



DATE: November 13, 2018

CATEGORY: Public Hearing

DEPT.: Community Development

TITLE: **405 San Antonio Road – Condition of Approval No. 42 (Cafeteria Condition)**

RECOMMENDATION

Adopt a Resolution Conditionally Approving a Modification to a Previously Approved Planned Community Permit (Application No. 050-12-PPA) to Revise Conditions of Approval for a Mixed-Use Development at 405 San Antonio Road, to be read in title only, further reading waived (Attachment 1 to the Council Report).

BACKGROUND

On December 2, 2014, the City Council approved a large, mixed-use redevelopment proposal by Merlone Geier in San Antonio Center (commonly referred to as Phase II). The Phase II development was reviewed concurrent with preparation of a new San Antonio Precise Plan, and the role of office development in the San Antonio area was a key discussion point in both the drafting of the Precise Plan and Phase II project review.

The Precise Plan was adopted by Council with a limited amount of well-integrated office development allowed to help support revitalization of the area as a regional and local shopping destination and create a vibrant, daytime and evening mixed-use neighborhood. Approximately two-thirds of the allowed office development in the Precise Plan area was approved within the Phase II development, which featured:

1. Two office buildings with roughly 361,000 square feet of office space and four levels of underground office parking;
2. An approximately 160-room hotel;
3. A cinema/theater building;
4. An above-grade parking structure to provide parking for all nonoffice uses;

5. Over 100,000 square feet of commercial/retail/service space on the ground floors of all of the above referenced buildings; and
6. A large Central Plaza.

At the final public hearing for the Phase II project, Council also applied a project-specific condition of approval intended to help ensure the approved office development would foster synergy with and support vitality of San Antonio Center, while avoiding a closed campus environment. This condition of approval (COA No. 42) reads:

CAFETERIA CONDITION: In order to foster synergy between office, restaurant, and retail uses in the Center and realize the economic vitality of the project, the project anticipates employees in the office space will utilize food and retail services available in the Center. The applicant will encourage tenants and employees of tenants to utilize food and retail services available in the Center. Neither the applicant nor tenant(s) will subsidize meals by more than fifty percent (50%) or provide free meals for employees in the office space on a regular daily basis. An employer can subsidize or pay for employee meals as long as they are patronizing restaurants in the Center. The applicant may make a request to amend this condition. The City Manager or a designee may make a recommendation to the City Council on this matter.

Based on discussion at the public hearing and the objectives of the Precise Plan, staff has interpreted this condition to limit private cafeteria(s) and, if meal subsidy programs are proposed, to allow them only if they support the economic vitality of Center restaurants and physical activation of the area. Council allowed flexibility for an applicant to return with a request to modify the condition, if needed.

Phase II Project Status

At the time Phase II was originally approved, LinkedIn was the expected office tenant, but they have since subleased the office area to WeWork. Merlone Geier completed the approved site improvements and all building shells (except the hotel) in January 2018. WeWork has been working on tenant improvements to the office buildings since earlier this year. WeWork's client, Facebook, will occupy the office tenant space. WeWork and Facebook raised concerns with addressing COA No. 42, and staff has been working with Facebook to develop an acceptable meal program that meets the spirit of Condition of Approval No. 42.

ANALYSIS

Facebook anticipates moving into the office buildings in stages. The target move-in for Building 1 (401 San Antonio Road) is November 2018 and would include approximately 1,000 Facebook staff. Building 2 (391 San Antonio Road) would be occupied by around

January/February 2019 and add approximately 700 staff members for a total of roughly 1,700 people. Staffing is expected to ebb and flow, but the tenant space is designed to serve up to a maximum of around 2,300 people.



Facebook has submitted a draft Food Service Plan (Attachment 2) identifying how they anticipate complying with the intent of Condition of Approval No. 42. This was based on discussions with staff about what constitutes meaningful contributions to the economic and physical vitality of San Antonio Center. The Plan references a revised condition of approval, which is recommended based on Facebook's work with the City to clarify objectives and identify clear and actionable criteria. The proposed Food Service Plan is briefly summarized below and provided in full in Attachment 2.

Facebook Food Service Plan

Facebook proposes to fully subsidize meals for on-site workers, which will include a mix of employees and contractors. The proposed food service plan has two phases, which progressively implement components that staff believes will ultimately achieve a

compliant proposal as compared to the original and revised conditions of approval; the Plan is similar to strategies used by some downtown businesses who provide on-site, catered/delivered meals certain days of the week, and facilitate employees purchasing/eating meals at downtown restaurants on other days. The Facebook proposal is phased largely due to current limitations on the ability of San Antonio Center restaurants to provide meals in the quantities, price points, and variety needed for expected Facebook staffing. Key components of the food service plan include:

- **Phase 1 (Initial Occupancy):** Maximize meal provision from Mountain View restaurants, including a target of 50 percent of subsidized meals from restaurants in San Antonio Center through meal preorders on Waiter.com, Eat Club, or similar.
- **Phase 2 (One Year after First Occupancy):** Includes the same target percentages of meals from San Antonio Center restaurants and implementation of a payment system (such as debit cards/vouchers) that allows Facebook workers the option to dine-in at Center restaurants.

A phased implementation of the condition provides time for new restaurants to come on line at the San Antonio Center and for Facebook to work with Center restaurants to devise a purchase program that is feasible and implementable for employees to purchase meals/dine at Center restaurants. In Phase 1, a majority of the meals would be provided via delivery to the office. In Phase 2, a payment system would be in place by the end of the first year of occupancy to enable workers to dine at Center restaurants. Staff considers this proposal compliant, with revisions to Condition of Approval No. 42 discussed below.

Revised Condition of Approval

Through working with Facebook on the Food Service Plan, it became apparent that the broad goal of synergy between uses and support for economic vitality was understood and supported, but there were varying interpretations about when a tenant could subsidize meals and what constitutes a compliant subsidized meal plan. The attached revision to the condition of approval aims to clearly identify unpermitted activities, provide actionable criteria, and implement a standardized process for review and approval. The following language is based on Facebook's proposed food service plan:

CAFETERIA CONDITION (REVISED): In order to foster synergy between office, restaurant, and retail uses in San Antonio Center and realize the economic vitality and activation of the project, it is anticipated employees in the office space will utilize food and retail services available in the Center. Private cafeterias will not be permitted, and neither

the applicant nor tenant(s)/employer(s) will provide subsidized meals to on-site workers unless they are patronizing restaurants in the Center by:

- Sourcing at least fifty percent (50%) of subsidized meals for office workers from San Antonio Center restaurants, to the extent they have capacity; and
- Within one year of occupancy, implementing a mechanism—such as a debit card system or similar system/process—for on-site workers to purchase and consume at least fifty percent (50%) of the subsidized meals sourced from San Antonio Center restaurants in-person or otherwise outside the office space on a regular daily basis.

For the purposes of this condition, “subsidized” means payment of fifty percent (50%) or more of the cost a meal by the applicant, tenant, and/or employer. The Community Development Director shall have the discretion to approve a Food Service Plan and revisions thereto that substantially addresses the general purpose and criteria of this condition. The tenant shall provide annual compliance reports to the City’s Community Development Director, or his or her designee, for at least five years after an approved Plan is in effect.

As compliance is at least partially reliant on factors outside the control of the applicant, such as the capacity of Center restaurants, some flexibility will be provided for “substantial compliance.” However, based on initial research by Facebook, they represent a reasonable target, particularly if new restaurants come on-line within the next year or more, while demonstrating a firm commitment from Facebook (or any subsequent office tenant) to integrate its office use into the mixed-use Center if subsidized meals are proposed.

After this initial Council review of the Food Service Plan, the revised condition provides discretion to the Community Development Director to determine substantial compliance for any subsequent Plan or Plan revision. The Zoning Ordinance also allows Facebook or any subsequent tenant to submit a request to modify the condition of approval through a standard Zoning Administrator public hearing process.

FISCAL IMPACT

The requested action by City Council will not have any new impact on fiscal resources. Implementation of the project conditions of approval and proposed food service plan will likely increase purchases from Mountain View restaurants by office tenants in the development project at 405 San Antonio Road, which is anticipated to have a net positive fiscal impact, but cannot be quantified at this time.

ALTERNATIVES

1. Modify the Food Service Plan and/or Revised Condition of Approval.

2. Do not approve the Food Service Plan and/or Revised Condition of Approval.

3. Provide other direction.

PUBLIC NOTICING

The meeting agenda and Council report were posted on the City website and announced on cable television Channel 26. All property owners within a 1,000' radius were notified of this meeting.

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RS/2/CAM
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Attachments: 1. Resolution Approving Modified Conditions of Approval
2. Facebook Food Service Plan