulting General Plan and Precise Plan policies were intended to increase the land use mix and intensity for the site to help spur its redevelopment. A diverse mix of land uses at the site would: help support the large number of surrounding area employees and visitors with services and amenities; create a welcoming, “gateway” entry into North Bayshore; and help internalize trips to mitigate traffic impacts and congestion. The General Plan Land Use designation ultimately, after amendment in 2015, identified the area as *North Bayshore Mixed-Use Center*, allowing a broad range of land use uses, including commercial, office, residential, hotel, retail, and entertainment at the General Plan’s highest land use intensities. The Gateway’s intensity and diversity of land uses, especially the entertainment and retail components, make it unique as a subarea of the broader Joaquin complete neighborhood and the Precise Plan overall.

2015 Bonus FAR Allocation Process for Office Development

After the 2014 Precise Plan was adopted, and due to the very high demand to develop new commercial office space in North Bayshore, the City created a FAR program, where higher levels of office FAR may be granted by the City Council for projects that provide community benefits and highly sustainable site and building measures. The City had approximately 2.2 million square feet of office floor area to allocate for the Bonus FAR program, which was the remaining amount of unentitled office FAR analyzed under the 2014 North Bayshore Precise Plan EIR. The City created a Bonus FAR application process and notified area property owners of the process. Ten (10) Bonus FAR allocation proposals were submitted from eight (8) North Bayshore property owners. These submittals included a project description, schematic renderings of site plan, circulation, land uses, and other features to demonstrate compliance with the Precise Plan. Residential uses were not allowed in North Bayshore at the time, so no applications included these uses.

At its May 5, 2015 meeting, the City Council considered the 10 Bonus FAR allocation proposals and allocated Bonus FAR to six property owners at five sites as shown in Table 1 below. To date, three of the five 2015 Bonus FAR applications have projects that are either complete, under construction, or under review.

Table 1: 2015 Bonus FAR Allocation and Current Status

Awarded Application and Address	Requested Floor Area (net new office)	Council Direction	Status
1. Broadreach (now owned by Google) – 1625 Plymouth Street	123,479	123,479	Project Completed
2. Google-Landings – 1861, 1875 and 2003 Landings Drive	515,325	515,325	Under Planning Review
3. Shashi* – 1625 North Shoreline Boulevard	(12,050)	(12,050)	Under Construction
4. Rees (now owned by Google) – 2629 Terminal Boulevard	102,248	102,248	No Planning application submitted (Requalification request submitted in 2018)
5. LinkedIn/SyWest – Gateway (Now Google/SyWest) – 1400/1500 North Shoreline Boulevard	1,611,518	1,450,998	No Planning application submitted (Requalification request submitted in 2018)
Total	2,340,520	2,180,000	

* Shashi FAR included the demolition of a building considered as potential office.

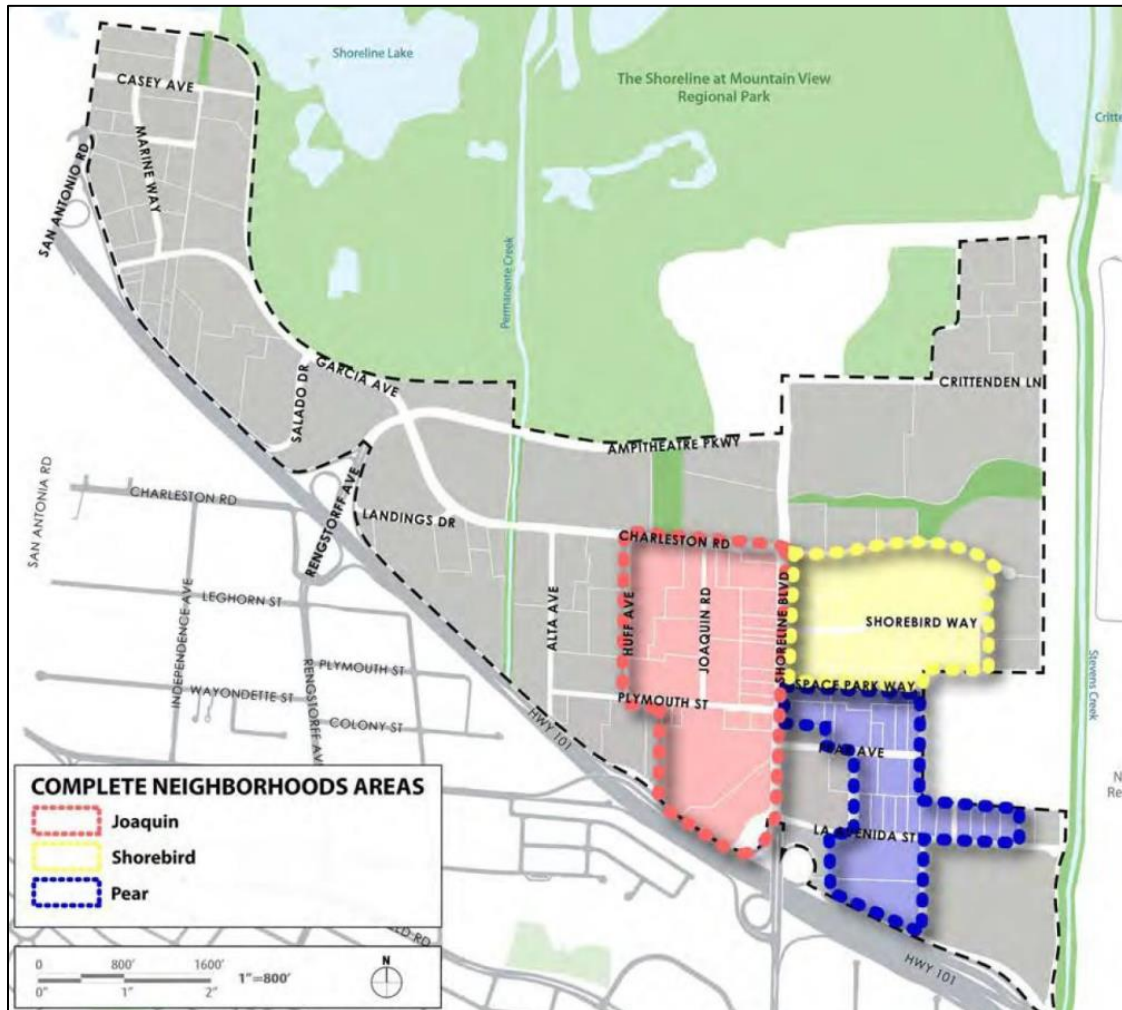
The largest allocation was given to the Gateway site, which included two parcels owned by SyWest and LinkedIn. The SyWest-LinkedIn joint submittal included the intent to develop a Gateway Master Plan to implement the then-vision and policies of the General Plan and Precise Plan for the Gateway area. In sum, the policies called for this area to be revitalized as a gateway destination with a mix of stores, services, entertainment, and hotels; include the highest land use intensities in North Bayshore and centrally located retail area; and contain a retail and entertainment core with active ground-floor frontages that support an active pedestrian environment.

In 2016, LinkedIn and Google swapped various landholdings. As a result, Google ended up owning LinkedIn's portion of the Gateway site. See Map 3 at the end of the Background section below for property ownership of the Gateway area.

2017 Precise Plan Update: Inclusion of Complete Neighborhoods

In 2017, after a lengthy public process, the Precise Plan was significantly amended to include new residential uses. The most significant change to the 2014 Precise Plan is that the 2017 Precise Plan established three new "complete neighborhoods" where residential uses are expected in North Bayshore. These complete neighborhoods are located adjacent to Shoreline Boulevard (see Map 2), and are within convenient walking distance to future commercial service uses and transit service (including a planned reversible dedicated bus lane) along this corridor. The Gateway site is included in the new Joaquin complete neighborhood area, which was "subdivided" into north and south areas with different densities. Adding residential uses to the Plan was a fundamental land use strategy to significantly increase the balance and diversity of land uses in North Bayshore, to address the City's jobs/housing ratio, and to help mitigate traffic and congestion by internalizing trips.

**Map 2: 2017 North Bayshore Precise Plan Area
and Complete Neighborhood Boundaries**



As shown in Table 2 below, the complete neighborhoods include “land use targets” for different uses to help guide their development into full-service neighborhoods, with a mix of land uses and open space, to create an urban, pedestrian-oriented environment.

Table 2: Complete Neighborhoods Land Use Targets

	JOAQUIN NEIGHBORHOOD	SHOREBIRD NEIGHBORHOOD	PEAR NEIGHBORHOOD
Size	68 acres	43 acres	43 acres
Residential Units*	3,950 units	2,950 units	2,950 units
Affordable Housing Units**	790 units	590 units	590 units
Employment***1	2,500,000 sf	1,500,000 sf	1,000,000 sf
Retail and Entertainment****1	240,000 sf	15,000 sf	35,000 sf
Hotel	200 rooms	0	200 rooms
Public Open Space (minimum)	Community park; Neighborhood park	Neighborhood park	Neighborhood park

*The North Bayshore district has a housing unit mix goal of 40% micro-unit/studios; 30% 1 bedroom units; 20% 2 bedroom units; and 10% 3 bedroom units.

**Assumes 20% of the residential units are built as affordable.

*** Includes office, R&D, industrial, and service uses.

**** Includes retail, restaurant, and movie theatre uses.

1- Includes new and existing building square footage.

The 2017 Precise Plan allows up to 3.6 million net new square feet of office development and 9,850 total new housing units in these areas, with 70 percent of these units targeted as studio or one-bedroom units, and a goal of 20 percent of this total as affordable units. These land use targets essentially established a proportionality between residential and office land uses in North Bayshore. As context, the overall Precise Plan ratio of housing to office square footage is approximately 1 residential unit per 500 square feet of office (though the targets for each complete neighborhood differ). However, in reality, there are 1.45 million square feet of office remaining and up to 9,215 remaining residential units allowed, which is 1 residential unit per 157 square feet of office.

2018 Bonus FAR Requalification Requests

After the LinkedIn-Google land swap, SyWest and Google attempted to work together to develop a Gateway Master Plan. Those attempts failed and the two parties were unable to reach an agreement that was consistent with the 2015 Bonus FAR submittal for the Gateway site. The 2017 Precise Plan included Bonus FAR Guidelines (Guidelines) requiring applicants receiving 2015 Bonus FAR allocations to submit a planning application or request an extension by December 1, 2018. The Guidelines further state that, “if Bonus FAR development projects are substantially modified from the original qualifying Bonus FAR request, either by project scope or FAR amount, then the request shall return to the City Council for review and requalification.”

As a result of the differences between the two parties and the significant deviation from the 2015 Bonus FAR allocation, SyWest and Google each submitted separate requalification requests in November 2018 (See Attachments 3 and 4 for digital links). SyWest’s requalification request focused on their land at the Gateway site only.

However, because of their greater land holdings and interest from the City on their broad vision for North Bayshore, Google’s requalification request was composed of a significantly larger area that included not just the Gateway site but also major portions of North Bayshore, including the Rees site on Terminal Boulevard from the 2015 Bonus FAR allocation. Table 3 below summarizes the major differences between the 2015 allocations and 2018 Bonus FAR requalification requests, although it is difficult to truly compare them since residential was not an allowed land use in 2015 and the requalification requests are so different from the 2015 allocations. Map 3 shows the location of the 2018 Bonus FAR requalification submittals.

Table 3: Comparison of 2015 Bonus FAR Gateway Allocation and 2018 Bonus FAR Requalification Requests

	2015 Bonus FAR Allocation	2018 Bonus FAR Requalification Request
Gateway area: (SyWest/ LinkedIn (2015); SyWest/Google (2018))	– One application from two property owners/parcels (SyWest and LinkedIn)	– Two requalification requests from two property owners/parcels (SyWest and Google)
	– Gateway Master Plan incorporating both parcels, integrated with shared access, circulation, and open space and consistent urban design between parcels	– No shared, comprehensive Master Plan that integrates the land uses and circulation between parcels
	– Mix of uses includes office, theater, health club, retail – No residential uses and 2014 Precise Plan did not include residential	– Mix of uses includes residential, office, theater, health club, retail – 2017 Precise Plan includes residential

	<p align="center">2015 Bonus FAR Allocation</p>	<p align="center">2018 Bonus FAR Requalification Request</p>
	<ul style="list-style-type: none"> – FAR of approximately 1.45 million square feet of office land uses – Other land uses 	<ul style="list-style-type: none"> – SyWest: approximately 885,000 sf of office; 285,000 sf of retail; 330 hotel rooms; 517-742 residential units – Google Gateway property*: approximately 276,000 sf of offices, 200,000 – 250,000 sf retail/entertainment; +/- 200-room hotel; 2,300 – 2,600 residential units <i>*only a portion of Google’s submittal</i>
<p>Complete Neighborhood Areas:</p>	<ul style="list-style-type: none"> – 2014 Precise Plan did not have complete neighborhood areas 	<ul style="list-style-type: none"> – 2017 Precise Plan included three complete neighborhood areas with residential uses – SyWest requalification request focuses only on their portion of the Gateway site, which is part of the Joaquin neighborhood – Google requalification request includes the Gateway site, the Rees site, and other substantial portions of North Bayshore, which Google refers to collectively as “Master Framework Plan” and include a mix of land uses, circulation, open space, habitat enhancements, and 6,000 – 6,600 residential units

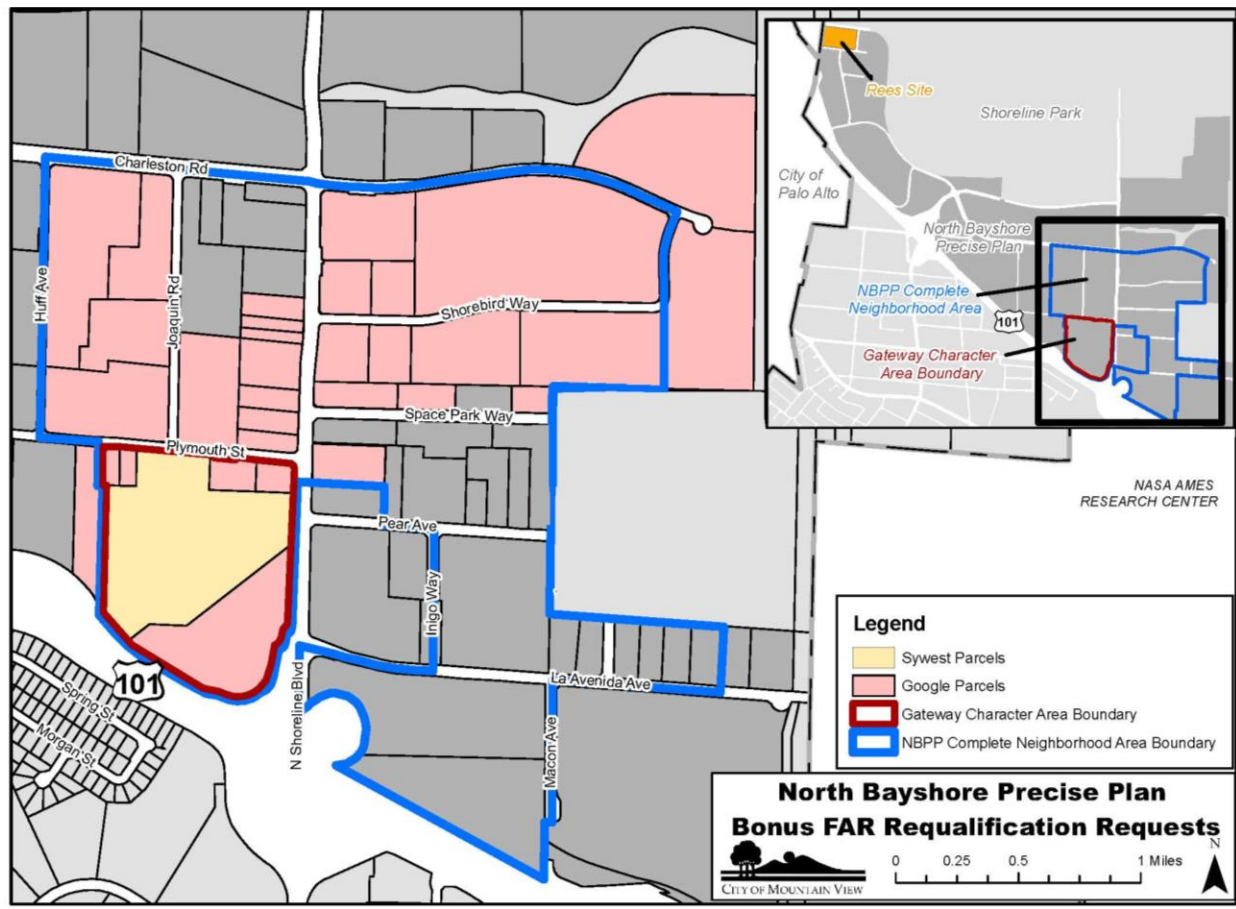
	2015 Bonus FAR Allocation	2018 Bonus FAR Requalification Request
2629 Terminal Boulevard: (Rees (2015); Google (2018))	– New office building	– Google requests to transfer Bonus FAR from Rees site to other areas in North Bayshore as part of its “Master Framework Plan”
Community Benefits	<p>LinkedIn/SyWest</p> <ul style="list-style-type: none"> – Fund remodel of library – Allow use of parking at site on weekends – Provide community on-site job training center – Consider subsidized rents (up to \$3 million/year) to support local businesses – Fund construction of Highway 101 bike/ped bridge – Shoreline Boulevard street improvements above requirements – Fund feasibility and design study of U.S. 101 – Shoreline Boulevard off-ramp realignment 	<p>SyWest</p> <ul style="list-style-type: none"> – Applicant materials state approximately \$200 million in community benefits¹ <p>Google</p> <ul style="list-style-type: none"> – Wide range of proposed benefits such as habitat protection, neighborhood design, mobility, and sustainability. The community benefits are substantial, but not quantified in Google’s Master Framework Plan.²
Rees	– New habitat/landscaping on project site and 1.38-acres of Terminal Boulevard	

	2015 Bonus FAR Allocation	2018 Bonus FAR Requalification Request
	<ul style="list-style-type: none"> – New viewing platform that extends into the Coast-Casey Forebay; interpretive ecological signage and graphics; improved trail heads; new restroom and Habitat Center facilities; bicycle repair station and bicycle sharing kiosk – Widening of San Antonio Road to accommodate a new bike lane; improved pedestrian, bicycle, and automobile access and improvements to Shoreline at MV Park and the Bay Trail 	

- ¹ This number not confirmed or analyzed by staff as some proposed community benefits may be considered project requirements and not community benefits.

- ² Community benefits not confirmed or analyzed by staff; updated community benefit information also provided in February 2019 letter (see Attachment 5).

Map 3: North Bayshore Precise Plan Bonus FAR Requalification Requests



ANALYSIS

This section evaluates SyWest’s and Google’s 2018 requalification requests, provides staff’s recommendation on those requests, and outlines a suggested process and criteria for next steps.

Evaluation Context

Evaluating the two requalification requests has proven complex for several reasons, including, but not limited to, the following:

- **Amended Precise Plan**—The 2015 Bonus FAR allocation was based on the 2014 Precise Plan, which did not include residential uses. Afterwards, the Precise Plan was amended to allow residential uses and the Bonus FAR Guidelines criteria were also amended to include residential uses. This amendment fundamentally changes the context by which the requalification requests are evaluated.

- **New ownership**—SyWest and LinkedIn jointly submitted and were awarded 2015 Bonus FAR allocations. However, LinkedIn and Google subsequently completed a land swap, which changed the ownership of the Gateway site parcels, and there is no longer a single project.
- **Requalification requests significantly differ from 2015 Gateway allocation**—1.45 million office square feet were allocated to the Gateway site in 2015 based on the SyWest-LinkedIn joint submittal that included a Master Plan for the entire Gateway site. SyWest submitted its requalification request focused on the Gateway site but does not fully consider Google’s adjacent parcels that are part of the Gateway. Google’s requalification request includes the entire Gateway site—including SyWest’s parcel—as well as substantial areas in North Bayshore outside of the Gateway site. Google has called this its “Master Framework Plan” for North Bayshore and seeks to use a significant portion of the Bonus FAR allocated in 2015 to the Gateway site for use on other sites that it owns. The 2015 City Council Bonus FAR allocation was granted to spur redevelopment of the Gateway site in support of General Plan and Precise Plan policies for the area at that time. While Google’s requalification request is a substantial deviation from the 2015 allocation, it could also implement a significant component of the overall 2017 Precise Plan. This has created some tension between the goal of implementing the overall Precise Plan versus fully redeveloping the Gateway as a priority site.
- **Different businesses, goals, and resources**—SyWest’s primary business is in movie theaters and entertainment uses and seeks to build on that focus, whereas Google is a global technology corporation and seeks additional office space for its operations. SyWest seeks to implement an important part of the Precise Plan by redeveloping the Gateway site, while Google seeks to implement a significant portion of the overall Precise Plan with complete neighborhoods. Both parties have claimed that they need their requested Bonus FAR to make their overall requalification requests financially viable. Essentially, the office allocation is the “currency” to achieve other aspects of their respective proposals.
- **Importance of fairness and equity**—The issues above have surfaced the importance of having a fair, equitable, and transparent criteria/process that could lead to success for both parties and the City (e.g., a “win-win-win”); realize a Gateway Master Plan while also implementing other objectives of the overall Precise Plan so one is not sacrificed at the expense of the other, and prevent either party from “gaming” the process. These have not been easy issues to resolve. The City could play an important role in establishing a sense of fairness and equity in this process.

Evaluation Criteria of Requalification Requests

In spite of, and in part due to, the complexities identified above, staff believes the criteria for evaluating the requalification requests should include the following:

- **Focus on the Gateway site first** – Because the 2015 Bonus FAR allocation of 1.45 million square feet was to the Gateway site, evaluation of the requalification requests should focus on whether the two parties achieve the goals for the entire Gateway site regardless of the change in property ownership. Although residential is now an important part of the equation, the updated vision for the Gateway site should be the starting point and primary scope of evaluating the requalification requests at this point in the process.
- **Meet the requirements and vision for a Gateway Master Plan** – The intent behind the Gateway Master Plan requirement is to ensure that this large area of special prominence is well-planned between the parcels, with a mix of diverse and complementary land uses envisioned by the General Plan and updated Precise Plan, including other important design elements to ensure efficient access and internal circulation, shared open space, and other integrated and complementary strategies. A Master Plan area with multiple property owners/parcels involves close coordination during plan development. A Master Plan is usually used for a large geographic area, typically with multiple property owners, and establishes the overall mix and location of land uses, allowed FAR and building heights within the area, the circulation network within the area, and other high-level development strategies. An approved Master Plan can guide future, more specific development proposals that may be submitted within the Master Plan area. Since the 2016 LinkedIn-Google land swap, the City has repeatedly told both SyWest and Google that a Master Plan is required for the Gateway site in order to achieve the goals and vision of the Precise Plan and to ensure the best possible integration of land uses and circulation between the two parcels.

- **Meet the Precise Plan vision, principles, character area, and complete neighborhood objectives** – A list of Precise Plan and General Plan policy excerpts are included in Attachment 2. A specific consideration is how the requalification requests facilitate the creation of new residential units in the appropriate amount, type, and location given that a major objective of the 2017 Precise Plan is to add housing to North Bayshore. The Precise Plan Bonus FAR Guidelines (Appendix F, Section F) list criteria the City Council may consider when evaluating Bonus FAR applications, including, but not limited to:
 - How the proposal meets the Precise Plan’s vision and guiding principles, including each of the Precise Plan’s Character Area goals and objectives and the Plan’s strategies for new residential uses in North Bayshore;
 - The number of vehicle trips associated with development and proposed improvements to implement the CIP Action Plan, and the effect on trip cap and roadway performance;
 - Size/scope of habitat enhancements;
 - Small business preservation and enhancements;
 - Nonauto transportation improvements and performance;
 - Enhanced community benefits;
 - Districtwide improvements, which could include transportation, habitat, or utility projects in collaboration with different companies;
 - Phasing of proposed improvements and development;
 - Impacts to staff resources; and
 - The quality and thoroughness of submitted application materials.
- **Robust TDM Plan** – From recent North Bayshore trip cap monitoring data, Shoreline Boulevard continues to essentially be at operational capacity. New development at the Gateway site, and at any site in the Shoreline Boulevard vicinity, requires additional analysis to confirm the best amount and mix of land uses, FAR, TDM Plan, and required transportation improvements to allow redevelopment as required by the Precise Plan.

- **Types and level of community benefits**—The 2015 Bonus FAR allocation included a requirement to include community benefits. Assessment of the requalification requests shall include an evaluation of the community benefits.
- **Consider the interrelationship between the Gateway site and the rest of North Bayshore**—Although evaluating the requalification requests must begin with the Gateway site, the evaluation cannot occur in a vacuum that ignores the rest of North Bayshore and the goals of the overall Precise Plan. While the Gateway site is an important part of the Precise Plan, it is one part of the whole and it should be expected that the Gateway Master Plan facilitate implementation of the overall Precise Plan. One factor to consider is the proportionality of office-to-residential in order to achieve the broader vision of the Precise Plan.

Analysis of Requalification Requests

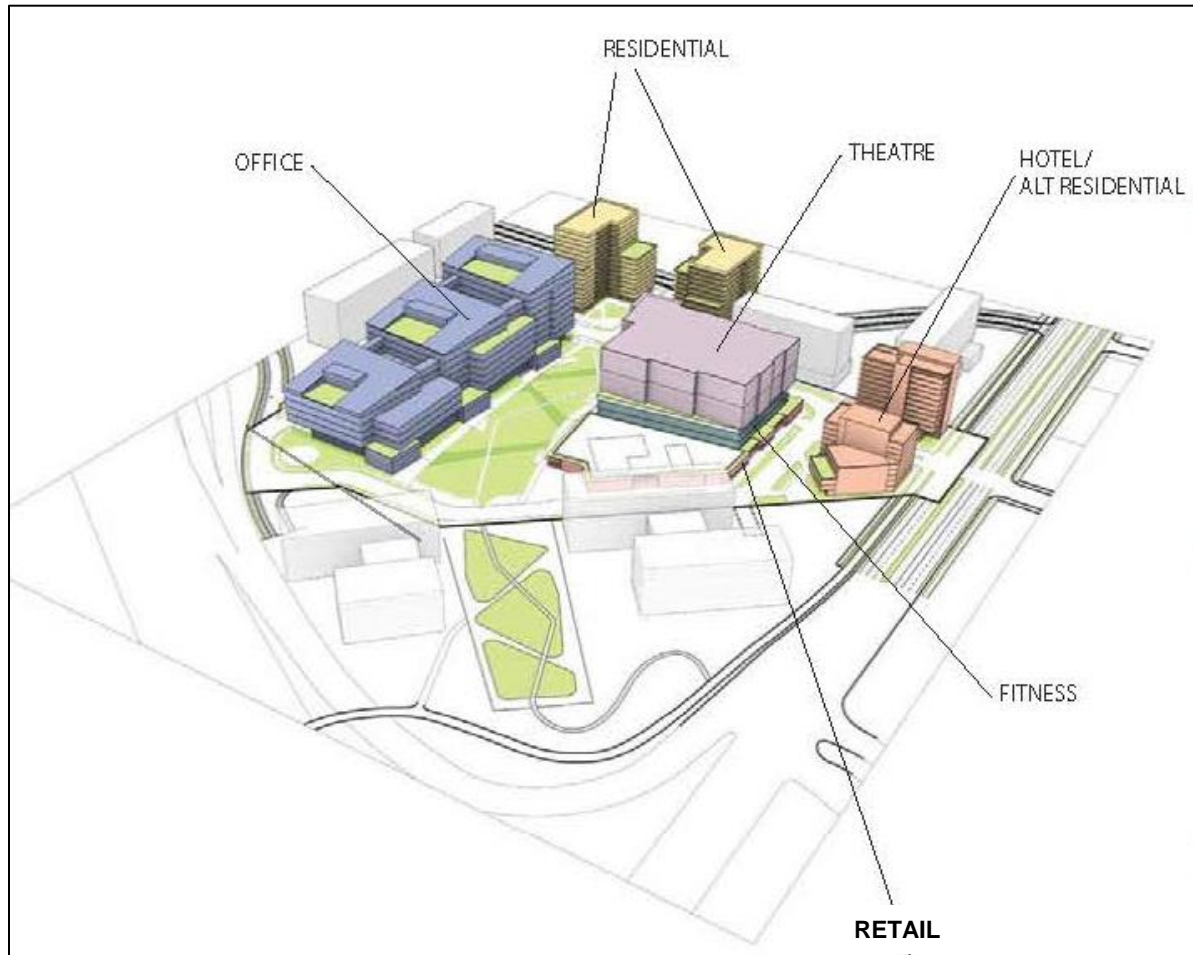
The following includes a summary of SyWest’s and Google’s Bonus FAR Requalification Requests and a summary data chart of the two proposals are also attached (see Attachment 4).

Summary of SyWest’s Requalification Request

SyWest’s requalification request includes the following key aspects:

- **Gateway site only**
 - 885,000 square feet of office (61 percent of the remaining Bonus FAR amount)
 - 517 to 742 units of residential (up to 7.5 percent of the North Bayshore residential goal)
 - Residential-to-office ratio of 1 unit per 1,200 square feet of office
 - 330 hotel rooms (under the 517 residential unit option)
 - 285,000 square feet of retail/entertainment/services





Evaluation of SyWest's Requalification Request

SyWest's submittal is a requalification request given its significant change from the 2015 Bonus FAR allocation. However, staff recommends that the Council deny the requalification request for the following reasons:

- The requalification does not meet the Gateway Master Plan requirement. There is no signed agreement with Google on the development of an overall Master Plan for the site.
- The submittal does not: provide a robust TDM strategy; demonstrate how the mix and amount of land uses meet requirements of the North Bayshore trip cap; or provide sufficient details about the community benefits and why they believe that certain components should be considered community benefits rather than Precise Plan requirements.

Summary of Google's Requalification Request

Google's requalification request includes the following key aspects:

- **Gateway site only**
 - 275,000 square feet of office (19 percent of remaining Bonus FAR amount)
 - 1,200 residential units to the Gateway site (12 percent of North Bayshore residential)
 - Residential-to-office ratio of 1 unit per 230 square feet of office
 - 200,000 square feet to 250,000 square feet of retail/entertainment
- "Master Framework Plan" –Google's requalification request includes significant areas outside of the Gateway site within North Bayshore. Google calls the entire geographic area comprising its requalification request the "Master Framework Plan."
 - 1,175,000 square feet of office (81 percent of remaining Bonus FAR amount)
 - 6,000 to 7,000 residential units (71 percent of North Bayshore residential amount)
 - Inclusion of a site for a neighborhood-serving school

On February 18, 2019, Google submitted a letter that summarizes certain modifications to its requalification request, including how it would prioritize the Gateway site relative to its Master Framework Plan and working with the school district to locate a site for a neighborhood-serving school within the complete neighborhoods area (See Attachment 5).



Assessment of Google's Requalification Request

- **Gateway site only**
 - The requalification request does not meet the Gateway Master Plan requirement. There is no signed agreement with SyWest on the development of an overall Master Plan for the site.
 - Google has placed the location of the residential and office square footage on SyWest's portion of the Gateway site, whereas the theater, entertainment uses, and parking are on Google's portion of the site. Google's rationale is that placing the theater and entertainment uses along the U.S. 101 freeway and North Shoreline Boulevard facilitates the goal for the Gateway to visually and physically function as a "gateway," and that residential uses should logically be placed further away from the freeway. SyWest has not agreed to these uses on their site, and Google's requalification request does not identify potential mechanisms—such as land swaps, redrawing property lines,

transfer of development rights, etc.—that address the fact that the Gateway site has property boundaries that need to be resolved.

- **“Master Framework Plan”**
 - As mentioned, Google’s requalification request includes the Gateway site as well as significant areas outside of the Gateway site within North Bayshore.
 - The Master Framework Plan would achieve a significant amount of the Precise Plan goals, including over 70 percent of the desired residential units with 20 percent of the units as affordable, facilitating the development of a neighborhood-serving school, TDM strategies, community benefits, infrastructure and transportation investments, and parks and open space with over 20 acres dedicated to the City.
 - Google has indicated that achieving the Master Framework Plan requires the 1.175 million square feet of office requested in its requalification submittal, which would be used outside of the Gateway site; 275,000 square feet would remain at the Gateway site for SyWest.

Recommendation on Requalification Requests

Both requalification requests include components that respond to some of the Gateway Master Plan requirements. However, staff does not believe either request meets the requirements for a Gateway Master Plan. Google’s “Master Framework Plan” meets significant Precise Plan goals, but its requalification request does not address the fact that SyWest is a majority owner of the Gateway site. Ultimately, it appears that the mutually exclusive desire for the bulk of the office space is what stands between the two parties’ ability to achieve a mutual agreement that meets the requirements of the Precise Plan for the Gateway site.

Therefore, staff recommends that both the SyWest and Google Bonus FAR requalification requests be denied because they do not meet the requirements, vision, and intent for a Gateway Master Plan as stipulated by the Precise Plan and General Plan. More specifically, the proposals do not include the core Master Plan requirement of a cohesive and mutually agreeable development strategy between the parcels, including integrated land uses, shared circulation, and urban design.

Council Question 1: Does Council agree that both requalification requests should be denied?

Recommended Next Steps

Both SyWest and Google have invested time and effort to develop their requalification requests, and they both include some key elements consistent with the policies of the Precise Plan. However, they do not achieve all of the requirements, and the two parties have attempted to work together during the past two years to achieve a Gateway Master Plan to no avail. Developing a Master Plan whenever there are multiple property owners can be difficult in and of itself, but when other dynamics such as those outlined above are part of any process, the complexities multiply and make it even more difficult to achieve a successful outcome.

In order to build on the positive aspects of the requalification requests and to try to address the unique needs of both parties, staff is recommending that SyWest and Google enter into a mediated process. The ideal outcome of the mediated process is a “win-win-win” scenario, where there is agreement from both applicants on a Gateway Master Plan that allows each party to be able to redevelop their properties (either separately or together, but ideally together), agreement on the allocation of some or all of the remaining Bonus FAR office, that achieves new residential units and other supportive land uses in the Gateway and other North Bayshore areas that implement the City’s General Plan and North Bayshore Precise Plan, and that provides enhanced community benefits.

Mediated Gateway Master Plan Process

It is recommended that a mediator lead a process to work with SyWest and Google to jointly develop a Gateway Master Plan. The mediation program would include a lead mediator supported by consultant resources that relate to land use planning, circulation/transportation demand management, urban design, and economic analysis. The basic structure is that the lead mediator would initially meet individually with each party. Depending on the progress and if the two parties agree, the lead mediator might hold subsequent discussions with both parties in the same room and also attended by consultants, if appropriate. The lead mediator would also be able to meet with the consultants separately to discuss issues and to facilitate the process. All participants shall sign nondisclosure agreements to ensure confidentiality. The City would provide oversight of the process and include regular check-ins with the mediation team to monitor progress but would not be part of the meetings with SyWest and Google, unless requested.

Mediation Principles

The following includes several key mediation principles that could help in achieving a successful outcome:

- Confidentiality is vital and required.
- Negotiate in good faith and do not negotiate through the media, the political process, or other means outside of the formal mediation process.
- All parties must keep the outcome parameters (discussed below) in mind.
- Focus on the path forward and avoid dwelling on the past.
- Be open to ideas and look for creative solutions. Avoid maintaining hard positions and express yourselves in terms of needs, desires, and desired outcomes.
- Seek to understand the other side.
- Actively and genuinely participate in the mediation process towards the goal of a win-win-win. No “foot dragging” to kill the process.
- Objectively assess the other party’s ideas or offer and avoid the “they must know something I do not” mentality. Do not automatically devalue the other party’s ideas/offer.
- Cooperate with the lead mediator in scheduling and attending meetings.

Target Outcomes

Success of the mediation program will be determined by assessing against the following target outcomes:

- **Win-Win-Win** – A mutually agreeable outcome between the SyWest and Google for a Gateway Master Plan that meets the City’s Precise Plan vision, principles, character area, and complete neighborhoods policy direction and requirements (See Attachment 2).

- **Development of a Gateway Master Plan**— A Gateway Master Plan shall include, but is not limited to, the following:
 - **Land use**—Sufficient detail on amount and location of a mix of land uses, FAR, and building heights.
 - **Bonus FAR allocation**—Recommended Bonus FAR allocation between SyWest and Google at the Gateway site.
 - **Proportionality of residential to office uses**—Clear articulation of a residential-to-office ratio that meets the intent of the Gateway character area, the Joaquin complete neighborhood land use targets, and the Precise Plan overall residential goal. The Gateway site is intended to be developed at the highest intensities with diverse land uses and a signature open space area.
 - **Transportation**—Strategies/frameworks for access, circulation, and multi-modal infrastructure, vehicle trip cap, and transportation demand management strategies, open space, and sustainability. Circulation plan to support multi-modal and pedestrian and their connections that connects to Joaquin Road, Pear Avenue, the proposed frontage road, and surrounding areas:
 - o North/south and east/west pedestrian and bicyclist connections that are integrated with publicly accessible open space and that include the planned bicycle/pedestrian bridge over Highway 101;
 - o A realistic and implementable TDM plan that recognizes Gateway vehicle constraints and anticipates future transportation improvements and new land uses; and
 - o Potential realignment of major utilities serving the area.
 - **Placemaking**—Establishing a sense of place through strategies, including, but not limited to, a central commercial village with signature, publicly accessible open space, smaller blocks with pedestrian-oriented streetscape design and amenities, urban design strategies to create integrated and complementary building designs, public art, and wayfinding signage.
 - **Relationship of the Gateway Master Plan to the Overall Precise Plan**— Articulate the priority of the Gateway Master Plan relative to the overall

Precise Plan in terms of timing and phasing, and how the Gateway Master Plan can facilitate implementation of the overall Precise Plan.

- **Mechanisms**—Identify potential mechanisms that could be used to facilitate the Gateway Master Plan, including, but not limited to, the following:
 - Ideally, SyWest and Google would develop the Gateway Master Plan jointly and share the economic benefits proportionately. However, a Master Plan that meets the requirements and intent of the Precise Plan and that would allow SyWest and Google to be able to develop their portions of the Gateway area would be acceptable.
 - Some or all of the remaining Bonus FAR not allocated to the Gateway area may be allocated to Google for inclusion into their Master Framework Plan. This could be like a Transfer of Development Rights (TDR) program between the Gateway site and other Precise Plan complete neighborhood areas, which could provide flexibility to achieve Precise Plan principles.
 - The Bonus FAR allocated to the Rees site may be reallocated to other Google holdings in complete neighborhood areas, depending on the conclusion of the school district's North Bayshore school location study and analysis of potential school sites within the Complete Neighborhood areas.
 - Land swaps or other methods to facilitate different land uses in the appropriate amount and locations.
 - Financing tools or approaches to facilitate the economic viability of redevelopment for both SyWest and Google.
- **Documentation**—Should the two parties reach a mutually agreeable outcome, the agreement shall be documented and signed by both parties.

The City has spoken to both SyWest and Google about the recommended mediation process. At the time of the writing of this report, SyWest has declined to participate in the recommended mediation process and Google is open to participating, subject to certain conditions.

Given the responses, staff still maintains the same recommendation but suggests allowing one month for the parties to reconsider their position and agree to mediation without preconditions; if not, the City will initiate a different path forward. Should the two parties agree to the mediation, the recommended duration for the mediation

program is five to six months, and the cost would be equally shared between SyWest and Google. Staff would return to Council at the conclusion of the process to discuss the outcome of the mediation program. If the two parties do not reach an agreement that meets the Master Plan requirements, the City could take over the process and develop the Master Plan itself.

Council Question 2: Does Council support proceeding with a mediated Master Plan process? If so, does Council have input on the mediation principles or target outcomes that should be used to guide the development of the Master Plan during the mediated process?

SUMMARY OF COUNCIL QUESTIONS

Council Question No. 1: Does Council agree that the requalification requests should be denied?

Council Question No. 2: Does Council support proceeding with a mediated Master Plan process? If so, does Council have input on the mediation principles or target outcomes that should be used to guide the development of the Master Plan during the mediated process?

FISCAL IMPACT

The cost of a mediated process would be funded by the two Gateway property owners with the costs shared equally, unless another methodology is mutually agreed to. The cost is unknown and will depend on many variables, but is likely to be in the range of \$100,000 to \$300,000. There would be no direct cost to the City for the mediation process, but there would be some staff time involved to provide oversight.

CONCLUSION

The Bonus FAR requalification process has been a challenging one due to the update of the Precise Plan to add residential uses, the partial change in land ownership in the Gateway site, the different scale and scope of the requalification requests, and the different goals and business objectives of SyWest and Google. Staff recommends that the City Council deny both North Bayshore Precise Bonus FAR requalification requests because they do not meet the General Plan and Precise Plan requirements for the site, and there is not an integrated Gateway Master Plan. Staff recommends that SyWest and Google participate in a mediated Gateway Master Plan process. The mediation process would have a duration of five to six months and would include a lead mediator supported by consultant resources that relate to land use planning, circulation/

transportation demand management, urban design, and economic analysis. Staff would return to Council to provide a status of the mediation process and next steps.

ALTERNATIVES

1. Grant SyWest's requalification request and allow them to process with a proposal for approximately 885,000 square feet of office space for the Gateway site.
2. Grant Google's requalification request for approximately 1.175 million square feet of office as outlined in their Master Framework Plan.
3. Do not support the proposed mediated process and initiate a City-led effort to develop a Gateway Master Plan. A work plan and budget would be developed and brought to Council for approval.
4. Provide other direction.

PUBLIC NOTICING

Agenda posting, and notices sent to North Bayshore interested parties list, including adjacent properties within 750' and the school districts.

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MA-WC/3/CAM
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- Attachments:
1. Resolution
 2. General Plan and Precise Plan Gateway Area Policy Excerpts
 3. [SyWest Requalification Request, November 30, 2018](#)
 4. [Google Requalification Request, November 30, 2018](#)
 5. Google, February 12, 2019 Letter