



DATE: December 3, 2019

CATEGORY: Public Hearing

DEPT.: Community Development

TITLE: **Gatekeeper Application for 365 to 405 San Antonio Road and 2585 to 2595 California Street**

RECOMMENDATION

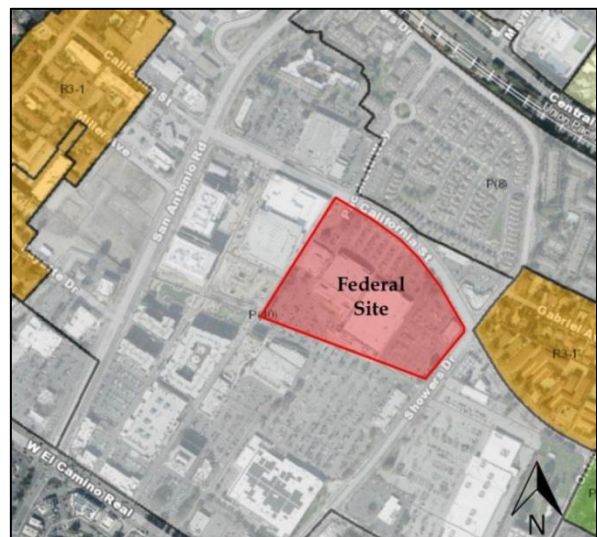
Authorize the assignment of staff resources for consideration of an application to develop an approximately 190,000 square foot office building with ground-floor retail-commercial space, including up to 150,000 square feet of transfer of development rights square footage through the Los Altos School District Transfer of Development Rights Program, located at 365 to 405 San Antonio Road and 2585 to 2595 California Street.

BACKGROUND

Los Altos School District Transfer of Development Rights Program

Over several years, the City Council has considered opportunities to support development of a new public school in the San Antonio area. This commitment includes Council adoption of the San Antonio Precise Plan (SAPP), in December 2014, which included broad policy support for creative public-private partnerships and a transfer of development rights (TDR) program to facilitate development of a new school in the SAPP area.

After an initial TDR Program Study Session in late 2017, Council authorized the City Manager to execute a Memorandum of Understanding (MOU) between the City and the Los Altos School District (LASD) establishing the framework for the LASD TDR Program in January 2018. Council also provided direction for Funding and Joint



Use agreements between the City and LASD for the shared open space on the planned school site (see Attachment 1).

The TDR Program created 610,000 square feet of transferable development rights that are not needed to build a new school on the proposed school site and can be sold by LASD to TDR purchasers seeking to use this square footage within development projects in other locations throughout the City.

LASD has signed letters of intent with prospective TDR purchasers seeking to use the available TDR square footage in seven Gatekeeper projects, as discussed below. LASD has also entered into a purchase and sale agreement with Federal Realty for the roughly 11.5-acre property at the southwest corner of California Street and Showers Drive, comprised of the LASD school site and shared open space, plus a two-acre public park to be purchased by the City; LASD paid a deposit on the property acquisition, which became nonrefundable in November and is scheduled to close escrow in December 2019.

TDR Gatekeeper Authorizations

To date, Council has authorized the assignment of staff resources to work on six Gatekeeper applications seeking to buy and use TDR square footage and allowed one additional developer to participate in the TDR Program but submit a Gatekeeper application at a later date (see Attachments 1 and 2). These seven projects fully subscribed the 610,000 square feet available to be transferred from the proposed LASD school site (“sending site”) to Gatekeeper “receiving sites” (see Attachment 3). The TDR Program and Council action on these Gatekeepers effectuated two key policy decisions:

- To allow residential floor area ratio (FAR) from the school site to be transferred and used for office square footage on the TDR receiving sites.
- To allow significant TDR square footage to be proposed for use on receiving sites located outside the SAPP area.

Gatekeeper Reapplication – September 2019

One of the Gatekeeper applications originally authorized by Council in January 2018 was a proposal by Merlone Geier Partners IX, L.P. (MGP) to utilize 150,000 square feet of TDR to construct an eight-story office building in the SAPP area. The original project was authorized by Council but required MGP to acquire two additional parcels at the corner of San Antonio Road and California Street (hereafter the Milk Pail and Pilling

properties, respectively) to be viable. MGP has since acquired the Milk Pail and Pilling properties but was unable to complete those transactions and submit a development application before the original Gatekeeper authorization expired in January 2019.

MGP reapplied for TDR Gatekeeper authorization, which was reviewed by Council on September 17, 2019. The new application sought to develop an approximately 230,000 square foot building and still proposed to use 150,000 square feet of TDR for an eight-story office building, but it had been revised to include ground-floor retail-commercial space and all four existing parcels at the southeast corner of San Antonio Road and California Street. In addition to the TDR square footage, the Gatekeeper proposal sought to “transfer” roughly 40,000 square feet of unutilized commercial FAR from MGP’s Phase I and II developments, under a discretionary “flexible FAR” provision of the SAPP, in addition to the commercial square footage already allowed on the site under the SAPP (see Attachment 4).

Council was split on authorizing the Gatekeeper proposal and unanimously opposed allowing the project to transfer the unused commercial floor area from Phases I and II. Councilmembers expressed concern about additional office development in the Precise Plan area and the resultant scale of the proposed building with the inclusion of both TDR square footage and the internal FAR transfer. Ultimately, Council did not authorize the Gatekeeper request but indicated the applicant could return with a revised proposal providing a smaller building with better interface with adjacent streets and development areas. MGP submitted a revised Gatekeeper application on November 1, 2019 as described and analyzed below.

ANALYSIS

The revised Gatekeeper request being considered at this Council meeting has only undergone a cursory review for the purpose of preparing this report, and Gatekeeper authorization does not presume staff or Council support on any final decisions for the project. Detailed analysis, including compliance with General Plan goals, policies, SAPP compliance, and other City policies, regulations, and guidelines, will only begin if Council authorizes City staff resources to review the application, as with any Gatekeeper application.

Gatekeeper Request

Address: 365 to 405 San Antonio Road and 2585 to 2595 California Street

Applicant: MGP IX SAC II DCP, LLC

Lot Size: 0.99 acre (43,137 square feet)

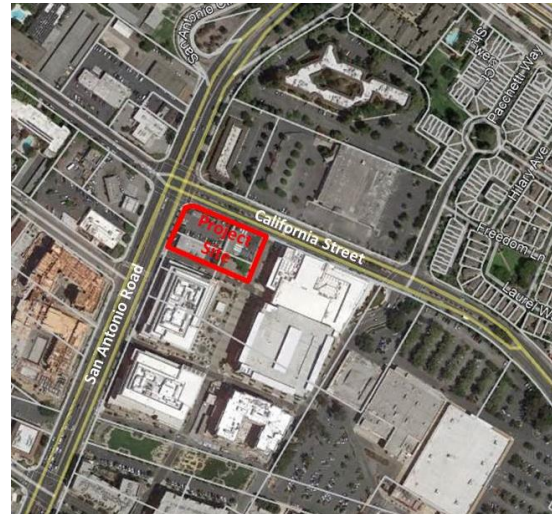
Change Area: San Antonio

Existing GP Designation: Mixed-Use Center

Existing Zoning District: P-40

(San Antonio Precise Plan)

TDR: 150,000 square feet



Proposal

The applicant, MGP, is requesting to purchase 150,000 square feet of TDRs to use on a 0.99-acre project site (see Attachment 5) composed of the four parcels located on the southwest corner of San Antonio Road and California Street. The existing parcels consist of a surface parking lot, the former Milk Pail site, passive landscaping within the MGP Phase II development, and a one-story commercial building in use as an office on the Pilling property. This project would complete build-out of the west side of San Antonio Center, which began with MGP's Phase I and II developments to the south.

All of the existing buildings and site improvements would be removed to construct a new seven-story, approximately 190,000 square foot office building with ground-floor retail-commercial space. MGP proposes to construct three levels of underground parking, connected to and accessed through the existing three-level parking garage located under the adjacent office buildings in the Phase II development. The proposed development is one story shorter and approximately 39,000 square feet smaller than the project reviewed by Council in September.

The project site is located within the Mixed-Use Center Subarea of the P-40 (San Antonio) Precise Plan, which allows heights up to six stories (or eight stories on a case-by-case basis) and up to 2.35 FAR with a Tier 1 request; up to 0.75 FAR can be office/commercial uses. Like other TDR Gatekeeper projects, this project exceeds allowed FAR under the SAPP with a project FAR of approximately 4.45 FAR.

The project site is also in an SAPP-required, ground-floor active space location, where certain interior uses (e.g., ground-floor retail) and/or exterior improvements must be included in development projects. While the original TDR Gatekeeper application sought to waive the SAPP active space requirement, the current proposal does not

include a waiver request and MGP intends to comply with this requirement by including approximately 15,000 square feet of ground-floor commercial space.

As noted above, the proposed development is limited by the SAPP to a maximum 0.75 FAR (32,353 square feet) as a wholly commercial project. An additional 150,000 square feet of commercial area can be permitted through the purchase of TDR square footage, for a maximum of 182,353 square feet of development for a commercial project on this site. The current plans show a 192,053 square feet commercial building; if Council authorizes the Gatekeeper application, the project will need to be reduced by at least 9,700 square feet through the development review process.

SAPP Exceptions

The LASD TDR Program provides a policy basis to allow development applications for projects with TDR square footage to exceed the total FAR and commercial-office square footage limitations that are typically permitted on a “receiving site” by up to the amount of TDR purchased. These exceptions would be needed for this TDR project to proceed.

As previously noted by the applicant, setback exceptions will be needed to develop the project. The exact extent of any exceptions from SAPP development standards may evolve as the project proceeds through the development review process, and detailed analysis of any potential exceptions will occur through the formal application process, if the Gatekeeper request is authorized. The potential need for exceptions is not unexpected, given staff’s experience with other TDR Gatekeeper projects and because the TDR project will be adding floor area above what the SAPP typically allows.

Precise Plan Amendments

SAPP amendments will also be needed to implement the TDR project. Specifically, the SAPP caps net new office development at 600,000 square feet, of which up to 400,000 square feet of net new office development may occur within the Northwest San Antonio (NWSAC) Master Plan Area where the project site is located; this development cap was considered a reasonable amount of office area to allow in view of anticipated residential development in the SAPP area. Since two office buildings of nearly 400,000 square feet in size were concurrently under review in the MGP Phase II development, the SAPP’s 600,000 square foot cap was envisioned to provide an opportunity for limited office development outside the NWSAC Master Plan Area.

Since SAPP adoption and approval of the MGP Phase II development, several larger sites in the SAPP area have been entitled and developed with residential projects, and

no other office projects have been proposed. As such, approximately 222,000 square feet of net new office area remain to be developed under the SAPP office development cap, including around 22,000 square feet within the NWSAC Master Plan Area and another 200,000 square feet of office area from the rest of the SAPP area.

The MGP Gatekeeper project will require a Precise Plan Amendment to remove the 400,000 square foot limitation on office area in the NWSAC Master Plan Area, allowing the project to utilize remaining office development cap area from elsewhere in the SAPP area and update SAPP TDR Program language. If the MGP TDR Gatekeeper request is approved and built, little to no additional office development would be feasible elsewhere in the SAPP area unless existing office development square footage is demolished in sufficient quantity to facilitate a new project. Barring demolition and replacement of existing office area, any future project with net new office area would need a separate Precise Plan Amendment and CEQA clearance to further increase the current SAPP-wide office development cap of 600,000 square feet.

Project Design

As noted earlier, detailed project review will occur through the City's development review process if Council authorizes the Gatekeeper project. The Gatekeeper authorization is intended to commit staff resources to working on a development proposal, but neither the authorization nor the City's commitment to the TDR Program supersede the City's development review process or negate the City Council's authority over project review and approvals; Gatekeeper authorization does not commit the City to approving the final project or utilization of the entire requested TDR square footage based on the conclusions of the City's development review process.

At the Gatekeeper hearing in September, a majority of the Council expressed concern regarding the scale of the proposed development. The revised Gatekeeper submittal features a smaller building with less office square footage than in the previously reviewed plans and other design changes to take initial steps toward addressing specific design issues identified at the prior Gatekeeper hearing. Key changes include:

- Building height was reduced to six to seven stories; massing and height along public street frontages better matches the height of adjacent buildings; and setbacks were increased along California Street;
- The pedestrian arcade now wraps the building with smaller canopies/awnings highlighting entries and providing pedestrian-scale features;

- Massing and facade were redesigned with a recessed window design and more significant breaks in long wall areas through a series of balconies providing more open space and articulation at each level; and
- More natural materials, such as stone, wood, and blackened metal, are used providing greater diversity of colors and textures complementing other recent development.

If Council authorizes this Gatekeeper request, staff will continue to work with the applicant on key areas of design focus, including, but not limited to, achieving high-quality transitions between the proposed building massing and surrounding structures; refining pedestrian-engaging design elements and circulation; and ensuring the project provides an architectural expression that complements other buildings in the development but also has a distinctive presence at this prominent corner.

Staff supported the original TDR Gatekeeper request, in principle, if MGP was able to acquire the adjacent parcels; MGP has since assembled the four parcels at this corner. Development in this location would: (1) help support the LASD TDR Program achievement of a new school site in the SAPP area; (2) include office development that does not exceed the overall SAPP office development cap; (3) provide ground-level active uses; and (4) would complete build-out of the west side of San Antonio Center. The proposal also features initial adjustments to reduce the building scale to better fit with adjacent development to address Council feedback provided at the previous Gatekeeper hearing in September. With these adjustments, staff continues to support the Gatekeeper authorization.

ALTERNATIVES

1. Defer consideration of the Gatekeeper to a future date.
2. Do not authorize the Gatekeeper.
3. Provide other direction.

PUBLIC NOTICING

The City Council's agenda is advertised on Channel 26, and the agenda and this report appear on the City's website. All property owners within a 750' radius and other interested stakeholders were notified of this meeting.

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- Attachments:
1. TDR Council Report, January 16, 2018
 2. TDR Gatekeeper Council Report, May 22, 2018
 3. TDR Gatekeeper Project List
 4. MGP Gatekeeper Report, September 17, 2019
 5. Merlone Geier Gatekeeper Request and LOI