

Appendix 1

Appendix 1A: Text of Proposed Initiative

Appendix 1B: City Attorney's official Title and Summary

Appendix 1C: Notice of Intent to Circulate Petition

CUPERTINO CITIZENS' SENSIBLE GROWTH INITIATIVE

A MEASURE AMENDING THE CUPERTINO GENERAL PLAN TO ENSURE BALANCED AND SENSIBLE GROWTH BY MAINTAINING CITYWIDE LIMITS ON THE INTENSITY OF NEW DEVELOPMENT, PRESERVING AND ENHANCING THE VALLCO SHOPPING DISTRICT FOR RETAIL, HOTEL, DINING AND ENTERTAINMENT COMMERCIAL USES ONLY AND REQUIRING A VOTE OF THE PEOPLE TO MODIFY THOSE LIMITS AND USES.

THE PEOPLE OF THE CITY OF CUPERTINO DO ORDAIN AS FOLLOWS:

PART I. TITLE

This measure shall be called the CUPERTINO CITIZENS' SENSIBLE GROWTH INITIATIVE

PART II. FINDINGS

The people of Cupertino hereby find that:

- A. The City of Cupertino needs binding standards to guide new development within the City.
- B. Cupertino's citizens wish to maintain control over the long-term direction of that development.
- C. The City needs to develop in a moderate and controlled way that provides the housing, shopping, jobs, infrastructure, and amenities that will serve the best interests of City residents while avoiding overdevelopment and its associated traffic and other impacts.
- D. The long-term direction provided by the City's General Plan must be implemented through its specific plans and zoning ordinance without being subject to change due to pressure from the profit-driven proponents of specific projects.
- E. The City must protect the development density and intensity standards set by the General Plan through limits on heights, setbacks and building planes to prevent distortion of the desirable characteristics of the City through the influence of developers and other outside interests.
- F. The availability of sufficient retail commercial space is essential to the wellbeing of the City, its current and future residents, and its workers.

PART III. PURPOSE

This initiative measure (the "Initiative") has three purposes. If approved by the voters of Cupertino and enacted, it will (1) control the intensity of new development by setting general citywide limits on building heights, setbacks, building planes and lot coverage in Cupertino that will provide long-term direction, (2) preserve and enhance the Vallco Shopping District for

retail, hotel, dining and entertainment commercial uses and (3) require that changes or exceptions to those limits and uses be presented to and approved by the voters of Cupertino.

Under this Initiative, the General Plan (Community Vision 2015-2040) – hereinafter referred to as “General Plan,” specific plans and conceptual plans, and zoning ordinance would be enforced and not amended on an *ad hoc* basis to suit individual development projects. The standards in this Initiative are intended to strengthen these plans to protect Cupertino’s vibrant mixed use atmosphere, schools, and streetscapes, to limit traffic and congestion, and to promote public safety.

PART IV. GENERAL PLAN AMENDMENT

The General Plan is hereby amended by enacting or reenacting segments of that general plan as follows:

Note: All numbering of sections, policies, strategies, tables, and figures herein follows that of the General Plan as amended on October 20, 2015. Following the adoption of the Initiative, the General Plan’s sections, policies, strategies, tables, and figures, and all internal references thereto, shall be renumbered in a logical order, and tables and figures shall be modified to conform to the Initiative’s changes to the General Plan’s text, as specified herein.

Section 1. Chapter 1 – Introduction

- a. The last paragraph of the Section entitled “Purpose of Community Vision 2040 ” as of October 20, 2015, is amended as follows:**

Due to the breadth of topics covered in Community Vision 2040, conflicts between mutually-desirable goals are inevitable. For instance, increased automobile mobility may conflict with a safe, walkable community. This document reconciles these conflicts in the interest of building a cohesive community by placing a priority upon maintaining the well-being of Cupertino residents. Per State law, every goal and policy in this plan has equal weight. The City recognizes that the interests of residents of a particular street or neighborhood may need to be balanced with the overall needs and potentially greater goal of building a community. These are Harmonization of possible conflicts between goals and policies in this plan shall be guided by an understanding that the General Plan reflects conscious choices that the City makes in the interest of building community and protecting its residents. That harmonization shall also recognize that changes made through this Initiative are intended to modify and supersede any section, policy, strategy, table, or diagram that might otherwise conflict with the amendments being made by this Initiative, and the General Plan shall be conformed accordingly.

- b. A new paragraph is added to the Section entitled “Purpose of Community Vision 2040” as of October 20, 2015 as follows:**

Portions of the General Plan were enacted or reenacted in 2016 by a voter initiative. A copy of that initiative shall be appended to the General Plan as an appendix unless or until that

requirement is changed or rescinded by the voters. It is the intent of the voters of Cupertino that, in interpreting and harmonizing the provisions of the General Plan, priority be given to ensuring that the provisions enacted or reenacted by the 2016 voter initiative be followed and implemented to the fullest extent possible.

Section 2. Chapter 2 – Planning Areas

- a. **The Section “Vision” for the Vallco Shopping District Special Area is amended as follows:**

The Vallco Shopping District will continue to function as a major regional and community destination. The City envisions this area as a ~~new mixed-use “town center”~~ and gateway for Cupertino providing a unique and memorable shopping, dining and entertainment experience with appropriate bicycle and pedestrian-friendly access. ~~It will include an interconnected street grid network of bicycle and pedestrian-friendly streets, m~~More pedestrian-oriented buildings with active uses may line lining Stevens Creek Boulevard and Wolfe Road, ~~and~~ with publicly-accessible parks and plazas that support the pedestrian-oriented feel of the revitalized area. New development in the Vallco Shopping District ~~should~~ must be required to provide buffers ~~between~~ to protect adjacent single-family neighborhoods in the form of boundary walls, setbacks, landscaping or building transitions.

Section 3. Chapter 3 – Land Use and Community Design Element

- a. **The Section “Context” is amended as follows:**

The first paragraph of the subsection “Economic Vitality” is amended as follows:

Cupertino is fortunate in its location in the heart of Silicon Valley. Despite its mostly suburban characteristics to the west and south, the city is home to a number of small, medium and large software, technology and biomedical companies. The General Plan ~~includes more office growth~~ recognizes the need to retain balanced growth to support a strong fiscal revenues and a stable tax base. In particular, policies focus on retaining and increasing the number of small, medium and major businesses in key sectors and provide flexible space for innovative startups that need non-traditional office environment. Policies for commercial areas seek to revitalize the Vallco Shopping District, and enhance commercial centers and neighborhood centers, which contribute to the City’s tax base and serve community needs.

Table LU-1: “CITYWIDE DEVELOPMENT ALLOCATION BETWEEN 2014-2040” is amended by the additions and strikeouts shown below.

**TABLE LU-1
CITYWIDE DEVELOPMENT ALLOCATION BETWEEN 2014-2040**

	Commercial (s.f.)			Office (s.f.)			Hotel (rooms)			Residential (units)		
	Current Built (Dec 10, 2014)	Buildout	Available	Current Built (Dec 10, 2014)	Buildout	Available	Current Built (Dec 10, 2014)	Buildout	Available	Current Built (Dec 10, 2014)	Buildout	Available
Heart of the City	1,351,730	2,145,000	793,270	2,447,500	2,464,613	17,113	404	526	122	1,336	1,898 [*]	469 [*]
Vallco Shopping District**	1,207,774	1,207,774	-	-	2,000,000	2,000,000	148	339	191	-	389	389
Homestead	291,408	291,408	-	69,550	69,550	-	126	126	-	600	750	150
N. De Anza	56,708	56,708	-	2,081,021	2,081,021	-	123	123	-	49	146	97
N. Vallco	133,147	133,147	-	3,069,676	3,069,676	-	315	315	-	554	1,354 [*]	400 [*]
S. De Anza	352,283	352,283	-	130,708	130,708	-	-	-	-	6	6	-
Bubb	-	-	-	444,753	444,753	-	-	-	-	-	-	-
Monta Vista Village	94,051	99,698	5,647	443,140	456,735	13,595	-	-	-	828	878	50
Other	144,964	144,964	-	119,896	119,896	-	-	-	-	18,039	18,166	127
Major Employers	-	-	-	109,935	633,053	523,118	-	-	-	-	-	-
Citywide	3,632,065	4,430,982	798,917	8,916,179	11,470,005 [*]	2,553,826 [*]	1,116	1,429	313	21,412	23,291 [*]	1,882 [*]

* - numbers indicated by a single asterisk may be changed through the normal general plan amendment process.

** Buildout totals for Office and Residential allocation within the Vallco Shopping District are contingent upon a Specific Plan being adopted for this area by May 31, 2019. If a Specific Plan is not adopted by that date, City will consider the removal of the Office and Residential allocations for Vallco Shopping District. See the Housing Element (Chapter 4) for additional information and requirements within the Vallco Shopping District.

The subsection “Site and Building Design” is amended as follows:

Policy LU-3.0: Community Form

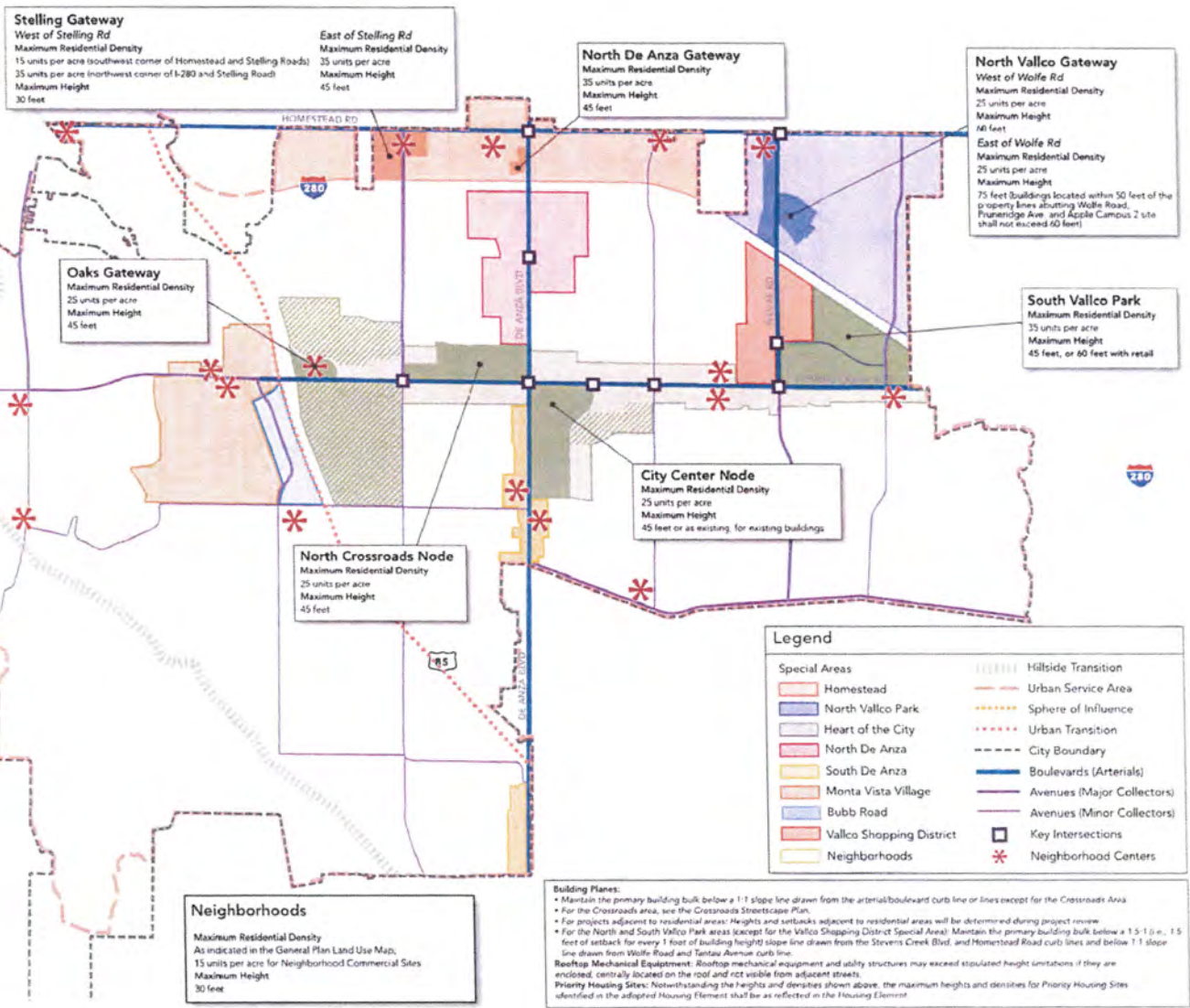
The maximum heights and densities for the special areas shown in the Community Form Diagram (Figure LU-1) shall not be exceeded. Outside of the Special Areas shown in Figure LU-1, building heights may not exceed 45 feet. Building height shall be measured to the highest point of the building, excluding light poles, antennae, minor mechanical boxes or roof vent protrusions which are not easily visible. A below-grade structure is not counted towards building height. For any project of over 50,000 sq. ft. of building area, maximum lot coverage shall not exceed 70%.

No provision allowing additional height or density, modifying maximum lot coverage, building plane, or minimum setback to relax the standards set in this General Plan, other than those mandated by state law, shall be allowed:

Figure LU-1 “Community Form Diagram” and the Land Use Map (shown below in their current form) shall be conformed to the requirements set by Policy LU-3.0, Policy LU-3.2, Policy LU-19.2 and the density changes identified in Footnotes (a) through (c) in the new Table HE 5.5 [previously Appendix B Table 5.5] as shown in Section 3 of this Part IV.

Figure LU-1
COMMUNITY FORM DIAGRAM

<p>Homestead Special Area</p> <p>Maximum Residential Density Up to 35 units per acre per General Plan Land Use Map 15 units per acre (southeast corner of Homestead Road and Blaney Avenue) Maximum Height 30 feet, or 45 feet (south side between De Anza and Stelling)</p>		
<p>North Vallico Park Special Area</p> <p>Maximum Residential Density 25 units per acre Maximum Height 60 feet</p>		
<p>Heart of the City Special Area</p> <p>Maximum Residential Density 25 or 35 (south side of) units per acre Maximum Height 45 feet, or 30 feet where designated by hatched line</p>		
<p>North De Anza Special Area</p> <p>Maximum Residential Density 25 units per acre Maximum Height 45 feet</p>		
<p>South De Anza Special Area</p> <p>Maximum Residential Density 25 (north of Redwood) or 5-15 (south of 85) units per acre Maximum Height 30 feet</p>		
<p>Monta Vista Village Special Area</p> <p>Maximum Residential Density Up to 15 units per acre per General Plan Land Use Map Maximum Height Up to 33 feet</p>		
<p>Bubb Road Special Area</p> <p>Maximum Residential Density 20 units per acre Maximum Height 45 feet</p>		
<p>Vallico Shopping District Special Area</p> <table border="1"> <tr> <td>West of Wolfe Rd Maximum Residential Density 35 units per acre Maximum Height Per Specific Plan</td> <td>East of Wolfe Rd Maximum Residential Density 25 units per acre Maximum Height Per Specific Plan</td> </tr> </table>	West of Wolfe Rd Maximum Residential Density 35 units per acre Maximum Height Per Specific Plan	East of Wolfe Rd Maximum Residential Density 25 units per acre Maximum Height Per Specific Plan
West of Wolfe Rd Maximum Residential Density 35 units per acre Maximum Height Per Specific Plan	East of Wolfe Rd Maximum Residential Density 25 units per acre Maximum Height Per Specific Plan	



In order to assure the retention and enforcement of City guidelines not currently included in the General Plan, the following policies are amended as shown

Policy LU-3.2: Building Heights, and Setback Ratios, Stepbacks and Building Planes:

Maximum heights and setback ratios are specified in the Community Form Diagram (Figure LU-1) and as described below. As indicated in the figure, taller heights are focused on major corridors, gateways and nodes. Setback ratios are established to ensure that the desired relationship of buildings to the street is achieved.

Policy LU-3.2.1: Additional Floor Area. In any area where an increase in the maximum building height is granted in exchange for ground floor retail, no more than 1 square foot of additional floor area above the otherwise-applicable height limit may be allowed for every 1 square foot of ground floor retail. In any such exchange, all ground floor retail must be fully accessible to the public during operating hours.

Policy LU-3.2.2: Rooftop Height Extensions. Rooftop mechanical equipment and utility structures other than cell phone transmission antennae, but no other structures or building features, may exceed stipulated height limitations shown in Figure LU-1 if they are enclosed, centrally located on the roof and not visible from adjacent streets.

Policy LU-3.2.3: North De Anza Boulevard. For the area from I-280 south to Alves Drive on the west and from I-280 south to St. Joseph's Church on the east, not including St. Joseph's Church:

- For all new construction, there shall be landscaped setback areas extending a minimum of 50-ft. from curb line. Alternatively, the landscaped setback areas adjacent to North De Anza Blvd. may have a varied depth but a minimum square footage equal to the lot frontage distance multiplied by 50 ft., and a minimum setback distance at any point of 35 ft. from curb line.

Policy LU-3.2.4: Stevens Creek Boulevard

- The minimum setback on both sides of Stevens Creek Boulevard from CA-85 to the eastern boundary of the City of Cupertino is no less than 35 feet from the curb line.
- On both sides of Stevens Creek Boulevard from CA-85 to Perimeter Road buildings shall be below a 1:1 (i.e. 1 foot of stepback for every 1 foot of building height drawn from the curb line) slope line drawn from the Stevens Creek Boulevard curb line.
- On the north side of Stevens Creek Boulevard from Perimeter Road to the eastern boundary of the City of Cupertino buildings shall be below a 1.5:1 (i.e. 1.5 feet of stepback for every 1 foot of building height drawn from the curb line) slope line drawn from the Stevens Creek Boulevard curb line.
- On the south side of Stevens Creek Boulevard from Perimeter Road to the eastern boundary of the City of Cupertino buildings shall be below a 1:1 slope line drawn from the Stevens Creek Boulevard curb line.

Policy LU-3.2.5: Homestead Road in the North Vallco Park Area

On Homestead Road from Linnet Lane (west of Wolfe Road) to Swallow Drive (east of Wolfe Road) buildings shall be below a 1.5:1 slope line drawn from the Homestead Road curb line.

Policy LU-3.2.6: Building Planes on Arterial/Boulevard Streets.

Unless specified in other LU-3.2 policies, all other arterial/boulevard streets buildings shall be below a 1:1 (i.e. 1 foot of stepback for every 1 foot of building height drawn from the curb line) slope line drawn from the curb line or lines.

The Subsection “City Center Subarea” is amended as follows:

Strategy LU-16.1.3: Building form. The form of Bbuildings should, through the use of step-downs and setbacks, be designed be moderately-sealed to transition from existing taller buildings (new or existing) to the scale of the surrounding area. Taller buildings should provide appropriate transitions to fit into the surrounding area.

The subsection “Vallco Shopping District Special Area” is amended as follows:

Vallco Shopping District Special Area

~~The City envisions~~ encourages the renovation and improvement of ~~the existing~~ Cupertino’s Vallco Fashion Shopping Mall while maintaining its important role as a retail shopping center serving Cupertino’s residents and regional visitors. ~~a complete redevelopment of the existing Vallco Fashion Mall into a vibrant mixed-use “town center” that is a focal point for regional visitors and the community. This new~~ As renovated, the Vallco Shopping District will become a destination for shopping, dining and entertainment in the Santa Clara Valley.

GOAL LU-19

~~CREATE A DISTINCT AND MEMORABLE MIXED-USE “TOWN CENTER” THAT IS PRESERVE AND ENHANCE THE VALLCO SHOPPING DISTRICT AS A LOCAL AND REGIONAL RETAIL, HOTEL, DINING AND ENTERTAINMENT COMMERCIAL DESTINATION AND A FOCAL POINT FOR THE COMMUNITY~~

Policy LU-19.1: Specific Plan

Create a Vallco Shopping District Specific Plan prior to any development or other significant changes in use on the site that lays out the land uses, design standards and guidelines, and infrastructure improvements required. The Specific Plan will be based on the following strategies:

~~**Strategy LU-19.1.1: Master Developer.** Redevelopment will require a master developer in order to remove the obstacles to the development of a cohesive district with the highest levels of urban design.~~

Strategy LU-19.1.2: Parcel assembly. Parcel assembly and a plan for complete redevelopment of the site is required ~~prior to adding residential and office uses.~~ Parcelization is highly discouraged in order to preserve the site for redevelopment in the future.

Strategy LU-19.1.3: Complete Redevelopment. The “town center” plan should be based on complete redevelopment of the site in order to ensure that the site can be planned to carry out the community vision.

Strategy LU-19.1.4: Land use. The following uses are allowed on the site (see Figure LU-1 for residential densities and criteria):

1. Retail: High-performing retail, restaurant and entertainment uses. Maintain a minimum of ~~600,000~~ 1,200,000 square feet of retail/dining/entertainment that provide a good source of sales tax for the City and provides high quality convenient shopping for residents of the city and surrounding areas. Entertainment uses may be included but shall consist of no more than 30 percent of retail uses.
2. Hotel: Encourage a business class hotel with conference center and active uses including main entrances, lobbies, retail and restaurants on the ground floor.
3. Residential: ~~Allow residential on upper floors with retail and active uses on the ground floor. Encourage a mix of units for young professionals, couples and/or active seniors who like to live in an active “town center” environment.~~
4. Office: Encourage high quality office space arranged in a pedestrian-oriented street grid with active uses on the ground floor, ~~publicly-accessible streets and plazas/green space.~~

Strategy LU-19.1.5: “Town Center” layout. Create streets and blocks laid out using “transect planning” (appropriate street and building types for each area), ~~which includes a discernible center and edges, public space at center, high quality public realm, and land uses appropriate to the street and building typology.~~

Strategy LU-19.1.6: Connectivity. ~~Provide a newly configured complete street grid hierarchy of streets, boulevards and alleys that is~~ Any changes to the existing circulation pattern as part of a development or revision should be pedestrian-oriented, connects to existing streets, and creates walkable urban blocks for buildings and open space. It should also incorporate transit facilities, provide connections to other transit nodes and coordinate with the potential expansion of Wolfe Road bridge over Interstate 280 to continue the walkable, bikeable boulevard concept along Wolfe Road. ~~The project~~ Any such development or revision should also contribute towards a study and improvements to a potential Interstate 280 trail along the drainage channel south of the freeway and provide pedestrian and bicycle connections from the project sites to the trail.

Strategy LU-19.1.8: Open space. ~~Ground-level~~ Open space areas in the form of a central town square on the west and east sides of the district interspersed with plazas and “greens” should be included that create community gathering spaces, locations for public art, and event space for community events.

Policy LU-19.2: The Vallco Shopping District shall continue to be devoted to retail, hotel, dining and entertainment commercial use. No residential or office use shall be allowed. Building heights shall be restricted to a maximum of 45 feet. Figure LU-1 and the Land Use Map shall be conformed to this policy.

The subsection “North Vallco Park Special Area” is amended as follows:

Policy LU-20.3: Building Form. Buildings in the retail and hotel area should provide active, pedestrian-oriented uses along the street. Buildings ~~should~~shall transition to fit the scale of the surrounding area. Taller buildings ~~should~~shall provide appropriate transitions to fit into the surrounding area. In addition to the height limits established in the Community Form Diagram, buildings abutting the campus shall incorporate appropriate setbacks, landscaped buffering, and building height transitions to minimize privacy and security impacts.

Section 4. Chapter 4 – Housing Element

a. The Section “Housing Resources” is amended as follows:

The subsection “Overview of Available Sites for Housing” is amended in its second and third paragraphs as follows:

Figure HE-1 indicates the available residential development opportunity sites to meet and exceed the identified regional housing need pursuant to the RHNA. The opportunity sites can accommodate infill development of up to ~~1,400~~1,386 residential units on properties zoned for densities of 20 dwelling units to the acre or more. The potential sites inventory is organized by geographic area and in particular, by mixed use corridors. The sites identified to meet the near term development potential are shown in Table HE-5. As shown in Table HE-5, sites identified to meet the near-term development potential lie within the North Vallco Park Special Area, the Heart of the City Special Area, and the Vallco Shopping District Special Area.

~~One particular site will involve substantial coordination for redevelopment (Because redevelopment of the Vallco Shopping District, Site A2), cannot involve additional housing units. Due to the magnitude of the project, the City has established a contingency plan to meet the RHNA if a Specific Plan is not approved within three years of Housing Element adoption. This contingency plan (called the City must follow its contingency plan to meet the RHNA, known as Scenario B and (discussed further in General Plan Appendix B), Scenario B would involves the City removing Vallco Shopping District from its inventory of available sites for housing, adding other more priority sites to the inventory, and also increasing the density/allowable units on some of the other priority sites.~~

Figure HE-1: Priority Housing Element Sites: Scenario A is deleted in its entirety and replaced by Figure B-8 from Appendix B, page B-148, which shall be relabeled as Figure HE-1: Priority Housing Element Sites – Scenario B. Both the current Figure HE-1 and Figure B-8 are provided below.

Figure HE-1

Priority Housing Element Sites: Scenario A

Applicable if Vallco Specific Plan is adopted by May 31, 2018

If Vallco Specific Plan is not adopted by May 31, 2018, the designated Priority Housing Element Sites will be as shown in General Plan Appendix B, Section 5.5: Residential Sites Inventory - Scenario B.

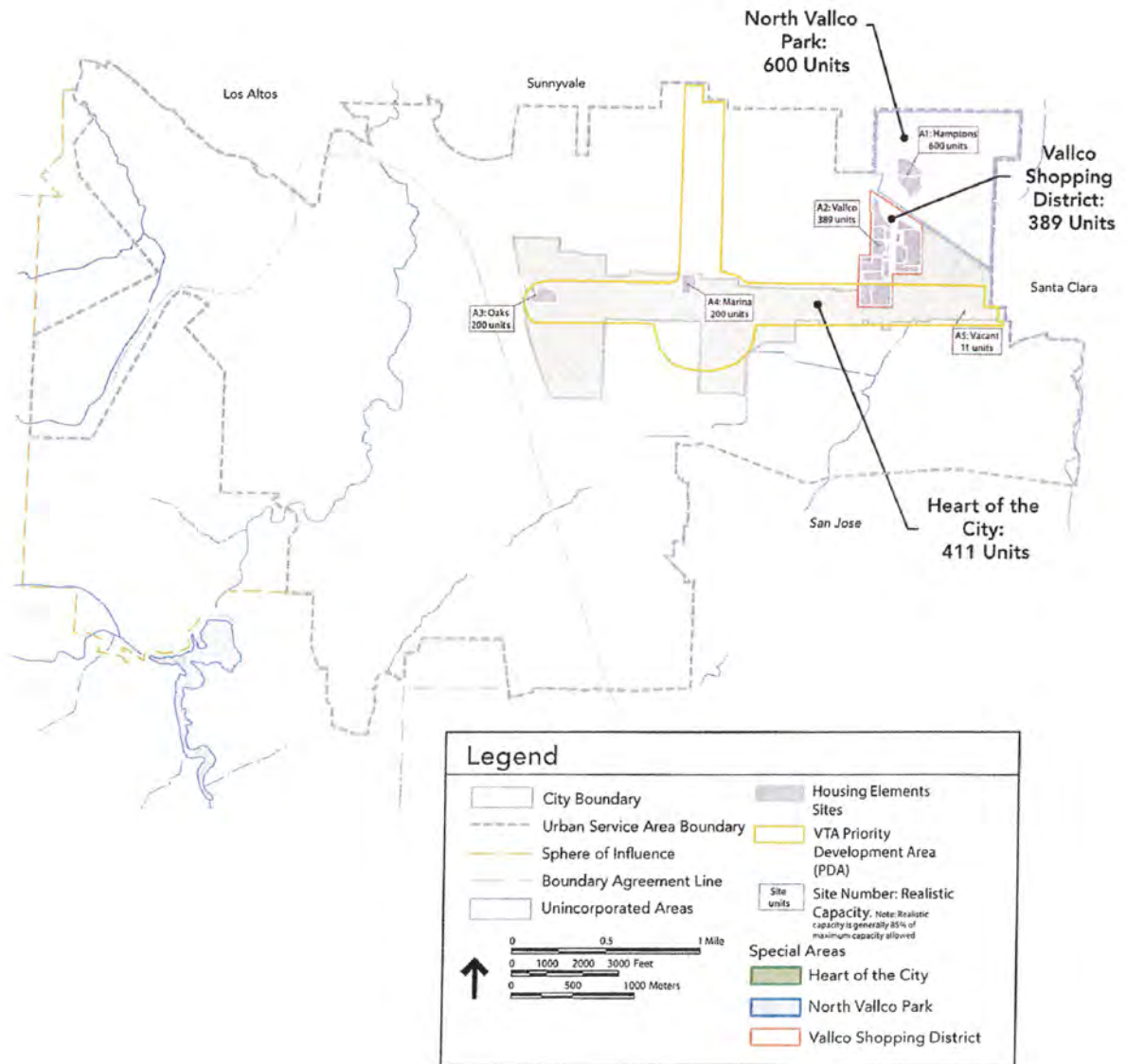


Figure B-8
 Priority Housing Element Sites - Scenario B

Applicable if Vallco Specific Plan is **not** adopted by May 31, 2018

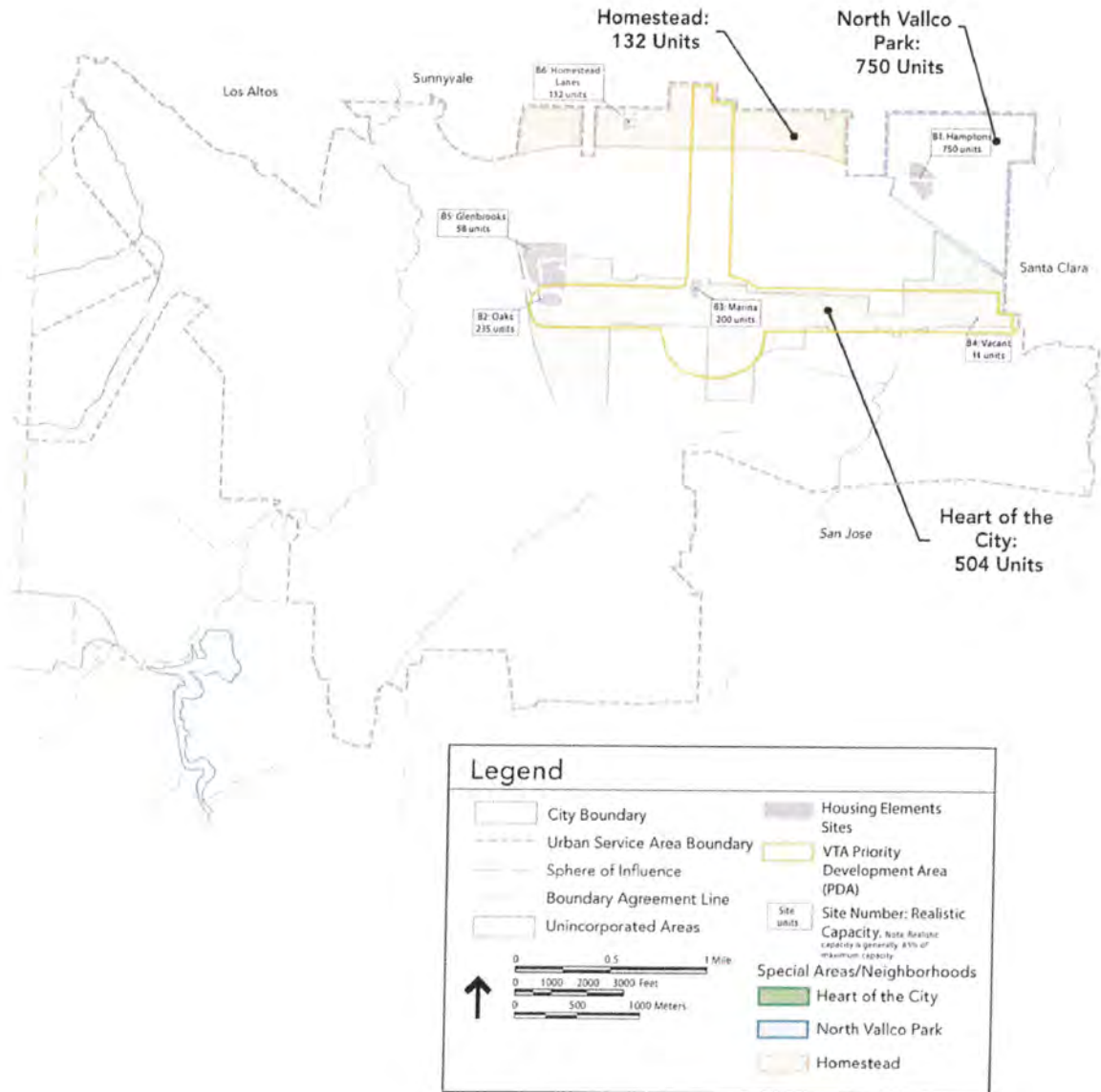


Table HE-5: “SUMMARY OF PRIORITY HOUSING ELEMENT SITES TO MEET THE RHNA – SCENARIO A” is deleted in its entirety and replaced by Table 5.5 from Appendix B, page B-153, which shall be relabeled as Table HE-5: SUMMARY OF PRIORITY HOUSING SITES – SCENARIO B. Both the current Table HE-5 and the replacement Table 5.5 are provided below:

TABLE HE-5: SUMMARY OF PRIORITY HOUSING ELEMENT SITES TO MEET THE RHNA - SCENARIO A

Site	Adopted General Plan/ Adopted Zoning	Special Area	Max Density (DUA)	Max Height	Realistic Capacity (units)
Site A1 (The Hamptons)	High Density P(Res)	North Vallco Park	85	75 ft; or 60 ft in certain locations*;	600 net
Site A2 (Vallco Shopping District)	RS/O/R P(Regional Shopping) & P(CG)	Vallco Shopping District	35	height to be determined in Vallco Shopping District Specific Plan	389
Site A3 (The Oaks Shopping Center)	C/R P(CG, Res)	Heart of the City	30	45 ft	200
Site A4 (Marina Plaza)	C/O/R P(CG, Res)	Heart of the City	35	45 ft	200
Site A5 (Barry Swenson)	C/O/R P(CG, Res)	Heart of the City	25	45 ft	11
Total					1,400

Notes: Zoning for Site A2 (Vallco) will be determined by Specific Plan to allow residential uses. Site A1 (Hamptons) height limit of 60 feet is applicable for buildings located within 50 feet of property lines abutting Wolfe Rd, Pruneridge Ave. & Apple Campus 2 site. Site A2 (Vallco) height will be determined by Specific Plan. For more detail on height limits, see Land Use and Community Design Element, Figure LU-1.

TABLE 5.5: SUMMARY OF PRIORITY HOUSING SITES - SCENARIO B

Site	Special Area/ Neighborhood	General Plan/Zoning	Max Density (DUA)	Acres	Realistic Capacity (units)	Affordability Level
Site B1 (Hamptons)	North Vallco Park	High Density P(Res)	99 ^(a)	12.44	750	Very Low/ Low
Site B2 (The Oaks Shopping Center)	Heart of the City	C/R P(CG, Res)	35 ^(b)	7.9	235	Very Low/ Low
Site B3 (Marina Plaza)	Heart of the City	C/O/R P(CG, Res)	35	6.86	200	Very Low/ Low
Site B4 (Barry Swenson)	Heart of the City	C/O/R P(CG, Res)	25	0.55	11	Very Low/ Low
Site B5 (Glenbrook Apartments)	Heart of the City	Medium Density R3(10-20)	20	31.3	58	Very Low/ Low
Site B6 (Homestead Lanes and Adjacency)	Homestead	C/R ^(c) P(CG, Res) ^(c)	35 ^(c)	5.1	132	Very Low/ Low
Total				64.24	1,386	

Notes:

(a) A General Plan Amendment and zoning change will be necessary to allow the increase in density from 85 to 99 units per acre on Site B1.

(b) A General Plan Amendment and zoning change will be necessary to allow the increase in density from 30 to 35 units per acre on Site B2.

(c) A General Plan Amendment and zoning change will be necessary to allow residential uses at 35 units per acre on Site B6. Existing zoning for Site B6 is P(Rec, Enter).

(d) Realistic capacity reduces the maximum developable units by 15 percent on Sites B1, B2, B3, B4, and B6. Realistic capacity of Site B5 is (d) reduced by 46 percent due to existing site constraints.

(e) Identified capacity of sites that allow development densities of at least 20 units per acre are credited toward the lower-income RHNA based on State law. Pursuant to Government Code Section 65583.2(c)(3)(B), local governments may utilize "default" density standards to provide evidence that "appropriate zoning" is in place to support the development of housing for very-low and low-income households. The default density standard for Cupertino and other suburban jurisdictions in Santa Clara County is 20 dwelling units per acre (DUA) or more.

(f) Realistic capacity for sites B1 and B5 represent net new units.

b. The Section “Housing Plan” is amended as follows:

The subsection “Implementing Strategies” is amended as follows:

The fifth bullet point under Strategy 1: Land Use Policy and Zoning Provisions is amended as follows:

- Priority Housing Sites: As part of the Housing Element update, the City has identified ~~five~~ priority sites under Scenario A ~~B~~ (see Table HE-5) for residential development over the next eight years. The General Plan and zoning designations will allow the densities for this development, shown in Table HE-5 for all sites except the Valleo Shopping District site (Site A2). ~~The redevelopment of Valleo Shopping District will involve significant planning and community input. A specific plan will be required to implement a comprehensive strategy for a retail/office/residential mixed use development. The project applicant would be required to work closely with the community and the City to bring forth a specific plan that meets the community’s needs, with the anticipated adoption and rezoning to occur within three years of the adoption of the 2014-2022 Housing Element (by May 31, 2018). The specific plan would permit 389 units by right at a minimum density of 20 units per acre.~~

~~If the specific plan and rezoning are not adopted within three years of Housing Element adoption (by May 31, 2018), the City will schedule hearings consistent with Government Code Section 65863 to consider removing Valleo as a priority housing site under Scenario A, to be replaced by sites identified in Scenario B (see detailed discussion and sites listing of “Scenario B” in Appendix B—Housing Element Technical Appendix). As part of the adoption of Scenario B, the City intends to add two additional sites to the inventory: Glenbrook Apartments and Homestead Lanes, along with increased number of permitted units on The Hamptons and The Oaks sites. All sites in Scenario B, except the Homestead Lanes, have Applicable zoning is in place, for Glenbrook Apartments; however the The Homestead Lanes site will would need to be rezoned at that time to permit residential uses. Any rezoning required will allow residential uses by right at a minimum density of 20 units per acre.~~

Delete the following table:

Responsible Agencies:	Cupertino Department of Community Development/ Planning Division
Time Frame:	Ongoing; Adopt Specific Plan and rezoning for Vallco by May 31, 2018; otherwise, conduct public hearings to consider adoption of "Scenario B" of sites strategy.
Funding Sources:	None required
Quantified Objectives:	1,064 units (178 extremely low-, 178 very low-, 207 low-, 231 moderate- and 270 above moderate-income units)

Part V: EXEMPTIONS FOR CERTAIN PROJECTS

This Initiative shall not apply to any development project which has obtained as of the effective date of this Initiative a vested right pursuant to State law.

Part VI: EFFECTIVE DATE, PRIORITY, AND CONSISTENCY

This Initiative shall become effective immediately upon the certification of the election results. Within six (6) months of the effective date of this measure, all provisions of the municipal code, ordinances, including zoning ordinances, resolutions, administrative policies, general plans, specific plans, conceptual plans or any other plan of the City shall be revised and amended to make them conform with the provisions of this Initiative. Until such time as the above referenced ordinances and plans have been so revised and amended, the provisions of this Initiative shall prevail over any conflicting provisions.

Part VII: SEVERABILITY

The people of Cupertino hereby declare that they intend to enact each and every provision of this Initiative regardless of the presence or absence of any other provision, and to that extent all of the provisions of this Initiative are to be considered severable. In the event a final judgment of a court of competent jurisdiction determines that any provision, section, subsection, sentences, clause, or phrase or application of this Initiative measure is found to be invalid or unenforceable for any reason, the invalid or unenforceable portion shall be severed from this measure, and the remaining portions of this measure shall remain in full force.

Part VIII: AMENDMENT OR REPEAL

Except as otherwise indicated herein, this Initiative may be amended or repealed only by the voters at a City election.

CITY ATTORNEY'S BALLOT TITLE AND SUMMARY FOR PROPOSED INITIATIVE
SUBMITTED ON NOVEMBER 24, 2015

TITLE: Initiative amending Cupertino's General Plan to limit redevelopment of the Vallco Shopping District, limit building heights and lot coverages in areas throughout the City, establish new setbacks and building planes on major thoroughfares, and require voter approval for any changes to these provisions.

SUMMARY: As required by State law, the City of Cupertino's General Plan establishes permissible land uses, maximum development densities, and intensities for all properties within the City. The City recently completed a multi-year planning effort that resulted in the adoption of its General Plan (Community Vision 2015 – 2040), intended to guide development through the year 2040.

The initiative amends Cupertino's General Plan in several ways, including requirements for: the Vallco Shopping District; building heights, setbacks, planes, and lot coverage in other areas of the City; residential allocation; and the Housing Element.

For the Vallco Shopping District, the initiative: (1) removes the General Plan's vision for the "complete redevelopment of the existing Vallco Fashion Mall into a vibrant mixed use 'town center'" and restates the City's goal as to "preserve and enhance the Vallco Shopping District as a local and regional retail, hotel, dining and entertainment commercial destination. . . ."; (2) prohibits residential and office uses; (3) restricts building heights to a maximum of 45 feet; and (4) increases the minimum square footage of retail/dining/entertainment uses from 600,000 to 1,200,000 square feet.

In other areas of the City, the initiative: (1) prohibits building heights greater than 45 feet except in North Vallco Park and South Vallco Park Gateway within the Heart of the City Special Area; (2) adds policies regarding setbacks, "stepbacks," "building planes," and rooftop height extensions citywide; (3) adds specific policies applicable to North De Anza Boulevard, Stevens Creek Boulevard, and Homestead Road in North Vallco Park; (4) limits the maximum lot coverage for projects over 50,000 square feet to 70%; and (5) reduces the Citywide residential allocation by 146 units.

For the Housing Element, state law requires that every general plan identify priority housing sites to accommodate that city's share of regional housing needs. The initiative removes the current General Plan "Scenario A" of priority sites and replaces it with the General Plan's "contingency plan", "Scenario B". Scenario B: (1) removes the Vallco Shopping District as a priority housing site; (2) increases residential units allocated to

the Heart of the City and North Vallco Park Special Areas: (3) adds two other sites; and (4) reduces the total number of priority housing units by 14.

The initiative states that it shall not apply to any development project that has obtained, prior to the initiative's effective date, a vested right pursuant to state law.

It directs the City to amend all other provisions of its municipal code, ordinances, plans, policies, and resolutions to conform with the initiative within six months.

The initiative states that, except as indicated therein, no provision of the initiative may be amended without voter approval.

The initiative has no expiration date.

Notice of Intent to Circulate Petition


Notice is hereby given by the persons whose names appear hereon of their intention to circulate the petition within the City of Cupertino for the purpose of amending the Cupertino General Plan. A statement of the reasons of the proposed action as contemplated in the petition is as follows:

The proposed initiative measure amends the Cupertino General Plan to promote sensible and sustainable growth of the City and empowers Cupertino voters to control future changes to key components of the General Plan.


Major elements include:

1. Establish clear citywide standards for development, including maximum heights, and building planes and required setbacks on major thoroughfares.
2. Restore the Vallco Shopping District as a shopping and entertainment center, and remove the recently added office and residential components that would interfere with that revitalization.
3. Ensure that large new development projects maintain open space areas by requiring that lot coverage not exceed 70%.
4. Empower the City's voters by requiring that any change to the important new provisions this initiative would add must be approved by the voters.


Anne Brooke Ezzat 11/24/2015
Anne Brooke Ezzat Date


Cupertino, CA 95014

Xiangchen Xu 11-24-2015
Xiangchen Xu Date


Cupertino, CA 95014

Steven M. Scharf 11/24/15
Steven M. Scharf Date


Cupertino, CA 95014

APPENDIX 2

SECTION-BY-SECTION DESCRIPTION AND SUMMARY OF INITIATIVE

This Appendix to the 9212 Report summarizes and describes each part of the Initiative. It was prepared by the City Attorney's office and outside counsel with the assistance of City planning staff. The full text of the Initiative is set forth in Appendix 1A.

The Initiative states that it seeks to achieve its stated purposes by amending various provisions of the City of Cupertino's *General Plan (Community Vision 2015-2040)*. California law requires each city and county to adopt and maintain a "general plan" that establishes permissible land uses and maximum development densities and intensities for all properties within that jurisdiction. A city's general plan effectively serves as its living "constitution" for all future land use decisions. Under state law, and in the absence of an initiative providing otherwise, a city council can amend the general plan up to four times per year.

The Initiative's proposed amendments to Cupertino's General Plan are described below in Part III. Where helpful to show the changes made by the Initiative, this summary adopts the Initiative's practice of showing proposed deletions to the existing General Plan in ~~strike through~~ and new language inserted by the Initiative in underline.

I. Part I. TITLE (Page 1 of the Initiative)

Part I of the Initiative sets forth the title proposed by the Initiative proponents: "Cupertino Citizens' Sensible Growth Initiative." As is often the case, this title differs from the official title prepared by the City Attorney pursuant to Elections Code section 9203, which requires the City Attorney to prepare "a true and impartial statement of the purpose of the proposed measure in such language that the ballot title shall neither be an argument, nor be likely to create prejudice, for or against the proposed measure."

The City Attorney's official ballot title reads as follows: "Initiative amending Cupertino's General Plan to limit redevelopment of the Vallco Shopping District, limit building heights and lot coverages in areas throughout the City, establish new setbacks and building planes on major thoroughfares, and require voter approval for any changes to these provisions."

The City Attorney's full ballot title and summary for the Initiative is set forth in Appendix 1B.

II. PART II. FINDINGS (Page 1 of the Initiative)

Part II of the Initiative sets forth the Initiative’s proposed “findings,” which summarize the proponents’ rationale for why the Initiative is needed at this time. Further information regarding the proponents’ reasons for proposing the Initiative are set forth in the Notice of Intent to Circulate Petition that the proponents submitted when they requested the official title and summary. The Notice of Intent is reproduced in Appendix 1C.

If the Initiative is adopted, these findings could help guide the City Council, or the courts in the event of a legal challenge, in determining how to interpret and apply any ambiguities in the provisions set forth in the Initiative.

III. PART III. PURPOSE (Pages 1-2 of the Initiative)

Part III of the Initiative sets forth its three purposes, which are to:

1. “control the intensity of new development by setting general citywide limits on building heights, setbacks, building planes and lot coverage in Cupertino that will provide long-term direction”;
2. “preserve and enhance the Vallco Shopping District for retail, hotel, dining and entertainment commercial uses”; and
3. “require that changes or exceptions to those limits and uses be presented to and approved by the voters of Cupertino.”

Like the “findings” in Part II, these stated purposes could help guide the City Council, or the courts in the event of a legal challenge, in determining how to interpret and apply any ambiguities in the General Plan amendments set forth in the Initiative. The City Council, however, has broad discretion to interpret any ambiguities in the General Plan and to balance competing policies, goals, and provisions of the General Plan, whether adopted by the Initiative or otherwise. *San Francisco Tomorrow v. City and County of San Francisco* (2014) 229 Cal.App.4th 498, 513-16.

The Initiative seeks to achieve these purposes by amending various provisions of the General Plan.

IV. PART IV. GENERAL PLAN AMENDMENTS (Pages 3-15 of the Initiative)

This is the heart of the Initiative, which sets forth the proposed changes to the General Plan. The amendments are contained in four “sections” corresponding to the four chapters of the General Plan that the Initiative would amend.

A. Section 1 (Pages 2-3 of the Initiative)

This section amends the portion of Chapter 1 of the General Plan that sets forth the existing General Plan’s overall purpose. Among other things, it inserts the following new text: “[C]hanges made through this Initiative are intended to modify and supersede any [existing provisions of the General Plan] that might otherwise conflict with amendments” proposed by the Initiative, and directs that the rest of the General Plan shall be conformed to the Initiative. The Initiative also adds a directive that, in interpreting the General Plan, “priority be given to ensuring that the provisions enacted or reenacted by the 2016 voter initiative be followed and implemented to the fullest extent possible.” Part VI of the Initiative contains similar language giving priority to the provisions enacted by the Initiative.

To the extent that this language elevates the provisions proposed by the Initiative over other provisions of the General Plan, a court might find that it is unlawful. *See Sierra Club v. Kern County* (1981) 126 Cal.App.3d 698, 703-08 (holding that a similar provision constituted an unlawful “precedence clause” and was therefore “void” and not permitted under the State Planning and Zoning law). On the other hand, a court could interpret this provision as simply promoting internal general plan consistency. *See Pala Band of Mission Indians v. San Diego County* (1997) 54 Cal.App.4th 565, 577 (holding that *Kern County* did not render invalid an initiative that did not create any general plan consistencies, and stating that initiative provisions giving a county board of supervisors authority to fix any such inconsistencies appear to be lawful).

Also, as of the date of this Report, two other initiative measures (“Other Measures”) have been proposed in Cupertino that may conflict, at least in part, with this Initiative.¹ If this Initiative passes and one or both of the Other Measures also passes and

¹ The official titles for these two measures are: (1) “Initiative amending Cupertino’s General Plan and Heart of the City Specific Plan to: (1) allow 280,000 square feet of office space, 200 hotel units, and 270 residential units, and a height limit of 88 feet for a mixed-use development project at the Cupertino Oaks Shopping Center (“Property”); (2) exempt the Property from some development standards; and (3) require the City to promptly process and approve an application for a project that includes specified community benefits and is consistent with the terms of the proposed initiative” (*referred to in this Appendix as “the Oaks Initiative”*) (2) “Initiative adopting the Vallco Town Center Specific Plan to (1) provide that the Vallco Shopping District Special Area (“Area”) contains a mixture of residential, office, retail, civic and education uses; (2) require any development to fund or provide community benefits such as transit, schools, a green roof, and recycled water; and (3) grant the property owner initial entitlements to develop in accordance with the Initiative and establish a process for future approvals; and (footnote continued on next page)

receives more votes, then a court would need to first determine whether and which provisions conflict. If the provisions can be harmonized, both will be given effect. However, any provision in this Initiative that conflicts with a provision in one of the Other Measures that received more votes would not take effect. In the absence of a valid “competing measure” clause to the contrary, the general rule is that if provisions of two ballot measures conflict, and if both measures are passed at the same election, the provisions of the measure with the highest affirmative vote shall prevail. Cal. Const. Art. II, § 10(b); Elections Code § 9221; *see Taxpayers to Limit Campaign Spending v. Fair Political Practices Commission* (1990) 51 Cal.3d 744, 770.

B. Section 2 (Page 3 of the Initiative)

This section of the Initiative is one of several provisions that change the City’s vision for, and policies governing, future use and development of the Vallco Shopping District Special Area. It amends the provision in Chapter 2 of the General Plan that sets forth the “Vision” for the Vallco Shopping District Special Area. Specifically, it removes the current General Plan text envisioning this area as a “new mixed-use ‘town center’” and replaces it with language calling for the area to provide a “unique and memorable shopping, dining and entertainment experience.”

C. Section 3 (Pages 3-11 of the Initiative)

This section amends several provisions in General Plan Chapter 3, the Land Use and Community Design Element. As the current General Plan explains, Chapter 3 “is the keystone” of the General Plan. “It unifies and informs the other Elements by providing an overall policy context for future physical change.”

Many of the changes made by this section relate primarily to the Vallco Shopping District Special Area (“Vallco”), but others apply citywide or just to certain areas of the City. Where a particular change affects both Vallco and other areas of the City, this summary will first identify the impacts on Vallco and then describe the impacts on other areas of the City.

1. Amendments regarding “Economic Vitality” (Page 3 of the Initiative)

In the subsection of Chapter 3 entitled “Economic Vitality,” the Initiative makes the following change: “The General Plan ~~includes more office growth~~ recognizes the need to retain balanced growth to support a strong fiscal revenues and a stable tax

(footnote continued from previous page)

making related amendments to Cupertino’s General Plan and Municipal Code” (*referred to in this Appendix as the “Vallco Initiative”*)

base.” This change is consistent with the Initiative’s other provisions, discussed below, that remove the 2,000,000 square feet of additional office space currently allocated to the Vallco area.

2. Amendments regarding Table LU-1, Citywide Development Allocation Between 2014-2020 (Pages 3-4 of the Initiative)

To provide for balanced future growth and development and in order create a more complete community, the General Plan allocates future development potential by land use type (i.e., commercial, office, hotel, and residential) to different planning areas within the City. These “allocations” are set forth in Table LU-1 of the General Plan and assigned by “Planning Area.” The General Plan provides that “some flexibility may be allowed for transferring allocations among Planning Areas,” and it also directs that Table LU-1 be maintained and updated to ensure that the allocations for various land uses adequately meet city goals.

The Initiative amends several of the allocations in Table LU-1 and also limits the City Council’s ability to make further changes to the allocations for the Vallco site, as follows:

For Vallco: The Initiative deletes (1) the 2,000,000 square feet of future office development allocated to Vallco; and (2) the 389 units of future residential development allocated to Vallco. Two hundred and forty-three (243) of the residential units are effectively “reallocated” to other areas of the City, but the 2,000,000 square feet of office space is not reallocated. Other provisions of the Initiative provide that the roughly 1.2 million square feet of existing commercial development at Vallco must be maintained as a “minimum,” and also as the maximum. In addition, the Initiative deletes two footnotes from Table LU-1 that encourage prompt submission of a proposed Specific Plan for the comprehensive redevelopment of the Vallco site by a master developer. The language proposed for deletion states: ~~Buildout totals for Office and Residential allocation within the Vallecito Shopping District are contingent upon a Specific Plan being adopted for this area by May 31, 2018. If a Specific Plan is not adopted by that date, City will consider the removal of the Office and Residential allocations for Vallecito Shopping District. See the Housing Element (Chapter 4) for additional information and requirements within the Vallecito Shopping District.~~

For Other Areas: 150 units of future residential development are allocated to the North Vallco Park Special Area and 93 future residential units are allocated to the Heart of the City Special Area. The Initiative also adds an asterisk (*) to each of these allocations—and to the accompanying citywide total allocations—stating that they “may be changed through the normal general plan amendment process.”

Citywide: The above changes are also reflected in the Citywide total development allocations. Thus, with the changes made by the Initiative, the total

available future development allocations Citywide would be: 798,917 sq. feet of commercial development; 553,826 sq. feet of office development; 313 hotel rooms or units; and 1,736 residential units.

Voter Approval required for certain future amendments to the development allocations shown in Table LU-1: Under the adopted General Plan, allocations may be shifted within different Planning Areas. *See, e.g.*, Strategy LU-1.2.1. In addition, the City Council may amend any of the allocations in Table LU-1 pursuant to the provisions of the State Planning and Zoning Law that allow up to four amendments to a city’s general plan each year. Part VIII of the Initiative—which states that “Except as otherwise indicated herein, this Initiative may be amended or repealed only by the voters at a City election”—would limit the Council’s ability to make such amendments.

The implication of this voter approval language for the allocations *expressly* removed or added to Table LU-1 by the Initiative is clear: The allocations deleted from the Vallco site may not be readopted without voter approval; likewise, the reallocated residential units for the North Vallco Park and Heart of the City Special Areas may be amended by the City Council through the “normal general plan amendment process” (i.e., without voter approval), as indicated by the asterisks added by the Initiative.²

For the other allocations set forth in Table LU-1—which are neither added nor deleted by the Initiative—it is not clear whether the Initiative’s voter approval requirements apply. It should be noted that the Initiative does *not* state that it is readopting or reenacting Table LU-1 as a whole. Instead, it states (at the bottom of page 3) that “Table LU-1: . . . is amended by the additions and strikeouts shown below.” Since the other allocations in Table LU-1 were not reenacted, it appears that the voter approval requirement in Part VIII of the Initiative does not apply to these other allocations except to the extent that some other provision of the Initiative expressly references them.³

² It appears that the Initiative proponents may have inadvertently omitted an asterisk from the 553,826 sq. feet of office development they show as available Citywide. This is because they included an asterisk for the 9,470,005* sq. feet of office development projected at “buildout” of the General Plan in 2040. The 553,826 square feet allocated as “available,” however, is derived simply by subtracting the existing square footage of “current built” office development from the 9,470,005* buildout figure. It necessarily follows that the 553,826 sq. feet should have an asterisk as well.

³ The only instance of this identified by the City is the Initiative’s amendment to Strategy LU-19.1.4. As explained in more detail below, the Initiative amends this strategy to require that a minimum of 1.2 million square feet of commercial use be maintained at Vallco. This is about the same amount of commercial square feet that Table LU-1 shows as currently existing at (and allocated to) Vallco.

This interpretation appears to best effectuate the purposes of the Initiative and, in light of the ambiguity, the City Council most likely would have the discretion to interpret the Initiative in this way. *See, e.g., San Francisco Tomorrow v. City and County of San Francisco* (2014) 229 Cal.App.4th 498, 521 (“[T]he settled rule [is] that where [a general plan] is ambiguous, courts should give it “a reasonable and common sense construction in accordance with the apparent purpose and intention of the lawmakers—one that is practical rather than technical and that will lead to a wise policy rather than mischief or absurdity.”); *see id.* at 513-15, 521-24. In addition, although it is the intent of the voters—rather than the Initiative proponents—that would guide any court in construing this language, the website of the Initiative proponents contains several statements reflecting this same understanding. *See, e.g.,* <http://www.ccsensiblegrowth.org/#!/what-will-it-do-or-not-do/uln5w> (stating that the Initiative “WILL NOT take away City Council’s ability to increase citywide office allocation, residential allocation or hotel or retail allocation”).

3. Amendments regarding the General Plan’s Community Form Diagram and Land Use Map (Pages 5-7 of the Initiative)

The Initiative adds a new Policy LU-3.0, which provides, among other things, that:

- *“The maximum building heights and densities for the special areas shown in the Community Form Diagram (Figure LU-1) shall not be exceeded.”* With two exceptions, this provision would essentially lock in place the existing building heights and densities for the eight “Special Areas” identified in the existing General Plan Community Form Diagram. The two exceptions are: (1) the Vallco Shopping District Special Area, which a separate provision of the Initiative (New Policy LU-19.2 on page 11 of the Initiative) reduces to a maximum of 45 feet; and (2) the density changes set forth in the final sentence of this policy.⁴ Voter approval would be required to increase any of the heights or densities in these nine Special Areas.
- *“Outside of the Special Areas shown in Figure LU-1, building heights may not exceed 45 feet.”* The only areas of the City that are “outside of the Special Areas” are the parts of the City that the

⁴ The final sentence in new Policy LU-3.0 states that the Community Form Diagram shall be “conformed” to “the density changes identified in Footnotes (a) through (c) in the new Table HE 5.5 [previously Appendix B Table 5.5] as shown in *Section 3* of this Part IV.” There is no Table HE 5.5 in the referenced “Section 3,” which is not italicized in the Initiative. However, the referenced Table HE 5.5 does appear in Section 4 of the Initiative. *See* page 15 of this Appendix, below.

General Plan defines as Neighborhoods.⁵ The existing General Plan—as well as the City’s Zoning Ordinance—establish 30 feet as the maximum building height for the neighborhoods. Accordingly, this provision would increase the maximum building height of the City’s Neighborhoods by 15 feet, to 45 feet. Voter approval would be required to increase building heights above 45 feet in any of the Neighborhoods.

- *“For any project of over 50,000 sq. ft. of building area, maximum lot coverage shall not exceed 70%.”* This policy means that, for any project over 50,000 sq. ft, the City Council could not approve a project that would cover more than 70% of the lot.
- *“No provision allowing additional height or density, modifying maximum lot coverage, building plane, or minimum setback to relax the standards set forth in this General Plan, other than those mandated by state law, shall be allowed.”* This amendment—which applies citywide—would generally lock in place the General Plan’s existing standards (as modified by the Initiative) for maximum building height and density, maximum lot coverage, building plane, and minimum setback. This provision would thus require voter approval for any increase in the specified maximum (or decrease in the specified minimum) standards, “other than those mandated by state law.”

The “other than mandated by state law” exception appears to provide a safety valve to allow the City Council to relax the specified standards where a specific provision of State law—for instance the various State law provisions requiring cities to provide for their regional fair share of housing—would require such a relaxation. The courts have upheld similar provisions. *See, e.g., Shea Homes Limited Partnership v. County of Alameda* (2003) 110 Cal.App.4th 1246, 1265-66.

However, as explained in the Report, the language of this provision does not appear to allow the City to grant any variances from these specified building standards in the absence of a specific state law provision requiring one. The provision of the State Planning Law

⁵ As Chapter 2 of the General Plan explains, for planning purposes, the City is organized “into 21 distinct Planning Areas, divided into two categories: 1. **Special Areas** that are expected to transition over the life of the General Plan and 2. **Neighborhoods** where future changes are expected to be minimal.”

authorizing variances does not mandate that a city grant a variance even where the strict application of buildings standards would deprive the owner of a specific property “of privileges enjoyed by other property in the vicinity and under identical zoning classification.” See Gov’t Code § 65906 (providing that variances “shall be granted only when” such circumstances are present). The California Supreme Court has long held that the granting of a variance is discretionary, not mandatory. *Metcalf v. Los Angeles County* (1944) 24 Cal.2d 267, 272; *Rubin v. Board of Directors of City of Pasadena* (1940) 16 Cal.2d 119, 125-26; Cf. *Ideal Boat & Camper Storage v. County of Alameda* (2012) 208 Cal.App.4th 301, 308, 313-20 (upholding denial of variance and permit where initiative had banned the granting of any non-conforming uses, including variances).

- *The General Plan’s Community Form Diagram and Land Use Map “shall be conformed to the requirements set by” this policy and other specified requirements set forth elsewhere in the Initiative.* This directive to amend the Community Form Diagram and Land Use Map to comport with these specific directives seems to come within the conformity authorization upheld in *Pala Band of Mission Indians v. San Diego County* (1997) 54 Cal.App.4th 565, 577 n.8. See Part IV.A of this Appendix.

4. Amendments regarding building heights, setback ratios, setbacks, and building planes (Pages 8-9 of the Initiative)

The Initiative modifies existing General Plan Policy LU-3.2 and adds new policies LU-3.2.1 through LU-3.2.6 to add provisions relating to building heights, setback ratios, setbacks, and building planes. The Initiative states that these modifications are made “[i]n order to assure the retention and enforcement of City guidelines not currently included in the General Plan.” Where these new policies apply only to one or more areas of the City, those areas are indicated below in **bold**.

New Policy LU-3.2.1 provides that, “[i]n any area where an increase in the maximum building height is granted in exchange for ground floor retail, no more than 1 square foot of additional floor area above the otherwise-applicable height limit may be allowed for every 1 square foot of ground floor retail. In any such exchange, all ground floor retail must be fully accessible to the public during operating hours.” This appears to be an entirely new policy rather than an existing City guideline. This new policy would apply to the **South Vallico Park Planning Area** because that is the only area of the City where the existing General Plan allows for an increased building height to be granted in exchange for ground floor retail.

New Policy LU-3.2.2 provides that “Rooftop mechanical equipment and utility structures other than cell phone transmission antennae, but no other structures of building features, may exceed stipulated height limitations shown in Figure LU-1 if they are enclosed, centrally located on the roof and not visible from adjacent streets.” This policy essentially specifies what rooftop equipment will be excluded from the City’s calculation of a buildings height. The non-underlined portion of this policy is set forth as a footnote in the existing General Plan’s Figure LU-1 (Community Form Diagram).

New Policy LU-3.2.3 adds to the General Plan setback requirements for both sides of **North De Anza Boulevard** that are currently included in the North De Anza Conceptual Plan for the west side of that boulevard only. This policy requires a minimum of (1) 50 feet of landscaped setback from the curb line; or (2) a minimum square footage of front yard landscaping equal to what would be achieved under the 50 foot setback, with a minimum setback of 35 feet.

New Policy LU-3.2.4 applies specifically to the **Stevens Creek Boulevard Subarea** in the **Heart of the City Special Planning Area**. The Heart of the City Specific Plan requires a 26 foot landscape easement from the face of curb and a minimum 35 foot setback from the face of curb (nine feet from the required landscape easement). The Initiative incorporates this specific plan requirement as a new General Plan policy. Also, the following existing General Plan standards that appear as footnotes in Figure LU-1 are added as General Plan policies:

A 1:1 (i.e., 1 foot of setback for every 1 foot of building height) slope line setback requirement for development along Stevens Creek Boulevard from Highway 85 to Perimeter Road;

A 1.5:1 slope line setback requirement for development on the north side of Stevens Creek Boulevard from Perimeter Road to the eastern city boundary; (**NOTE:** The setback requirement for the segment between Perimeter Road and N. Wolfe Road would be a new requirement. The setback requirement for the segment from N. Wolfe Road and the eastern city boundary is an existing requirement.)

A 1:1 slope line setback requirement on the south side of Stevens Creek Boulevard from Perimeter Road to the eastern City boundary. These are all existing “step backs” or “setback ratios” already in the General Plan except the portion within the Vallco Shopping District.

New Policy LU-3.2.5 adopts a 1.5:1 slope line setback requirement for development of property along **Homestead Road** between Linnet Lane and Swallow Drive from the Homestead Road curb line. This same requirement is essentially already incorporated within the footnotes in Figure LU-1 (Community Form Diagram).

New Policy LU-3.2.6 converts an existing footnote in Figure LU-1 into a new policy requiring a 1:1 slope line setback requirement for development of any property along an arterial/boulevard street, “[u]nless specified” otherwise in the new policies set forth above.

With respect to the **City Center Subarea**, the Initiative modifies existing Strategy LU-16.1.3, Building form. Specifically, it adds the words “step-downs and setbacks” to define the transition from taller buildings to the scale of the surrounding area.

5. Amendments regarding the Vallco Shopping District Special Area. (Pages 9-11 of the Initiative)

This section of the Initiative sets forth major changes to the vision for revitalizing the Vallco Shopping District Special Area that is set forth in the General Plan adopted by the City Council in December 2014. Among other things, the Initiative:

- removes the language in the City’s goals and policies for calling for the “complete redevelopment of the existing Vallco Fashion Mall into a vibrant mixed use ‘town center’” and restates the City’s goal as to “preserve and enhance the Vallco Shopping District as a local and regional retail, hotel, dining and entertainment commercial” destination
- prohibits residential and office uses (consistent with the changes to Table LU-1, discussed above, that deleted the 2,000,000 square feet of office use and 389 residential units allocated to the site)
- restricts building heights to a maximum of 45 feet; and
- increases the minimum square footage of retail/dining/entertainment uses from 600,000 to 1,200,000 square feet.

The Initiative deletes in its entirety several “strategies” reflecting the City Council’s determination that redevelopment of the area “will require a master developer in order to remove the obstacles to the development of a cohesive district” and that “complete redevelopment of the site [is necessary] to ensure that the site can be planned to carry out the community vision.”

The Initiative amends the existing General Plan policy requiring a Specific Plan be created prior to any development of the Vallco site to require that such a Specific Plan also be created prior to any “significant changes in use” on the site.

It also amends the existing General Plan strategy governing open space at the Vallco site to delete language calling for a central town square and replace it with “ground-level open space areas”

6. Amendments regarding North Vallco Park Special Area (Page 11 of Initiative)

The Initiative amends Policy LU-20.3, Building form, for the North Vallco Park Special Area, changing “should” to “shall” in the following two sentences: “Buildings ~~should~~ shall transition to fit the scale of the surrounding area. Taller buildings ~~should~~ shall provide appropriate transitions to fit into the surrounding area.” As detailed below in Section 4, the Initiative also adds 150 new residential housing units to this Special Area.

D. Section 4 (Pages 11-15 of the Initiative)

This section of the Initiative amends several provisions in the Housing Element, which is Chapter 4 of the General Plan. State law requires that every housing element contain an inventory of potential housing sites that can accommodate the city’s fair share of regional housing needs.⁶ The City’s fair share for the current housing element cycle has been determined to be 1,064 housing units.

The Housing Element contains two lists of “Priority Housing Element Sites” that can accommodate the City’s share of regional housing needs. Scenario A, the preferred scenario, includes Vallco as a housing site. Scenario B, the contingency plan to be used in the event Vallco cannot be rezoned for housing, removes Vallco as a priority site and transfers the units assigned to Vallco to other sites located in the City’s North Vallco, Heart of the City, and Homestead Special Areas.

The changes made by this section of the Initiative primarily concern eliminating Scenario A and replacing it with Scenario B.

1. Amendments regarding “Overview of Available Sites for Housing” (Page 11 of the Initiative).

The Initiative modifies the language of this section to reflect the elimination of Scenario A and its replacement with Scenario B.

The Initiative states that the designated sites shown in Scenario B can accommodate infill development of up to 1,386 housing units rather than the 1,400 units that could be accommodated in Scenario A. Since Cupertino’s share of the regional

⁶ Also known as Regional Housing Needs Allocation, or RHNA.

housing need is 1,064 units, the reduction of 14 units on the designated sites does not materially affect Cupertino's ability to meet the regional need.

The Initiative and summarizes these changes as follows:

[T]he City must follow its contingency plan to meet the RHNA, known as Scenario B and (discussed further in General Plan Appendix B); Scenario B would involves the City removing Vallco Shopping District from its inventory of available sites for housing, adding other mere priority sites to the inventory, and also increasing the density/allowable units on some of the other priority sites.

This part of the Initiative eliminates Scenario A from the Housing Element itself and it also references General Plan Appendix B,S “the Housing Element Technical Report,” which is part of the General Plan and “provides detailed background information to meet all requirements of State Housing Element law.” (Page HE-4.) However, the Initiative does not make conforming changes in Appendix B to be consistent with the Initiative. Thus, if the Initiative is adopted, Appendix B would continue to state that Scenario A is the preferred alternative and Scenario B is a contingency plan. Since this is inconsistent with the changes made to the Housing Element by the Initiative, the Initiative will create an internal inconsistency in the General Plan.

However, the Initiative directs the City to revise all other provisions of the General Plan “to make them conform with the provisions of this Initiative.” In the event that the Initiative is challenged in court, it is likely that a court would construe this language as authorizing the City Council to revise the background information contained in Appendix B to be consistent with the policies established by the Initiative. *See Pala Band of Mission Indians v. San Diego County* (1997) 54 Cal.App.4th 565, 577 n.8.

2. Amendments Regarding Figure HE-1, Priority Housing Element Sites; and Table HE-5, Summary of Priority Housing Sites (pages 11-14 of the Initiative).

The Initiative deletes from the Housing Element existing Figure HE-1, a map entitled “Priority Housing Element Sites: Scenario A,” and replaces it with a similar map (Figure B-8, Appendix B, page B-148) entitled “Priority Housing Element Sites: Scenario B,” which is to be relabeled Figure HE-1. The Initiative also deletes from the Housing Element Table HE-5: “Summary of Priority Housing Element Sites to Meet the RHNA-Scenario A,” and replaces it with a similar table (Appendix B, page B-153) entitled Table 5.5: “Summary of Priority Housing Sites: Scenario B,” which is to be relabeled as Table HE-5.

The Initiative's replacement of existing Table HE-5 (Scenario A) with a new Table HE-5(Scenario B) has the following effects:

Total Realistic Capacity. Priority housing sites designated in Scenario A can realistically accommodate 1,400 residences. Priority sites designated in Scenario B can realistically accommodate 1,386 residences. Since Cupertino's share of the regional housing need totals 1,064 units, the reduction of 14 units by the Initiative does not materially affect Cupertino's ability to meet the regional need.

Location of Priority Housing Sites. The Initiative removes the Vallco Shopping District as a priority housing site. It adds two priority housing sites: Glenbrook Apartments, located in the Heart of the City Special Area, with the capacity for 58 net new units; and Homestead Lanes, located in the Homestead Special Area, with the capacity for 132 units. Scenario B also increases the maximum density of The Hamptons, located in the North Vallco Park Special Area, from 85 units per acre to 99 units per acre and increases its capacity for net new units from 600 to 750. Scenario B increases the maximum density of The Oaks Shopping Center from 30 units per acre to 35 units per acre and increases its capacity from 200 to 235 units.

By special area, the changes are as follows. Scenario B removes 389 units from the Vallco Shopping District; adds 132 units to the Homestead Special Area; adds 150 units to the North Vallco Park Special Area; and adds 93 units to the Heart of the City Special Area.

Need for Additional Rezoning or General Plan Amendments. Notes (a) and (b) to Table 5.5 state that a general plan amendment and zoning change will be needed to allow increased density on site B1 (The Hamptons) and site B2 (The Oaks).

By replacing Scenario A with Scenario B, the Initiative amends the General Plan to allow increased density at The Hamptons and at The Oaks. No additional zoning amendments will be needed. Both sites are zoned P with a residential designation (P (Res)) for The Hamptons and P(CG, Res) for The Oaks). The P (Planned Development) zone provides that for sites with a residential designation listed as a Priority Housing Site in the Housing Element, residential development that does not exceed the number of units designated for the site is a permitted use. (Cupertino Municipal Code Section 19.80.030(F)(2).) Consequently, no zoning amendment will be required.

Similarly, the Initiative designates the Homestead Lanes site as having a density of 35 units per acre; no zoning change will be required to increase the density on the site, despite the statement in footnote (c) of the table. However, because the site's existing zoning does not allow residences (zoning of P(CG) and P(Rec, Enter), rezoning

will be required to allow residential uses, as discussed further in Sections D.3 and D.4 below.⁷

Ability to Modify Community Form Diagram Regarding Hamptons, Oaks, and Homestead Lanes Sites. New Policy LU-3.0 in the Initiative states that the Community Form Diagram shall be “conformed” to “the density changes identified in Footnotes (a) through (c) in the new Table HE 5.5 [previously Appendix B Table 5.5].”

Footnotes (a) through (c) refer to The Hamptons, The Oaks, and Homestead Lanes sites. This provision of new Policy LU-3.0 is apparently intended to allow at least the density limits shown in the Community Form Diagram to be increased for these three sites to conform with the densities shown in Scenario B. It is not clear if Policy LU-3.0 was also intended to allow height limits to be increased if necessary to accommodate the increased densities on the sites. However, because Scenario B in the existing Housing Element did not propose any height increases to accommodate the increased densities, most likely it was not intended to allow height increases on these sites.

Other Implications of Designating Sites as Housing Element Sites. If a site is shown in the Housing Element to accommodate a portion of the City’s regional housing need, the City must make findings if it proposes to approve a project with fewer units than shown in the Housing Element. In that case, the City must demonstrate that adequate sites remain to meet the City’s fair share of the regional need at all income levels, or must designate alternative sites to meet that need. (Gov’t Code §65863.) If the Initiative is adopted, this requirement will apply to any proposal to construct or approve fewer units than are shown in the “Summary of Priority Sites: Scenario B.”

3. Amendments Regarding Implementing Strategies – Strategy 1, Land Use Policy and Zoning Provisions, fifth bullet point (page 15 of the Initiative).

The Initiative removes all statements from Housing Element Strategy 1 regarding the adoption of a specific plan for the Vallco Shopping District to permit 389 housing units and makes associated changes regarding Scenario B. The changes to this Strategy have the following effects:

General Plan and Zoning Designations. The Initiative states that the General Plan and zoning designations will allow the densities shown in Scenario B on the priority housing sites. As explained in Section D.2 above, it is correct that, if the Initiative is adopted, the

⁷ Note that the table above does not accurately show the existing zoning of Homestead Lanes, which is zoned P(CG) and P(Rec, Enter). The existing General Plan permits both commercial and residential uses (C/R).

General Plan and zoning designations will allow the densities shown in Scenario B for the priority housing sites.

Deletion of Language Describing Scenario B. The Initiative deletes language stating that Scenario B: (a) adds two additional sites to the inventory (Glenbrook Apartments and Homestead Lanes) and (b) adds an increased number of permitted units at The Hamptons and The Oaks. However, the deleted language accurately describes Scenario B.

Removal of Timeline for Rezoning. The Initiative deletes language stating that if the specific plan and rezoning for Vallco are not adopted within three years of Housing Element adoption, or by May 31, 2018, the City will hold hearings to consider adoption of Scenario B. The Initiative states that Homestead Lanes will need to be rezoned to “allow residential uses by right at a minimum density of 20 units per acre” but contains no date by which this must be accomplished.

Under State law, all rezonings required to designate adequate housing element sites must be accomplished “no later than three years after...the date that the housing element is adopted,” unless a one-year extension is provided. (Gov’t Code §§ 65583(c)(1)(A), 65583(f).) The Initiative does not state that the rezoning of Homestead Lanes will be accomplished within the three- to four-year period required by State law. (See also discussion of timing in Section D.4 below.)

‘By Right’ Zoning of Homestead Lanes. The Initiative states that any rezoning of Homestead Lanes will “allow residential uses by right at a minimum density of 20 units per acre.”

The phrase “use by right” is defined by state law to mean that the City may not require any discretionary review for residences on the Homestead Lanes site that would be subject to the California Environmental Quality Act (CEQA). The City may require design review approval for the residences, but any design review approval is also not subject to CEQA. (Gov’t Code § 65583.2(i).) This provision means that, after any required rezoning is completed for Homestead Lanes, the City may only require design review approval for residences, and residential development will not be subject to CEQA or other discretionary approvals.

4. Elimination of Table Regarding Strategy 1 (pages 15-16 of the Initiative).

The Initiative deletes the following table from Strategy 1:

Responsible Agencies:	Cupertino Department of Community Development/ Planning Division
Time Frame:	Ongoing; Adopt Specific Plan and rezoning for Vallco by May 31, 2018; otherwise, conduct public hearings to consider adoption of "Scenario B" of sites strategy.
Funding Sources:	None required
Quantified Objectives:	1,064 units (178 extremely low-, 178 very low-, 207 low-, 231 moderate- and 270 above moderate-income units)

State law requires that each of the actions identified in the Housing Element must have a "timeline for implementation." (Gov't Code § 65583(c).) The Housing Element must also "include an identification of the agencies and officials responsible for the implementation of the various actions." (Gov't Code § 65583(c)(7).) The rezoning of the Homestead Lanes site must be accomplished "no later than three years after...the date that the housing element is adopted," or by May 31, 2018, unless a one-year extension is provided. (Gov't Code §§ 65583(c)(1)(A), 65583(f).)

Since the entire table following Strategy 1 has been deleted, the Housing Element as modified by the Initiative will contain no timeline for implementing any of the actions contained in Strategy 1, will not identify the agencies and officials responsible for implementing the actions contained in Strategy 1, and will not commit to rezoning the Homestead Lanes site by May 31, 2018. Therefore Strategy 1 will not contain all of the content required by the housing element statute.

The deletion by the Initiative of the table following Strategy 1 also will remove all quantified objectives for housing at specified income levels. The quantified objectives included in the deleted table show that Strategy 1 can accommodate the City's entire share of the regional need at each income level. The quantified objectives for the other strategies in the City's Housing Element do not show how the City will meet the regional need.

A city cannot take an action inconsistent with, or preempted by, state law. Cal. Const. Art. XI, § 7. An initiative amendment must conform with all formal requirements and may not lack any of the content specified by statute for the mandatory elements of the general plan. *See DeVita v. County of Napa* (1995) 9 Cal.4th 763, 796 n.12. If a general plan amendment is "substantively deficient, then it may be challenged

on that basis.” *Id.* Substantial compliance with state housing element law “means actual compliance in respect to the substance essential to every reasonable objective of the statute,” as distinguished from ‘mere technical imperfections of form.’” *Fonseca v. City of Gilroy* (2007) 148 Cal.App.4th 1174, 1185.

In *Friends of Aviara v. City of Carlsbad* (2012) 210 Cal.App.4th 1103, 1113, the Court of Appeal ordered Carlsbad to adopt a timeline for completing a program shown in its housing element but did not require Carlsbad to vacate its adoption of its housing element. If a court were to find that the absence of a timeline, responsible agency, and quantified objectives for Strategy 1 are inconsistent with state law, it would have discretion to mandate a variety of remedies. *See DeVita*, 9 Cal. 4th at 796 n.12 (citing *Concerned Citizens of Calaveras County v. Board of Supervisors* (1985) 166 Cal.App.3d 90, 103-04). Under *Friends of Aviara*, a court would likely order the City to correct the deficiencies in the Housing Element rather than directing that the entire Initiative be invalidated.

V. PART V. EXEMPTION FOR CERTAIN PROJECTS (Page 16 of the Initiative)

This Part of the Initiative states that the Initiative shall not apply to any development project that has obtained, prior to the Initiative’s effective date, a vested right pursuant to state law. This Part appears to be designed to insulate the Initiative from a legal claim that it constitutes an unconstitutional “taking” or otherwise violates the property owner of a landowner or developer that has already obtained a legal right to proceed with a specific development project. The courts have found that similar clauses in other land use initiatives generally preclude any claim that the initiative, on its face, constitutes an unconstitutional taking in such circumstances. *See Shea Homes Limited Partnership v. Alameda County* (2003) 110 Cal.App.4th 1246, 1266-67. Instead, any development project that obtained a vested right to develop prior to the Initiative’s effective date would—to the extent of that vested right—be fully exempt from the Initiative.

VI. PART VI. EFFECTIVE DATE, PRIORITY, AND CONSISTENCY (Page 16 of the Initiative)

This Part of the Initiative states that it shall become effective immediately upon the certification of the election results. This statement conflicts with the Elections Code, which provides that an adopted initiative “shall go into effect 10 days after that date.” Elections Code § 9217. A court would almost certainly conclude that the Elections Code governs the effective date of the Initiative.

This Part also directs the City to revise and amend all other provisions of the City’s ordinances, plans, and law, within six months “to make them conform with the

provisions of this Initiative” and provides that “until such time” as these changes are made, “the provisions of this Initiative shall prevail over any conflicting provisions.”

Most land use initiatives contain somewhat similar “conformity” provisions authorizing and directing the governing city council or board of supervisors to implement the measure’s terms. As noted above, to the extent that this provision simply directs that the City implement the Initiative and revise subordinate laws to conform with the General Plan, it appears to be valid. *See Pala Band of Mission Indians v. San Diego County* (1997) 54 Cal.App.4th 565, 577 n.8.

However, to the extent that it elevates the General Plan provisions proposed by the Initiative over other provisions of the General Plan, a court might find that it creates an could unlawful precedence clause. *See Sierra Club v. Kern County* (1981) 126 Cal.App.3d 698, 703-08.

As discussed in Part III(A) of the Report, this conformity provision could also require the City to amend various provisions of the City’s Zoning Ordinance and other planning documents.

VII. PART VII. SEVERABILITY (Page 16 of the Initiative)

This Part of the Initiative contains a standard “severability” clause, similar to those found in most laws. This clause is designed to protect the rest of the Initiative if one or more provisions are held invalid by a court.

VIII. PART VIII: AMENDMENT OR REPEAL (Page 16 of the Initiative)

This Part of the Initiative states that, except as indicated therein, no provision of the Initiative may be amended without voter approval. As detailed on pages 6-7 above, this provision appears to apply only to the provisions of the General Plan that are adopted, amended, or deleted by the Initiative. It does not apply to the development allocations in Table LU-1 that the Initiative leaves unchanged. The effect of this language is discussed in Part IV.A. of this Appendix and in Part III.A.6 of the 9212 Report.

Appendix 3

California Elections Code, Section 9212

(a) During the circulation of the petition, or before taking either action described in subdivisions (a) and (b) of Section 9214, or Section 9215, the legislative body may refer the proposed initiative measure to any city agency or agencies for a report on any or all of the following:

- (1) Its fiscal impact.
- (2) Its effect on the internal consistency of the city's general and specific plans, including the housing element, the consistency between planning and zoning, and the limitations on city actions under Section 65008 of the Government Code and Chapters 4.2 (commencing with Section 65913) and 4.3 (commencing with Section 65915) of Division 1 of Title 7 of the Government Code.
- (3) Its effect on the use of land, the impact on the availability and location of housing, and the ability of the city to meet its regional housing needs.
- (4) Its impact on funding for infrastructure of all types, including, but not limited to, transportation, schools, parks, and open space. The report may also discuss whether the measure would be likely to result in increased infrastructure costs or savings, including the costs of infrastructure maintenance, to current residents and businesses.
- (5) Its impact on the community's ability to attract and retain business and employment.
- (6) Its impact on the uses of vacant parcels of land.
- (7) Its impact on agricultural lands, open space, traffic congestion, existing business districts, and developed areas designated for revitalization.
- (8) Any other matters the legislative body requests to be in the report.

(b) The report shall be presented to the legislative body within the time prescribed by the legislative body, but no later than 30 days after the elections official certifies to the legislative body the sufficiency of the petition.

Appendix 4

City Council of Cupertino
Resolution No. 16-009

RESOLUTION NO. 16-009

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CUPERTINO
DIRECTING CITY STAFF TO PREPARE A REPORT ON THE EFFECTS OF THE
PROPOSED INITIATIVE ENTITLED, "INITIATIVE AMENDING CUPERTINO'S
GENERAL PLAN TO LIMIT REDEVELOPMENT OF THE VALLCO SHOPPING
DISTRICT, LIMIT BUILDING HEIGHTS AND LOT COVERAGES IN AREAS
THROUGHOUT THE CITY, ESTABLISH NEW SETBACKS AND BUILDING
PLANES ON MAJOR THOROUGHFARES, AND REQUIRE VOTER APPROVAL
FOR ANY CHANGES TO THESE PROVISIONS" AND TO APPROPRIATE FUNDS
FOR THE PREPARATION OF THE REPORT**

WHEREAS, on November 24, 2015, the Cupertino Residents for Sensible Zoning Action Committee submitted to the City Clerk a Notice of Intent to circulate an initiative petition ("Initiative") and a request for the City Attorney to prepare the official ballot title and summary; and

WHEREAS, the City Attorney thereafter prepared the official title and summary for the Initiative and provided it to the Initiative proponents; and

WHEREAS, Elections Code section 9212 authorizes the City Council to direct City staff to prepare a report on the impacts of the Initiative, including seven specified types of impacts as well as on "any other matter" that the City Council requests to be included in the report; and

WHEREAS, the City Council has determined that such a report would provide valuable information about the Initiative to the Council and to all interested residents of the City; and

WHEREAS, this is not a project under provisions and requirements of the California Environmental Quality Act of 1970, together with related State CEQA Guidelines (collectively, "CEQA"), in that this is administrative action which does not involve a direct or reasonably foreseeable indirect impact on the physical environment; and;

NOW THEREFORE, be it RESOLVED:

1. The City Council directs City staff to :

a. Prepare a Report on the effects of the Initiative pursuant to Elections Code section 9212, addressing each of the impacts specified in subsection (a)(1)-(7) of that section, to the extent applicable, as well as any other items identified by the City Council; and

b. Retain, at the direction of the City Manager, any consultants that the City Manager determines are necessary to complete the Report, in an amount not to exceed \$155,000.00; and

c. Present the Report to the City Council no later than the latest date authorized by Elections Code section 9212(b); and

2. The City of Cupertino's Operating Budget for the Fiscal Year 2015/2016 is hereby amended to appropriate \$155,000.00 for the preparation of the Report.

PASSED AND ADOPTED at a regular meeting of the City Council of the City of Cupertino this 19th date of January, 2016, by the following vote:

Vote Members of the City Council

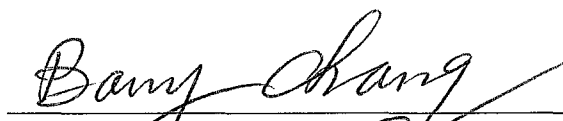
AYES: Chang, Vaidhyanathan, Paul, Sinks, Wong
NOES: None
ABSENT: None
ABSTAIN: None

ATTEST:

APPROVED:



Grace Schmidt, City Clerk



Barry Chang, Mayor, City of Cupertino

Appendix 5

9212 Environmental Analysis

prepared by
David J. Powers & Associates, Inc.
March 24, 2016

9212 Environmental Analysis

Initiative amending Cupertino's General Plan to limit redevelopment of the Vallco Shopping District, limit building heights and lot coverages in areas throughout the City, establish new setbacks and building planes on major thoroughfares, and require voter approval for any changes to these provisions

March 24, 2016

Prepared for:
City of Cupertino



TABLE OF CONTENTS

Section 1.0	Introduction.....	1
Section 2.0	Development Scenarios Analyzed	3
Section 3.0	Environmental Issues Analyzed.....	4
Section 4.0	Environmental Analysis.....	5
4.1	Population and Housing.....	5
4.2	Transportation.....	7
4.2.1	Transit, Bicycle, and Pedestrian Facilities	7
4.2.2	Roadway Infrastructure	8
4.2.3	Freeway Infrastructure.....	9
4.3	Public Services.....	10
4.3.1	Police Services.....	10
4.3.2	Fire Services	11
4.3.3	School Services	12
4.3.4	Library Service	13
4.3.5	Parks/Recreation Facilities	15
4.4	Utilities and Service Systems.....	16
4.4.1	Wastewater Treatment/Sewer System.....	16
4.4.2	Water	17
4.4.3	Solid Waste.....	19
4.4.4	Energy	20
4.5	Community Form.....	22
References	23

Attachments

Attachment A: Sand Hill Development Company The Hills at Vallco Project Description

Attachment B: The Hills at Vallco Draft EIR Project Description

Attachment C: Referenced General Plan Policies

The Initiative analyzed in this report proposes changes to the City’s existing General Plan, which was updated and adopted in 2014.¹ The General Plan (Community Vision 2015-2040) is the community’s vision for the City’s future and identifies the maximum development potential for the City through the year 2040. The General Plan “describes the community’s overall philosophy regarding the character and accessibility of existing and new neighborhoods and mixed-use corridors.”² The General Plan “provides a framework for integrating the aspirations of residents, businesses, property owners and public officials into a comprehensive strategy for guiding future development and managing change. It describes long-term goals and guides daily decision making by the City Council and appointed commissions.”³ The environmental impacts associated with the General Plan buildout were evaluated in the certified 2014 General Plan Amendment, Housing Element Update and Associated Rezoning Environmental Impact Report (General Plan EIR).⁴

Because the Initiative proposes changes to the General Plan, this environmental analysis compares the changes proposed by the Initiative with what would occur under buildout of the adopted General Plan. The primary change proposed by the Initiative that would have environmental effects is a reduction in the amount of total new development allowed. Specifically, the Initiative proposes to remove the office and residential development allocations currently allowed in the Vallco Shopping District Special Area (Vallco) by the General Plan. The Initiative would result in a net decrease of 2.0 million square feet of office development and 146 dwelling units city-wide. The Initiative also proposes to increase the maximum allowable building height in General Plan designated Neighborhoods (76 percent of the total City land area) from 30 to 45 feet. Most of the Initiative’s proposed General Plan text changes and revised setback requirements would not result in significant environmental effects and, therefore, are not discussed further.

¹ The official title of the Initiative is: “Initiative amending Cupertino’s General Plan to limit redevelopment of the Vallco Shopping District, limit building heights and lot coverages in areas throughout the City, establish new setbacks and building planes on major thoroughfares, and require voter approval for any changes to these provisions.” The short title used by the Initiative’s proponents is: “Cupertino Citizens’ Sensible Growth Initiative.”

² City of Cupertino. *Community Vision 2015-2040*. October 2015. Page I-7.

³ *Ibid.* Page I-6.

⁴ The General Plan EIR is the best resource available that evaluates the impacts of the adopted General Plan. The General Plan EIR analyzed more intense development and buildout of the City than ultimately approved by the City Council. Because the General Plan EIR analyzed more development than was ultimately approved by the City Council, the General Plan EIR provides a conservative analysis of the environmental impacts from the buildout of the adopted General Plan. The General Plan EIR is the best resource available that evaluates the impacts of the adopted General Plan.

Table 1, below, summarizes the development allowed under the buildout of the General Plan as currently adopted, and under buildout of the General Plan as amended by the Initiative. The amount of development currently built and approved in the City is also listed in Table 1 for reference. As shown in Table 1, as amended by the Initiative, the General Plan would result in a net decrease of 146 dwelling units and 2.0 million square feet of office development city-wide compared to the adopted General Plan.

Table 1: General Plan Buildout as Adopted and as Amended by the Initiative			
	Current Built/Approved	General Plan Buildout	
		As Adopted	As Amended by the Initiative
Development Buildout			
Residential (units)	21,412	23,294	23,148
Office (square feet)	8,916,179	11,470,005	9,470,005
Retail/Commercial (square feet)	3,632,065	4,430,982	4,430,982
Hotel (rooms)	1,116	1,429	1,429
Maximum Building Height in Neighborhoods (feet)	Not applicable	30	45

SECTION 2.0

DEVELOPMENT SCENARIOS ANALYZED

Under the General Plan as amended by the Initiative, two potential scenarios were analyzed: 1) Vallco as an enhanced mall, which assumes that Vallco is renovated, improved, and successfully reoccupied; and 2) Vallco with 2016 occupancy, which assumes Vallco remains as it currently exists, with a 26 percent occupancy rate (the projected occupancy for the mall in April 2016 when JCPenney closes).

For informational and comparison purposes, a variation on the adopted General Plan scenario, which assumes implementation of the 2015 application by Sand Hill Property Company (Sand Hill) to develop The Hills at Vallco project, is discussed. The assumptions for the Sand Hill proposal are derived from Sand Hill's 2015 project description and the draft December 2015 project description prepared for the project Environmental Impact Report (EIR). These project descriptions are included as Attachment A. This scenario is included in the analysis to provide context as to what the potential environmental impacts of The Hills at Vallco project (which conforms with the General Plan assumptions for Vallco) would be, as well as the community benefits that the project would provide. While the Sand Hill proposal includes development within what is allowed on the site by the General Plan, it includes 550,000 fewer commercial square feet than the maximum amount allowed by the General Plan. It is assumed that this 550,000 square feet would be developed elsewhere in the City. Each development scenario analyzed is summarized in Table 2 below.

All scenarios are compared to the buildout of the adopted General Plan, which is considered the basis of comparison for the environmental analysis in this 9212 Report.

Table 2: Summary of Development Scenarios	
Scenarios	Description
1a. Adopted General Plan	Buildout of the adopted General Plan
1b. Adopted General Plan Assuming 2015 Sand Hill Proposal	Buildout of the adopted General Plan, including the 2015 Sand Hill Property Company's proposal for the Vallco Site (The Hills at Vallco)
2a. General Plan with Initiative Assuming Vallco as Enhanced Mall	Buildout of the General Plan as amended by the Initiative, assuming Vallco is renovated, improved, and successfully occupied
2b. General Plan with Initiative Assuming Vallco with 2016 Occupancy	Buildout of the General Plan as amended by the Initiative, assuming Vallco remains largely in its current state with the projected occupancy of 26 percent.

The comparative environmental analysis provided in this report is program level, based on buildout projections, and primarily qualitative. The environmental issues analyzed for each scenario are:

- **Population and Housing** – housing, population, employees, and jobs-to-housing ratio;
- **Transportation** – transit, bicycle, and pedestrian facilities, roadway infrastructure, and freeway infrastructure;
- **Public Services** – police, fire, schools, libraries, and parks/recreational facilities; and
- **Utilities and Service Systems** – wastewater, water, solid waste, and energy

As discussed previously in Sections 1.0 and 2.0, the impacts of each scenario are compared to the impacts of the buildout of the current General Plan. The primary resource regarding the impacts of the General Plan buildout is the General Plan EIR.⁵

The environmental analysis of each development scenario is provided in the following section.

⁵ See Footnote 3.

The environmental analysis looks at the effects on population and housing, transportation, public services, and utilities and service systems on a citywide basis. Impacts specific to the Vallco site are discussed, as appropriate. All effects are compared to the adopted General Plan buildout. The impact analysis of the adopted General Plan buildout is based on, and discussed in full in, the certified General Plan EIR. Referenced General Plan policies are included in Attachment C.

4.1 POPULATION AND HOUSING

A comparison of the housing units, population, jobs, and jobs-to-housing ratios for all scenarios is provided in Table 3 below.

Adopted General Plan (Scenario 1a): Based on the amount of development allowed in the City (Table 1), Cupertino would have a population of approximately 68,484 and 51,800 jobs in 2040. Under the General Plan buildout, the jobs-to-housing ratio would be 2.22. That is, there would be 2.22 jobs per dwelling unit.⁶

- **Scenario 1b (Adopted General Plan Assuming 2015 Sand Hill Proposal):** This scenario would result in the same amount of development citywide as under the buildout of the adopted General Plan and the same population, jobs, and jobs to housing ratio as the adopted General Plan (see Scenario 1a above).
- **Scenario 2a (General Plan with Initiative Assuming Vallco as Enhanced Mall):** This scenario would result in the same amount of commercial and hotel development citywide as under the adopted General Plan buildout. Scenario 2a, however, would remove the housing allocation from Vallco and result in 146 fewer housing units citywide compared to the General Plan buildout. The net reduction in 146 housing units citywide equates to 429 fewer residents in the City. This scenario would also remove the office allocation from Vallco, resulting in a net reduction of 2.0 million square feet of office development (which equates to 6,666 fewer office jobs) citywide compared to the General Plan buildout. Under this scenario, the City's jobs-to-housing ratio would be 1.95. There would be fewer jobs within the City per resident under Scenario 2a compared to Scenario 1a.
- **Scenario 2b (General Plan with Initiative Assuming Vallco with 2016 Occupancy):** This scenario would have the same population and housing as Scenario 2a, but would result in 1,969 fewer commercial jobs because the 1.2 million square feet of commercial space at Vallco is not fully occupied. In April 2016, 313,982 square feet (or 26 percent of the total 1.2 million square feet at Vallco) is projected to be occupied with the remaining square footage (74 percent) unoccupied. Therefore, the commercial jobs assumed at Vallco was based on the projected April 2016 occupied square footage. As a result, compared to the adopted General Plan buildout, Scenario 2b would have 1,969 fewer commercial jobs. Under this scenario, the City's jobs-to-housing ratio would be 1.91. There would be fewer jobs within the City per resident under Scenario 2b compared to Scenario 1a.

⁶ In general, a jobs/housing imbalance can lead to longer commute trips and related increases in air pollutants and greenhouse gas emissions.

Table 3: Comparison of Population and Housing				
	Scenario 1a: Adopted General Plan	Scenario 1b: Adopted General Plan Assuming 2015 Sand Hill Proposal	Scenario 2a: General Plan with Initiative Assuming Vallco as Enhanced Mall	Scenario 2b: General Plan with Initiative Assuming Vallco with 2016 Occupancy
Housing Units	23,294	23,294	23,148	23,148
Population ⁷	68,484	68,484	68,055	68,055
Jobs ⁸	51,800 ⁹	51,800 ¹⁰	45,134 ¹¹	44,237 ¹²
Jobs-to-Housing Ratio	2.22	2.22	1.95	1.91

⁷ Assumes 2.94 persons per household (City of Cupertino. *General Plan Amendment, Housing Element Update and Associated Rezoning EIR*. June 18, 2014. Table 4.11-3, footnote b.).

⁸ Assumes 1 job/300 sf of office; 1 job/450 sf of commercial; 0.3 jobs/hotel room (City of Cupertino. *General Plan Amendment, Housing Element Update and Associated Rezoning EIR*. June 18, 2014. Table 4.11-3, footnote c.)

⁹ 11,470,005 office sf/300 = 38,233 office jobs; 4,430,982 commercial sf/450 = 9,847 commercial jobs; 1,429 hotel rooms/0.3 = 3,720 hotel jobs

¹⁰ While the Sand Hill development includes only a portion of the commercial square footage allowed on the Vallco site in the adopted General Plan, the remaining square footage would be available to be developed elsewhere in the City. For this reason, the city-wide commercial job assumption remains the same. 11,470,005 office sf/300 = 38,233 office jobs; 4,430,982 commercial sf/450 = 9,847 commercial jobs; 1,429 hotel rooms/0.3 = 3,720 hotel jobs

¹¹ Scenario 2a assumes Vallco as an enhanced mall and all 1.2 million square feet is included in the commercial employee/jobs calculation. 9,470,000 office sf/300 = 31,567 office jobs; 4,430,982 commercial sf/450 = 9,847 commercial jobs; 1,429 hotel rooms/0.3 = 3,720 hotel jobs

¹² While the total amount of commercial development assumed to exist citywide under this scenario would be the same as under Scenario 1a, only 313,982 square feet (or 26 percent) of the mall is projected to be occupied in 2016 with the remaining square footage unoccupied/vacant. For this reason, the commercial jobs were calculated assuming 313,982 commercial square feet at Vallco (instead of 1.2 million square feet). 9,470,000 office sf/300 = 31,567 office jobs; 3,544,964 commercial sf/450 = 8,950 commercial jobs; 1,429 hotel rooms/0.3 = 3,720 hotel jobs

4.2 TRANSPORTATION

4.2.1 Transit, Bicycle, and Pedestrian Facilities

Adopted General Plan (Scenario 1a): New development would be subject to General Plan policies that ensure adequate public transit, bicycle, and pedestrian facilities are available to the residents of Cupertino, including the following: M-1.3, M-2.1 through 2.6, M-3.2 through M-3.6, M-3.8 M-4.4, M-4.7, M-5.2, M-7.1, M-8.1, M-8.4, and M-10.1 (refer to Attachment C for referenced policies). For example, consistent with General Plan policy M-7.1, new development would be subject to Transportation Impact Analyses (TIAs) which include evaluating a development’s significant transit, bicycle, and pedestrian impacts and identifying mitigation measures, as they apply to the new development. No specific transit, bicycle, or pedestrian improvements were identified or required in the General Plan EIR to support the buildout of the General Plan.¹³

- **Scenario 1b (Adopted General Plan Assuming 2015 Sand Hill Proposal):** The citywide analysis and impacts for this scenario would be the same as for Scenario 1a.

Vallco-Specific Analysis: Under Scenario 1b, Sand Hill would redevelop Vallco and implement the following transit, bicycle, and pedestrian improvements separate from the improvements that would be required by the project TIA:

- *Funding a complementary community shuttle in coordination and partnership with the City, VTA, and corporate employers.*
- *Improving existing bus stops along the Vallco site frontage.*
- *Designating the existing bus stop on the north side of Stevens Creek between North Wolfe Road and Perimeter Road as a “Multi-Modal Transit Center,” which would include an associated 5,000 square foot building.*
- *Dedicating curbside areas for commuter shuttles near the intersection of Vallco Parkway and Perimeter Road.*
- *Restriping and coloring bicycle lanes on North Wolfe Road from Stevens Creek Boulevard to I-280.*
- *Providing new bike trails and Class I-III bikeways following the proposed street grid pattern on the Vallco site. The proposed bicycle facilities would connect to existing bikeways on North Wolfe Road, Vallco Parkway, and Stevens Creek Boulevard. Bicycle parking racks, lockers, and charging areas for electric bicycles are proposed on-site. A bike hub is proposed on the western portion of the site.*
- *Providing new pedestrian trails and sidewalks following the proposed street grid pattern on the Vallco site.*
- *Improving sidewalks along North Wolfe Road from Stevens Creek Boulevard to I-280 by installing pedestrian-scale lighting and street furniture.*
- *Replacing the existing, enclosed bridge over North Wolfe Road with a landscaped pedestrian bridge.*

¹³ City of Cupertino. *General Plan Amendment, Housing Element Update and Associated Rezoning EIR*. June 18, 2014. Pages 4.13-64 and 4.13-65.

Sand Hill also proposed to implement a Transportation Demand Management Program at Vallco to encourage alternative modes of transportation and include features such as the following (some of which are also listed above):

- *Carpool, carshare, and rideshare;*
 - *Complementary community shuttle in coordination and partnership with the City, VTA, and corporate employers;*
 - *Bicycle repair stations, hub, parking, and wayfinding features on-site;*
 - *Shower and changing facilities for office employees on the Vallco site;*
 - *A Multi-Modal Transit Center on-site that supports carpool, carshare, and rideshare programs;*
 - *Electric vehicle parking on-site; and*
 - *Financial incentives for future tenants and employees to walk, bicycle, or take transit.*
- **Scenario 2a (General Plan with Initiative Assuming Vallco as Enhanced Mall):** The citywide analysis and impacts for this scenario would be the same as for Scenario 1a.

Vallco-Specific Analysis: Under Scenario 2a, renovation and improvement of Vallco would not likely require a TIA or improvements to existing transit, bicycle, and pedestrian facilities.

- **Scenario 2b (General Plan with Initiative Assuming Vallco with 2016 Occupancy):** The citywide analysis and impacts for this scenario would be the same as for Scenario 1a.

Vallco-Specific Analysis: If Vallco remains as it currently exists, no changes/improvements would be required to the existing transit, bicycle, and pedestrian facilities.

4.2.2 Roadway Infrastructure

Adopted General Plan: Buildout of the General Plan would result in significant congestion at intersections.¹⁴ New development would be subject to General Plan policies that ensure the City’s roadway infrastructure supports existing and future development, including the following: M-1.2, M-2.2, M-2.3, M-2.4, M-2.5, M-2.6, M-3.2, M-7.1, and M-8.3 (refer to Attachment C for referenced policies). For example, consistent with General Plan policy M-7.1, new development would be subject to a TIA that would evaluate a development’s significant transportation impacts and identify mitigation measures, as they apply to the new development.

The City will prepare and implement a Transportation Mitigation Fee Program to guarantee funding for roadway and infrastructure improvements that would mitigate impacts resulting from the buildout of the General Plan.¹⁵ As part of the Transportation Mitigation Fee Program, the City will prepare a “nexus” study that will serve as the basis for requiring development impact fees. The Transportation Mitigation Fee will be required to be assessed when there is new construction, an increase in square footage in an existing building, or the conversion of existing square footage to a more intensive use. The City is currently in the initial stages of preparing the Transportation Mitigation Fee Program.

¹⁴ Ibid. Page 4.13-52.

¹⁵ Ibid. Pages 4.13-53 through 4.13-56.

- **Scenario 1b (Adopted General Plan Assuming 2015 Sand Hill Proposal):** The citywide analysis and impacts for this scenario would be the same as for Scenario 1a.

Vallco-Specific Analysis: Under Scenario 1b, redevelopment of Vallco by Sand Hill would be subject to a TIA that would evaluate the project’s specific roadway infrastructure impacts and identify mitigation measures, as they applied to the redevelopment project. In addition, under Scenario 1b, Sand Hill proposed the following roadway infrastructure improvements separate from improvements that would be required by the project TIA:

- Construct a new signalized intersection on North Wolfe Road between Vallco Parkway and the I-280 interchange; and
- Modify the existing tunnel under North Wolfe Road to allow east-west access for emergency and service vehicles.

- **Scenario 2a (General Plan with Initiative Assuming Vallco as Enhanced Mall):** The citywide analysis and impacts for this scenario would be the same as for Scenario 1a.

Vallco-Specific Analysis: Under Scenario 2a, renovation and improvement of Vallco would not likely be subject to a TIA or require improvements to the existing roadway infrastructure.

- **Scenario 2b (General Plan with Initiative Assuming Vallco with 2016 Occupancy):** The citywide analysis and impacts for this scenario would be the same as for Scenario 1a.

Vallco-Specific Analysis: If Vallco remains as it currently exists, no changes/improvements would be required to the existing roadway infrastructure.

4.2.3 Freeway Infrastructure

Adopted General Plan (Scenario 1a): Buildout of the General Plan would result in significant impacts to freeway segments.¹⁶ New development would be subject to General Plan policies, including policy M-7.1 which requires that new development is subject to TIAs that evaluate a development’s significant freeway impacts and identify mitigation measures, as they apply to the new development.

Improvements to freeways are under the jurisdiction of the California Department of Transportation (Caltrans), not the City of Cupertino. The City will cooperate with Caltrans to identify improvements to the affected freeway segments and potentially include identified freeway improvements as part of the City’s Transportation Mitigation Fee Program so that proposed projects pay their fair-share towards mitigating improvements.¹⁷ The City is currently in the initial stages of preparing the Transportation Mitigation Fee Program.

No specific freeway improvements are identified or required for the buildout of the General Plan.

¹⁶ Ibid. Page 4.13-59.

¹⁷ Ibid. Page 4.13-59.

- Scenario 1b (Adopted General Plan Assuming 2015 Sand Hill Proposal):** The citywide analysis and impacts for this scenario would be the same as for Scenario 1a.

Vallco-Specific Analysis: Under Scenario 1b, redevelopment of Vallco by Sand Hill would be subject to a TIA that would evaluate the project’s specific freeway impacts and identify mitigation measures, as they applied to the development.
- Scenario 2a (General Plan with Initiative Assuming Vallco as Enhanced Mall):** The citywide analysis and impacts for this scenario would be the same as for Scenario 1a.

Vallco-Specific Analysis: Under Scenario 2a, renovation and improvement of Vallco would not likely require a TIA, improvements to existing freeway infrastructure, or fees to fund improvements to freeways.
- Scenario 2b (General Plan with Initiative Assuming Vallco with 2016 Occupancy):** The citywide analysis and impacts for this scenario would be the same as for Scenario 1a.

Vallco-Specific Analysis: If Vallco remains as it currently exists, no TIA, changes/improvements to the existing freeway infrastructure, or fees to fund improvements to freeways would be required.

4.3 PUBLIC SERVICES

4.3.1 Police Services

Adopted General Plan (Scenario 1a): Buildout of the General Plan would likely increase the number of calls for police services; however, buildout of the General Plan would not result in the need for expansion or addition of police facilities or personnel.¹⁸ New development would be subject to General Plan policies that would ensure adequate police protection services in the City including HS-4.1, HS-4.2, and HS-4.3 (refer to Attachment C for referenced policies).

The General Plan EIR noted the increase in property tax revenue from buildout of the General Plan could offset additional costs incurred by the City to increase its service contract with the Sheriff’s Department, if required.¹⁹

- Scenario 1b (Adopted General Plan Assuming 2015 Sand Hill Proposal):** The citywide analysis and impacts for this scenario would be the same as for Scenario 1a.
- Scenario 2a (General Plan with Initiative Assuming Vallco as Enhanced Mall):** The Initiative would result in 146 fewer dwelling units and 2.0 million fewer square feet of office development citywide compared to Scenario 1a. Less development would require less police service. The demand for police protection services citywide, therefore, would be proportionally less under Scenario 2a than Scenario 1a.

¹⁸ Ibid. Page 4.12-11.

¹⁹ Ibid. Pages 4.12-12 and 4.12-13.

Vallco-Specific Analysis: The level of demand for police services at the mall under Scenario 2a would be slightly more than under Scenario 2b given the level of occupancy assumed. In any active shopping mall, theft crimes comprise the majority of incidents, specifically shoplifting or the theft of valuables from patrons' vehicles. As patrons and activity at Vallco increases, whether as an enhanced mall (Scenario 2a) or mixed use property (Scenario 1b), it is anticipated that these instances of crime would increase as well.²⁰

- **Scenario 2b (General Plan with Initiative Assuming Vallco with 2016 Occupancy):** The analysis for this scenario would be the same as for Scenario 2a but Vallco will be 26 percent occupied.

Vallco-Specific Analysis: In contrast to the Vallco-specific analysis for Scenario 2a, vacant and underutilized properties (such as Vallco with 2016 occupancy) can serve as incubators for different types of crime such as vandalism, drug sales, or trespass. Vallco under Scenario 2b, therefore, would continue to require police services (though less populated) to prevent and respond to crimes.

4.3.2 Fire Services

Adopted General Plan (Scenario 1a): As described in the certified General Plan EIR, the existing fire protection facilities, equipment, and staff are adequate to accommodate growth anticipated from the buildout of the General Plan.²¹ New development would be subject to General Plan policies that would ensure adequate fire protection in the City including HS-3.1, HS-3.2, HS-3.3, HS-3.4, HS-3.7, and HS-3.8 (refer to Attachment C for referenced policies) and the City's Fire Code per Municipal Code Chapter 16.40.

The certified General Plan EIR noted the increase in property tax revenue from buildout of the General Plan would result in additional funding being available to the Fire Department for future growth, if needed.²²

- **Scenario 1b (Adopted General Plan Assuming 2015 Sand Hill Proposal):** The citywide analysis and impacts for this scenario would be the same as for Scenario 1a.
- **Scenario 2a (General Plan with Initiative Assuming Vallco as Enhanced Mall):** The Initiative would result in 146 fewer dwelling units and 2.0 million fewer square feet of office development citywide compared to Scenario 1a. Less development would require less fire service. The demand for fire protection services citywide, therefore, would be proportionally less under Scenario 2a than Scenario 1a.

²⁰ County of Santa Clara, Office of the Sheriff. *Cupertino Citizen's Sensible Growth Initiative*. March 1, 2016.

²¹ City of Cupertino. *General Plan Amendment, Housing Element Update and Associated Rezoning EIR*. June 18, 2014. Page 4.12-7.

²² Ibid.

- **Scenario 2b (General Plan with Initiative Assuming Vallco with 2016 Occupancy):** The analysis for this scenario would be the same as for Scenario 2a but under this scenario, Vallco will be 26 percent occupied.

Vallco-Specific Analysis: The level of demand for fire services at the mall under Scenario 2b could be similar as under Scenario 2a. Vacant and underutilized properties continue to require fire protection services in response to arson and service calls requiring emergency medical response.

4.3.3 School Services

Adopted General Plan (Scenario 1a): With the buildout of the General Plan, there would be 1,882 more dwelling units than currently exist. This net increase in dwelling units would generate approximately 735 new students (471 elementary school students, 132 middle school students, and 132 high school students).^{23,24}

As required by Senate Bill 50, all new development is required to pay school impact fees based on a development's square footage. Under SB 50, payment of school impact fees provides full and complete school facilities mitigation for new development associated with buildout of the General Plan.

Generally, local schools are directly impacted by residential development in that school-age children living in the new development would attend the local public schools. Non-residential development (e.g., commercial or office development) does not directly generate residents or school-aged children. Residential and non-residential developments, however, are both required to pay school impact fees.

With the school impact fees collected, local school districts (Cupertino Union School District, Fremont Unified High School District, and Santa Clara Unified School District) can implement facility improvements, as necessary. While it is acknowledged that school facility improvements may occur over the buildout of the General Plan, no specific physical school improvements were identified or required as part of the General Plan buildout.²⁵

- **Scenario 1b (Adopted General Plan Assuming 2015 Sand Hill Proposal):** The citywide analysis and impacts for this scenario would be the same as for Scenario 1a.

Vallco-Specific Analysis: Under Scenario 1b, in addition to paying the required school impact fees, Sand Hill proposed to provide funding for the following school benefits for Cupertino Union School District: construct a new 700-student elementary school; replace all portable/temporary classrooms at Collins Elementary School with permanent classrooms;

²³ Elementary and middle school students were estimated using the student generation rates of 0.25 elementary school students/unit and 0.07 middle school students/unit (City of Cupertino. *General Plan Amendment, Housing Element Update and Associated Rezoning EIR*. June 18, 2014. Page 4.12-15, footnotes 24 and 25).

²⁴ High school students were estimated using the student generation rate of 0.07 students/unit (City of Cupertino. *General Plan Amendment, Housing Element Update and Associated Rezoning EIR*. June 18, 2014. Page 4.12-16, footnote 29).

²⁵ City of Cupertino. *General Plan Amendment, Housing Element Update and Associated Rezoning EIR*. June 18, 2014. Pages 4.12-19 and 4.12-20.

improve the existing play fields at the former Nan Allan Elementary School and Collins Elementary School; create and fund of \$1 million endowment for the 8th grade Yosemite Science Program; and pay in lieu parcel tax payments for the non-senior market rate apartments as though they were separate parcels rather than a single parcel, per current taxes and parcel taxes as authorized in the future. Sand Hill also proposed to fund the following benefits for the Fremont Union High School District: construct a 10,000 square foot High School “Innovation Center” at Vallco that would be available to the High School District for rent for 34 years and pay in lieu parcel tax payments for the non-senior market rate apartments as though they were separate parcels rather than a single parcel, per current taxes and parcel taxes as authorized in the future.²⁶

- **Scenario 2a (General Plan with Initiative Assuming Vallco is Enhanced Mall):** As under Scenario 1a, new development citywide under Scenario 2a would be required to comply with SB 50 and pay school impact fees. Compared to Scenario 1a, Scenario 2a would result in 146 fewer housing units and 2.0 million fewer square feet of office development citywide.

A reduction in 146 dwelling units citywide would result in 57 fewer students (37 fewer elementary school students, 10 fewer middle school student, and 10 fewer high school students) compared to Scenario 1a. The total amount of impact fees collected by the local school districts would be reduced proportionately by the reduction in development allowed citywide.

Vallco-Specific Analysis: Under Scenario 2a, no school impact fees would be required for the renovation and improvement of Vallco.

- **Scenario 2b (General Plan with Initiative Assuming Vallco with 2016 Occupancy):** The citywide analysis and impacts for this scenario would be the same as for Scenario 2a.

Vallco-Specific Analysis: Under Scenario 2b, no school impact fees would be required if Vallco remained in its current state.

4.3.4 Library Service

Adopted General Plan (Scenario 1a): Buildout of the General Plan would result in total of 23,294 dwelling units citywide and a population of 68,484. The buildout of the General Plan would result in 5,533 new residents in the City over the next 25 years, compared to existing conditions (population of approximately 62,950).²⁷ Only residents of Santa Clara County can apply for a library card. For example, employees working in Cupertino who are not residents but live elsewhere in Santa Clara County qualify for a library card.

The analysis in the certified General Plan EIR concluded that the existing employees and library facilities in the Santa Clara County Library system would be sufficient to accommodate the increased

²⁶ Schoolhouse Services. *Enrollment and Fiscal Analysis for the: The Hills at Vallco*. February 2016.

²⁷ Existing 2016 population was estimated by multiplying the existing number of dwelling units in the City (21,412) by 2.94 average persons per household.

demand in library services from buildout of the General Plan and that no physical expansion of library facilities is required.²⁸

Note that library services are primarily funded by County property taxes. As properties within the City redevelop, it is anticipated that the value of the redeveloped properties would increase, thereby increasing the amount of County property taxes collected and provided to fund library services.

- **Scenario 1b (Adopted General Plan Assuming 2015 Sand Hill Proposal):** The citywide analysis and impacts for this scenario would be the same as for Scenario 1a.

Vallco-Specific Analysis: Under Scenario 1b, County property taxes (a portion of which funds library services) for Vallco would substantially increase compared to existing conditions (Scenario 2b) due to the redevelopment of the site and the payment of in-lieu parcel tax payments for the non-senior market rate apartments as though they were separate parcels rather than a single parcel, per current taxes and parcel taxes as authorized in the future.

- **Scenario 2a (General Plan with Initiative Assuming Vallco as Enhanced Mall):** The Initiative would result in 146 fewer dwelling units citywide, which equates to 429 fewer residents citywide, compared to Scenario 1a. The demand for library services from residents, therefore, would be less under Scenario 2a than Scenario 1a.

The Initiative would also result in 2.0 million fewer square feet of office development (which equates to approximately 6,667 fewer employees) citywide, compared to Scenario 1a. The demand for library services from office employees under this scenario, therefore, would be proportionately less compared to Scenario 1a.

Vallco-Specific Analysis: Under Scenario 2a, County property taxes (a portion of which funds library services) for Vallco would increase compared to existing conditions (Scenario 2b) proportionate to the level of renovation and improvements completed.

- **Scenario 2b (General Plan with Initiative Assuming Vallco with 2016 Occupancy):** The citywide analysis for this scenario would be the same as Scenario 2a, but Vallco will be 26 percent occupied.

Vallco-Specific Analysis: The library demand from employees at the mall would be proportionately less than if all 1.2 million square feet of the mall were occupied (Scenario 2a). There would be no increase in County property taxes (or funding for library services) from Vallco if it remains in its current state.

²⁸ City of Cupertino. *General Plan Amendment, Housing Element Update and Associated Rezoning EIR*. June 18, 2014. Page 4.12-24.

4.3.5 Parks/Recreation Facilities

Adopted General Plan (Scenario 1a): The City has a current population of 62,950 people and approximately 156 acres²⁹ of parkland in the City, which equates to 2.5 acres of parkland per 1,000 residents. The City is not currently meeting its parkland goal of providing three acres of parkland per 1,000 residents (Policy RPC-1.2).

Buildout of the General Plan would increase the current population by 5,533 people. This net increase in population would require 5.5 acres of parkland, pursuant to GP Policy RPC-1.2. No specific parkland or recreational facility improvements were identified are required for the buildout of the General Plan.

New residential development under the General Plan would be subject to the City's Municipal Code which requires residential developers to pay impact fees to maintain existing parks and recreational facilities (Chapter 14.05 of the Muni Code) and dedicate parkland or pay in-lieu fees to accommodate and offset their fair share of impacts to parklands (Chapter 18.24 of the Muni Code).

In addition, the General Plan includes policies that would assist the City in meeting its parkland goal of three acres of parkland per 1,000 residents including RPC-1.1, RPC-1.2, RPC-2.1, RPC-2.5, RPC-2.3, RPC-2.4, RPC-5.1, RPC-6.2 and RPC-8.1 (refer to Attachment C for referenced policies).

- **Scenario 1b (Adopted General Plan Assuming 2015 Sand Hill Proposal):** The citywide analysis and impacts for this scenario would be the same as for Scenario 1a.

Vallco-Specific Analysis: Specifically for the redevelopment of Vallco under Scenario 1b, Sand Hill would offset the development's park and recreational needs by paying the required fees and providing private amenity space, two "town squares" totaling three acres, and a 30-acre green roof with publically accessible active and passive open spaces. In addition, under Scenario 1b, Sand Hill proposed to improve the existing play fields at the former Nan Allan Elementary School and Collins Elementary School.

Pursuant to the City's Municipal Code, The Hills at Vallco project would be required to provide a little over four acres of parkland. The proposed town squares and green roof total approximately 33 acres; therefore, redevelopment of Vallco under Scenario 1b would exceed the amount of parkland required by the City.

The employees of the proposed office and commercial uses at Vallco under Scenario 1b could also utilize parks and open space in the City. The City does not, however, have a parkland goal for employees.

- **Scenario 2a (General Plan with Initiative Assuming Vallco as Enhanced Mall):** As under Scenario 1a, new residential development citywide under Scenario 2a would be subject to park maintenance fees and would be required to dedicate parklands or pay in-lieu fees to accommodate and offset their fair share of impacts to parkland. New residential development

²⁹ Ibid. Page 4.12-31.

would also be subject to applicable General Plan policies that assist the City in meeting the park and recreational needs of the community.

Compared to Scenario 1a, Scenario 2a would result in 146 fewer housing units and 2.0 million fewer square feet of office development citywide. The reduction in development allowed under Scenario 2a compared to Scenario 1a would result in a proportional reduction in use of existing park and recreational facilities and a proportional reduction in the need for new or expanded park and recreational facilities. The park impact fees collected by the City from new residential development and the dedication of new parkland or payment of in-lieu fees would be reduced proportionately with the reduction in residential development allowed.

Vallco-Specific Analysis: No park impact fees or dedication of parklands (or payment of in-lieu fees) would be required if Vallco is renovated and improved because no new residential development would occur at Vallco.

- **Scenario 2b (General Plan with Initiative Assuming Vallco with 2016 Occupancy):** The citywide analysis and impacts for this scenario would be the same as for Scenario 2a, but Vallco will be 26 percent occupied.

Vallco-Specific Analysis: The park/recreational facility demand from mall employees under Scenario 2b, therefore, would be proportionately less than if all 1.2 million square feet of the mall were occupied (Scenario 2a). No park impact fees or dedication of parklands (or payment of in-lieu fees) would be required if Vallco remains in its current state because no new residential development would occur at Vallco.

4.4 UTILITIES AND SERVICE SYSTEMS

4.4.1 Wastewater Treatment/Sewer System

Adopted General Plan (Scenario 1a): Buildout of the General Plan would not exceed the design or permitted capacity of the wastewater treatment plants serving the City (i.e., the San José/Santa Clara Regional Wastewater Facility and City of Sunnyvale Water Pollution Control Plant). Both plants have excess capacity and no physical expansion of existing plant facilities are needed.³⁰ In addition, the City has sufficient wastewater treatment allocations at the plants to serve the buildout of the General Plan.³¹

New development under the General Plan may exceed the capacity of the local collection system. Project-specific review is required when new development is proposed to determine if sufficient capacity exists to serve the development and improvements to the local collection system may be required as a condition of approval.

³⁰ Ibid. Pages 4.14-33 through 4.14-41.

³¹ Cupertino Sanitary District. *District Response to your letter dated November 10, 2015*. December 8, 2015.

- **Scenario 1b (Adopted General Plan Assuming 2015 Sand Hill Proposal):** The citywide analysis and impacts for this scenario would be the same as for Scenario 1a.

Vallco-Specific Analysis: Under Scenario 1b, preliminary analysis indicated that the Sand Hill development at Vallco would require the construction of a parallel pipe to the existing 15-inch sewer main in Wolfe Road to provide adequate sewer service to the proposed development.³² Downstream capacity of the sewer collection system would also need to be considered and other improvements may be necessary. This improvement would be constructed as part of the Sand Hill project.

- **Scenario 2a (General Plan with Initiative Assuming Vallco as Enhanced Mall):** The Initiative would result in 146 fewer dwelling units and 2.0 million fewer square feet of office development citywide compared to Scenario 1a. The demand for sewer conveyance and treatment citywide, therefore, would be less under Scenario 2a than Scenario 1a.

Vallco-Specific Analysis: Under Scenario 2a, no sanitary sewer improvements would be required at Vallco.

- **Scenario 2b (General Plan with Initiative Assuming Vallco with 2016 Occupancy):** The citywide analysis and impacts for this scenario would be the same as Scenario 2a, but Vallco will be 26 percent occupied.

Vallco-Specific Analysis: The amount of sewage generation from the mall under Scenario 2b would be proportionately less than if all 1.2 million square feet of the mall were occupied (Scenario 2a). Under Scenario 2b, no sanitary sewer improvements would be required at Vallco.

4.4.2 Water

Adopted General Plan (Scenario 1a): There is sufficient water supply from San José Water Company and CalWater to serve buildout of the General Plan. No new or expanded entitlements are required.³³ New development under the General Plan would be subject to existing water regulations that promote water efficiency and conservation including the following:

- Water Conservation Act of 2009
- 2010 California Plumbing Code
- Cupertino’s Landscaping Ordinance
- Cupertino’s Water Conservation Ordinance
- San José Water Company’s, CalWater’s, and Santa Clara Valley Water District’s water supply and demand management strategies and water shortage contingency plans
- Cupertino Municipal Code (including Green Building Ordinance)

³² Cupertino Sanitary Sewer District. Letter RE: Questions regarding Cupertino Sanitary District Services relative to Vallco Development. Received November 19, 2015.

³³ City of Cupertino. *General Plan Amendment, Housing Element Update and Associated Rezoning EIR*. June 18, 2014. Page 4.14-22.

In addition, new development would be subject to General Plan policies that ensure adequate water supply within the City including the following ES-7.1, ES-7.2, ES-7.4, ES-7.5, ES-7.6, ES-7.7, ES-7.8, ES-7.9, ES-7.10, and ES-7.11 (refer to Attachment C for referenced policies).

- **Scenario 1b (Adopted General Plan Assuming 2015 Sand Hill Proposal):** The citywide analysis and impacts for this scenario would be the same as for Scenario 1a.

Vallco-Specific Analysis: Under Scenario 1b, Sand Hill would reroute the existing water main in North Wolfe Road to Perimeter Road to connect to the existing water main in I-280. In addition, Sand Hill would provide the benefit of extending the existing City of Sunnyvale recycled water infrastructure that is located north of the site under I-280, south on North Wolfe Road to Stevens Creek Boulevard to provide recycled water service to the Vallco site. The redevelopment of Vallco under Scenario 1b would be LEED Platinum (or equivalent), which would result in greater water efficiency and reduced water demand than assumed for the site under Scenario 1a.

- **Scenario 2a (General Plan with Initiative Assuming Vallco as Enhanced Mall):** The Initiative would result in 146 fewer dwelling units and 2.0 million fewer office square footage citywide compared to Scenario 1a. Less development would result in less water demand. Water demand citywide under Scenario 2a, therefore, would be proportionately less than under Scenario 1a but that the amount of the reduction would be lessened by the inefficiencies at Vallco discussed below.

Vallco-Specific Analysis: Scenario 2a assumes Vallco is renovated, improved, and successfully reoccupied. The water efficiency of the existing mall fixtures are from the water efficiency standards at the time they were constructed (mid-1970s with tenant improvements in the early 1990s). It is assumed that the water efficiency of the existing, occupied mall spaces would not be updated, and that recycled water infrastructure would not be extended to the site as under Scenario 1b. Any renovations and improvements completed are assumed to meet current water efficiency standards as assumed under Scenario 1a.

- **Scenario 2b (General Plan with Initiative Assuming Vallco with 2016 Occupancy):** The Initiative would result in 146 fewer dwelling units and 2.0 million fewer office square footage citywide compared to Scenario 1a. Less development would result in less water demand. Water demand citywide under Scenario 2b, therefore, would be proportionately less than under Scenario 1a but the amount of the reduction would be lessened by the inefficiencies at Vallco discussed below.

Vallco-Specific Analysis: Scenario 2b assumes Vallco will be 26 percent occupied. The water demand at the mall under Scenario 2b, therefore, would be proportionately less than if all 1.2 million square feet of the mall were occupied (Scenario 2a). Water efficiency of the existing mall fixtures are from the water efficiency standards at the time they were constructed (mid-1970s with tenant improvements in the early 1990s). It is assumed that the water efficiency of the existing, occupied mall spaces would not be updated, and that recycled water infrastructure would not be extended to the site as under Scenario 1b.

4.4.3 Solid Waste

Adopted General Plan (Scenario 1a): Most of the City’s solid waste is disposed at Newby Island Sanitary Landfill (NISL). NISL has an estimated closure date of 2025 and the City’s contract with NISL expires in 2023, therefore, the City must find an alternative landfill to serve the City’s need in approximately 10 years. The following mitigation measure was identified in the General Plan EIR:

Mitigation Measure UTIL-8: The City shall continue its current recycling ordinances and zero waste policies in an effort to further increase its diversion rate and lower its per capita disposal rate. In addition, the City shall monitor solid waste generation volumes in relation to capacities at receiving landfill sites to ensure that sufficient capacity exists to accommodate future growth. The City shall seek new landfill sites to replace the Altamont and Newby Island landfills, at such time that these landfills are closed.

In addition, new development would be subject to applicable General Plan policies that ensure adequate waste collection and disposal facilities including the following INF-7.1, INF-7.2, INF-7.3, and INF-8.1 (refer to Attachment C for referenced policies), as well as the City’s Construction and Demolition Recycling Diversion Requirements (Municipal Code Chapter 16.72).

- **Scenario 1b (Adopted General Plan Assuming 2015 Sand Hill Proposal):** The analysis for this scenario would be the same as for Scenario 1a.

Vallco-Specific Analysis: Under Scenario 1b, construction and demolition debris would be generated from the redevelopment of Vallco. Like all new development citywide, Sand Hill would be required to meet the City’s Construction and Demolition Recycling Diversion Requirements, in compliance with Municipal Code Chapter 16.72.

- **Scenario 2a (General Plan with Initiative Assuming Vallco as Enhanced Mall):** The Initiative would result in 146 fewer dwelling units and 2.0 million fewer office square footage citywide compared to Scenario 1a. Less development would result in less solid waste being generated. Solid waste generation citywide under Scenario 2a, therefore, would be less than under Scenario 1a. It is anticipated Mitigation Measure UTIL-8 would still be required under Scenario 2a.

Vallco-Specific Analysis: Under Scenario 2a, renovation and improvement of Vallco would generate construction and demolition debris. Like all development citywide, the developer would be required to meet the City’s Construction and Demolition Recycling Diversion Requirements, in compliance with Municipal Code Chapter 16.72.

- **Scenario 2b (General Plan with Initiative Assuming Vallco with 2016 Occupancy):** The analysis for this scenario would be the same as for Scenario 2a but Vallco will be 26 percent occupied.

Vallco-Specific Analysis: The solid waste generation from the mall under Scenario 2b would be proportionately less than if all 1.2 million square feet of the mall were occupied (Scenario 2a). No construction or demolition debris would be generated at Vallco under Scenario 2b.

4.4.4 Energy

Adopted General Plan (Scenario 1a): Buildout of the General Plan would not significantly increase demands for electricity and natural gas generation, transmission, and distribution in the context of the 70,000 square mile PG&E service territory. No new energy supply facilities or distribution infrastructure or capacity-enhancing alterations to existing facilities are required to serve buildout of the General Plan.³⁴

With the implementation of General Plan policies and compliance with the City's Green Building Ordinance and CalGreen Building Code, significant energy conservation and savings would be realized in future new development. Even with the energy saving practices in place, it is possible that new electrical switches and/or transformers might be required to handle additional loads. Project-specific review is required when new development is proposed and energy infrastructure improvements may be required as a condition of approval.

While the buildout of the General Plan would intensify uses and development in the City, it would not necessarily result in greater energy demands. For example, a mix of land uses in proximity to each other could result in reduced vehicle miles traveled (i.e., residents could live closer to where they work or shop).

New development would be subject to applicable General Plan policies that ensure efficient use of energy resources including M-2.1, M-2.2, M-2.3, M-2.5, M-2.6, M-3.2, M-3.3, M-3.4, M-3.8, M-5.1, M-9.2, ES-1.1, ES-2.1, and ES-3.1 (refer to Attachment C for referenced policies).

- **Scenario 1b (Adopted General Plan Assuming 2015 Sand Hill Proposal):** The citywide analysis and impacts for this scenario would be the same as for Scenario 1a.

Vallco-Specific Analysis: Redevelopment of Vallco under Scenario 1b would be LEED Platinum (or equivalent), which would result in greater energy efficiency than currently required of new development by the City and exceed the energy efficiency assumptions for the site under buildout of the General Plan (Scenario 1a).

- **Scenario 2a (General Plan with Initiative Assuming Vallco as Enhanced Mall):** The Initiative would result in 146 fewer dwelling units and 2.0 million fewer office square feet citywide compared to Scenario 1a. Less development would result in less demand for electricity and natural gas. Energy demand citywide under Scenario 2a, therefore, would be proportionately less than under Scenario 1a but the amount of the reduction would be lessened by the inefficiencies discussed below.

As discussed under Scenario 1a, a mix of land uses in proximity to each other could result in reduced vehicle miles traveled. The Initiative would result in the reduction in dwelling units and office space in the City, and specifically would not allow a mix of residential and employment uses at Vallco, which would increase the City's overall vehicle miles traveled because new housing and jobs would be located further from each other.

³⁴ Ibid. Page 4.14-63.

Vallco-Specific Analysis: Scenario 2a assumes Vallco is renovated, improved, and successfully reoccupied. While Vallco under Scenario 2a would have less development resulting in less electricity and natural gas demand than what is envisioned for the site under the adopted General Plan, the reduction in demand would be lessened by the inefficiency of the existing mall buildings. The energy efficiency of the existing mall buildings are from the energy/efficiency standards at the time they were constructed (mid-1970s with tenant improvements in the early 1990s). It is assumed that the energy efficiency of the existing, occupied mall spaces would not be updated. Any renovations and improvements completed are assumed to be consistent with applicable General Plan policies and meet current energy/efficiency standards as assumed under Scenario 1a. As noted above, a single land use (shopping mall) verses a mixed of land uses at Vallco would increase vehicle miles traveled citywide.

- **Scenario 2b (General Plan with Initiative Assuming Vallco with 2016 Occupancy):** The Initiative would result in 146 fewer dwelling units and 2.0 million fewer square feet of office development citywide compared to Scenario 1a. Less development would result in less energy (i.e., electricity and natural gas) demand. Energy demand citywide under Scenario 2a, therefore, would be proportionately less than under Scenario 1a but that reduction is minimized by the inefficiency discussed below.

As discussed under Scenario 1a, a mix of land uses in proximity to each other could result in reduced vehicle miles traveled. The Initiative would result in the reduction in dwelling units and office space in the City, and specifically would not allow a mix of residential and employment uses at Vallco, which would increase the City's overall vehicle miles traveled because new housing and jobs would be located further from each other.

Vallco-Specific Analysis: Under Scenario 2b, it is assumed that Vallco remains as it currently exists. The mall will be 26 percent occupied in April 2016. The energy demand from the mall, therefore, would be proportionately less than if all 1.2 million square feet of the mall were occupied (Scenario 2a). As under Scenario 2a, however, while the electricity and natural gas demand of the mall at 26 percent occupied would be less than the demand than what is envisioned for the site under the adopted General Plan, the reduction would be lessened by the inefficiency of the existing mall buildings. The energy efficiency of the existing mall buildings are from the energy/efficiency standards at the time they were constructed (mid-1970s with tenant improvements in the early 1990s). It is assumed that the energy efficiency of the existing, occupied mall spaces would not be updated. As noted above, a single land use (shopping mall) verses a mixed of land uses at Vallco would increase vehicle miles traveled citywide.

4.5 COMMUNITY FORM

Adopted General Plan (Scenario 1a): The maximum building height for areas outside Special Areas (i.e., Neighborhoods) in the adopted General Plan is 30 feet. Note that in the General Plan, Vallco Shopping District is considered a Special Area and not a Neighborhood. Special Areas can have greater maximum building heights than Neighborhoods, as identified in Figure LU-1 in the General Plan.

- **Scenario 1b (Adopted General Plan Assuming 2015 Sand Hill Proposal):** The citywide analysis and impacts for this scenario would be the same as for Scenario 1a.
- **Scenario 2a (General Plan with Initiative Assuming Vallco as Enhanced Mall):** Under the Initiative, the maximum building height in areas outside Special Areas (i.e., Neighborhoods) would be increased from 30 to 45 feet. Buildings of 45 feet are typically three stories tall. The Initiative, therefore, would change the form of future development in neighborhoods to allow taller buildings, but the maximum square footage allowed on individual properties would continue to be subject to General Plan allocations and zoning standards.
- **Scenario 2b (General Plan with Initiative Assuming Vallco with 2016 Occupancy):** The citywide analysis and impacts for this scenario would be the same as for Scenario 2a.

REFERENCES

- City of Cupertino. *Community Vision 2015-2040*. October 2015.
- City of Cupertino. *Draft EIR Project Description*. December 8, 2015.
- City of Cupertino. *General Plan Amendment, Housing Element Update and Associated Rezoning EIR*. June 18, 2014.
- County of Santa Clara, Office of the Sheriff. *Cupertino Citizen's Sensible Growth Initiative*. March 1, 2016.
- Cupertino Sanitary District. *District Response to your letter dated November 10, 2015*. December 8, 2015.
- Cupertino Sanitary Sewer District. Letter RE: Questions regarding Cupertino Sanitary District Services relative to Vallco Development. Received November 19, 2015.
- Sand Hill Development Company. *The Hills at Vallco Project Description*. September 2015.
- Schoolhouse Services. *Enrollment and Fiscal Analysis for the: The Hills at Vallco*. February 2016.

**ATTACHMENT A: SAND HILL DEVELOPMENT COMPANY THE HILLS AT VALLCO
PROJECT DESCRIPTION**

The Hills at Vallco
Project Description
September 2015

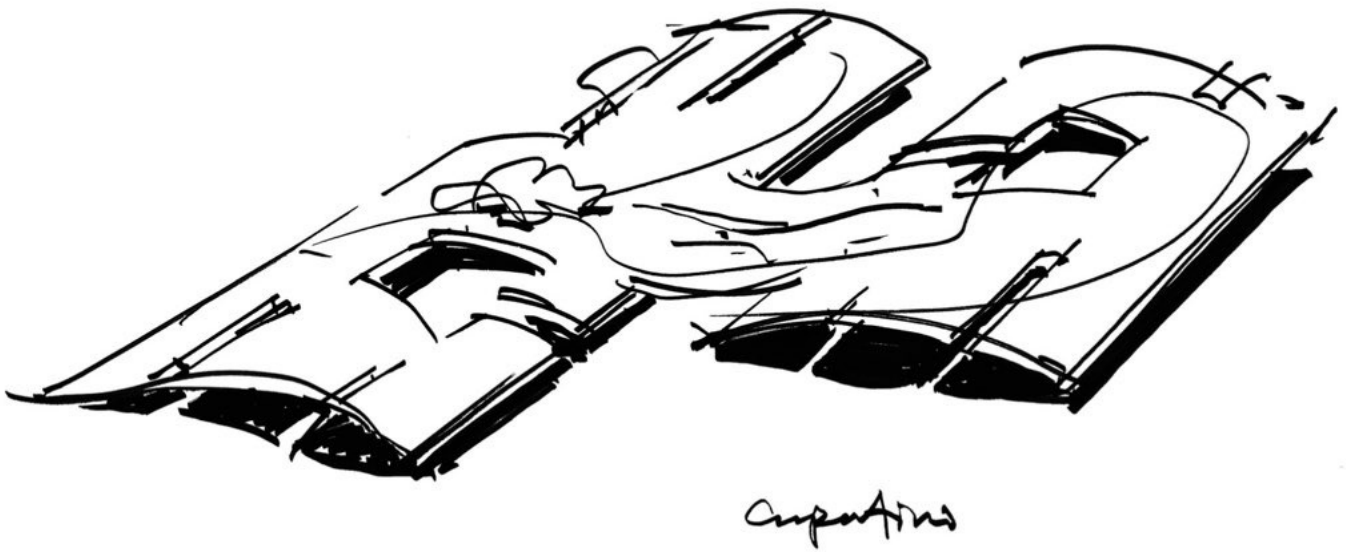


Table of Contents	Page
Executive Summary	1
Property History	3
Community Engagement	5
Mixed-Use Town Center	7
Community Park and Nature Preserve	11
Cupertino Schools	15
Transportation Solutions	16
Entitlements and Approvals	17
Revitalization Approvals	17
Revitalization Objectives	17
General Plan Conformance	19
South Vallco Connectivity Plan Conformance	21
Specific Plan Development	22
Revitalization Plan	23
Land Use	24
Mobility and Parking	27
Connectivity and Public Improvements	31
Utilities	34
Grading and Construction	36
Environmental Sustainability	37
Exhibits	39
Site Map	39
Site Description	40
Block Description	41
Data Table	45
Acknowledgements	48



Figure 1. The Hills at Vallco; a mixed-use town center and rooftop open space for Cupertino.

Executive Summary

Every community aspires to have a physical place that distills and embodies the values of its past and aspirations for its future. The Hills at Vallco is just such a place. It will create both a vibrant mixed-use town center — the social heart of Cupertino's emerging downtown — and a vast rooftop open space inspired by the natural ecology of the Cupertino foothills. The Hills at Vallco will uniquely connect landscape, buildings and infrastructure and infuse them with the best qualities of life in Cupertino.

The Hills at Vallco has been designed to fulfill Cupertino's General Plan and integrate the wishes and wisdom of the community to revitalize Vallco and ensure its success for future generations. It will create spaces that nurture vibrancy and encourage relaxation. It will embrace forward thinking innovation while respecting historical stewardship. It finds a balance between a modern need for technology and eternal need for nature. By celebrating local strengths, The Hills at Vallco will attain a global reach.

Sand Hill Property Company, through Vallco Property Owner, LLC, acquired and unified the fragmented 50-acre Vallco Shopping Mall site in November 2014. For the first time in its history, this consolidation allowed the rare opportunity to replace the failing, outdated, 40-year old indoor shopping mall, with a vibrant mixed-use town center and a community park and nature preserve. The property owner has selected internationally renowned design firms Rafael Viñoly Architects and OLIN Landscape Architects as master planners to ensure excellence in the visionary design of The Hills at Vallco.

The Hills at Vallco will include 625,000 square feet of commercial and civic areas. The design features family friendly entertainment, retail, sports and recreation, apartments for multi-generational living including 680 market rate, 80 below market rate, and 40 senior apartments, two million square feet of office space serving incubator, startups, emerging or established Silicon Valley companies, and supporting public, residential, and office amenity areas including a

high school Innovation Center and transit center. The groundbreaking publicly accessible rooftop open space — 30-acres of landscaping floating above the buildings — will comprise the largest green roof in the world and include nearly four miles of walking/jogging trails, vineyards, orchards, organic gardens, an amphitheater, children's play areas, single level amenities pavilions, and a refuge for native fauna.

The sustainability goal for the Hills at Vallco is LEED Platinum certification; globally recognized as the highest level of environmentally conscious construction. The monumental scale of the green roof will improve resource efficiency and mitigate climate change. It will reduce the urban heat island effect, improve public health, minimize water run-off, improve water and air quality, improve energy efficiency of the buildings, and promote bio-diversity. In the long run, The Hills at Vallco ambitiously targets a Net-Zero Water policy. Water conservation efforts will include the extension of the recycled water line from Sunnyvale to The Hills at Vallco, a partnership with many public stakeholders.

The Hills at Vallco aligns with Cupertino's General Plan and framework for the Vallco Shopping District. The Hills at Vallco will create a net positive impact on the already world class schools in Cupertino. It will also provide significant traffic solutions, including spearheading the rebuilding of the Wolfe Road/ Hwy. 280 bridge and interchange, the implementation of intersection and signal timing improvements, and a complimentary community shuttle for Cupertino residents.

The majority of the approximately 9,175 parking spaces will be located underground to maximize the opportunities for community engagement throughout the ground level footprint.

The Hills at Vallco represents a nearly \$3 billion investment in the Cupertino community and the Silicon Valley region. It will produce substantial net positive impacts on the order of hundreds of millions of dollars to the City in fees, property taxes and retail sales taxes.

Property History

In the 1960s, 25 Cupertino families and property owners came together to launch the overall scheme for the 300-acre Vallco Park, whose name was constructed from the first initials of each of the primary developers: Varian Associates and the Leonard, Lester, Craft, and Orlando families. Ten years later, Vallco Shopping Mall was established as a retail component within the business park. Development plans dating from the early 1970s, document the formation of a mixed-use district, including offices and the regional shopping mall that was eventually built. Vallco Shopping Mall opened under the brand Vallco Fashion Park in September 1976. At the time of its launch, it was one of the largest shopping malls in Silicon Valley, drawing visitors from throughout the region. Vallco Shopping Mall thrived from the mid-1970s to the mid-1980s.

Community Pride

Vallco Shopping Mall was once a source of immense community pride and identity for Cupertino – a destination with a distinct sense of place, where a diverse community of people gathered, connected, and shared a variety of experiences from shopping to skating, eating to bowling, or simply strolling. Unfortunately for the community, for many decades and for many reasons, Vallco Shopping Mall is no longer that place of pride.

Challenges

By the mid-1980s, Vallco Shopping Mall had begun to suffer from an inherent inability to respond to the ever-changing demands of consumers and markets. Constraining factors included:

- Fragmented Vallco ownership between the mall owner and the three other property owners – Sears, Macy's, and JC Penney's.
- An Operation and Reciprocal Easement Agreement signed onto by all four owners at the outset, which handcuffed each party from

pursuing improvements without unanimous consent.

- Outdated infrastructure in combination with a confusing and inefficient parking layout which began to take its toll.
- Demand for mid-market mass merchandizers, such as those department stores at Vallco Shopping Mall, began not only to contract, but to plummet throughout the nation, ultimately resulting in the closure of thousands what had been anchor stores for malls.
- Regional competition from Westfield's Valley Fair and Stanford Shopping Center, other sub-regional malls, and revitalized downtowns began to shift shoppers away from Vallco Shopping Mall.

Regional Competition

Since the 1980s, regional competition has only increased. Two of the top performing, super-regional malls in the San Francisco Bay Area located near Vallco Shopping Mall are the Stanford Shopping Center and Westfield's Valley Fair. Today, both of them are thriving and expanding. Not only is it difficult for the flagship retailers who have become tenants at these two malls to justify an additional location at Vallco Shopping Mall, many are prohibited from doing so due to lease radius restrictions. Vallco Shopping Mall must also compete with more than a dozen other shopping districts, revitalized malls and walkable downtown neighborhoods including Palo Alto, Los Gatos, Mountain View, Los Altos, and Campbell.

Failed Redevelopment Efforts

Vallco Shopping Mall ownership has turned over many times since the original developers, with multiple foreclosures and a bankruptcy, staggered between efforts to redevelop the aging mall. Occupancy began to deteriorate at an accelerated rate in the 1990s. Mall tenancy continued its steady decline into the mid-2000s.

In September 2009, a Vietnamese food processing company purchased the mall. As absentee speculators, they did nothing to reinvest in the mall, and so the mall languished further.

By 2014, Vallco Shopping Mall had distinguished itself as the most delinquent property tax payer in Cupertino with over \$7 million in unpaid back taxes, due to increasing operating losses year over year. In 2015, occupancy had dwindled to the point where vacant and papered storefronts outnumbered active storefronts throughout the mall.

A handful of mall tenants including AMC Theater, have continued to perform well even throughout Vallco Shopping Mall's leanest years. They cannot, however, be expected to support 1.2 million square feet of obsolete retail space.

General Plan Vision for Revitalization of the Vallco Shopping Mall

The City of Cupertino has long recognized the failures of Vallco Shopping Mall, and has spent the past several years working with the community to establish a new vision for revitalizing it.

In December 2014, the City Council adopted new General Plan goals, policies and strategies specifically relating to the Vallco Shopping District Special Area, within which Vallco Shopping Mall is located. The City vision outlined a complete revitalization of Vallco Shopping Mall site into a "vibrant mixed-use town center" that is a focal point for regional visitors and the community. This new district will become a destination for shopping, dining and entertainment in the City.

Unified Ownership

To realize this community vision, the General Plan "requires a master developer in order to remove the obstacles to the development of a

cohesive district with the highest levels of urban design."

In December 2014, after years of negotiations with multiple ownership groups, Sand Hill Property Company, who has been an integral part of the community for 20 years, was able to assemble all 50 acres of Vallco Shopping Mall - a first in the mall's 40 years history. Single ownership will finally allow the implementation of a unified vision to revitalize Vallco. The property owner is making an investment in Cupertino to both own and operate the property for multiple generations.

The company has experience with numerous properties throughout Cupertino, including retail, residential, offices, and hotel. All four of these uses will be on display at Main Street Cupertino – a multi-year collaboration with the City of Cupertino and the community currently under construction on approximately 18 acres, which the property owner will continue to own and operate once completed.

Within a block of this successful collaboration, the failed Vallco Shopping Mall will give way to a re-envisioned Vallco, called The Hills at Vallco.



Chime In...

YES! I want to share my thoughts on revitalizing Vallco

I have the following questions or comments:

- I support a revitalized Vallco with a mix of retail, housing and office
- Please keep me informed

Name

Address

City State Zip Code

Phone Email

Visit us online at VallcoVision.com or email info@vallcovision.com

Figure 2. 50,000 response card invitations were sent out in March and April 2015.

Community Engagement

In February 2015, the property owner initiated an unprecedented and comprehensive community engagement process with Cupertino residents encouraging them to “Chime In” on a future vision for a revitalized Vallco, also launching the website Vallco Vision to serve as a community portal for idea gathering.

In March 2015, and again in April, the property owner sent 25,000 response card invitations to every home and business in Cupertino, asking community members to share their ideas and wishes for what a new Vallco could be.

Throughout April, May, and June 2015, the property owner hosted more than 20 community meetings, open houses and presentations to collect community feedback. Residents shared what they liked and didn't like about the current mall, and what they wanted to see incorporated into a revitalized Vallco. They also had an opportunity to address ancillary concerns in the community.

In July 2015, the property owner sent a four-page report summarizing the comments gathered to each of the 25,000 homes and business in Cupertino. The property owner expressed gratitude for the opportunity to meet personally with more than 1,000 Cupertino residents and receive more than 3,800 ideas from everyone who “Chimed In”. The property owner was encouraged by the community's willingness to engage in dialogue and inspired by the quality of ideas expressed. The major themes revealed during the first six months of community engagement included:

Offer Entertainment and Family Friendly Retail

Top requests were to keep and improve upon well-loved and successful community touchstones; the AMC Theater, bowling alley, and ice rink, as well as to improve upon current fitness uses, and attract and retain more family friendly businesses.

Attract New and Diverse Restaurants

More than 50 restaurant recommendations were received, ranging from requests to keep a few popular establishments, to adding outdoor dining options, and hosting a farmers' market for Cupertino.

Increase Open Space

The current Vallco Shopping Mall is composed of fortress type buildings with no connection to the outside. Residents strongly agreed that any new project should offer exterior landscaped gathering spaces open to the community, particularly given that this part of Cupertino is below par in overall green space. Residents wanted to keep as many existing healthy trees as possible on the perimeter of the site.

Provide Traffic Solutions

Traffic improvements including rebuilding and widening the Wolfe Road/Hwy. 280 interchange, a community shuttle, and improved biking and walking options to and through the revitalized shopping district were requested.

Protect Cupertino's World-Class Schools

Suggestions were given by the community that any revitalization contribute to making Cupertino schools even better by building educational facilities on site, by replacing outdated portable classrooms with new permanent ones, by upgrading existing school facilities, or by building a new school and/or directly funding existing programs.

Create a New Town Center

Many wonderful memories of the Vallco Shopping Mall when it was “the” community-gathering place during its hey-day were shared. Many observed that Cupertino has never truly had a downtown, and suggested that a revitalized Vallco would be the ideal place to create one.



Figure 3. A variety of retail, dining, and entertainment venues are connected through walkable streets.



Figure 4. Town Square West at twilight — the active heart of The Hills at Vallco in Cupertino.

Mixed-Use Town Center

Synthesizing the community input and the aspirations of the General Plan into a mixed-use town center vision, The Hills at Vallco is conceived around the core elements essential for creating a vibrant community life – a program that begins with the ambience of the streets and public squares, and extends throughout all venues; supporting real connections between residents, employees, businesses, students and visitors.

The Hills at Vallco will elevate the quality of community life in Cupertino and beyond. It will facilitate healthy lifestyles by creating a mix of thoughtfully designed public places of various scales: intimate enclaves, broad public squares, and generous community venues that support a year-round calendar of experiences, exhibits and events. It will include the amenities of a market hall, movie theater, and recreational venues. The Hills at Vallco will provide walkable streets that allow for the serendipity of social encounters, places to sit and take in the day, settings that accommodate all of the community: families, friends, and individuals of all ages.

Town Center with Heart and Soul

The Hills at Vallco offers two interconnected town squares with two distinct experiences. Town Square West and Town Square East, to be the heart and soul of the town center. These are located on the west side and east side of Wolfe Road.

As the active heart of public life, Town Square West will be the focal point of the retail, entertainment, and residential district, and welcome Cupertino residents, employees, and visitors to an actively programmed and flexible green space that is both civic amenity and local park. As the heart, it will activate, circulate and energize the life of the entire city. In the center of Town Square West is gently sloping lawn that will flow from the north side of the space down to the South creating a lush gathering space for relaxation and for outdoor concerts, cultural events, outdoor performances and movies. The

lawn will connect to the below-grade parking garage, providing a direct visual link and path for visitors arriving by car and illuminating the garage with light and views of a rich green landscape. Surrounding the lawn, hardscape terraces shaded by large plane trees that can host large public events and festivals or serve as exterior dining or social space, will make the Town Square West a vibrant destination and community activator throughout the day and into the evening.

As a quiet compliment to the active heart of Town Square West, Town Square East has been designed as a place to nourish the soul. Town Square East is a serene and contemplative green space that will serve as central focal point and a shared exterior amenity for the mixed-use retail and office district. Along the central axis of Town Square East will be a linear low flow water feature designed for use with recycled water or other seasonal non-potable sources. It will be a thin sheet of moving water framed by large canopy trees, will create a cool, quiet oasis within the town center. Surrounding this sculptural water element and formal tree geometry, informal plantings of olive trees and grasses will provide a beautiful texture and muted color palette that move in the breeze, creating a sound buffer to the noise of the city.

Entertainment, Recreation and Retail Promenade

The successful existing community touchstones including the AMC Theater, bowling alley, ice rink, and fitness center, will be co-located to the northwestern corner of The Hills at Vallco. Freshly designed as an integrated multilevel complex, the south facing facade of this block will be embellished with terraced gardens and dining patios looking out over the open air activities of Town Square West.

Extending south from the entertainment and recreation venues to Stevens Creek Boulevard, the family friendly district will be designed as a nine-block retail promenade that makes a loop to

and from Stevens Creek Boulevard, where the new transit center and community shuttle stop will be located. Two parallel tree-lined avenues supporting this shopping loop, lined with a mixture of unique boutiques and national brand stores, will create an experience district differentiated from the surrounding shopping malls. Stores will be curated from around the country with Cupertino's lifestyle in mind. The retail promenade will have a genuine downtown atmosphere, supported by upper level residential buildings that create a unique sense of place and create scale.

The retail promenade is a pedestrian-focused circulation zone that envelopes the west side ground-level retail into an iconic shopping district, providing clear wayfinding and access from the surrounding streets and parking garage. The retail promenade is designed to enhance the retail shopping experience by providing a vibrant and comfortable space for walking, sitting, eating and socializing throughout the day and evening. This circulation space will have a rich texture of paving patterns, lighting, and outdoor spaces. Large canopy trees are limbed up to enhance views to the storefronts and provide dappled light and shade along the sidewalks and seating areas.

Along Stevens Creek Boulevard, glass facades of multi-level spaces will animate The Hills at Vallco with a line-up of leisure, fashion and technology flagship stores that epitomize the lifestyle of Cupertino, and identify it as a place that celebrates recreational, casual and creative activities.

Market Hall

The chefs, restaurants, grocery stores, markets and farms of the San Francisco Bay Area have pioneered the celebration of fresh, local and organic food, and spawned a food movement known internationally as "California Cuisine," and have linked farm to table dining, specifically to this region. The Hills at Vallco will capture this spirit by introducing Market Hall; a food hall with

local, artisan offerings. Located at the eastern edge of the retail district, Market Hall will provide fresh and healthy food with broad economic access, community gardens and urban agriculture to educate the community on how to meet the basic dietary needs for active lives. Market Hall will act as a community amenity and meeting place, populated in the mornings with people stopping in for coffee and fresh baked goods or market style breakfast; at lunch by residents and the local work force for a mix of food stand offerings; and at regular intervals for regional farmers market offerings.

Active Public Streets

The Hills at Vallco will activate today's car-dominated streets - Stevens Creek Boulevard, Wolfe Road, and Vallco Parkway - with enhanced sidewalks, bicycle lanes, and transit facilities. Sidewalks will be designed to make walking easier and more attractive, allowing neighbors, visitors, and employees to meet and interact on their walks, and to foster economic activity, such as window shopping and sidewalk cafes. The Hills at Vallco preserves the healthy existing street trees at all edges of the site that serve as a buffer to the Portal Neighborhood residences to the West and to enhance Cupertino's urban tree cover and associated ecosystem services. The perimeter streetscapes will be enhanced to create landscapes and a comfortable pedestrian and bike-friendly realm and to provide clear, safe connections to Main Street Cupertino and other destinations in South Vallco Park Gateway.

The existing site slopes gently from Stevens Creek Boulevard towards Hwy. 280 to the North. New buildings in The Hills at Vallco will step down to echo the natural topography of the site.

Wolfe Road Crossing

Town Square East and Town Square West are visually and physically linked by a linear garden space that spans Wolfe Road and connects the mezzanine levels of the surrounding buildings. In conjunction with the floating roof, this creates a gateway for Cupertino.

Community Scale

The wavelike silhouette of the Hills at Vallco will minimize any perception of mass and bulk of the town center in response to the scale of the existing City context. Not only does the rooftop landscape blend into the existing trees around the site, but also the setbacks, street level landscape, and varying building heights will reduce the visual impact on the adjacent neighborhoods and public streets.

The western edge, where the roof meets the street at Stevens Creek Boulevard thereby providing a trail head to access the public park and nature preserve, will begin at grade level, respecting the residential scale and privacy of the Portal Neighborhood. The roof will rise at the center of the site west of Wolfe Road, staying under the existing building height of the existing AMC Theater. The roof will lower down and cross

Wolfe Road to unify the 30-acre open space at roof level and create a dynamic Wolfe Road gateway and entrance for Cupertino at street level while also addressing the arrival and departure from Hwy. 280.

The buildings east of Wolfe Road will step up towards the east side of The Hills at Vallco along Hwy. 280 and Perimeter Road.

The Stevens Creek Boulevard frontage will conform with the wide landscape easement requirement of the Heart of the City Special Area. This will create a generous pedestrian entrance plaza, provide a well located transit center, and respect the existing ash grove.



Figure 5: The wavelike shape of the rooftop open space is responding to Cupertino's community scale.



Figure 6. Rooftop community park of The Hills at Vallco looking south towards the Cupertino foothills.



Figure 7. Vineyards, oak, meadow, and chaparral landscapes on the rooftops of The Hills at Vallco.

Community Park and Nature Preserve

The landscape design for The Hills at Vallco will be based on the native ecologies of Santa Clara Valley which allows to provide a range of natural ecosystems within an urban context and be resilient to challenging climate conditions such as extended periods of drought and increasing global temperatures.

The Hills at Vallco will provide approximately 30 acres of open space and landscape floating over building structures, layering on top of a vibrant, mixed-use town center that replaces the existing 50 acres of primarily impervious surface. In addition to protecting the majority of existing trees on Wolfe Road, Stevens Creek Boulevard, and the Perimeter Road landscaped buffer, The Hills at Vallco will be adding approximately 900 trees to the site which are either native or drought tolerant species.

The plant palette has been selected to thrive with little or no irrigation. Small areas of planting with specific programmatic uses or historical references such as lawns and orchards will be maintained using only non-potable water sources such as municipal recycled water or on-site greywater and stormwater capture and reuse.

The Hills at Vallco will be a high performance landscape and model of green infrastructure that creates a highly sustainable center for civic, social, and community life and will serve as a model of transformative twenty-first century sustainable growth.

Flowing over the town center will be an approximately 30-acre community park and nature preserve. This spectacular landscape will interweave social and natural systems to create a one-of-a kind green amenity in Cupertino. The community park and nature preserve will immerse visitors in the naturally occurring oak, meadow, and chaparral landscapes of Santa Clara Valley and provide an uninterrupted visual connection to the surrounding mountain ranges of San Francisco Bay. The rooftop open space will host a diverse set of programmatic uses ranging from active public spaces for community gathering, civic engagement, public

performance, cultural festival and casual dining, to quiet intimate spaces for relaxation, to a nature preserve providing habitat for local flora and fauna such as songbirds migrating along the Pacific Flyway.

Vegetation from the Oak, Meadow, and Chaparral ecotones is ideally suited to the light-weight and free draining soils of a landscape over structure. The plant species that will make up the roof landscape are characterized by drought-hardy trees, woody shrubs and grass species such as Coast Live Oak, Valley Oak, California Black Oak, California Sycamore, California Buckeye, Western Redbud, Monterey Cypress, and Torrey Pine, Ceanothus, Manzanita, Needlegrass, Creeping Wild Rye and native sedges. These are plantings that thrive on summer drought and occasional winter rains.

The community park and nature preserve are organized around several major spaces:

Oak Grove

The oak grove will be located on the western edge of the site provides at-grade public pedestrian access to the community park and nature preserve from Stevens Creek Boulevard. At this location the roof meets the street to create a convenient and accessible trail connection to the roof at ground level. This edge will be planted with large canopy trees to create an iconic gateway space and to serve as visual buffer to the adjacent private residential neighborhood. This public landscape will be a serene retreat, providing a visual respite from the City and encouraging walking and hiking amongst the native oaks and grasses of the region.

Community Activities

The community activities will be located in the center of the community park and provide a concentration of active programmatic uses including a large play space and garden for children, indoor and outdoor community meeting

spaces, amenities such as a cafe and wine bar, and amphitheater and performance spaces.

Adjacent to the community activities will be two areas that celebrate the region's unique cultural and historic agricultural landscapes — the vineyards and the orchards. Santa Clara Valley lies between Santa Cruz Mountains and Diablo Range which shelter the area from the cold, damp San Francisco Bay climate creating the perfect Mediterranean environment for the orchards and vineyards that emerged in the late nineteenth century.

Vineyards

The vineyards will provide a stunning visual form as it undulates along the slopes of the roof. This educational landscape will engage visitors with walking trails and gathering and performance spaces set within the vines.

Orchards

The orchards will showcase fruit trees that recall the turn of the century agricultural forms and colors of Santa Clara Valley.

The orchard and vineyard will reconnect residents to the seasonal cycles of agriculture, provide educational and seasonal family friendly activities, and provide meaningful context for the role it played in the early economic and social life of Santa Clara Valley. From the first white and pink flush of flowering apricot and cherry trees to the harvesting of fruits and grapes and brilliant fall colors, these productive landscapes will become spaces of annual celebration and gathering, creating lasting memories for visitors of all ages.

Nature Preserve

The rooftop open space of The Hills at Vallco will be the largest public-access landscape ever built over structure and its establishment represents a unique opportunity to infuse a large natural system in an urban context for the mutual benefit

and improved health of people and the environment. The large area on the eastern roof will provide a significant number of ecosystems services including improved biodiversity and habitat for migratory birds and pollinating insects, improved air quality, enhanced storm water management, reducing carbon emissions by reducing the urban heat island effect, and numerous opportunities for physical health benefits from exercise and interaction with nature.



Figure 8. Conceptual landscape plan for the 30-acre community park and nature preserve.

Cupertino Schools

The property owner proposes to establish and improve quality education facilities and programs for both current students attending Cupertino K-12 schools and for new students residing in The Hills at Vallco. While state law limits fees a school district can charge to mitigate school impacts, the property owner will pay more than is required to not only protect, but improve, upon the educational successes of Cupertino Union and Fremont Union High School Districts.

In collaboration with both districts, the property owner proposes a net positive impact to more than mitigate any potential impacts related to an increase in overall student population from the project, by funding and delivering the following unprecedented facilities and programs:

Cupertino Union School District K-8 Educational Facilities, Programs and Funding

- Ground-up construction of a new 700-student elementary school at the former site of the Nan Allen Elementary School.
- Replacement of all portable/temporary classrooms at Collins Elementary School with permanent classrooms.
- Improvement and expansion of school playing fields at the former Nan Allen and Collins Elementary School sites.
- Creation and funding of a \$1 million endowment for the 8th grade Yosemite Science Program.
- Payment of the full statutory requirement “Level 1 Fee” obligation.

The new school will not only accommodate new students from The Hills at Vallco, but provide classrooms for hundreds of existing students, and relieve pressure from existing schools.

The property owner proposes a total education facilities and programs investment for Cupertino Union School District of approximately \$20 million, roughly 10 times the amount required by Senate Bill 50.

Fremont Union High School District 9-12 Facilities, Programs and Funding

A new 10,000 square foot, turn-key Innovation Center at The Hills at Vallco will be delivered to Fremont Union High School District. This flexible, multi-use space will be used by district high school students to build projects together while collaborating with members of the greater community. The Innovation Center will serve as an incubator for student inventions, plans, and the seeds of bold, new ideas that are increasingly indigenous to the Silicon Valley with programs and facilities including:

- Student led businesses incubator
- Work-based learning initiatives hub
- Robotics team competition arena
- Multi-disciplinary student maker creativity brainstorming and prototyping space
- Centrally located classroom for students from all five campuses within the district.
- Performance space.
- An exhibition space.
- Charitable lease of the Innovation Center for a term of 34 years at a nominal rent of \$1 per year.
- Payment of the full statutory requirement “Level 1 Fee” obligation.

The property owner proposes a total education facilities and programs investment for Fremont Union High School District of approximately \$20 million, approximately 20 times the amount required by Senate Bill 50.

Transportation Solutions

The multi-generational commitment of The Hills at Vallco to be a vibrant mixed-use town center and amenity for the community at large well into the future, requires forward thinking solutions to problems yet unseen, but anticipated. Therefore, the Hills at Vallco, will take proactive measures to incorporate transportation solutions for existing Cupertino residents and employees from the outset along key transportation corridors and Hwy. 280 including the following:

Improve Wolfe Road/Hwy. 280 Interchange

The Hills at Vallco will spearhead the widening and rebuilding of the Wolfe Road/Hwy. 280 bridge and interchange. This will include improvements to the pedestrian and bicycle connections across Hwy. 280 that connect North Vallco, where The Hamptons and Apple Campus 2 are located, with South Vallco, where The Hills of Vallco and Main Street Cupertino are located.

Improve Wolfe Road Intersections

A new signalized intersection is proposed along Wolfe Road between Vallco Parkway and the Hwy. 280 interchange. This intersection is intended to facilitate vehicular access to and from the east and west side of The Hills at Vallco. This intersection will improve public access to The Hills at Vallco by replacing the outdated existing on and off ramps from Wolfe Road to Perimeter Road.

This intersection improvement will also modify the existing tunnel under Wolfe Road to allow east-west access for fire, emergency, and service vehicles, which does not exist today due to the low tunnel height.

In addition, this new intersection will provide a new and safe bicycle and pedestrian crossing at grade across Wolfe Road to create strong walkable connections to integrate the east and west sides of the emerging downtown at South Vallco.

Included as these Wolfe Road improvements, will be additional traffic signal timing upgrades

between Stevens Creek Boulevard and Hwy. 280, to improve the vehicular traffic flow on Wolfe Road.

Introduce a Community Shuttle

The Hills at Vallco will lead a partnership with the City of Cupertino, VTA, and corporate employers to fund a complimentary community shuttle for Cupertino residents and employees, to connect numerous destinations within the community including the library, Civic Center, Memorial Park, De Anza College, one or more high schools, the Apple campuses, and more. This will improve residents' access to key community destinations, while giving office workers exposure to businesses in the community.

Establish a Multi-Modal Transit Center

The Hills at Vallco will be designed with the north side of Stevens Creek Boulevard between Wolfe Road and Perimeter Road as transit center location. The complimentary community shuttle, VTA local and express buses, future Bus Rapid Transit, corporate shuttles, and sharing economy transportation services will all make regular stops at the transit center. The transit center will specifically accommodate the existing VTA's existing Stevens Creek Boulevard bus lines 23 and 323. The Hills at Vallco will have an entrance plaza along Stevens Creek Boulevard that will accommodate pedestrian access to a curbside station.

Expand Community Connectivity

The Hills at Vallco will improve the quality of public spaces surrounding the site so as to enhance the pedestrian and bicycle experience and connect The Hills at Vallco with the broader community. Through an understanding of the surrounding community needs, an integrated multimodal network will be implemented that focuses on aesthetics, access, and connectivity within South Vallco Park, Apple Campus 2, and the greater Cupertino community.



Figure 9. Vallco Park Special Areas identified in Cupertino's General Plan.

Entitlements and Approvals

The property owner is seeking from the City of Cupertino following entitlements and approvals:

Legislative Approvals

- Specific Plan
- Conformance Zoning
- Development Agreement

Project Level Approvals

- Development Permits
- Conditional Use Permit
- Vesting Tentative Map
- New and Modified Easements, Air Rights and Other Related Agreements
- Tree Removal Permit
- Architecture and Site Approvals
- Environmental Review

Primary Objectives

- Carry out the vision in the City's General Plan to transform the outdated Vallco Shopping Mall into a vibrant and healthy mixed-use town center by balancing retail, employment, residential, civic and ancillary uses with a focus on providing significant open space features, views, and a gateway to Cupertino.
- Revitalize this critical urban infill site with a strong and complementary mixed-use program, including retail, office, residential, civic and ancillary uses, at an intensity and density that both promotes visitor activity and interest and is able to financially support an innovative open space, transit center, and civic programs, as well as achieve a high level of sustainability.

Secondary Objectives

- Create an innovative and active gathering place with a vitality in design that integrates and encourages walking and cycling and that is compatible with, and complementary to, recent well-designed projects proximate to the project site.
- Capitalize on the opportunity to utilize existing infrastructure in a manner which furthers local, regional and state compact and sustainable

growth goals, including the extension of recycled water.

- Provide sufficient local serving and destination retail uses to enable Cupertino and South Bay residents and shoppers to reduce vehicle miles travelled and associated greenhouse gas emissions.
- Create an active, inviting and comfortable place for people to visit, shop, and enjoy dining and entertainment.
- Provide greater residential variety and density, including additional affordable residential and life-cycle residential.
- Reduce distances between residential, workplaces, retail businesses, and other entertainment amenities.
- Improve local access to fresh and healthy foods by integrating more traditional food retail with the vibrancy of local farmers markets, and the heightened awareness of seasonal cycles as well as education opportunities through urban farming.
- Provide adequate parking and vehicular access that meets the needs of future project visitors, employees, and residents, while encouraging the use of transit, bicycle, and other alternative modes of transportation.
- Create new residential opportunities in close proximity to employment centers, public transit, shops, restaurants and entertainment uses.
- Create a new regional civic gathering place that has a strong neighborhood character that is informed by and responding to the ideas, input and concerns of the local community.

The property owner may supplement this list with additional approvals from appropriate local, regional, state and federal agencies.

The Hills at Vallco community amenities, including community park and nature preserve, transportation improvements, education facilities and programs funding, and other benefits outlined in this Project Description are proposed to be included as part of legally binding and enforceable Development Agreement between the property owner and the City of Cupertino.

General Plan Conformance

The Hills at Vallco fulfills, implements and complies with Cupertino's General Plan, the policies for the Vallco Shopping District Special Area, and the South Vallco Connectivity Plan:

1. General Plan Conformance

The City of Cupertino has been working with the community over the past two years to update its General Plan - the overarching policy document that guides all future growth and development decisions made by the city. On December 4, 2014, the Cupertino City Council formally adopted an updated General Plan called "Community Vision 2040".

The Hills at Vallco follows the strategic direction set by the City of Cupertino to focus future change within Special Areas, such as the Vallco Shopping District. These Special Areas are located on Cupertino's major mixed-use corridors with a mix of commercial, office, hotel and residential uses. At the same time, The Hills at Vallco will also protect and enhance Cupertino's neighborhoods to ensure the community's great quality of life in these largely residential areas.

Planning for changing demographics. The City needs to plan not only for existing families which form a larger percentage of our population, but also for the growing demographic of seniors and younger workers through new residential, services, shopping, entertainment and community facilities.

Local and regional land use planning and collaboration. The City will take an active part in regional collaborative planning processes related to residential, transportation, sustainability, health, transportation and infrastructure financing in order to ensure local land use and transportation decisions are coordinated with regional efforts.

Integrating community health into land use planning. The City will enhance and improve health of people who live and work in our community. This includes integrating land use and transportation networks to reduce reliance on auto usage and improving alternative choices

for transportation by focusing growth and change in corridors that support all modes of transit, providing neighborhoods with easy access to schools, parks and neighborhood centers.

Land use and economics. The City will look to diversify the City's tax base, support and retain existing businesses, increase the vitality of aging commercial centers with redevelopment, seek to diversify shopping opportunities so that the community has the opportunity to satisfy their shopping needs within Cupertino.

Urban design, form and character. The City will seek high-quality development to achieve desired physical environment in Planning Areas, including walkable, connected neighborhoods, inviting streets that allow for different modes of transportation, and vibrant and walkable special areas, and neighborhood centers in keeping with Community Vision 2040.

Preservation of natural environment and hillsides. Cupertino is blessed with an abundance of natural resources, including hillsides, creek corridors, and sensitive animal and plant habitats along the foothills. Much of this land is preserved in low-intensity residential and agricultural uses or open space. As redevelopment occurs, the City will strive to preserve these natural areas through land use and building design decisions.

Economic Vitality and Fiscal Stability. As Cupertino's population grows and ages, demands on community resources will increase. In order to maintain and enhance the community's quality of life, the City will ensure that existing businesses are encouraged to reinvest and grow in Cupertino, and that the City continues to attract new businesses and investment."

2. Vallco Shopping District Special Area Conformance

As part of the "Community Vision 2040", the City Council adopted new General Plan goals, policies and strategies for Vallco Shopping District Special Area, where Vallco Shopping Mall is located. The City envisions a complete

redevelopment of the existing Vallco site into a vibrant mixed-use “town center” that is a focal point for regional visitors and the community. This new district will become a destination for shopping, dining and entertainment in Santa Clara Valley. The Hills at Vallco fulfills, implements and complies with the Vallco Shopping District Special Area objectives and goals of the General Plan:

Policy LU-19.1: Specific Plan: Create a Specific Plan prior to any development on the site that lays out the land uses, design standards and guidelines, and infrastructure improvements required. The Specific Plan will be based on the following strategies:

Strategy LU-19.1.1: Master Developer.

Redevelopment will require a master developer in order to remove obstacles to the development of a cohesive district with the highest levels of urban design.

Strategy LU-19.1.2: Parcel Assembly. Parcel assembly and a plan for complete redevelopment of the site is required prior to adding residential and office uses. Parcelization is highly discouraged in order to preserve the site for redevelopment in the future.

Strategy LU-19.1.3: Complete

Redevelopment. The “town center” plan should be based on complete redevelopment of the site in order to ensure that the site can be planned to carry out the community vision.

Strategy LU-19.1.4: Land Use. The following uses are allowed on the site:

Retail: High-performing retail, restaurant and entertainment uses. Maintain a minimum of 600,000 square feet of retail that provide a good source of sales tax for the City. Entertainment uses may be included but shall consist of no more than 30 percent of retail uses.

Hotel: Encourage a business class hotel with conference center and active uses including main entrances, lobbies, retail and restaurants on the ground floor.

Residential: Allow residential on upper floors with retail and active uses on the ground floor.

Encourage a mix of units for young professionals, couples and/or active seniors who like to live in an active “town center” environment.

Office: Encourage high-quality office space arranged in a pedestrian-oriented street grid with active uses on the ground floor, publicly accessible streets and plazas/green space.

Strategy LU-19.1.5: “Town Center”

Layout. Create streets and blocks laid out using “transect planning” (appropriate street and building types for each area), which includes a discernible center and edges, public space at center, high quality public realm, and land uses appropriate to the street and building typology.

Strategy LU-19.1.6: Connectivity. Provide a newly configured complete street grid hierarchy of streets, boulevards and alleys that is pedestrian-oriented, connects to existing streets, and creates walkable urban blocks for buildings and open space. It should also incorporate transit facilities, provide connections to other transit nodes and coordinate with the potential expansion of Wolfe Road bridge over Interstate 280 to continue the walkable, bike-friendly boulevard concept along Wolfe Road. The project should also contribute towards a study and improvements to a potential Interstate 280 trail along the drainage channel south of the freeway and provide pedestrian and bicycle connections from the project sites to the trail.

Strategy LU-19.1.7: Existing Streets. Improve Stevens Creek Boulevard and Wolfe Road to become more bike and pedestrian-friendly with bike lanes, wide sidewalks, street trees, improved pedestrian intersections to accommodate the connections to Nineteen800 and Main Street.

Strategy LU-19.1.8: Open Space. Open space in the form of a central town square on the west and east sides of the district interspersed with plazas and “greens” that create community gathering spaces, locations for public art, and event space for community events.

Strategy LU-19.1.9: Building Form. Buildings should have high-quality architecture, and an

emphasis on aesthetics, human scale, and create a sense of place. Additional heights may be approved in specific areas by the City Council as part of the Community Benefits Program. Taller buildings should provide appropriate transitions to fit into the surrounding area.

Strategy LU-19.1.10: Gateway Character. High-quality buildings with architecture and materials befitting the gateway character of the site. The project should provide gateway signage and treatment.

Strategy LU-19.1.11: Phasing Plan. A phasing plan that lays out the timing of infrastructure, open space and land use improvements that ensures that elements desired by the community are included in early phases.

Strategy LU-19.1.12: Parking. Parking in surface lots shall be located to the side or rear of buildings. Underground parking beneath buildings is preferred. Above grad structures shall not be located along major street frontages. In cases, where above-grade structures are allowed along internal street frontages, they shall be lined with retail, entries and active uses on the ground floor. All parking structures should be designed to be architecturally compatible with a high-quality “town center” environment.

Strategy LU-19.1.13: Trees. Retain trees along the Interstate 280, Wolfe Road and Stevens Creek Boulevard to the extent feasible, when new development are proposed.

Strategy LU-19.1.14: Neighborhood Buffers. Consider buffers such as setbacks, landscaping and/or building transitions to buffer abutting single-family residential areas from visual and noise impacts.

3. South Vallco Connectivity Plan Conformance

In accordance with the General Plan, South Vallco is envisioned to become a vibrant mixed-use downtown. In order to support these changes, the Connectivity Plan calls for the City of Cupertino to work with property owners to improve connectivity within Vallco and the adjacent areas. The property owner is

collaborating with the City of Cupertino and will include the plan's connectivity goals and objectives in the The Hills at Vallco:

Connectivity Goal

Create an efficient, safe, pleasant, well-designed and complete multi-modal network that improves aesthetics, access and internal connectivity within South Vallco.

Connectivity Objectives

Vehicular Circulation. Create logical, identifiable and safe automobile connections between public roadways and private parking areas throughout South Vallco.

Bicycle Connectivity. Improve internal bicycle circulation throughout South Vallco through new bicycle lanes and paths, bicyclist amenities, and the potential trail along the northern boundary of the area.

Pedestrian Connectivity. Enhance pedestrian walkways and pathways so they are better connected to buildings and parking areas in order to support retail uses, create a more welcoming environment and improve safety.

Transit Opportunities. Work with Santa Clara Valley Transportation Authority (VTA) to improve bus transit shelters and amenities, and identify opportunities to establish new Park-and-Ride locations within South Vallco.

Streetscapes. Enhance the visual appeal of public and private streetscapes to create a more pleasant and inviting environment for motorists, pedestrians and bicyclists.

Image and Brand. Identify a strategy to create a unified theme and brand for streetscapes throughout South Vallco, including new signage, landscaping palette, lighting, street furniture and other design elements.

Reduced Traffic Impacts. Minimize traffic impacts on local neighborhoods by improving internal circulation, creating a multi-modal network to encourage bicycling and transit, fostering a “park once” atmosphere, and allowing for the efficient flow of traffic through South Vallco.

Specific Plan Development

In December 2014, the City Council directed the property owner to embark on a comprehensive community engagement process and develop a detailed project proposal and Specific Plan for consideration by the City Council.

The purpose of the Specific Plan is to lay out the land uses, design standards and guidelines, and infrastructure improvements required for the revitalization of the Vallco Shopping District Special Area. This Specific Plan will be based on the land use strategies set forth in the General Plan Amendment, including the establishment of a town center for the Cupertino community, and containing a vibrant and connected mix of retail, entertainment, residential, offices, and open space.

An expert planning consulting firm will assist in the development of the Specific Plan that will conform to the policies and strategies of the General Plan Amendment, adapt to and inform the planning and design approach currently being developed by the property owner's master planners, and accommodate future changes as well as maintain flexibility for evolving development strategies that will respond to market conditions over time.

The Specific Plan will serve as the zoning umbrella for the Vallco Shopping District, conform to and inform master plans, and is anticipated to include, but is not limited to the following:

- **Land Use/Residential:** The plan will define land use designations, including total number of units, densities, square footage of non-residential uses, mixed-use, and employment generating land uses. Population and job projections, and possibly student generation projections will be included.
- **Transportation and Parking:** Description of circulation for vehicles, transit, bicycles, and pedestrians. New streets, paths and connections shall be included. Parking management strategies and transit oriented development parking ratios will be identified, based on the prior or other similar parking demand analysis and the anticipated mix of uses.
- **Design and Streetscape Standards:** Policies and standards to promote pedestrian and bicycle-friendly design to increase pedestrian and bicyclist comfort and safety, and intended to transform the suburban, auto oriented layout of the mall.
- **Open Space Plan:** The plan will address the provision of adequate public and private open space as an integral part of the conceptual land-use plan.
- **Public Services:** Information about services and infrastructure needed to implement the plan, including specific policies regarding utilities, public safety, parks, schools, and cultural facilities.
- **Sustainability Opportunity Analysis:** A detailed, long-range strategy to achieve project sustainability in the sectors of greenhouse gas emissions, energy, transportation and land use, solid waste, water, and economic development.
- **Technical Studies for the Specific Plan:** Technical studies could include but are not limited to assessment of strategies and necessary improvements for development projects, mobility, and streetscape design such as:
 - Infrastructure implementation.
 - Financing plan and market analysis.
 - Alternatives analysis for floor area allocations and land uses across the Specific Plan area.
 - Transportation Demand Management plan/memo, which may include a parking policy and management plan.
- **Community Involvement:** Community engagement will continue to take place during the Specific Plan development.

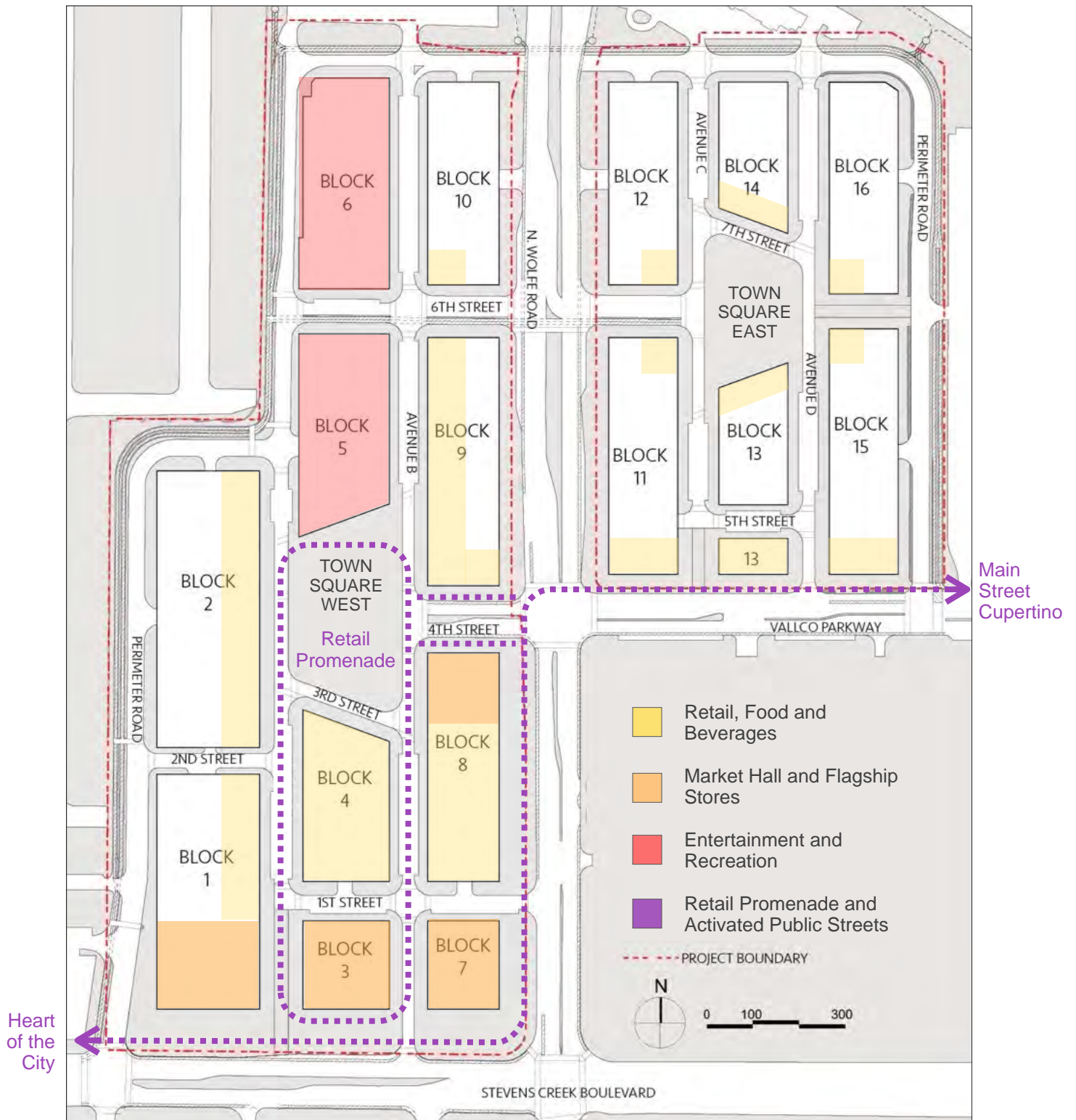


Figure 10. Conceptual town center layout and strategic retail, entertainment and recreation zones.

Revitalization Plan

Mixed Land Uses

The sixteen-block town center layout will provide a flexible framework that allows a vibrant mix of uses be distributed both horizontally and vertically across the sites west and east of Wolfe Road. The highest priority for the success of The Hills at Vallco is the location and distribution of the family friendly retail and entertainment, followed by the integration of complementary apartments, offices, and parking. The ground floor level across the site will have ample spaces for small, medium and large retail uses. On top of the ground floor retail will be at least one of following uses: a second retail level to provide double height spaces for flagship stores, apartments, offices, or parking.

Vibrant Retail

There will be multiple types and sizes of retail space to serve The Hills at Vallco located at and near the most walkable and transit connected places within the site. Stevens Creek Boulevard is a major pedestrian town center entrance. From there, the retail promenade, which connects Stevens Creek Boulevard with Town Square West, will form a walkable shopping loop. Additional retail will be located along Stevens Creek Boulevard, Town Square East, Wolfe Road and Vallco Parkway to activate the public streets with pedestrian life.

Stevens Creek Boulevard Entrance

Commuters, pedestrians, and bicyclists will enter The Hills at Vallco from Stevens Creek Boulevard. They will arrive at a generous entrance plaza, lined with two-story flagship retailers with prominent facades in Blocks 1, 3, and 7, all of which face and address the scale of Stevens Creek Boulevard. The entrance plaza will provide two pedestrian entry points to the retail promenade at Avenues A and B.

Retail Promenade

The ground floor retail promenade along Avenues A and B extending from Stevens Creek Boulevard north will be complemented above by apartments on the upper floors of Blocks 1, 2, 3, 4, 7, 8, and 9, and will join up with the AMC Theater and additional entertainment and recreational programming at the northern edge of the Town Square West.

Market Hall

Block 8 will contain a signature space for various specialty and artisanal food venues. The Market Hall will activate the entrance to The Hills at Vallco at the Wolfe Road and Vallco Parkway intersection.

Town Square East

The group floor corners of Blocks 11, 12, 13, 14, 15, and 16 will contain a mixture of small to medium-sized retail as well as destination food and beverage venues that provide support during the day and evening to the employees and visitors of the mixed-use retail and office district.

Vital Entertainment and Recreation

On the north side of Town Square West, situated in Blocks 5 and 6, the primary entertainment, sports, and recreation spaces, including the AMC Theater, a bowling alley, a fitness center, and an ice rink, will be located.

AMC Theater

The centerpiece of the entertainment zone will be a state-of-the-art, multi-screen AMC Theater. The theater faces south onto Town Square West with a mezzanine overlooking the square that is complemented by various food and beverage venues, outdoor seating, and retail shopping.

Bowling Alley

The next generation, multi-use bowling alley will be located adjacent to the AMC Theater.

Ice Rink

The regulation sized ice rink will be located at the northern-most position of this block, with viewing stands built alongside.

Fitness Center

The new fitness center will be located on the upper floors to provide direct access to rooftop community wellness activities.

Active Civic Spaces

The 10,000 square feet high-school Innovation Center will serve as an innovation and collaboration hub, project space, art gallery, and competition arena for robotics tournaments.

About 5,000 square feet of space will be reserved for community group activities and local nonprofit organizations.

The Hills at Vallco will continue to collaborate with the community to identify and create first-class civic and cultural destinations.

Attractive and Integrated Residential

The Hills at Vallco proposes mixed-use residential over ground floor retail. The residential mix promotes an inclusive town center lifestyle and will serve a range of household types and income levels inclusive of singles, couples, young families, active seniors, visiting executives, and low income households. The residential unit mix will include:

Apartments with parking and residential amenities will be situated in Blocks 1, 2, 3, 4, 7, 8, and 9.

Cutting Edge Offices

Two million square feet Class-A office space will provide the most up-to-date, efficient and flexible spaces for incubators or start-ups, emerging or established companies across the lifecycle of Silicon Valley companies.

75 percent of the office spaces will be located in the mixed-use retail and office district East of Wolfe Road. Blocks 11, 12, 13, 14, 15, and 16 will provide the flexibility to be connected by pedestrian bridges at the upper floors.

The other 25 percent will be located West of Wolfe Road in Blocks 9 and 10.

Office entrances, lobbies and some of the employee amenities will be located at ground floor in such a manner that they enhance the active use of the walkable town center streets and town squares.

Signature Rooftop Amenities

The community garden and nature preserve of The Hills at Vallco will contain a multitude of community-based, educational, and civic-oriented spaces to serve the citizens of Cupertino. It will also provide residential amenities required by City code, and reserved amenity spaces for office uses.

The single level rooftop pavilions will serve community, residential, and office functions. The community banquet hall, with a capacity of more than 2,000 occupants, and wine garden adjacent to the vineyards will be used for large community gatherings such as weddings, fundraisers, cultural events and festivals.

The rooftop amenity program will be further considered in collaboration with the local community and future users.

Distributed Parking

Approximately 9,175 parking spaces will be located below-grade, at grade, and in parking structures. The parking is allocated to each location as appropriate for the needs of the adjacent users and is separated where required and shared where possible. The basement levels will provide approximately 6,000 parking spaces.

Basement Level 2

Basement Level 2 will have a floor to floor height of 12 feet, and will cover approximately 670,000 square feet on east of Wolfe Road to serve the offices. Basement Level 2 will be accessed from grade via ramps through basement level 1.

Basement Level 1

Basement Level 1 will have a 15 foot floor to floor height. Basement Level 1 is accessed by multiple parking structure ramps from grade along Perimeter Road, Wolfe Road, and various on-site streets.

At-Grade Parking

Distributed around The Hills at Vallco is short term, at-grade parking along the various on-site streets for ease of access to the retail and entertainment venues.

Parking Structures

Residential parking will be provided in the resident only parking structures that are integrated with the apartments in Blocks 1, 2, 4, and 8.

Office parking will be provided in Block 16.

Efficient Central Plant

A central plant will be located at the upper portion of Block 16 adjacent to the Hwy. 280. It will provide centralized heating and cooling to all blocks in the town center. Each town center block will contain mechanical support spaces in the interstitial spaces between the buildings and the green roof above. The mechanical equipment will be screened from public views by the roof structure.

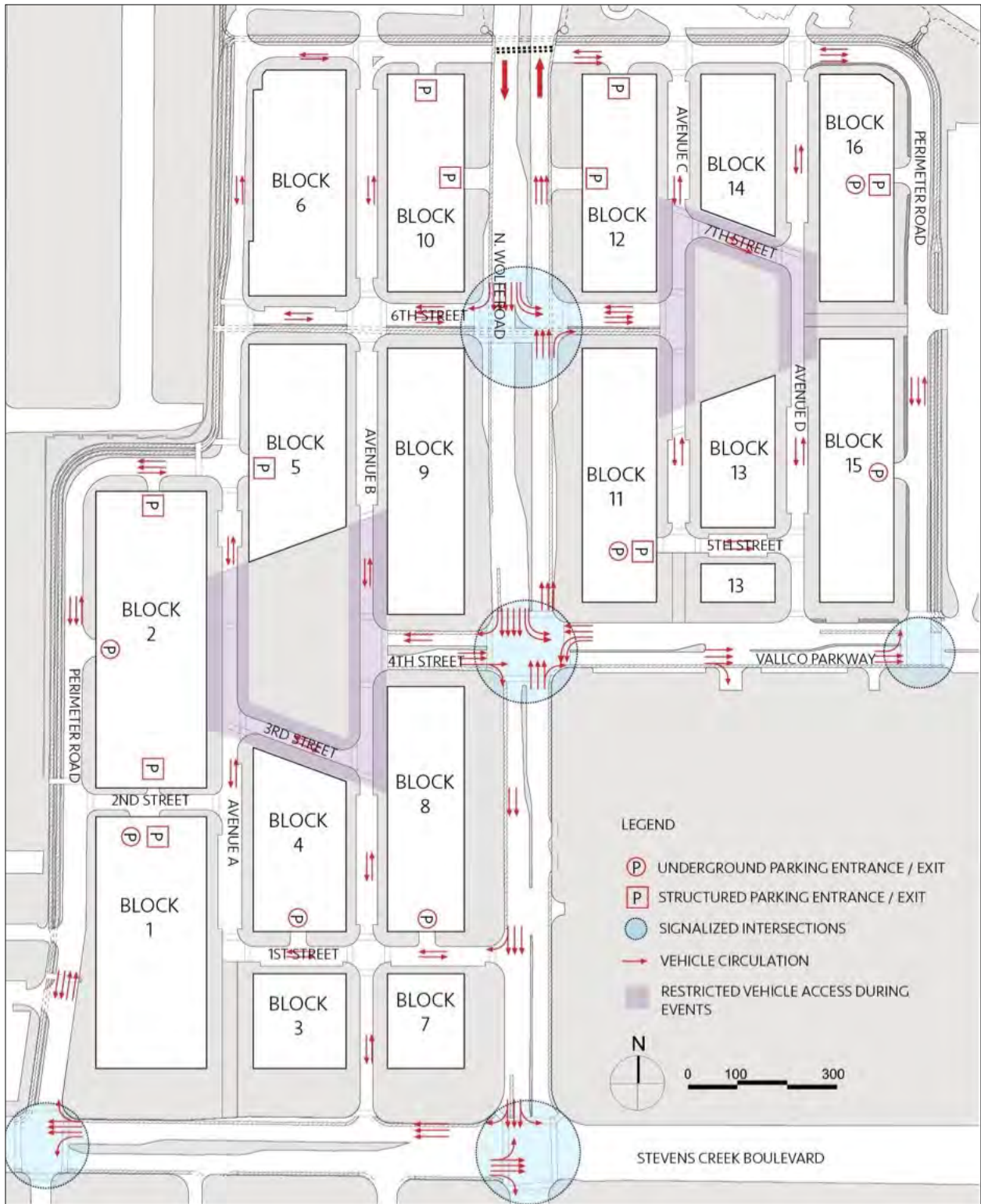


Figure 10. Conceptual site and parking access plan.

Mobility and Parking

The Hills at Vallco recognizes the existing traffic conditions in the area and strategic location near Hwy. 280 and along key transportation corridors. The Hills at Vallco will incorporate following transportation strategies for Cupertino residents, employees, and visitors:

Right Land Uses in the Right Place

The Hills at Vallco is at the geographic center of the west side of Silicon Valley, near the intersection of two major freeways. Stevens Creek Boulevard is a key transit corridor in Santa Clara County and is served by local and limited-stop bus service at a combined rate of one bus every 5-10 minutes on weekdays to downtown San Jose and to De Anza College, with 15-minute frequency on weekends and weeknights. The stop at Stevens Creek Boulevard and Wolfe Road is served now by both local and limited-stop service and is slated by VTA to receive rapid service within the next several years and eventually, a bus rapid transit station. There is no better location for a long-needed town center for Cupertino. Locating jobs, residential, retail and education uses in a town center can significantly reduce driving distances for jobs and necessary services, particularly compared to single-use office districts east of Hwy.101. By providing a mix of retail, residential, and offices, The Hills at Vallco makes it possible to live and work on site, and increases opportunities for shorter commutes.

Daily Life Within Walking Distance

The Hills at Vallco is a mixed-use shop, live, work, learn, and play environment. Employees will not need to get in their cars to run errands or go to lunch. Residents will be able to shop, dine, and get groceries on foot. Even those who do drive will be able to park once and take care of several activities, significantly reducing traffic demand compared to single-use destinations.

First Class Alternatives to Driving

As detailed in other sections, The Hills at Vallco will offer a high level of transportation services, including shuttles, on-site bike commuter amenities, car-share, and other features, in keeping with best practices elsewhere in Silicon Valley. The intention is to create a transportation mode shift away from single-occupancy vehicles and into alternative transportation modes that will minimize traffic and congestion in the City.

Information Technology

In order to help motorists find the closest available parking space, transit riders find their bus or shuttle, bike commuters identify the best route, and carpoolers join together, we will use the smart information technologies, tailored to The Hills at Vallco.

Transportation Demand Management

The approach to transportation demand management at The Hills at Vallco is to systematically and actively remove the reasons a person has to drive, including a multitude of subsidized services for residents, workers, visitors, and the community at large. The investments in transportation options are intended to generate benefits in terms of minimizing congestion, and improving health and environment. We will actively work to reach our goals.

Further, the following transportation demand management features are planned:

- Bicycle Friendly

Creating a safe, relaxing place to bicycle. Cyclists will have a first class ticket to ride at The Hills at Vallco. The many support services offered on-site further prove our commitment to cycling, such as repair stations, bike racks, wayfinding and other features.

- Circulation Improvements

Becoming a more multimodal city transcends the initiatives of any single neighborhood. To that end, we are invested in improving conditions for pedestrians, cyclists, and transit riders in Cupertino.

- Carpool, Carshare, and Rideshare

Carshare, vehicle pods, an online ridematching service, and priority parking for carpoolers at The Hills at Vallco will encourage people to share vehicles and rides. No longer will carpoolers have to worry about finding others who are interested and conveniently located. Some people will give up car ownership entirely.

- Multimodal Financial Incentives

The Hills at Vallco understand that the bottom line of finances often determines a person's ability to switch to healthier, more sustainable transportation modes. The Hills at Vallco and its future tenants and employers will help with a variety of on-going financial incentives to encourage walking, biking, and riding transit.

- Robust Transportation Management

The transportation demand management program at The Hills at Vallco will be robust and comprehensive. It will provide free and subsidized services for residents, employees, and even the public at large. It starts with having people who can effectively generate excitement for and participation in the multitude of services available, and coordinate with other organizations in the community to multiply the effectiveness of the programs offered.

Site Access

The Hills at Vallco will be integrated into the surrounding existing and planned roadway, bicycle and pedestrian, and transit networks. Roadway access points along Stevens Creek Boulevard, Wolfe Road, and Vallco Parkway will be located similarly to today but will provide safe pedestrian and bicycle crossings, transit access,

and will connect to thoughtful internal street grids that allow for efficient and safe circulation. The access points and internal roadway network will provide redundant routes for internal circulation to minimize the amount of traffic.

Vehicular Traffic Improvements

One new signalized intersection is proposed along Wolfe Road between Vallco Parkway and the Hwy. 280 interchange. This intersection is intended to facilitate bicycle, pedestrian, and vehicular access to and from the east side of the property.

Transit Improvements

The Hills at Vallco has been designed to embrace the intersection of Stevens Creek Boulevard and Wolfe Road as a transit center to service the proposed complimentary Cupertino community shuttle, VTA buses, corporate shuttles, sharing economy transportation services. The transit center will specifically accommodate the VTA's existing Stevens Creek bus line 23 and 323. The Hills at Vallco will have an entrance plaza along Stevens Creek Boulevard that will accommodate pedestrian access to curbside station. The new plaza will improve the pedestrian experience to the existing curbside stop along Stevens Creek Boulevard. Given the anticipated ridership generated by The Hills at Vallco, the stop will likely qualify to be a major bus stop; the specific palette of amenities will be specified in VTA's forthcoming (fall 2015) Transit Passenger Environment Plan. The existing bus stops along Wolfe Road near Vallco Parkway will also be upgraded with improved passenger waiting areas and pedestrian access into the site.

High-quality commuter shuttle services are now offered by numerous employers in Silicon Valley in an effort to reduce the number of car trips generated by their office workers. Each shuttle has seating capacity for 50 to 70 passengers. The Hills at Vallco will also feature a transit center for the offices located near the

intersection of Vallco Parkway and Perimeter Road that will accommodate the loading or unloading of up to several shuttles at once. The location of the transit center has been selected to provide easy access to and from Hwy. 280, but also the ability to travel in all directions.

Emergency Vehicular Traffic

The onsite roadway network will support emergency vehicle access by providing sufficient roadway width for emergency vehicles on all interior streets, sufficient turning radii for large vehicles, adequate height clearances including in the Wolfe Road tunnel crossing, and a well-organized street network with numerous access points to the surrounding network.

Parking

There will be approximately 9,175 parking spaces that will be distributed between underground parking structures, surface parking, and above-grade parking structures. Parking access points are strategically located to intercept incoming cars and to facilitate efficient egress to minimize interior on-street traffic in order to prioritize pedestrians and bikes. Circulation will be provided within the underground parking to reduce unnecessary entries and exits and to minimize circling at street level.

Street Parking Flexibility

Similar to how other urban areas in the South Bay have adapted their use of street parking, the street parking at The Hills at Vallco will be used flexibly. Street parking space, in addition to its original use, could be adapted to provide restaurant and café seating areas, parklets, additional sidewalk amenities, or could be used for temporary events such as farmers markets and art and craft festivals.

Parking Dimensions

The Hills at Vallco will comply with Cupertino's zoning regulations which require uni-size parking stalls of 8'-6"x18'-0". Other than parallel surface street parking, 90 degree parking stalls for maximum efficiency will be proposed, which will require a 24'-0" drive aisle.

Accessibility Parking

Accessible parking will be provided per the American's with Disabilities Act and the Building Code.

Electric Vehicle Parking

The Hills at Vallco anticipates that EV charging stations at the opening will far exceed the minimum Cupertino code requirements.

Parking Guidance System

The Hills at Vallco will incorporate a state-of-the-art parking guidance system that will direct vehicles to open spaces. This system will provide sensors for every parking space that provides accurate counting to a signage system and to mobile and web based technology to communicate parking count status and to direct patrons to where parking is available. This reduces the amount of circulation necessary to find a parking stall which in turn reduces emissions, and makes the visitor experience more convenient and pleasant.

Connectivity and Public Improvements

Pedestrian Connectivity

The Hills at Vallco will provide safe and comfortable connections for all pedestrians. Sidewalks will be continuous, accessible, and tree-lined with signalized crosswalks safely connecting the street grid. The at-grade pedestrian-friendly streets will support universal access with gentle slopes. Bulb-outs will protect pedestrians at public streets accessing the site, and the narrow streetscapes and bulb-outs within the property will provide an environment to facilitate comfortable walking. The South Vallco Connectivity Plan was used to guide the development of these features, including intersection improvements and prioritization of streetscape design for better walkability.

Town Squares West and East

Town Squares East and West will highlight The Hills at Vallco's walkability and focus on community life. The streets surrounding the town squares are intended to extend the area of each town square by emphasizing the shared nature of the street, through use of different paving materials, color, height differences, or other street design features. These town squares will form the focal point for temporary street closure events.

Wolfe Road Crossing

Connecting Town Squares West and East will be a landscaped pedestrian bridge that will extend over Wolfe Road for a variety of activities, such as walking, jogging, and hiking. This will replace the existing heavy and enclosed bridge.

Bicycle Connectivity

The Hills at Vallco will prioritize access and circulation for bicyclists of all comfort levels. The existing bicycle network on Wolfe Road, Vallco Parkway, and Stevens Creek Boulevard will continue onto the site with additional bike lanes on 4th and 6th Streets. The Perimeter Road tunnel will provide a through, grade-separated route across the property, as it has in the past, but with improved functionality and environment for bicyclists. Further within the site, bicycle striping, green bike lanes, and bike boxes will continue to highlight a multimodal street network. There will be a network for everyone, from commuters who prefer the fastest route to shoppers and park visitors who want to take their time exploring the green roof and bridge.

Perimeter Road Shared Use Path

The existing sidewalk surrounding The Hills at Vallco will be improved and expanded into a shared use, off-street path. As envisioned in the South Vallco Connectivity Plan, the path will be separated from Perimeter Road and will support both bicyclists and pedestrians. Where existing trees beautify the streetscape, the path will split, minimizing disturbance to the trees and allowing the path to be shaded. Any trees that cannot remain along Perimeter Road will be relocated or new trees will be planted in place of trees that must be removed. The shared use path will allow for multiple connection points to future paths at the northern project border, as identified in the South Vallco Connectivity Plan.

Minimizing Conflict

Intersection design will ease pedestrians, bicyclists, and vehicles to their destination with minimal conflict. For example, a new intersection proposed at Wolfe Road and 6th Street will provide an east-west bidirectional bike lanes along the south edge that allows bicyclists and pedestrians to cross without conflicts with southbound vehicles turning left from Wolfe to 6th and westbound vehicles turning right from

6th to Wolfe. Along Perimeter Road, crossings will be clearly marked to facilitate connections from the shared use path into the internal street grid. Interior streets will be designed as low-speed shared streets that feature a healthy mixing of bicycle, auto, and street parking activity.

Bicycle Amenities

Bolstering the bicycle network will be amenities for secure, comfortable bicycling. In addition to the short term bike parking located throughout the property, cyclists will have access to bike lockers, indoor bike parking, and charging for electric bike users. Bike repair stations will also be provided at various locations in around the Hills at Vallco. Within offices, employees will have showers and changing facilities to comfortably continue the day after an active commute to work. Coordinating with retail services on site, cyclists could access a bike shop with a professional bicycle mechanic to help with maintenance needs or to purchase supplies.

Programming for Walking and Biking

Programming through strong transportation management will incentivize and support active transportation. Commuters who bike or walk to work will receive incentives and personalized trip planning support. Residents and employees will be able to take part in bicycle and helmet giveaway programs. For active travelers who would rather go with a group, walk and bike pool clubs could offer guided tours to work. Employees, residents, and shoppers will be able to participate in site-wide events to celebrate bicycling and walking. Together, these amenities align perfectly with many of the South Vallco Connectivity Plan objectives, including emphases on bicycle and pedestrian connectivity, streetscapes, and image and brand.

Vehicle Connectivity

While connectivity for pedestrians and bicyclists will be prioritized, efficient vehicle flow enables efficient travel for everyone. The Hills at Vallco will have a clear roadway hierarchy that directs most vehicles to the parking garages efficiently, reducing potential conflicts with pedestrians and bicyclists on the at-grade street network. The existing public roads of Wolfe Road, Stevens Creek Boulevard, and Vallco Parkway are designed to handle the most vehicle capacity. Connectors are second in the hierarchy with 4th St, portions of 6th St, and Perimeter Road directing vehicles towards the primary roadways. Vehicles most easily access the site from Stevens Creek Boulevard at Perimeter Road, from northbound Wolfe at 4th Street/Vallco Parkway, and from southbound Wolfe Road straight into the parking garages north of 6th Street. Vehicles that venture further into the site will encounter narrower, slower streets with greater bicycle and pedestrian activity. In general, the small block street network envisioned in the South Vallco Connectivity Plan will encourage the objective of efficient and safe multimodal circulation.

Public Improvements

Public Improvements to adjacent roadways include:

Wolfe Road

- Create an urban-style setting with logical and accessible pedestrian-scale roads.
- Create logical, identifiable, and safe vehicular, pedestrian, and bicycle connections between public roadways and the parking areas throughout the South Vallco area.
- Improve sidewalks along Wolfe Road from Stevens Creek Boulevard to Hwy. 280.
- Restripe and color bike lanes along Wolfe Road from Stevens Creek Boulevard to Hwy. 280.
- Preserve majority of mature, healthy trees along Wolfe Road while relocating and planting new trees.
- Provide pedestrian-scale lighting and street furniture along Wolfe Road to encourage pedestrian access to commercial venues.
- Rebuild the Perimeter Road tunnel to provide adequate height clearance to permit service vehicles, trucks, emergency vehicles, and other taller vehicles so that these necessary service activities can move across the property without crossing Wolfe Road at grade.
- Build additional tunnel under Wolfe Road to improve the parking circulation, connecting the parking basements east and west of Wolfe Road.

Stevens Creek Boulevard

- Provide retail shopping front door entry point accessed directly from Stevens Creek Boulevard. There will be both a vehicular entry and a pedestrian-only entry with easy connections to rapid transit buses and community shuttle.

- Create logical, identifiable, and safe vehicular, pedestrian, and bicycle connections between public roadways and the parking areas throughout South Vallco.
- Preserve vast majority of healthy, mature trees along Stevens Creek Boulevard while relocating and planting new trees.

Vallco Parkway

- Create a multi-use street that allows for ground floor retail and comfortable pedestrian experience, a private shuttle stop, continuous bike lanes, and entry and exit points to the property, while accommodating traffic turning movements onto Wolfe Road.
- Create a smooth transition to and from the proposed bidirectional shared-use path along Perimeter Road.
- Convert the street west of Wolfe Road from a underground parking garage and basement entry into an open air, accessible ceremonial entrance to The Hills at Vallco and connecting it to Main Street Cupertino and the South Vallco Park area.

Utilities

The property owner has analyzed both the new project needs and the greater community needs in terms of utilities and their impact on the currently available capacity. As such, The Hills at Vallco strives to have the smallest impact on the current public infrastructure by sustainably reusing, recycling, and reclaiming many of the power, water, and sanitary for reuse back into The Hills at Vallco.

Storm Drain

The majority of rain that falls on The Hills at Vallco will land on the green roof structure above street level. This water will be cleansed and, to the fullest extent possible, collected and reused on site for irrigation and other recycled water uses to reduce the domestic water dependency of the project. By dealing with storm water runoff in this manner the project will go above and beyond storm water cleansing and LEED requirements. This will also greatly reduce the runoff from the current conditions which is above and beyond the minimum requirements for stormwater treatment.

Rain that falls on the podium area and Perimeter Road will be treated and reused depending upon the location and the irrigation demand requirements.

The existing public storm drain runs north down Wolfe Road and cuts through a portion of the property where the proposed development will be located. The plan for this public storm drain is to rework the drainage on Wolfe Road to flow to Vallco Parkway and then east down Vallco Parkway to the intersection with Perimeter Road. A new public storm drain will be installed in Perimeter Road located in the public utility easement for discharge into the Junipero Serra Channel owned by Santa Clara Valley Water District along Hwy. 280. All existing laterals and catch basins along The Hills at Vallco will be reconnected to the new line.

Sanitary Sewer

Sanitary sewer will be separated into grey water and black water, with grey water being used to the fullest extent possible for irrigation and potentially other uses as allowed by code. This will reduce the impact on the public sanitary sewer system and The Hills at Vallco's future demand. Black water treatment and reuse will be explored during the design phases given the extent of the green roof and the need to fertilize and irrigate the vegetation.

The existing public sanitary sewer is owned and operated by Cupertino Sanitation District and runs north down Wolfe Road and cuts through a portion of the property where the proposed development will be located. The proposed plan for the public sanitary sewer main is to reroute the main that flows North on Wolfe Road to flow back south to Vallco Parkway and then East down Vallco Parkway to the intersection with Perimeter Road. A new public sanitary sewer will be installed in Perimeter Road located in the public utility easement around the development and reconnected to the existing sewer main that crosses Hwy. 280. All existing laterals along Vallco Parkway will be reconnected to the new line.

Domestic Water Lines

Public water lines are owned and operated by California Water Service Company and mains exist down Wolfe Road from North to South, and enter into the property where the proposed development will be located. There are also public water main lines running in Perimeter road, both on the East and West.

The proposed development will reroute the main line that runs down Wolfe Road and direct it all to new public main lines that surround the project in Perimeter Road. These lines will be reconnected to the main loop that runs under Hwy. 280. The Hills at Vallco will be serviced from a new public water main line installed in Perimeter Road by this project and located in an easement to the California Water Company.

Fire Water Lines

Cupertino and California Water Service Company have a combined fire and domestic water system. All of the work laid out in the Domestic Water Lines section will also be applicable for Fire water service, and all buildings fire water will be served off or Perimeter Road and meet Fire Code Requirements.

Recycled Water Lines

The property owner is collaborating and pursuing a public private partnership with the necessary agencies, California Department of Transportation, Santa Clara Valley Water District, Sunnyvale, California Water Service Company and Cupertino to provide recycled water from Sunnyvale, north of the site, across Hwy. 280. This analysis has proven that a connection to the Sunnyvale recycled water system is feasible and will continue to be pursued. The Hills at Vallco will be plumbed to accept recycled water to accommodate the public recycled water system installed in the future near the site.

Gas Lines

Public gas is owned and operated by Pacific Gas and Electric and these lines run underground on the east side of Wolfe Road from north to south. There are no proposed changes to these lines. The Hills at Vallco will pull public gas lines from Wolfe Road, and down Perimeter Road. Service lines for the buildings will be pulled off of this new public line.

Communication Lines

Public communication lines run underground on the east side of Wolfe Road from north to south, there are no proposed changes to these lines. The proposed development will pull its communications lines from Wolfe Road and serve the proposed buildings off of Perimeter Road.

Electric Lines

Public high voltage electric is owned and operated by Pacific Gas and Electric and these lines run underground on the east side of Wolfe Road from north to south, there are no proposed changes to these lines. The Hills at Vallco will pull public underground lines from Wolfe Road, and down Perimeter Road. Service lines for the buildings will be pulled off of this new public line.

Grading and Construction

The Hills at Vallco will create a pleasant and safe pedestrian-oriented town center by replacing the existing surface parking lots of the Vallco Shopping Mall with below-grade parking structures. Through the careful analysis of the existing grading and using the naturally occurring slope of the site, The Hills at Vallco will minimize the amount of excavation required to create the parking basement levels.

Grading

The site is approximately 50 acres and is bisected by Wolfe Road with a bridging structure over the top of the public road. Existing grades around the perimeter of the site range from an elevation of about 195 feet above sea level along Stevens Creek Boulevard to an elevation of about 175 feet above sea level to the north of Perimeter Road. There is also an existing tunnel at Perimeter Road that runs in the east - west direction under Wolfe Road. The site has a large concrete building that will be demolished as a part of this project that includes basements and retaining walls.

The Hills at Vallco will follow the natural slope of the site, stepping down towards the north so as to minimize excavation and reworking of roads in the most efficient and cost effective manner. This will allow for smooth transitions to the public right of way, all vehicular access points, and provide easily accessible pedestrian and bicycle-friendly circulation.

Parking and Excavation

The Hills at Vallco will include about two-thirds of the vehicular parking below-grade. It will be located in two below-grade parking garages, one on each side of Wolfe Road. The proposed floor to floor sections for both garages are 15 feet for the first basement level and 12 feet for the second basement level, which only occurs on the east side of Wolfe Road. The basement will have a four foot thick slab.

The basement level on the west side of Wolfe Road is roughly 26.3 acres and each basement level on the East side of Wolfe is roughly 15 acres. The remainder of the required parking will be located as surface street parking as well as structured parking integrated within buildings where feasible.

This parking approach will create great improvements to the public realm for the community, and the creation of the parking basement will inevitably cause excavation and off-haul of soils. Demolition materials that can be recycled and reused on site will be stockpiled, including concrete from the building and asphalt and base rock. Some of the soil excavation from the project site will be used on the green roof and in landscaped areas at grade.

Construction

The property owner anticipates commencing construction immediately after approval and expects the completion of the first construction phase in the second half of 2018. The first construction phase is intended to include the relocation and enhancement of the existing entertainment, sports, and recreation venues serving Cupertino - AMC Theater, the bowling alley, and the ice rink. The start of the subsequent construction phases will overlap with the first phase by about six months, starting in the first half of 2018.

The property owner's construction protocol will promote emissions reduction measures, including the use of fuel efficient vehicles, and clean-burning fuels.

Environmental Sustainability

The property owner's environmental sustainability goal for The Hills at Vallco is to achieve LEED Platinum certification. This objective will go significantly beyond the City of Cupertino's LEED Silver requirement for new construction. Given the scale and complexity of The Hills at Vallco, the property owner will collaborate with the Green Building Certification Institute to establish the appropriate LEED certification approach.

Green Roof

The core of the property owner's environmental sustainability strategy is the commitment to the world's largest green roof, which will result in climate responsive and high performance buildings, infrastructure, and landscape. The 30 acres will improve resource efficiency and mitigate climate change, resulting in unprecedented public and private benefits:

- reduced stormwater runoff
- improved water quality
- reduced urban heat island
- improved air quality
- improved thermal insulation
- reduced energy consumption
- reduced noise
- extended life of building roof
- improved carbon storage
- improved bio-diversity

In addition, the green roof will improve outdoor comfort and user experience.

Water Conservation

The property owner will explore the feasibility of a Net-Zero Water initiative with the intent to maximize water conservation and will extend the recycled water line from Sunnyvale to The Hills at Vallco. The property owner is currently

pursuing a public-private partnership with Sunnyvale, Santa Clara Valley Water District, California Water Services Company and Cupertino. Conservation measures under consideration are:

- Utilize the municipal recycled water supply for irrigation, cooling towers and toilet flushing, while sending greywater and blackwater to the local sewage treatment plant that supplies the recycled water, thereby closing the loop.
- Collect rainwater and minimally treat to offset some of the recycled water and also meet storm water goals.
- Obtain potable water for drinking, sinks and showers from the utility. This will include the monitoring of the hydrology purification advances by the utility.
- Reduce water consumption through building energy efficiency, as significant water is wasted through the generation of energy.

Landscape Irrigation

The local climate is characterized by warm, dry summers and cool, moist winters. Average rainfall has been historically about 15 inches/year, falling from November through March. Recent drought conditions have been accounted for in the planning and irrigation planning. The Hills at Vallco plant palette is focused on a native species mix that can adapt to fluctuations in seasonal rainfall. Efficient drip irrigation is planned for all landscape trees. After establishment, the meadows and woody shrubs on the roof will need irrigation primarily to supplement seasonal lack of rainfall and to maintain a fire-safe landscape environment.

Water Sources

Recycled water from the Sunnyvale Water treatment facility will be used as a primary source of landscape irrigation. Periodic testing of water chemistry, primarily for salts and chemical solutes will be necessary to monitor any

variations in suitability for irrigation and to support long-term plant health. The use of potable water will be avoided wherever feasible and any usage will comply with all state and local water restrictions. Additional sources of water for landscape use might include seasonal storm water capture and reuse and/or residential greywater.

Water Use Efficiency

The Hills at Vallco seeks to reduce the consumption of potable water. The foundation of this is the use of low flow and ultra-low flow plumbing fixtures with the goal of achieving a reduction in potable water usage below the baseline of the California Green Building Standards Code, which is already a 30 percent reduction compared to the performance of typical buildings in the United States.

An optimized heating, ventilation, and air conditioning strategy will reduce water use, saving millions of gallons of water each year. Shifting cooling production from warm days to cooler nights may allow for air cooled chillers to operate with efficiency that approaches the performance of water cooled equipment while avoiding the tens of millions of gallons of annual evaporation that would come with water cooled equipment.

Improved energy efficiency of The Hills at Vallco will benefit the region by avoiding water use in power plants, which consume an average of two gallons of water for each kilowatt hours of energy spent on site.

Climate Responsive Design

The Hills at Vallco will prioritize and integrate climate responsive design strategies that leverage the exceptional Mediterranean climate of Cupertino to improve user comfort and to reduce energy use of mechanical, electrical and information technology systems. This will result in energy and water conservation, and lower carbon emissions. A combination of the geometry

of the compact town center layout, the vast green roof, high performance building envelopes, thermal mass, natural ventilation, natural daylight, and internal load reduction will accomplish these goals.

Active energy design strategies, such as low energy systems, displacement ventilation, heat recovery, efficient mechanical, electrical and information technology equipment, LED lighting, load scheduling, and other strategies will complement the climate responsive design.

Renewable Energy

The property owner will explore strategies to maximize the use of renewable energy for the overall energy needs of The Hills at Vallco. This will include on-site and grid provided solutions.

Green Building Codes and Regulations

All buildings will be designed and constructed to meet or exceed the requirements of the current 2013 California Green Building Standards Code and the 2013 California Energy Code. The Hills at Vallco will use green building, high performance, and environmental sustainable strategies to meet or exceed the code required benchmarks for energy efficiency, water efficiency and carbon emission reduction.

Site Map

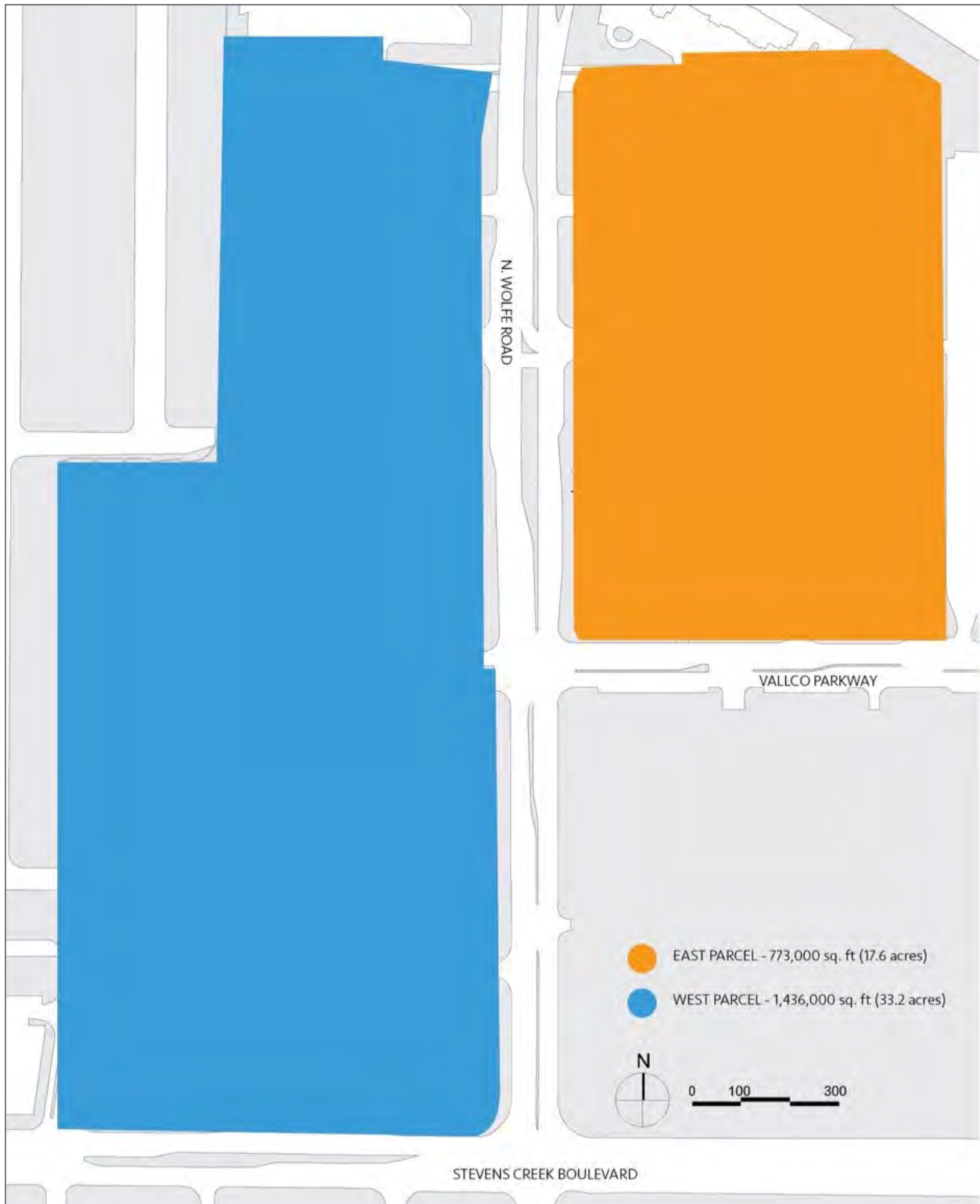


Figure 10. Map and areas of The Hills at Vallco sites.

Site Description

The parcels that will be combined to create The Hills at Vallco currently contain the existing Vallco Shopping Mall, inclusive of its anchor stores, parking structures, and pad buildings. They are all located within the Vallco Shopping District Special Area as designated in the General Plan for Cupertino, which describes the area as a major regional and community destination, envisioned to become a new mixed-use town center and gateway for Cupertino.

West of Wolfe Road

This site is bounded by Stevens Creek Boulevard on the south, Wolfe Road on the east, and the outside edge of Perimeter Road on the west and north (of which it is inclusive). It contains three buildings, including the primary mall building (with two anchor stores, formerly Macy's and Sears), an automotive center, and a restaurant building, and two parking structures.

10101 Wolfe Road

APNs: 316-20-080 and 316-20-081

10123 Wolfe Road

APNs: 316-20-105, 316-20-106 and 316-20-107

10333 Wolfe Road

APNs: 316-20-101

Site Area: 33.2 acres

East of Wolfe Road

This site is bounded by Vallco Parkway to the south, Wolfe Road to the west, and Perimeter road to the north and east (of which it is inclusive). It contains two buildings, including the secondary mall building (with one anchor store, JC Penney's) and one parking structure

10150 Wolfe Road

APNs: 316-20-094 and 316-20-095

2074 Vallco Parkway

APN: 316-20-100

Site Area: 17.6 acres

Note: 10333 North Wolfe Road, APN: 316-20-088

This site is owned by Wolfe Properties, LLC and is currently utilized as existing Vallco Shopping Mall parking under an Operation and Reciprocal Easement Agreement. It will not be developed, but will be available as parking for The Hills at Vallco under the agreement. It is bounded by the Wolfe Road off-ramp from southbound Hwy. 280 on the North and East, by the northernmost edge of Perimeter Road on the South, and the Portal Neighborhood on the West.

Block Description

Blocks 1 and 2

Mixed-Use Blocks 1 and 2 are connected at the upper floors across 2nd Street and face Town Square West and Stevens Creek Boulevard. They are comprised of approximately 415,000 square feet of retail, residential, and parking. Block 1 is approximately 470 feet by 205 feet, Block 2 about 555 feet by 205 feet. They house ground floor retail along the retail promenade with residential entry lobbies and ground floor amenities with 16 feet floor to floor height. Above the ground floor are three stories of approximately 130 residential apartments containing a mix of studios, one bedrooms, two bedrooms, and penthouse units. Above-grade parking is located to the rear of the residential units.

There is a below grade parking structure entrance at the mid-point between Block 1 and 2 that permits retail visitors easy and quick access to the parking structure from Perimeter Road

Block 3

Mixed-Use Block 3 faces Town Square West and Stevens Creek Boulevard and is comprised of approximately 160,000 square feet of retail and residential. The approximately 175 feet long by 175 feet wide block houses a ground floor of retail as part of the Retail promenade with a residential entry lobby and ground floor amenity that has a floor to floor height of 16 feet. Above the ground floor are 4 stories of approximately 75 residential apartments containing a mix of studios, one bedrooms, two bedrooms, and penthouse units with various residential amenities.

Block 4

Mixed-Use Block 4 has the prominent face opposite the AMC Theater on Town Square West and is comprised of approximately 400,000 square feet of retail, residential, and parking. The approximately 335 feet long and 175 feet wide block houses ground floor retail as part of the

retail promenade. Ground level residential entrance lobbies, amenities, and retail have a floor to floor height of 16 feet. Above are six stories of approximately 200 residential apartments containing a mix of studios, one bedrooms, two bedrooms, and penthouse units. Planned in this block is an above-grade structured parking to the rear of the residential units.

Blocks 5 and 6

Mixed-Use Blocks 5 and 6 are connected at the upper floors across 6th Street. They are located at the northwest corner at Perimeter Road and are comprised of approximately 310,000 square feet of the most up-to-date entertainment, recreation, sports, and dining. The approximately 920 feet by 175 feet block houses the entertainment and recreation heart, including AMC Theater, bowling alley, ice rink, and fitness center.

The basement parking for Blocks 5 and 6 will be accessible via Perimeter Road.

Block 7

Mixed-Use Block 7 is at the corner of Vallco and Wolfe Road and is comprised of approximately 130,000 square feet of retail, residential, and amenity spaces. The approximately 175 feet by 145 feet block houses a ground floor of retail as part of the retail promenade and a residential entry lobby that has a floor to floor height of 16 feet. Above the ground floor there are four stories of residential apartments containing a mix of studios, one bedroom, two bedroom, and penthouse apartments. Approximately 70 units are planned in this block with various residential amenities such as storage, fitness, and other functions for the local residents.

Block 8

Mixed-Use Block 8 is comprised of approximately 440,000 square feet of retail,

residential, and above grade parking. The approximately 465 feet by 140 feet block houses a ground floor of retail, residential entry lobbies, and amenities that have a floor to floor height of 16 feet. Above the ground floor are six stories of residential apartments containing a mix of studios, one bedrooms, two bedrooms, and penthouse units. Approximately 235 units are planned in this block with structured parking to the rear of the residential units. Market Hall is located at the ground floor on the north side of Block 8.

Block 9

Mixed-Use Block 9 has prime frontage along Wolfe Road, Vallco Parkway, and Town Square West, and is comprised of approximately 360,000 square feet of retail, residential, and offices. The approximately 495 feet by 140 feet block houses ground floor retail and commercial offices with a floor to floor height of 16 feet. Above the ground floor will be six stories of most up-to-date, efficient and flexible Class-A office space with a floor to floor height of 15 feet.

Connecting through Block 9 is the pedestrian Wolfe Road crossing that takes visitors from Town Square West to the roof and to Town Square East across Block 11.

Above the ground floor are 4 to 6 stories of residential apartments containing a mix of studios, one bedrooms, two bedrooms, and penthouse units. The approximate 90 units are mixed with various residential amenities.

Block 10

Mixed-Use Block 10 has prime frontage along Wolfe Road and is comprised of approximately 315,000 square feet of retail and offices. The approximately 405 feet by 140 feet block houses ground floor retail and commercial offices with a floor to floor height of 16 feet. Above the ground floor will be four stories of most up-to-date Class-A office space with a floor to floor height of 15 feet.

Similar to Block 12, Block 10 has two primary entry points to the below-grade parking structure.

Block 11

Mixed-Use Block 11 has prime frontage along Town Square East, Wolfe Road, and Vallco Parkway and is comprised of approximately 265,000 square feet of retail and offices. The approximately 475 feet by 140 feet block houses ground floor retail and commercial offices with a floor to floor height of 16 feet. Above the ground floor will be three stories of most up-to-date, efficient and flexible Class-A office space with a floor to floor height of 15 feet.

Connecting through Block 11 is the pedestrian Wolfe Road crossing that takes visitors from Town Square East to the roof and to Town Square East across Block 9.

Block 11 has an entrance to the underground parking structure serving the office structures and mitigates traffic flow back onto Vallco Parkway.

Block 12

Mixed-Use Block 12 has prime frontage along Town Square East and Wolfe Road and is comprised of approximately 240,000 square feet of retail and offices. The approximately 405 feet by 140 feet block houses ground floor retail and commercial offices with a floor to floor height of 16 feet. Above the ground floor will be three stories of most up-to-date, efficient, and flexible Class-A office space with a floor to floor height of 15 feet.

Block 12 has two entry points to the below-grade parking structure. The first is along Perimeter Road where the decline in grade to go beneath Wolfe Road provides an easy and convenient access point to the parking basement. The at-grade parking exiting along Wolfe Road will assist in providing egress from the parking structure without congesting the Hills at Vallco with cueing vehicles.

Block 13

Mixed-Use Block 13 has prime frontage along Town Square East and Vallco Parkway and is comprised of approximately 330,000 square feet of retail and offices. The approximately 375 feet by 140 feet block integrates ground floor retail and commercial offices with a floor to floor height of 16 feet. Above the ground floor will be five levels of most up-to-date Class-A office space with a floor to floor height of 15 feet that is flexible for a multitude of tenant fit-outs and different leasing configurations.

integrates ground floor retail and parking with a floor to floor height of 16 feet. Above, there are eight parking levels containing approximately 1,000 cars with a floor to floor height of 10 feet. On the top floors is the Central Plant located, which will be shielded from views from the adjacent neighborhoods.

Block 14

Mixed-Use Block 14 has prime frontage along Town Square East and is comprised of approximately 280,000 square feet of retail and offices. The approximately 260 feet by 140 feet block integrates ground floor retail and commercial offices with a floor to floor height of 16 feet. Above the ground floor will be five stories of most up-to-date Class-A office space with a floor to floor height of 15 feet that is flexible for a multitude of tenant fit-outs and different leasing configurations.

Block 15

Mixed-Use Block 15 has frontage along Vallco Parkway and is comprised of approximately 460,000 square feet of retail and offices. This approximately 490 feet by 140 feet block integrates ground floor retail and most up-to-date Class-A offices with a floor to floor height of 16 feet. Above, there are six levels of Class-A office space with a floor to floor height of 15 feet. This block is adjacent to the transit center serving the offices.

Block 16

Mixed-Use Block 16 is comprised of approximately 390,000 square feet of retail, parking, and central plant spaces. The approximately 425 feet by 140 feet block

Buildings	Mixed-Use
Block 1	Retail, Residential, Amenities, Parking
Block 2	Retail, Residential, Amenities, Parking
Block 3	Retail, Residential, Amenities
Block 4	Retail, Residential, Amenities, Parking
Block 5	Retail, Entertainment, Recreation, Sports, Amenities
Block 6	Retail, Entertainment, Recreation, Sports, Amenities
Block 7	Retail, Residential, Amenities
Block 8	Retail, Residential, Amenities, Parking
Block 9	Retail, Residential, Office, Amenities
Block 10	Retail, Office, Amenities
Block 11	Retail, Office, Amenities
Block 12	Retail, Office, Amenities
Block 13	Retail, Office, Amenities
Block 14	Retail, Office, Amenities
Block 15	Retail, Office, Amenities
Block 16	Retail, Parking, Amenities, Central Plant

Data Table

Site Information		
Site Area (acres)	50.8 acres	
Site Net Area (acres)	to be determined	in collaboration with Cupertino
Site Coverage (percent)	to be determined	in collaboration with Cupertino
Total Hardscape Area (acres)	to be determined	in collaboration with Cupertino
Total Softscape Area (acres)	to be determined	in collaboration with Cupertino
Accessible Open Space Area (acres)	30 acres	
Entitlements and Planning		
General Plan Land Use Designation	Commercial, Office, Hotel, Residential	
Zoning Designation	Specific Plan, Conformance Zoning	
General Plan Special Area	Vallco Shopping District	adjacent to Heart of the City and South Vallco Park Gateway
Proposed Uses	Commercial, Office, Residential, Civic, Open Space, Amenities	
Hours of Operation	to be determined	
Number of Employees	to be determined	
Parking Spaces	9,175	total per Cupertino Zoning Code
Basement Parking	6,000	included in total spaces
LEED Goal	Platinum	Cupertino requires Silver
Number of Existing Trees	894	
Number of Retained Trees	522	
Number of Protected Trees	6	all 6 to be transplanted on site
Number of Proposed Trees	1,807	including retained trees
Site Grade Elevations (feet above sea level)	175' - 195'	following existing topography
Soil Excavation/Off-Haul (cubic yards)	2,200,000	
Top Soil Import (cubic yards)	168,000	

Building Information		
Program Allocation		
Commercial and Civic Area (square feet)	625,000	family friendly retail and entertainment, including restaurants, shops, AMC Theater, ice rink, bowling alley, community center, high school Innovation Center, transit center, or public amenities
Market Rate Apartments	680	10 % studios
Below Market Rate Apartments	80	40 % one bedroom
Senior Apartments	40	10 % one bedroom + den
		38 % two bedroom
		2 % penthouse
Office Area (square feet)	2,000,000	potential for incubators, start-ups, emerging, or established Silicon Valley companies
Hotel Rooms	0	148 rooms are existing in Vallco Shopping District
Ancillary and Amenity Program		
Residential and Office Amenities Area (square feet)	200,000	fitness center, conference center, cafeteria, atrium, pedestrian bridge, transit center, or rooftop amenity spaces
Testing and Workshop Area (square feet)	175,000	office support spaces
Central Plant Area (square feet)	35,000	
Loading, Facility and Security Management Area (square feet)	75,000	
Building Heights		
West of Wolfe Road Building Blocks	0' Perimeter Road 80' center of site 70' Wolfe Road	83' - existing AMC Theater height at Wolfe Road
East of Wolfe Road Building Blocks	60' Wolfe Road 110' Hwy. 280	
Rooftop Open Space Amenity Spaces	single level pavilions in select locations	

Acknowledgements

Owner

Vallco Property Owner, LLC

Architect

Rafael Viñoly Architects

Landscape Architect

OLIN Partnership, LTD.

Civil Engineer

Sandis Civil Engineers Surveys Planner, Inc.

Transportation Engineer

ARUP North America, LTD.

Parking Planner

Watry Design, Inc.

Masterplan Consultant

Wolfgang Wagener

Retail Consultant

MRA International, Inc.

Open Space Consultant

HR&A Advisors, Inc.

School Consultant

SCI Consulting

Economic Impact Consultant

Keyser Marston Associates

Connectivity Consultant

Nelson Nygaard Consulting

Greenhouse Gas Emissions Consultant

Ramboll Environ

Recycled Water Consultant

Luk and Associates

Structural Engineer

Nabih Youssef Associates

Consulting Structural Engineer

DCI Engineers

Mechanical Engineer

ME Engineers

Climate Responsive Design Consultant

Transsolar

Sustainability Consultant

ARUP

LEED Consultant

Brightworks

ATTACHMENT B: THE HILLS AT VALLCO DRAFT EIR PROJECT DESCRIPTION

The attached Draft EIR Project Description (December 8, 2015) was a working draft by the City and its consultants for The Hills at Vallco EIR. The CEQA process (including the finalization of the EIR project description) was placed on-hold indefinitely due to the Initiative. For this reason, the attached project description is in draft form.

SECTION 1.0 PROJECT INFORMATION

1.1 PROJECT LOCATION AND EXISTING DEVELOPMENT/USES

The approximately 58-acre Specific Plan area consists of multiple parcels¹ and is located at the North Wolfe Road/Vallco Parkway and North Wolfe Road/Stevens Creek Boulevard intersections in the City of Cupertino. The Specific Plan area is developed with the Vallco Shopping Mall. Regional and vicinity maps of the Specific Plan area are shown on Figures 1.1-1 and 1.1-2, respectively.

The western portion of the Specific Plan area, west of North Wolfe Road, is approximately 38 acres in size and bounded by Interstate 280 (I-280) to the north, North Wolfe Road to the east, Stevens Creek Boulevard to the south, and Perimeter Road to the west. The western portion of the Specific Plan area is currently developed with several buildings: a primary mall building which connects two former anchor stores (Macy's and Sears), a fitness gym (a satellite building formerly a Sears Auto Center), a satellite restaurant building (formerly TGI Fridays), three parking structures, and surface parking lots.

The eastern portion of the Specific Plan area, east of North Wolfe Road, is approximately 19 acres in size and bounded by I-280 to the north, Perimeter Road to the east, Vallco Parkway to the south, and North Wolfe Road to the west. The eastern portion of the Specific Plan area is developed with a secondary mall building with an ice skating rink, bowling alley, and one anchor store (JCPenney), mall retail shops, food court, a satellite restaurant building (Alexander's Steakhouse), a parking structure, and surface parking lots. A 148-room hotel was recently approved on the northern portion of the eastern portion (Hyatt House Hotel²) on land owned by KCR Development (refer to Figure 1.1-3).

An enclosed, pedestrian bridge connects the mall buildings on the east and west sides of North Wolfe Road. The enclosed bridge consists of retail shops on either side of an enclosed pedestrian walkway.

An aerial photograph of the Specific Plan area and the surrounding land uses is shown on Figure 1.1-3. The surrounding land uses include residential and commercial uses to the west; a freeway (I-280), hotel, residential, and office uses to the north; commercial, office, and residential mixed-uses to the east; and commercial uses to the south.

¹ Assessor Parcel Numbers: 316-20-080, -081, -082, -088, -092, -094, -095, -099, -100, -101, -103, -104, -105, -105, and -107.

² Application Nos. DP-2014-04, ASA-2014-06, U-2014-04, EXC-2014-07, TR-2014-28, TR-2014-40.

1.2 EXISTING GENERAL PLAN AND ZONING DESIGNATIONS

The City of Cupertino is organized into 21 General Plan “Planning Areas,” consisting of nine “Special Areas” and 12 “Neighborhoods.” The Vallco Shopping District Special Area is the Specific Plan area. The Vallco Shopping District Special Area is designated as *Commercial/Office/Residential* in the City’s Land Use Map. The *Commercial/Office/Residential* land use designation applies to mixed-use areas that are predominantly commercial and office uses. Supporting residential uses may be allowed to offset job growth, to better balance the citywide jobs to housing ratio, and when they are compatible with the primarily non-residential character of the area. Development, both residential and non-residential, is subject to the numerical caps and other policies in the City’s General Plan.

The Vallco Shopping District is also identified as a Priority Housing Element Site (Site A2) with 389 units allocated to the site in the General Plan Housing Element. Assuming a Specific Plan for the site is adopted by May 31, 2018, pursuant to General Plan Housing Element Strategy 1, the Vallco Shopping District is allocated 1.2 million square feet of commercial uses (which consists of a minimum 600,000 square feet of retail uses, of which a maximum of 30 percent may be entertainment uses), 2.0 million square feet of office uses, 339 hotel rooms, and 389 residential dwelling units as specified in the City’s Housing Element. Pursuant to General Plan Strategy LU-1.2.1, development allocations may be transferred between Planning Areas provided no significant environmental impacts are identified beyond those already studied in the Community Vision 2040 Final EIR (SCH# 2014032007).³

The Specific Plan area is zoned *P(Regional Shopping) – Planned Development Regional Shopping* north of Vallco Parkway, and *P(CG) – Planned Development General Commercial* south of Vallco Parkway (west of North Wolfe Road).

³ Community Vision 2040 Final EIR analyzed the development of up to 1.2 million square feet of commercial uses, 2.0 million square feet of office uses, 339 hotel rooms, and 800 residential dwelling units within the Vallco Shopping District area. There is residential allocation available in other Planning Areas which may be transferred to the Vallco Shopping District without the need to amend the General Plan.

1.3 BACKGROUND INFORMATION

In the 1960s, 25 Cupertino families and property owners came together to develop the overall scheme for the 300-acre business park known as Vallco Park. The name “Vallco” was constructed from the first initials of each of the primary developers: Varian Associates and the Leonard, Lester, Craft, and Orlando families. This included properties to the north and south of I-280 – currently both the North Vallco Park Planning Area, South Vallco Park Planning Area, and the Vallco Shopping District.

Ten years later, Vallco Shopping Mall was established as an approximately 50-acre retail component within the larger 300-acre business park. Vallco Shopping Mall opened under the brand Vallco Fashion Park in September 1976. When it was opened, Vallco Fashion Park was one of the largest shopping malls in Silicon Valley, drawing visitors from throughout the region. Vallco Shopping Mall thrived from the mid-1970s to the mid-1980s.

By the mid-1980s, Vallco Shopping Mall had begun to suffer from the inability to respond to the changing demands of consumers and markets. Constraining factors included fragmented ownership, reciprocal real estate agreements that restricted improvements unless agreed upon by all owners, outdated infrastructure, inefficient parking layout, closure of anchor stores, and regional and sub-regional competition.

Occupancy began to deteriorate at an accelerated rate in the 1990s and mall tenancy and quality of tenants continued steadily declining into the mid-2000s. In the early 1990’s the mall had tried to increase the mall occupancy by adding tenant space in the basement of the mall structure, however, by the mid 2000’s due to the undesirability of these spaces, the mall boarded off access to this area of the mall. In 2015, occupancy has dwindled to the point where vacant and papered storefronts outnumber active storefronts. A handful of mall tenants, including AMC Theater, have continued to perform well even throughout Vallco Shopping Mall’s leanest years.

In December 2014, the City Council adopted new General Plan goals, policies, and strategies specifically relating to the Vallco Shopping District Special Area, within which Vallco Shopping Mall is located. The City envisions a complete redevelopment of Vallco Shopping Mall site into a “vibrant mixed-use town center” that is a focal point for regional visitors and the community.⁴ To realize this community vision, the General Plan “requires a master developer in order to remove the obstacles to the development of a cohesive district.”⁵

In December 2014, Sand Hill Property Company assembled approximately 50 acres within the Vallco Shopping District. The remaining seven acres within the Vallco Shopping District are owned by SIMEON and KCR Development. In October 2014, the City Council approved the development of a 148-room, five-story hotel on the KCR Development property.⁶

⁴ City of Cupertino. *Cupertino Community Vision 2040*. December 4, 2014. Page LU-54.

⁵ General Plan Strategy LU-19.1.1.

⁶ Application Nos. DP-2014-04, ASA-2014-06, U-2014-04, EXC-2014-07, TR-2014-28, TR-2014-40.

1.4 PROJECT DESCRIPTION

The proposed project consists of two components: 1) the Vallco Shopping District Specific Plan and 2) The Hills at Vallco project. These two components are described in detail below.

1.4.1 Vallco Shopping District Specific Plan

[Note to City: This section to be completed pending submittal of Specific Plan, which will include assumptions for the SIMEON parcel]

1.4.2 The Hills at Vallco Project

The Hills at Vallco is a redevelopment project proposed on the southern 50 acres of the Specific Plan area (hereinafter referred to as the “project site”). Development of the northern seven acres of the Specific Plan area is not proposed as part of The Hills at Vallco project.⁷

The Hills at Vallco project would include demolishing the existing buildings (mall, fitness gym, and restaurant buildings) and parking facilities on-site and removing the existing pattern of internal driveways and constructing a mixed-use “Town Center” with up to 650,000 square feet of commercial uses (including retail, restaurant, event, entertainment, and fitness uses),⁸ 2.0 million square feet of office uses, and 800 residential units. The proposed office and residential uses would include additional amenity space, which is described in *Section 1.4.2.1* below. In addition, approximately 40,000 square feet of civic/community space is proposed.

The Hills at Vallco project includes 411 more residential units than allocated to the Vallco Shopping District area in the City’s Housing Element. However, the City’s General Plan has additional housing units available in other Planning Areas that are not allocated to specific Housing Element sites. Pursuant to General Plan Strategy LU-1.2.1, development allocations may be transferred among Planning Areas provided no significant environmental impacts are identified beyond those already studied in the Community Vision 2040 Final EIR (SCH# 2014032007). While the General Plan Housing Element allocation for the site is 389 units, the Community Vision 2040 Final EIR analyzed the development of up to 800 residential dwelling units on the site and there is adequate allocation in the General Plan to consider 411 additional units.

The Hills at Vallco project would consist of a 16-block layout of buildings, two central town square plazas, and open space along a system of surface streets with the proposed land uses mixed both vertically and horizontally. For all the blocks, the ground floor level would include retail uses and the upper floors would have commercial (including entertainment), residential, and/or office uses. In Blocks 9-16, office uses would also occupy the ground floor level. A map showing the blocks and proposed uses for each block is shown on Figure 1.4-X.

⁷ The northern seven acres consists of two parcels, one owned by SIMEON and the other by KCR Development. A 148-room hotel (Hyatt House Hotel) was recently approved on the two-acre parcel owned by KCR Development.

⁸ The total 650,000 square feet of proposed commercial uses would be broken down as follows: a minimum of 420,000 square feet would be retail/restaurant uses, food establishments, and limited personal services; 180,000 square feet of which could be entertainment uses, and 50,000 square feet could be fitness uses.

It is intended that blocks at the southwest corner of the project site (Blocks 1-4, 7, and 8) would consist of a mix of commercial and residential uses. Blocks 5 and 6 at the northwest corner of the development site are proposed for commercial uses, including entertainment and retail uses (including a movie theater, bowling alley, fitness center, and ice rink). Block 9 would consist of a mix of commercial, office, and residential uses. Blocks 10-15 would consist of a mix of commercial and office uses. Block 16 would consist of commercial uses and a Central Plant, which is discussed in detail under *Utility Improvements*.

The proposed building heights would be within the maximum building heights identified for the Vallco Shopping District Specific Plan. Buildings on the western portion of the site, on the west side of North Wolfe Road, would be up to seven stories tall with a maximum building height of 80 feet. The green roof on the western portion of the site would be up to 92 feet above ground level, with rooftop buildings up to 102 feet above ground level. Buildings on the eastern portion of the site, on the east side of North Wolfe Road, would be up to nine stories tall with a maximum building height of 109 feet. The green roof on the eastern portion of the site would be up to 116 feet above ground, with rooftop buildings up to 131 feet above ground.

The proposed building setbacks would be within the setbacks in the proposed Specific Plan. Buildings would be setback at least 35 feet from the curb on Stevens Creek Boulevard, at least 25 feet from the curb on Vallco Parkway, at least 41 feet from the predominate curb line on North Wolfe Road, and at least eight feet from the curb on Perimeter Road.

The Hills at Vallco project includes common open space (including two town squares totaling approximately three acres and a 30-acre green roof) and landscaping, utility and transportation infrastructure improvements, and school improvements. The proposed land uses and these other project components are described below. A summary of the proposed project is provided in Table 1.4-1 at the end of this section.

1.4.2.1 *Land Uses*

Commercial Uses

The Hills at Vallco proposes 650,000 square feet of commercial uses on-site in the following categories:

- 600,000 square feet would be retail/restaurant/event/entertainment uses, of which:
 - 420,000 square feet would be retail/restaurant uses including large and small retail stores, food establishments and limited personal services; and
 - 180,000 square feet of which could be entertainment uses such as a movie theater (AMC Theater), ice rink, and bowling alley.
- 50,000 square feet of indoor fitness uses.

Office Uses

Two million square feet of “Class-A” office space, including ancillary amenity spaces consisting of fitness centers, shower and changing facilities for employees, a conference/event center, and cafeterias, is proposed on-site. There would be an additional 345,000 square foot office amenity space including:

- A 20,000 square foot conference hall on the green roof,
- A 15,000 square foot cafeteria/fitness center on the green roof,
- 175,000 square feet of testing and workshop area distributed throughout Blocks 11-16, and
- 135,000 square feet of meeting facilities, atrium, and other amenity spaces distributed throughout Blocks 11-16.

Residential Uses

The Hills at Vallco would include 800 residential units consisting of 680 market-rate apartments, 80 below-market rate apartments, and 40 market-rate senior apartments. The residential uses would include in-building amenities such as fitness, clubhouse, small format meeting rooms, resident lounges, multi-media rooms, communal kitchens, and bike rooms within the residential mixed use building. An additional 25,000 square feet of ancillary amenity space for the residential uses is proposed on the green roof and would include a fitness center, clubhouse, and pool.

Other Uses

Civic/Community Uses

The Hills at Vallco would include approximately 40,000 square feet of civic/community uses including an approximately 20,000 square foot community serving banquet hall on the green roof, an approximately 10,000 square foot high school “Innovation Center” located on the western portion of the site, approximately 5,000 square feet of civic meeting space located on the western portion of the site, and an approximately 5,000 square foot building for the “Multi-Modal Transit Center.” The high school Innovation Center is described in more detail in *Section 1.4.2.6* and the Multi-Modal Transit Center is described in more detail in *Section 1.4.2.5*.

Loading and Facility Management Uses

The Hills at Vallco would include approximately 75,000 square feet of loading, storage, facility, and security management space integrated into each block to serve the retail, office, and residential uses on-site.

1.4.2.2 *Common Open Spaces and Landscaping*

Town Squares

The Hills at Vallco would include two town squares: Town Square West on the west side of North Wolfe Road and Town Square East on the east side of North Wolfe Road (refer to Figure 1.4-X). Town Square West would be approximately 1.8 acres in size and Town Square East would be approximately 1.1 acres in size. Both town squares would be programmable green space that would act as a civic/community amenity and park.

Town Square West would be designed with a lawn, enhanced hardscape, landscaping (including trees), and seating that would create a gathering space for outdoor events such as concerts, cultural events, outdoor performances, and movies. These areas would be surrounded by hardscape that could also host events and festivals or serve as exterior dining or social space. The applicant proposes to have the flexibility to close some of the streets around the Town Square West to host events and festivals.

Town Square East would be an open green space area that would serve as an amenity for the surrounding retail and office blocks. Town Square East would include public open space features such as a water feature, landscaping (including trees), and seating.

Direct pedestrian access to the below-ground parking garages would be provided from both town squares.

Green Roof

The Hills at Vallco project would include a 30-acre green roof. The topography of the green roof would vary and expand over the tops of the buildings on-site, and would eventually come to existing grade at the western boundary of the site at Stevens Creek Boulevard. The green roof would include landscaping and active and passive open spaces. The rooftop landscaping would consist of native and/or drought tolerant species such as native oak trees, manzanita, needlegrass, and native sedges. Not all areas of the green roof would be accessible to the public. The proposed green roof would consist of the following five open space areas:

1. **Oak Grove** – The oak grove would be located on the western edge of the site and would provide at-grade public pedestrian access to the green roof from Stevens Creek Boulevard. This edge would be planted with canopy trees that would serve as a visual buffer to the adjacent residential neighborhood.
2. **Community Activities** – The community activities would be located in the center of the green roof and include active programmatic uses including a large play space and garden for children, community meeting spaces, and amphitheater and performance spaces. Amenities such as a café and wine bar may also be located within this area.
3. **Vineyards** – The vineyards would be located in the northeastern portion of the roof and would include trails, as well as gathering and performance spaces.

4. Orchards – The orchards would include fruit trees and be located on the roof at the northwest corner of Stevens Creek Boulevard and Wolfe Road. It is envisioned that the orchards, together with the vineyards, would provide the community with agricultural-related educational and seasonal activities.
5. Nature Preserve – The nature preserve would be located on the eastern and western portions of the roof. The nature preserve would include open areas, landscaping, and trails, as well as stormwater treatment control measures.

The green roof would include nine pavilions totaling approximately 115,000 square feet at various locations on the roof (see Figure 1.4-X). These pavilions would serve a variety of purposes and would be for community use, retail use, residential use, or office use.

Much of the green roof would be accessible to the general public. Some areas, however, would be limited to the residents and office employees. The building square footages on the green roof would be allocated as follows:

- A total of 35,000 square feet for commercial uses (i.e., 5,000 square foot wine tasting area, 20,000 square feet of retail pavilions, and a 10,000 square foot fitness area);
- 35,000 square feet for office uses (20,000 square foot conference hall and 15,000 cafeteria/fitness area); and
- 25,000 square feet for residential uses (e.g., fitness center, clubhouse, and pool)
- 20,000 square feet for a civic/community banquet hall.

The proposed open space areas and amenities on the green roof are shown on Figure 1.4-X.

Landscaping

Most of the landscaping on-site would be on the green roof, with additional landscaping in the town squares and along the perimeter of the site and internal streets. The Hills at Vallco project would preserve over 500 existing trees on-site and plant approximately 900 new trees on-site. The landscaping and trees on-site would be irrigated with non-potable water from sources such as municipal recycled water or on-site greywater and stormwater capture. Conceptual landscape plans are shown on Figures 1.4-X – X.

1.4.2.3 Site Access, Circulation, and Parking

Vehicular Access and Parking

As shown on Figure 1.4-X, vehicles would access the site from driveways on Stevens Creek Boulevard, Perimeter Road, Vallco Parkway, and North Wolfe Road. The Hills at Vallco would be designed with a grid street pattern within the site, with Avenues A through D running north to south and 1st through 7th Streets running east to west.

The Hills at Vallco would provide parking in accordance with the City’s Municipal Code parking regulations outlined in Municipal Code Chapter 19.124. It is estimated that the project would include a total of approximately 9,175 parking spaces, which would be provided in a below-ground parking structure, on-street, and above-ground parking structures with a parking guidance system that would direct vehicles to available parking spaces. Access to the parking facilities would be provided from North Wolfe Road, Perimeter Road, and proposed internal streets, as shown on Figure 1.4-X.

Below-Ground Parking Structures

Parking for the proposed commercial uses, as well as some residential and office uses, would be provided in two large underground parking garages connected by a tunnel. The underground parking garages would be located under the entire project site and would include approximately 6,580 parking spaces. The below-ground parking garage on the west side of North Wolfe Road would be one level and the below-ground parking garage on the east side of North Wolfe Road would be two levels. A new tunnel under North Wolfe Road would be constructed to allow vehicular circulation between two below-ground parking garages.

On-Street Parking and Above-Ground Parking Structures

The remaining 2,595 parking spaces would be provided on streets within the project site and in above-ground parking structures. The on-street parking on-site is proposed to be short-term parking. Long-term parking for the proposed residential and office uses would be provided in designated parking structures that would be integrated into the blocks where the uses are proposed (Blocks 1, 2, 4, 8, and 16).

The parking facilities on-site are shown on Figures 1.4-X – X.

Transit Access

The proposed transit circulation for The Hills at Vallco is shown on Figure 1.4-X. As part of The Hills at Vallco, the existing VTA bus stops on Stevens Creek Boulevard, Wolfe Road, and Vallco Parkway would be improved by providing duck-outs and enhanced bus shelters per VTA recommendations and lengthening the stops where necessary to accommodate multiple buses at one time. It is intended that the existing bus stop on the north side of Stevens Creek Boulevard between Wolfe Road and Perimeter Road would function as part of the proposed “Multi-Modal Transit Center” where the proposed community shuttle (described below under *Infrastructure Improvements*), VTA buses (specifically bus route 23 and 323), future Bus Rapid Transit, corporate shuttles, and sharing economy transportation services (e.g., rideshare, bikeshare, and Zipcar) would stop. It is envisioned that the Multi-Modal Transit Center would be an information center, drop-off point, bike sharing distribution point, and stop for the community shuttle and other forms public transit.

In addition, The Hills at Vallco would include dedicated curbside areas for commuter shuttles and a complementary community shuttle (in coordination and partnership with the City, VTA, and corporate employers) near the intersection of Vallco Parkway and Perimeter Road. The proposed

transportation infrastructure improvements are described in more detail below in *Section 1.4.2.5* below.

Bicycle Access

The proposed bicycle facilities on-site are shown on Figure 1.4-X. Bicycle facilities, including bike trails and Class I-III bikeways, would follow the proposed street grid pattern. The proposed bicycle facilities on-site would connect to the existing bikeways on North Wolfe Road, Vallco Parkway, and Stevens Creek Boulevard. Within the project site, bike improvements such as bike lanes painted green, bike lane sharing arrows (sharrows), and bike boxes are proposed.⁹ A shared use path for bicyclists and pedestrians is proposed on Perimeter Road.

Short-term bicycle parking racks would be provided in areas accessible to the public and other users of the site. In addition, bicycle lockers, indoor bicycle parking, and charging areas for electric bicycles would be provided throughout the project site. Bicycle repair stations, which would include tools necessary to perform basic bike repairs and maintenance such as bike pumps and work stands, are also proposed throughout the site. Within the proposed mixed-use office buildings, showers and changing facilities for office employees would be provided. A bike hub is proposed on the western portion of the project site and would include community space, bike repair services, and retail services operated by a third party vendor.

Pedestrian Access

The proposed pedestrian facilities on-site are shown on Figure 1.4-X. All pedestrian connections and facilities would meet Americans with Disabilities Act (ADA) accessibility standards.

Pedestrian sidewalks would follow the proposed street grid pattern. To accommodate the proposed bicycle lanes and designated commuter shuttle curbside stop areas on Perimeter Road, the sidewalks on the opposite side of the development site on Perimeter Road would be reconfigured. The Hills at Vallco project includes replacing the existing enclosed bridge over North Wolfe Road with a pedestrian bridge that would connect the town squares East and West (refer to Figure 1.4-X).

Pedestrians would be able to access the proposed green roof from the town squares, at the intersection of Perimeter Road and Stevens Creek Boulevard, and near the intersection of North Wolfe Road and Vallco Parkway. Figure 1.4-X shows the pedestrian access points to the green roof, as well as the meandering pedestrian pathways on the roof. In addition, the proposed green roof would also connect across North Wolfe Road above the pedestrian bridge. The project also would include pedestrian connections to the two properties north of Perimeter Road (the SIMEON property and the KCR Development/Hyatt House property) and the future I-280 trail.

⁹ A bike box is a designated area at the head of a traffic lane at a signalized intersection that provides bicyclists with a safer and more visible way to get in front of queuing traffic during the red signal phase.

Transportation Demand Management Program

The Hills at Vallco includes a Transportation Demand Management (TDM) program to encourage alternative modes of transportation to single-occupancy vehicle trips. Specifically, the TDM program may include trip reduction features such as:

- Carpool, carshare, and rideshare;
- Complementary community shuttle in coordination and partnership with the City, VTA, and corporate employers;
- Bicycle repair stations, hub, parking, and wayfinding features on-site;
- Shower and changing facilities for office employees on-site;
- A Multi-Modal Transit Center on-site that supports carpool, carshare, and rideshare programs;
- Electric vehicle parking on-site; and
- Financial incentives for future tenants and employees to walk, bicycle, or take transit.

1.4.2.4 Utility Improvements

Central Plant

The Hills at Vallco includes a “Central Plant” at the northern portion of Block 16, adjacent to I-280. The Central Plant would provide centralized heating and cooling to the project. The Central Plant would consist of a 10,000 ton condenser water system which would serve as a heat sink/source for individual water cooled HVAC systems throughout the development. In addition, a 16,000 ton per hour ice plant would be used for off hour thermal storage.

The Central Plant would contain cooling towers in the upper stories of the parking structure on the northeast corner of the project site. The Central Plant would house conventional cooling and heating equipment including a boiler plant, a pump house, and switchgear. The heat pumped water for heating and cooling of the buildings on-site would be distributed throughout the site from the Central Plant via piping installed in the below-ground parking area.

Emergency Back-Up Generators

The project includes back-up generators to power the site in the event of a power outage. It is anticipated that the project would include 20 back-up building generators and two back-up parking garage generators.

Storm Drain

Currently, there is an existing storm drain line that runs north down North Wolfe Road and cuts through a portion of the project site. The Hills at Vallco would redirect the existing stormwater drainage on North Wolfe Road to flow to Vallco Parkway (instead of through the project site) and then east down Vallco Parkway to the intersection with Perimeter Road. A new public storm drain is proposed to be installed in Perimeter Road in the public utility easement for discharge into the Santa

Clara Valley Water District Junipero Serra Channel located along I-280. All existing laterals and catch basins at the project site are proposed to be reconnected to this new line. Figure 1.4-X shows the existing and proposed storm drain system serving the project site.

Sanitary Sewer

Currently, there is an existing sewer main that runs north on North Wolfe Road and cuts through a portion of the project site. The Hills at Vallco would reroute the main that flows north in North Wolfe Road to flow to Vallco Parkway to the intersection with Perimeter Road. A new sewer main is proposed in Perimeter Road within the public utility easement. The new pipe in Perimeter Road would be connected to a pipe system that crosses I-280. All existing laterals in Vallco Parkway are proposed to be reconnected to the new sewer main in Perimeter Road.

The existing pipe that crosses I-280 is not of sufficient size to serve the proposed development. The existing sewer main line would need to be upsized, or a parallel pipe system would need to be installed, in order to provide adequate sewer for the development and other properties currently served by the main. Upsized (or parallel line) would need to extend from Perimeter Road, across I-280, north on North Wolfe Road to the intersection of Pruneridge Ave. Sizing and extent of improvements are dictated by the Cupertino Sanitary District's sewer model. Figure 1.4-X shows the existing and proposed options (upsizing and parallel line) for sewer service for the project site.

Water

Currently, there is an existing water main that runs north to south in North Wolfe Road and enters the project site. The Hills at Vallco would reroute the main line that runs down North Wolfe Road and direct it to new main lines in Perimeter Road. These new main lines would be reconnected to the water main in I-280. All building fire water is proposed to be served by the new water mains in Perimeter Road. Figure 1.4-X shows the existing and proposed water lines serving the project site.

Recycled Water

Recycled water infrastructure is currently being extended to serve the planned Apple Campus 2 and Hamptons Apartments project north of the project site. The project includes the extension of the recycled water infrastructure approximately 0.8 miles from Pruneridge Avenue, under I-280 to the project site. Recycled water would be used on-site for irrigation and heating and cooling systems.

Other

The Hills at Vallco would connect to existing underground gas lines, communication lines, and electric lines in the project area. **[Note to Applicant: Are any PG&E upgrades required?]**

1.4.2.5 *Transportation Improvements*

Roadway/Vehicular Circulation Improvements

The Hills at Vallco includes a new signalized intersection on North Wolfe Road between Vallco Parkway and the I-280 interchange to allow for left turns into the eastern portion of the project from southbound North Wolfe Road. This intersection would replace the existing on and off ramps from North Wolfe Road to Perimeter Road and would include bicycle and pedestrian crossings at grade across North Wolfe Road. Adaptive traffic signal management improvements (i.e., traffic signal timing upgrades) would also be completed between Stevens Creek Boulevard and I-280 to improve vehicular traffic flow on North Wolfe Road.

The Hills at Vallco would modify the existing Perimeter Road tunnel to provide adequate height clearance for service vehicles, trucks, and emergency vehicles and to build an additional tunnel under North Wolfe Road to connect the parking basements on the east and west sides of North Wolfe Road.

Transit Improvements

The project proponent proposes to coordinate and partner with the City, VTA, and corporate employers to fund a complimentary community shuttle for Cupertino residents and employees with stops at key locations within the City including, but not limited to, the library, Civic Center, Memorial Park, De Anza College, local high school(s), and Apple Campus 2.

The Hills at Vallco includes the improvement of the existing VTA bus stops on Stevens Creek Boulevard, North Wolfe Road, and Vallco Parkway by constructing bus duck-outs and enhanced bus shelters per VTA recommendations and lengthening the stops where necessary to accommodate multiple buses at one time. The Hills at Vallco would establish a “Multi-Modal Transit Center” where the existing bus stop is currently located on the north side of Stevens Creek Boulevard between North Wolfe Road and Perimeter Road. The Multi-Modal Transit Center would include an approximately 5,000 square foot building, seating areas, information kiosks, and state of the art real-time transit information. A pedestrian entrance plaza to the Transit Center would be located on Stevens Creek Boulevard.

Dedicated curbside areas for commuter shuttles near the intersection of Vallco Parkway and Perimeter Road are also proposed. The dedicated curbside areas would be large enough for several commuter shuttles to load/unload at one time.

Bicycle and Pedestrian Improvements

To facilitate bicycle and pedestrian movement, the Hills at Vallco would restripe and color bicycle lanes on North Wolfe Road from Stevens Creek Boulevard to I-280 where appropriate as determined by the City; improve sidewalks along North Wolfe Road from Stevens Creek Boulevard to I-280 by installing pedestrian-scale lighting and street furniture; and replace the existing, enclosed bridge over North Wolfe Road with an open pedestrian bridge.

1.4.2.6 *School Improvements*

Cupertino Union School District

The Hills at Vallco project includes an education facilities and programs investment for Cupertino Union School District consisting of the following:

- Construction of a new 700-student elementary school at the former site of the Nan Allan Elementary School located at 10255 North Portal Avenue in Cupertino;
- Replacement of all portable/temporary classrooms at Collins Elementary School located at 10300 North Blaney Avenue with permanent classrooms;
- Improvement of school playing fields at the former Nan Allan Elementary School and Collins Elementary School;
- Creation and funding of a \$1 million endowment for the 8th grade Yosemite Science Program; and
- Payment of the required school impact fee pursuant to California Government Code Section 65996.

A conceptual site plan of the improvements at Collins Elementary School and the former Nan Allan Elementary School is shown on Figure 1.4-X.

Fremont Union High School District

The Hills at Vallco project includes an education facilities and programs investment for Fremont Union High School District that includes a new 10,000 square foot, turn-key “Innovation Center” at the development site. The Innovation Center would be a flexible, multi-use space that would be leased to the Fremont Union High School for high school students to build projects in collaboration with the community.¹⁰ The Innovation Center is envisioned to serve as:

- Student-led business incubator;
- Work-based learning initiatives hub;
- Robotics team competition arena;
- Multi-disciplinary brainstorming and prototyping space;
- Centrally-located classroom for students from all five high school campuses within the school district;
- Performance space; and
- Exhibition space.

In addition, the project would pay the required school impact fee pursuant to California Government Code Section 65996.

¹⁰ The project would lease the Innovation Center to the Fremont Union High School District for a term of 34 years at for \$1 per year.

1.4.2.7 *Green Building Measures*

The Hills at Vallco is proposed to be designed and constructed to meet or exceed the requirements of the current 2013 California Green Building Standards Code and the 2013 California Energy Code. It is proposed that The Hills at Vallco achieve LEED Platinum certification. The Hills at Vallco would achieve LEED Platinum by incorporating green building measures including, but not limited to:

- Constructing a 30-acre green roof;
- Incorporating water conservation measures (e.g., utilizing municipal recycled water for landscape irrigation, cooling towers, and toilet flushing; collecting rainwater for irrigation; utilizing drip irrigation for all landscape trees; and installing low-flow and ultra-low flow plumbing fixtures);
- Designing the buildings to utilize natural ventilation and daylight;
- Implementing energy design strategies such as low energy systems, displacement ventilation, LED lighting, load scheduling, and others; and
- Installing on-site photovoltaic systems.

1.4.2.8 *Construction*

It is anticipated that the project would be constructed over five years, commencing in 2017 and concluding in 2022. Staging of construction equipment and vehicles would primarily be on-site with some staging within the public right-of-way for the improvement/construction of the tunnels under North Wolfe Road and the bridge over North Wolfe Road. Details about the construction phasing, demolition, grading, and excavation are provided below.

Phasing

According to the applicant, the demolition of Vallco Shopping Mall and construction of The Hills at Vallco would be phased as follows:

- Phase 1 – The demolition and construction activities would start at the northwestern portion of the development site, in the location of the former Macy’s and Macy’s parking structure. Demolition and construction would occur concurrently on the east side of North Wolfe Road where JCPenney and parking areas are located.
- Phase 2 – Once Blocks 5 and 6 are constructed on the northwest portion of the site, the existing movie theaters (AMC Theater), bowling alley, fitness center, and ice rink would be relocated to the newly constructed mixed-use buildings on these blocks. The construction is planned to be phased this way to minimize disruption in operation for these businesses. Once the movie theaters, bowling alley, fitness center and ice rink are relocated, demolition and construction would continue south towards Stevens Creek Boulevard and on the remaining areas on the east side of North Wolfe Road. The applicant intends to construct the proposed residential mixed-use blocks (Blocks 1-9) in the final phase of the project.

Demolition, Grading, and Excavation

The Hills at Vallco would require demolition of the existing improvements on-site including the large shopping mall that includes basements and retaining walls. Demolition materials including concrete, asphalt, and base rock may be recycled and reused on-site. A concrete crusher would be used on-site and located on the eastern portion of the project site, east of North Wolfe Road.

The site elevations would generally follow the existing topography of the site in order to minimize grading, excavation, and reworking of the existing roads.

The Hills at Vallco would include two large below-ground parking garages. The maximum depth of excavation for the below-ground parking garage on the west side of North Wolfe Road would be approximately 20 feet and approximately 31 feet for the below-ground parking garage on the east side of North Wolfe Road. It is anticipated that approximately 2.2 million cubic yards of soil would be excavated for the proposed below-ground garages and most of the excavated soil would be hauled off-site. The applicant anticipates that the soiled hauled off-site would be used at another construction site within 20 miles of the project site.

Some of the soil excavated is proposed to be used on the green roof and at-grade landscaped areas. It is estimated that 168,000 cubic yards of soil would need to be imported to the site. The imported soil would be used as topsoil on the green roof and mixed with existing soil on-site.

Table 1.4-X: Summary of The Hills at Vallco Project*

Land Use	
Commercial	<p>Total of 650,000 square feet of commercial uses located in all blocks of the project, consisting of:</p> <ul style="list-style-type: none"> • 600,000 square feet of retail/restaurant/event/entertainment uses, of which: <ul style="list-style-type: none"> – A minimum of 420,000 square feet would be retail/restaurant uses including large and small retail stores, food establishments, and limited personal services; and – 180,000 square feet of which could be entertainment uses such as a movie theater, ice rink, and bowling alley. • 50,000 square feet of fitness uses (10,000 square feet of which would be located on the green roof).
Office	<ul style="list-style-type: none"> • A total of 2.0 million square feet of office uses located in Blocks 9-16. • An additional 345,000 square feet of amenity space solely for the office uses including a 20,000 square foot conference hall on the green roof, 15,000 square foot cafeteria/fitness area on the green roof, a total of 175,000 square foot testing and workshop space in Blocks 11-16, and a total of 135,000 square feet of other amenity spaces in Blocks 11-16.
Residential	<p>Total of 800 residential dwelling units located in Blocks 1-4 and 7-9, consisting of:</p> <ul style="list-style-type: none"> • 680 market-rate apartments; • 80 below-market rate apartments; and • 40 market-rate senior apartments.

Table 1.4-X: Summary of The Hills at Vallco Project*

	<ul style="list-style-type: none"> An additional 25,000 square feet of amenity space solely for residents on the roof including a fitness center, clubhouse, and pool.
Civic/Community	<ul style="list-style-type: none"> 20,000 square foot community banquet hall on the green roof, 10,000 square foot high school Innovation Center located in the western portion of the site, 5,000 square foot civic meeting space located in the western portion of the site, and 5,000 square foot “Multi-Modal Transit Center.”
Common Open Spaces/Landscaping	
Town Squares	Approximately 1.8-acre Town Square West and approximately 1.1-acre Town Square East. Both town squares would have programmable green space for community events and activities.
Green Roof	<p>30-acre green roof would include landscaping, active and passive open spaces, and nine pavilions totaling approximately 115,000 square feet. The pavilions would serve a variety of purposes and would either be for community, retail, residential, or office uses.</p> <ul style="list-style-type: none"> Green roof would have five distinct areas: oak grove, community activities, vineyards, orchards, and nature preserve. Much of the green roof would be accessible to the public. The building square footages on the green roof would be allocated as follows: <ul style="list-style-type: none"> A total of 35,000 square feet for commercial uses (i.e., 5,000 square foot wine tasting area, 20,000 square feet of retail pavilions, and a 10,000 square foot fitness area); 35,000 square feet for office uses (20,000 square foot conference hall and 15,000 cafeteria/fitness area); and 25,000 square feet for residential uses (e.g., fitness center, clubhouse, and pool) 20,000 square feet for a civic/community banquet hall.
Landscaping	Most landscaping would be on the green roof with additional landscaping in the town squares and along the perimeter of the site and internal streets.
Access, Circulation, and Parking	
Vehicular Access and Parking	<p>Grid street pattern proposed throughout site with Avenues A-D running north and south and 1st-7th Streets running east and west. Vehicles would be able to access the on-site street network from Stevens Creek Boulevard, Perimeter Road, and North Wolfe Road.</p> <p>Parking would be provided in a large below-ground parking garage, on-street, and at-grade parking structures. Proposed residential and office uses would have designated at-grade parking structures.</p>
Transit Access	Existing bus stops on the project site frontage on Stevens Creek Boulevard, North Wolfe Road, and Vallco Parkway would be improved with duck-outs and enhanced bus shelters per VTA recommendations. The existing bus stop on the north side of Stevens Creek Boulevard between North Wolfe Road and Perimeter Road would function as a “Multi-Modal Transit Center.” Dedicated curbside areas for commuter shuttles are proposed near the intersection of Vallco Parkway and Perimeter Road.
Bicycle Access and Parking	New bike trails and Class I-III bikeways are proposed to follow the street grid pattern on-site. The proposed bicycle facilities would connect to existing bikeways on North Wolfe Road, Vallco Parkway, and Stevens Creek Boulevard. Bicycle parking racks, lockers, and charging areas for electric bicycles are proposed on-site. A bike hub is proposed on the western portion of the site.
Pedestrian Access	New pedestrian trails and sidewalks are proposed to follow the street grid pattern on-site. The existing enclosed bridge over North Wolfe Road would be replaced with a landscaped

Table 1.4-X: Summary of The Hills at Vallco Project*

	pedestrian bridge that would connect the two proposed town squares. The green roof would be accessible from the town squares, at the western site boundary at Stevens Creek Boulevard, and near the intersection of North Wolfe Road and Vallco Parkway.
Transportation Demand Management Program	Encourage alternative modes of transportation by including features such as: <ul style="list-style-type: none"> • Carpool, carshare, and rideshare; • Complementary community shuttle in coordination and partnership with the City, VTA, and corporate employers; • Bicycle repair stations, hub, parking, and wayfinding features on-site; • Shower and changing facilities for office employees on-site; • A Multi-Modal Transit Center on-site that supports carpool, carshare, and rideshare programs; • Electric vehicle parking on-site; and • Financial incentives for future tenants and employees to walk, bicycle, or take transit.
Utility Improvements	
Central Plant	A central heating, ventilation, and air conditioning system for the entire project consisting of a 10,000 ton condenser water system and 16,000 ton per hour ice plant located in Block 16.
Back-Up Generators	20 back-up building generators and two back-up parking garage generators
Storm Drain, Sanitary Sewer, Water	<ul style="list-style-type: none"> • Rerouting the existing stormwater drainage on North Wolfe Road to flow to Vallco Parkway to a new, proposed storm drain line in Perimeter Road. The new storm drain line would discharge into the Junipero Serra Channel. • Rerouting the sewer main that flows north in North Wolfe Road to flow to Vallco Parkway to a new, proposed sewer main in Perimeter Road. The new sewer main would connect to an existing sewer main that crosses I-280. • Rerouting the water main in North Wolfe Road that enters the project site to new water main lines proposed in Perimeter Road. These new water mains would connect to an existing water main in I-280.
Recycled Water	<ul style="list-style-type: none"> • Extending the existing recycled water infrastructure that is located north of the site under I-280, south on North Wolfe Road to Stevens Creek Boulevard.
Transportation Improvements	
Roadway/Vehicular Circulation	<ul style="list-style-type: none"> • Constructing a new signalized intersection on North Wolfe Road between Vallco Parkway and the I-280 interchange. • Modifying the existing tunnel under North Wolfe Road to allow for east-west access for emergency and service vehicles, by providing adequate height clearances. • Building an additional tunnel under North Wolfe Road to connect the proposed parking basements on the east and west sides of North Wolfe Road.
Transit	<ul style="list-style-type: none"> • Funding a complementary community shuttle in coordination and partnership with the City, VTA, and corporate employers. • Improving existing bus stops along the project site frontage. • Designating the existing bus stop on the north side of Stevens Creek between North Wolfe Road and Perimeter Road as a “Multi-Modal Transit Center,” which would include an associated 5,000 square foot building. • Dedicating curbside areas for commuter shuttles near the intersection of Vallco Parkway and Perimeter Road.
Bicycle and Pedestrian	<ul style="list-style-type: none"> • Restriping and coloring bicycle lanes on North Wolfe Road from Stevens Creek Boulevard to I-280.

Table 1.4-X: Summary of The Hills at Vallco Project*

	<ul style="list-style-type: none"> Improving sidewalks along North Wolfe Road from Stevens Creek Boulevard to I-280 by installing pedestrian-scale lighting and street furniture. Replacing the existing, enclosed bridge over North Wolfe Road with a pedestrian bridge.
School Improvements	
Cupertino Union School District	<ul style="list-style-type: none"> Constructing a new 700-student elementary school located at 10255 North Portal Avenue in Cupertino; Replacing all portable/temporary classrooms at Collins Elementary School with permanent classrooms; Improving the existing play fields at Collins Elementary School; Creating and funding of \$1 million endowment for the 8th grade Yosemite Science Program; and Paying the required school impact fee pursuant to California Government Code Section 65996.
Fremont Union High School District	<ul style="list-style-type: none"> Constructing a 10,000 square foot High School “Innovation Center” on-site available to the High School District for rent for 34 years; and Paying the required school impact fee pursuant to California Government Code Section 65996.
Building and Construction Details	
LEED Platinum (or equivalent)	Incorporate green building measures including, but not limited to, a 30-acre green roof, water conservation measures, building design to utilize natural ventilation and daylight, energy design strategies, and on-site photovoltaic systems.
Demolition and Construction	The existing Vallco Shopping Mall would be demolished. Construction would be phased and the development project is estimated to be completed in a total of five years. Staging of construction equipment and vehicles would primarily be on-site. Approximately 2.2 million cubic yards of soil would be excavated and most of the excavated soil would be hauled off-site. Approximately 168,000 cubic yards of clean soil would be imported to the site.
Note: * This table provides a summary of the main details of The Hills at Vallco project proposal. Refer to the text of the project description (<i>Section 1.4.2</i>) for complete details.	

1.5 PROJECT OBJECTIVES

1.5.1 City Objectives

According to the City’s Community Vision 2040, the City envisions the Vallco Shopping District as a new mixed-use “town center” and gateway for Cupertino. The area will become a primary regional destination for shopping, dining and entertainment, providing the City with additional sales tax revenue generators.

The vision for the site includes an interconnected street grid network of bicycle and pedestrian-friendly streets, more pedestrian-oriented buildings with active uses lining Stevens Creek Boulevard and North Wolfe Road, and publicly-accessible parks and plazas that support a pedestrian-oriented feel of the revitalized area.

New development in the Vallco Shopping District will provide buffers between adjacent single-family neighborhoods in the form of boundary walls, setbacks, landscaping, and/or building transitions.

The project will leverage Cupertino’s centralized location between the Peninsula and South Bay Area, providing travelers with high-quality lodging accommodations. Guests would be located conveniently just steps away from various retail stores and service establishments located along the ground floor. Nearby anchor restaurants would provide opportunities for formal or informal engagements.

The Shopping District will place an emphasis on human scale, providing public spaces and activity nodes that are easily accessible by active modes of travel through an intuitively connected street grid network. High-quality materials and architectural elements will aid in creating a sense of place and enhance the “town center” aesthetic. Pedestrian-oriented buildings differentiated by appropriate street, block and building typology will distinguish public realms, transition areas and areas of open space. This will elicit interest, exploration and interaction from both residents of the new development and visitors alike.

The Vallco Shopping District will provide dwelling units on the upper floors of the mixed-use development above the commercial and active uses on the ground floor. The residential units will bolster the supply of available housing for all socio-economic segments and help the City to meet the identified regional housing need as detailed in the Housing Element of the 2040 General Plan.

The intimate town center environment will appeal to active seniors seeking to improve their quality of life, allowing them to be in close proximity to goods and services.

The allure of reduced commute times, accessibility to public transit and variety of food and entertainment options will attract both employers and professionals to work for the companies occupying the amenity rich office space incorporated into the Town Center.

In summary, the City’s project objectives are to adopt a Vallco Shopping District Specific Plan that will facilitate the following:

- Creation of a new mixed-use Town Center involving complete redevelopment of the Vallco Shopping Mall site; and
- Implement the Goals, Policies and Strategies of the General Plan listed below.

<u>Strategies/ Policies/Goals</u>	<u>Description</u>
Goal LU-19	Create a distinct and memorable mixed-use “Town Center” that is a regional destination and a focal point for the community.
Policy LU-19.1	Create a Vallco Shopping District Specific Plan prior to any development on the site that lays out the land uses, design standards and guidelines, and infrastructure improvements required.
Strategy LU-19.1.1	Redevelopment will require a master developer in order to remove the obstacles to the development of a cohesive district with the highest levels of urban design.
Strategy LU-19.1.2	Parcel assembly and a plan for complete redevelopment of the site is required prior to adding residential and office uses. Parcelization is highly discouraged in order to preserve the site for redevelopment in the future.
Strategy LU-19.1.3	The “town center” plan should be based on complete redevelopment of the site in order to ensure that the site can be planned to carry out the community vision.
Strategy LU-19.1.4	The following uses are allowed on the site: Retail: High-performing retail, restaurant, and entertainment uses. Maintain a minimum of 600,000 square feet of retail that provides a good source of sales tax for the City. Entertainment uses may be included but shall consist of no more than 30 percent of retail uses. Hotel: Encourage a business class hotel with conference center and active uses including main entrances, lobbies, retail, and restaurants on the ground floor. Residential: Allow residential on upper floors with retail and active uses on the ground floor. Encourage a mix of units for young professionals, couples and/or active seniors who like to live in an active “town center” environment. Office: Encourage high-quality office space arranged in a pedestrian-oriented street grid with active uses on the ground floor, publicly-accessible streets and plazas/green space.
Strategy LU-19.1.5	Create streets and blocks laid out using “transect planning,” which includes a discernible center and edges, public space at center, high quality public realm, and land uses appropriate to the street and building typology.
Strategy LU-19.1.6	Provide a newly configured complete street grid hierarchy of streets, boulevards and alleys that is pedestrian-oriented, connects to existing streets, and creates walkable urban blocks for buildings and open space. It should also incorporate transit facilities, provide connections to other transit nodes and coordinate with the potential expansion of Wolfe Road bridge over Interstate 280 to continue the walkable, bike-able boulevard concept along Wolfe Road. The project should also contribute towards a study and improvements to a potential Interstate 280 trail along the drainage channel south of the freeway and provide pedestrian and bicycle connections from the project sites to the trail.

<u>Strategies/ Policies/Goals</u>	<u>Description</u>
Strategy LU-19.1.7	Improve Stevens Creek Boulevard and Wolfe Road to become more bike and pedestrian-friendly with bike lanes, wide sidewalks, street trees, improved pedestrian intersections to accommodate the connections to Rosebowl and Main Street.
Strategy LU-19.1.8	Open space in the form of a central town square on the west and east sides of the district interspersed with plazas and “greens” that create community gathering spaces, locations for public art, and event space for community events.
Strategy LU-19.1.9	Buildings should have high-quality architecture, and an emphasis on aesthetics, human scale, and create a sense of place. Additional heights may be approved in specific areas by the City Council as part of the Community Benefits Program and per heights allowed in the Community Form Diagram. Taller buildings should provide appropriate transitions to fit into the surrounding area.
Strategy LU-19.1.10	High-quality buildings with architecture and materials befitting the gateway character of the site. The project should provide gateway signage and treatment.
Strategy LU-19.1.11	A phasing plan that lays out the timing of infrastructure, open space and land use improvements that ensures that elements desired by the community are included in early phases.
Strategy LU-19.1.12	Parking in surface lots shall be located to the side or rear of buildings. Underground parking beneath buildings is preferred. Above grade structures shall not be located along major street frontages. In cases, where above-grade structures are allowed along internal street frontages, they shall be lined with retail, entries and active uses on the ground floor. All parking structures should be designed to be architecturally compatible with a high-quality “town center” environment.
Strategy LU-19.1.13	Retain trees along the Interstate 280, Wolfe Road and Stevens Creek Boulevard to the extent feasible, when new development are proposed.
Strategy LU-19.1.14	Consider buffers such as setbacks, landscaping and/or building transitions to buffer abutting single-family residential areas from visual and noise impacts.

The project should also be consistent with the following General Plan strategies, policies, and goals listed below.

<u>Strategies/ Policies/Goals</u>	<u>Description</u>
Strategy LU-13.7.1	Provide active uses along the street frontage, bike lanes, sidewalks that support pedestrian-oriented activity, improved pedestrian crossings at street intersections, and attractive transit facilities (e.g., bus stops, benches, etc.).
Goal HE-1	An adequate supply of residential units for all economic segments.
Goal HE-2	Housing is affordable for a diversity of Cupertino households.

<u>Strategies/ Policies/Goals</u>	<u>Description</u>
Strategy HE-1	Provide adequate capacity through the Land Use Element and Zoning Ordinance to accommodate the RHNA of 1,064 units while maintaining a balanced land use plan that offers opportunities for employment growth, commercial/retail services, and amenities.
Policy HE-1.1	Designate sufficient land at appropriate densities to accommodate Cupertino’s Regional Housing Needs Allocation of 1,064 units for the 2014-2022 projection period.
Policy HE-1.2	Provide a full range of densities for ownership and rental housing.
Policy ES-7.2	Strategies for the use of pervious walkways and driveways should be explored.
Policy HE-1.3	Encourage mixed-use development near transportation facilities and employment centers.
Strategy ES-7.11.4	Encourage and promote the use of recycled water in public and private buildings, open space and streetscape planting.
Strategy ES-7.11.5	Encourage on-site water recycling including rainwater harvesting and gray water use.
Policy HS-3.7	Ensure that adequate fire protection is built into the design of multi-story buildings and require on-site fire suppression materials and equipment.
Strategy HS-8.2.1	Locate delivery areas for new commercial and industrial developments away from existing or planned homes.
Strategy HS-8.2.3	Exercise discretion in requiring sound walls to be sure that all other measures of noise control have been explored and that the sound wall blends with the neighborhood. Sound walls should be designed and landscaped to fit into the environment.
Goal INF-4	Implement best practices in stormwater management to reduce demand on the stormwater network, reduce soil erosion, and reduce pollution into reservoirs and the bay.
Strategy INF-7.3.2	Encourage recycling and reuse of building materials during demolition and construction of City, agency and private projects.
Strategy INF-7.3.3	Encourage the use of recycled materials and sustainably harvested materials in City, agency and private projects.
Strategy INF-2.4.2	Require undergrounding of all utility lines in new developments and highly encourage undergrounding in remodels or redevelopment of major projects.
Strategy INF-2.5.2	Encourage private and public projects to incorporate the use of recycled water for landscaping and other uses.
Strategy INF-5.1.2	Require developers to pay their fair share of costs for, or in some cases construct, infrastructure upgrades to ensure that service levels are met.
Policy RPC-2.4	Ensure that each home is within a half-mile walk of a neighborhood park or community park with neighborhood facilities; ensure that walking and biking routes are reasonably free of

<u>Strategies/ Policies/Goals</u>	<u>Description</u>
	physical barriers, including streets with heavy traffic; provide pedestrian links between parks, wherever possible; and provide adequate directional and site signage to identify public parks.
Strategy RPC-3.1.1	Maximize the use of native plants and drought-tolerant planting.
Strategy RPC-8.1.2	Encourage schools to meet their expansion needs without reducing the size of their sports fields.
Policy M-2.1	Adopt and maintain street design standards to optimize mobility for all transportation modes including automobiles, walking, bicycling and transit.
Policy M-2.2	Design roadway alignments, lane widths, medians, parking and bicycle lanes, and sidewalks to complement adjacent land uses to keep with the aesthetic vision of the Planning Area. Improvement standards shall also consider the urban, suburban and rural environments found within the City.
Policy M-2.3	Promote pedestrian and bicycle improvements that improve connectivity between planning areas, neighborhoods and services, and foster a sense of community.
Policy M-2.4	Reduce traffic impacts and support alternative modes of transportation in neighborhoods and around schools, parks and community facilities rather than constructing barriers to mobility. Do not close streets unless there is a demonstrated safety or over-whelming through traffic problem and there are no acceptable alternatives since street closures move the problem from one street to another.
Policy M-2.5	Ensure all new public and private streets are publicly accessible to improve walkability and reduce impacts on existing streets.

1.5.2 Applicant Objectives

The applicant's primary objectives for the project are as follows:

1. Implement the vision in the City's General Plan to redevelop the outdated Vallco Shopping Mall into a vibrant and healthy mixed-use town center by balancing retail, employment, residential, civic and ancillary uses with a focus on providing significant open space features, views, and a gateway to Cupertino.
2. Revitalize this critical urban infill site with a strong and complementary mixed-use program, including retail, office, residential, civic and ancillary uses, at an intensity and density that both promotes visitor activity and interest and is able to financially support an innovative open space, transit center, and civic programs, as well as achieve a high level of sustainability.

The applicant's secondary objectives are as follows:

3. Create an innovative and active gathering place with vitality in design that integrates and encourages walking and cycling and that is compatible with, and complementary to, recent well-designed projects proximate to the project site.
4. Capitalize on the opportunity to utilize existing infrastructure in a manner which furthers local, regional and state compact and sustainable growth goals, including the extension of recycled water.
5. Provide sufficient local serving and destination retail uses to enable Cupertino and South Bay residents and shoppers to reduce vehicle miles travelled and associated greenhouse gas emissions.
6. Create an active, inviting and comfortable place for people to visit, shop, and enjoy dining and entertainment.
7. Provide greater residential variety and density, including additional affordable residential and life-cycle residential.
8. Reduce distances between residential, workplaces, retail businesses, and other entertainment amenities.
9. Improve local access to fresh and healthy foods by integrating more traditional food retail with the vibrancy of local farmers markets, and the heightened awareness of seasonal cycles as well as education opportunities through urban farming.
10. Provide adequate parking and vehicular access that meets the needs of future project visitors, employees, and residents, while encouraging the use of transit, bicycle, and other alternative modes of transportation.
11. Create new residential opportunities in close proximity to employment centers, public transit, shops, restaurants and entertainment uses.
12. Create a new regional civic gathering place that has a strong neighborhood character that is informed by and responding to the ideas, input and concerns of the local community.

1.6 USES OF THE EIR

This EIR provides decision makers in the City of Cupertino and the general public with relevant environmental information to use in considering the proposed project in accordance with the requirements of CEQA and the CEQA Guidelines. This EIR will be used for appropriate discretionary approvals necessary to implement the project, as proposed. As lead agency for the proposed project, the City of Cupertino would be responsible for most of the approvals required for development. Other agencies may also have some authority related to the project and its approvals. The discretionary actions, permits, and approvals that may be required by the City and other agencies is listed in Table 1.5-1 below. This EIR is intended to be used by the City and other agencies when deliberating on required permits and approvals.

Table 1.5-1: Summary of Required Discretionary Actions, Permits, and Approvals	
Lead Agency	Discretionary Action, Permit, Approval
City of Cupertino	<ul style="list-style-type: none"> • Specific Plan Approval • Rezoning • Development Agreement • Development Permits • Conditional Use Permit • Tentative Map • New and Modified Easements, Air Rights, and other Related Agreements • Tree Removal Permits • Architecture and Site Approvals • Encroachment Permits
Responsible Agencies	
Cupertino Sanitary Sewer District	<ul style="list-style-type: none"> • Improvement Plan Approval
Caltrans	<ul style="list-style-type: none"> • Encroachment Permit
<p>Note: The community amenities proposed as part of the project (the community park and nature preserve, transportation improvements, educational facilities and programs funding) are proposed to be included as part of a legally binding and enforceable Development Agreement between the property owner and the City.</p>	

1.7 SUBSEQUENT ENVIRONMENTAL REVIEW

There are uses proposed as part of the project that may require subsequent environmental review because specific details about the construction and/or operation of those uses (e.g., new off-site 700 student elementary school) are unknown at this time. The process followed could include use of this EIR, preparation of an Addendum to this EIR, preparation of a Negative Declaration that tiers from this EIR, or preparation of a supplemental or subsequent EIR. The uses/actions that could require subsequent environmental review include, but are not limited to, the following:

- Construction of a new elementary school at the former Nan Allan Elementary School site located at 10255 North Portal Avenue in Cupertino;
- Development of *more* than 650,000 square feet of commercial uses, 2.0 million square feet of office uses, 800 residential units on the site, 40,000 square feet of civic/community space, and amenities as described in *Section 1.4.2*; and
- Construction of a modified or new interchange at North Wolfe Road and I-280.

ATTACHMENT C: REFERENCED GENERAL PLAN POLICIES

<u>Policies</u>	<u>Description</u>
M-1.2	<p>Participate in the development of new multi-modal analysis methods and impact thresholds as required by Senate Bill 743. However, until such impact thresholds are developed, continue to optimize mobility for all modes of transportation while striving to maintain the following intersection Levels of Service (LOS) at a.m. and p.m. peak traffic hours:</p> <ul style="list-style-type: none">• Major intersections: LOS D;• Stevens Creek Boulevard and De Anza Boulevard: LOS E+;• Stevens Creek Boulevard and Stelling Road: LOS E+• De Anza Boulevard and Bollinger Road: LOS E+
M-1.3	<p>Continue to plan and provide for a comprehensive system of trails and pathways consistent with regional systems, including the Bay Trail, Stevens Creek Corridor and Ridge Trail.</p>
M-2.1	<p>Adopt and maintain street design standards to optimize mobility for all transportation modes including automobiles, walking, bicycling and transit.</p>
M-2.2	<p>Design roadway alignments, lane widths, medians, parking and bicycle lanes, crosswalks and sidewalks to complement adjacent land uses in keeping with the vision of the Planning Area. Strive to minimize adverse impacts and expand alternative transportation options for all Planning Areas (Special Areas and Neighborhoods). Improvement standards shall also consider the urban, suburban and rural environments found within the city.</p>
M-2.3	<p>Promote pedestrian and bicycle improvements that improve connectivity between planning areas, neighborhoods and services, and foster a sense of community.</p>
M-2.4	<p>Reduce traffic impacts and support alternative modes of transportation rather than constructing barriers to mobility. Do not close streets unless there is a demonstrated safety or over-whelming through traffic problem and there are no acceptable alternatives since street closures move the problem from one street to another.</p>
M-2.5	<p>Ensure all new public and private streets are publicly accessible to improve walkability and reduce impacts on existing streets.</p>
M-2.6	<p>Consider the implementation of best practices on streets to reduce speeds and make them user-friendly for alternative modes of transportation, including pedestrians and bicyclists.</p>
M-3.2	<p>Require new development and redevelopment to increase connectivity through direct and safe pedestrian connections to public amenities, neighborhoods, shopping and employment destinations throughout the city.</p>

<u>Policies</u>	<u>Description</u>
M-3.3	Enhance pedestrian and bicycle crossings and pathways at key locations across physical barriers such as creeks, highways and road barriers.
M-3.4	Preserve and enhance citywide pedestrian and bike connectivity by limiting street widening purely for automobiles as a means of improving traffic flow.
M-3.5	Minimize the number and the width of driveway openings.
M-3.6	Require parking lots to include clearly defined paths for pedestrians to provide a safe path to building entrances.
M-3.8	Require new development and redevelopment to provide public and private bicycle parking.
M-4.4	Work with VTA and/or major developments to ensure all new development projects include amenities to support public transit including bus stop shelters, space for transit vehicles as appropriate and attractive amenities such as trash receptacles, signage, seating and lighting.
M-4.7	Vallco Shopping District Transfer Station - Work with VTA and/or other transportation service organizations to study and develop a transit transfer station that incorporates a hub for alternative transportation services such as, car sharing, bike sharing and/or other services.
M-5.1	Promote Safe Routes to Schools programs for all schools serving the city.
M-5.2	Ensure that bicycle and pedestrian safety improvements include projects to enhance safe accessibility to schools.
M-7.1	Follow guidelines set by the VTA related to transportation impact analyses, while conforming to State goals for multi-modal performance targets.
M-8.3	Employ Transportation Systems Management strategies to improve efficiency of the transportation infrastructure including strategic right-of-way improvements, intelligent transportation systems and optimization of signal timing to coordinate traffic flow.
M-8.4	Require large employers, including colleges and schools, to develop and maintain TDM programs to reduce vehicle trips generated by their employees and students and develop a tracking method to monitor results.
M-8.5	Encourage new commercial developments to provide shared office facilities, cafeterias, daycare facilities, lunchrooms, showers, bicycle parking, home offices, shuttle buses to transit facilities and other amenities that encourage the use of transit, bicycling or walking as commute modes to work. Provide pedestrian pathways and orient buildings to the street to encourage pedestrian activity.
M-9.2	Promote effective TDM programs for existing and new development.

<u>Policies</u>	<u>Description</u>
RPC-1.1	Prepare a citywide Parks and Recreation Master Plan that outlines policies and strategies to plan for the communities open space and recreational needs.
RPC-1.2	Continue to implement a parkland acquisition and implementation program that provides a minimum of three acres per 1,000 residents.
RPC-2.1	The City's parkland acquisition strategy should be based upon three broad objectives: <ul style="list-style-type: none"> • Distributing parks equitably throughout the City; • Connecting and providing access by providing paths, improved pedestrian and bike connectivity and signage; and • Retaining and restoring creeks and other natural open space areas.
RPC-2.3	Strive for an equitable distribution of parks and recreational facilities throughout the city. Park acquisition should be based on the following priority list. Accessibility to parks should be a component of the acquisition plan. <ul style="list-style-type: none"> • High Priority: Parks in neighborhoods or areas that have few or no park and recreational areas. • Medium Priority: Parks in neighborhoods that have other agency facilities such as school fields and district facilities, but no City parks. • Low Priority: Neighborhoods and areas that have park and recreational areas which may be slightly less than the adopted City's parkland standard. • Private Development: Consider pocket parks in new and renovated projects to provide opportunities for publicly-accessible park areas.
RPC-2.4	Ensure that each home is within a half-mile walk of a neighborhood park or community park with neighborhood facilities; ensure that walking and biking routes are reasonably free of physical barriers, including streets with heavy traffic; provide pedestrian links between parks, wherever possible; and provide adequate directional and site signage to identify public parks.
RPC-2.5	Provide parks and recreational facilities for a variety of recreational activities.
RPC-5.1	Dedicate or acquire open space land along creeks and utility through regional cooperation, grants and private development review.
RPC-6.2	Enhance the city's recreational programs through partnerships with other agencies and non-profit organizations.
RPC-8.1	Partner with school districts to allow community use of their sports fields and facilities.
HS-4.1	Continue to support the Neighborhood Watch Program and other similar programs intended to help neighborhoods prevent crime through social interaction.

<u>Policies</u>	<u>Description</u>
HS-4.2	Consider appropriate design techniques to reduce crime and vandalism when designing public spaces and reviewing development proposals.
HS-4.3	Recognize fiscal impacts to the County Sheriff and City of Cupertino when approving various land use mixes.
HS-3.1	Coordinate wildland fire prevention efforts with adjacent jurisdictions. Encourage the County and the Midpeninsula Open Space District to implement measures to reduce fire hazards, including putting into effect the fire reduction policies of the County Public Safety Element, continuing efforts in fuel management, and considering the use of “green” fire break uses for open space lands.
HS-3.2	Involve the Fire Department in the early design stage of all projects requiring public review to assure Fire Department input and modifications as needed.
HS-3.3	Ensure adequate emergency access is provided for all new hillside development.
HS-3.4	Discourage the use of private residential electronic security gates that act as a barrier to emergency personnel.
HS-3.7	Ensure that adequate fire protection is built into the design of multi-story buildings and require on-site fire suppression materials and equipment.
HS-3.8	Encourage the water companies to extend water service into the hillside and canyon areas and encourage cooperation between water utility companies and the Fire Department in order to keep water systems in pace with growth and firefighting service needs.
ES-1.1	Incorporate the principles of sustainability into Cupertino’s planning, infrastructure and development process in order to improve the environment, reduce greenhouse gas emissions and meet the needs of the community without compromising the needs of future generations.
ES-2.1	Encourage the maximum feasible conservation and efficient use of electrical power and natural gas resources for new and existing residences, businesses, industrial and public uses.
ES-3.1	Set standards for the design and construction of energy and resource conserving/efficient building.
ES-7.1	In public and private development, use low impact development (LID) principles to mimic natural hydrology, minimize grading and protect or restore natural drainage systems.
ES-7.2	Minimize stormwater runoff and erosion impacts resulting from development and use low impact development (LID) designs to treat stormwater or recharge groundwater.

<u>Policies</u>	<u>Description</u>
ES-7.4	Review long-term plans and development projects to ensure good stewardship of watersheds.
ES-7.5	Support the Santa Clara Valley Water District efforts to find and develop groundwater recharge sites within Cupertino and provide public recreation where possible.
ES-7.6	Encourage the research of other water sources, including water reclamation.
ES-7.7	Encourage industrial projects, in cooperation with the Cupertino Sanitary District, to have long-term conservation measures, including recycling equipment for manufacturing and water supplies in the plant.
ES-7.8	Retain and restore creek beds, riparian corridors, watercourses and associated vegetation in their natural state to protect wildlife habitat and recreation potential and assist in groundwater percolation. Encourage land acquisition or dedication of such areas.
ES-7.9	Continue to coordinate citywide water conservation and regional water supply problem solving efforts with the Santa Clara Valley Water District (SCVWD), San Jose Water Company and California Water Company.
ES-7.10	Provide public information regarding resource conservation.
ES-7.11	Promote efficient use of water throughout the City in order to meet State and regional water use reduction targets.
INF-7.1	Coordinate with solid waste system providers to utilize the latest technology and best practices to encourage waste reduction and meet, and even, exceed State targets.
INF-7.2	Ensure that public and private developments build new and on-site facilities and/or retrofit existing on-site facilities to meet the City's waste diversion requirements.
INF-7.3	Encourage public agencies and private property owners to design their operations to meet, and even, exceed regulatory waste diversion requirements.
INF-8.1	Meet or exceed Federal, State and regional requirements for solid waste diversion through implementation of programs.

Appendix 6

Memorandum
re Vallco Initiative/9212 Report

by
Greensfelder Commercial Real Estate LLC
March 24, 2016



MEMORANDUM

TO: Elizabeth Seifel
Seifel Consulting

FROM: David Greensfelder

RE: **Vallco Initiative / 9212 Report**

DATE: March 24, 2016

In 2014, Greensfelder Commercial Real Estate LLC prepared a Retail Strategy Report (the "2014 Report") for the City of Cupertino. As part of the City's overall growth management system, Cupertino's General Plan establishes a development allocation system for commercial (retail), office, hotel room and residential growth. The 2014 Report was part of a larger planning effort to inform the future development allocations that would be made as part of a proposed general plan amendment process. The 2014 Report also addressed the suitability for [re]development of the Vallco Shopping Center in depth.

Greensfelder has been asked to evaluate the potential impact of an Initiative that would modify the General Plan by changing the allowable development allocations in the Vallco Shopping District, where Vallco Shopping Center is located, and altering other land use provisions in the General Plan. (Please refer to the Analysis of the Potential Impact of the Initiative on Vallco section of this memorandum for a summary description of the Initiative.) As part of this analysis, Greensfelder reviewed and updated key data and findings in the 2014 Report that are particularly relevant to the Vallco Shopping Center and the analysis of the Initiative.

This memorandum serves as a technical appendix to the Election Code 9212 Analysis of the Initiative and is organized into the following sections:

- I. Executive Summary
- II. Organizing Principles for Discussing Retail and Shopping Centers
- III. Regional Mall and Department Store Trends
- IV. Vallco-specific Findings
- V. Analysis of the Potential Impact of the Initiative on Vallco

March 24, 2016
Page 2

VI. Conclusions

Attachment A – Historic and Current Retail Conditions in Cupertino and Surrounding Areas

Attachment B – Summary of Competing Specialty Shopping Destinations

Attachment C – Bibliography and Reference Sources

Executive Summary

This executive summary presents the major findings discussed in this memorandum and begins with an overview of key retail trends affecting both retail and shopping malls like Vallco:

- Mall retailers who do a better job of differentiating themselves from competitors are consolidating into fewer, high performing Class A regional malls, and an increasingly wide divide is developing between higher performing Class A malls and lower performing Class C malls of which Vallco is an excellent example.
 - Today's successful malls are predominantly comprised of "specialty" retailers that need to draw customers from a broad retail trade area.
 - Vallco operates in a retail trade area where there is an oversupply of mall space.
 - Mall leasing and operation is a highly competitive business.
 - The accelerating rate at which Class A malls are differentiating themselves from Class B and C malls is definitive evidence that Vallco's circumstance is not unique.
 - Department stores and big box retailers have consolidated within their respective categories.
 - Many retailers have experienced financial and operational challenges including Macy's, Sears and JC Penney, all of which were anchors at Vallco before their closure.
- Technology has changed shopping, particularly for commodity goods. Multiple retail "channels" now compete against traditional "bricks and mortar" retail.
 - An increasing number of retailers sell through multiple retail channels and try to create an "omnichannel" experience for the consumer.
 - This trend has resulted in the closure of some "bricks and mortar" retailers, while it has also provided some more nimble and responsive retailers with new opportunities to reach consumers.
 - These trends have particularly forced commodity retailers to operate in an ever-changing environment. This competitive environment combined with continued consolidation amongst commodity retailers means there will be fewer tenants available to fill space should Vallco be reimaged as a so-called power center.

March 24, 2016
Page 3

- Retail must constantly reinvent itself to stay “fresh” and relevant to customers.
 - Mall operators and retailers alike must build rapport and excitement with their customers in order to create “want-based” as opposed to “need-based” specialty shopping experiences, and to retain a competitive edge.
 - Consumers are increasingly looking for well-designed and authentic destination retail environments where they not only can spend their free and recreational time, but where they can have a compelling “experience” while doing so.
 - The addition of residential and office space in a redeveloped Vallco provides greater opportunities to create a dynamic environment, and greater critical mass to support an active retail component.
 - An owner or developer with both expertise and deep financial capability is needed to execute a repositioning strategy at Vallco.

Specifically, current retail trends point to Valley Fair, Santana Row and Stanford Shopping Center continuing to dominate the retail market because all evidence points to the market having determined there is no need for another regional mall serving the Cupertino trade area.

The memorandum evaluates four potential development scenarios that could occur under the Adopted General Plan or the General Plan with Initiative. Each of these scenarios is evaluated based on the types of retail that might be supportable and attracted to Cupertino, the potential improvements that would be needed along with a high level estimate of required investment to accomplish anticipated development and its likelihood of success along with other considerations. The potential success of each of the listed scenarios is largely dependent on the market forces described in this memo.

Generally, the scenarios allowing Vallco to be redeveloped under the City’s Adopted General Plan are the most likely scenarios, although the amount of successful retail is expected to be significantly less than presently exists at Vallco. The scenarios requiring Vallco to operate in its present format are generally not feasible. The specific findings for each scenario are presented below and additional findings are included in the Conclusion section of this memo. The summary conclusion from the evaluation of each scenario is shown below in italics:

- Adopted General Plan, which assumes full buildout of land uses throughout the City as allowed under the 2040 General Plan, including redevelopment of Vallco site.
A mixed-use project with a smaller retail component has a much higher likelihood of success than preserving the existing Vallco mall in its present configuration.
- Adopted General Plan With Sand Hill Proposal, which is consistent with the first scenario with additional specificity based on what Sand Hill proposed in 2015.
Allowing for a mix of land uses on the Vallco site has the greatest likelihood of success. The Sand Hill Proposal that includes 800 residential units and 2,000,000 square feet of office space has the potential to create a dynamic environment.

March 24, 2016

Page 4

- General Plan With Initiative Assuming Vallco as Enhanced Mall, which assumes the mall can be preserved and rehabilitated to become a viable mall.
This scenario is not a feasible option from either a market or development perspective: Trying to preserve Vallco as it was decades ago will not attract new tenants or customers, especially customers who are drawn to vibrant, pedestrian-oriented retail environments. Rather, something substantively new and differentiated from competing projects must be created at Vallco in order to draw customer traffic. Without significant investment in redevelopment, Vallco is more likely to deteriorate as opposed to improve beyond its present 2016 level of occupancy (314,000 SF retail occupied).
- General Plan With Initiative Assuming Vallco With 2016 Occupancy, which assumes all three anchors remain closed and only a limited number of businesses remain occupied consistent with current conditions.
Vallco in its present configuration is unlikely to generate the incremental income required to justify investment in a significant renovation. The most likely outcome with the Initiative is that Vallco will remain in its current state, or it will continue to decline and face closure like many similar Class C malls across the United States.

Organizing Principles for Discussing Retail and Shopping Centers

A Brief History of Retail

By way of background, a brief history of how retail has evolved over the past century will provide context for this Report and its findings. In the early 20th century, cars were a rarity. Most towns and cities had downtown districts that served as the community's commercial hub and were characterized by a massing of retail that evolved to serve the community's needs. Towns often had their own homegrown department stores that sold a wide variety of goods. The best known examples of these include Emporium and May Co. on the West Coast, Dayton's and Marshall Field in the Midwest, and Filene's and Macy's in the Northeast. These were department stores in the truest sense, having separate departments under one roof for a variety of goods including clothing and shoes, electronics, housewares, books and records, pets, home goods, and the like.

When retail was clustered in a downtown or town square environment, there was not a need for today's ubiquitous suburban shopping center. In contrast, by the 1950's, the automobile became commonplace, and started a trend towards suburbanization. The need for shopping centers was born. Over a period of time, these malls replaced downtown shopping districts in the increasingly decentralized urban landscape.

As the advent of shopping malls began to erode the downtown shopping district's market share, discounters began to erode the traditional department store's market share. Walmart and Kmart started nationwide expansions. Even traditional department store companies began to enter this world, perhaps the most notable example being Dayton-Hudson's Target division. At the same time, the suburban regional mall would often be anchored by department store chains that expanded their market share by focusing on suburbs.



March 24, 2016

Page 5

The next step in the evolution away from traditional department stores was the advent of retailers that became more efficient by specializing in a particular “department.” Clustered together in what have come to be known as power centers, these “big box” and “category killer” stores were more convenient, focused narrowly on one category, but offered a wide variety of merchandise within that category, developed supply and distribution advantages extending from their narrower focus, and offered everyday low prices. They also started “killing off” the departments in the department stores. In-turn, department stores increased their focus on soft goods, thereby limiting the overall variety of merchandise and giving the consumer fewer reasons to visit.

Like with many businesses, department store chains began to consolidate in order to increase scale, decrease expenses, and maintain competitiveness ... or simply to avoid going out of business altogether. By extension, the number and variety of regional mall anchor tenants contracted, and by the 1990’s the contraction and consolidation trend of regional malls was in full swing. In some instances, even traditional department stores (Kohl’s being one example) began to abandon malls and join the category killers in power centers. With fewer anchors, so-called “category killer” tenants finding each other in power centers, and the advent of the outer suburbs, fewer and fewer truly successful regional malls and even fewer downtown shopping districts remained.

Some department stores including Macy’s, Sears, and JC Penney have evolved away from their all-things-under-one-roof model to more closely resemble commodity retailers. In other words, their product offerings are less distinguishable from what could be purchased in a variety of other places and through a variety of retail channels. Furthermore, with the exception of chains such as Nordstrom, Bloomingdale’s, Neiman Marcus and the like, department stores have ceased to distinguish themselves for their service and environment.

With respect to so-called lifestyle and hybrid commodity-specialty projects, ULI’s Professional Real Estate Development manual states: “Early lifestyle centers successfully combined desirable retail shops with appealing architecture and a variety of outdoor settings spawning the lifestyle center. ... These early centers were, in part driven by a trend in which small specialty retailers faced a shortage of high quality specialty retail space at the same moment that regional mall failures were accelerating. The dominant new commodity retail and shopping center formats had, in fact, left small store specialty retailers with few reliable anchors, and developers with no clearly defined shopping center template to replicate, spawning the ill-defined and somewhat chaotic lifestyle center concept.”¹

With the homogenization of department stores has come the demise of many regional malls, and the change in relative competitive positioning and performance of those that remain, which are now commonly classified as either Class “A,” “B,” and “C” malls. For purposes of this memo, we will use the following definitions, assembled from industry sources National Real Estate Investor and realtymogul.com:

¹ ULI - Professional Real Estate Development The ULI Guide to the Business, 2012, By Richard Peiser, David Hamilton



March 24, 2016

Page 6

A "Class A" mall is the dominant property in a major metropolitan market and the best performer in its retail trade area. (Malls typically draw from a retail trade area of up to 7 to 15 miles - in certain circumstances further - depending on the population density around it.) Often, Class A malls are newer or recently renovated properties, have the best locations, and are anchored by top anchor tenants. They contain top amenities, are professionally managed and demand the highest rent with little or no deferred maintenance issues. Their tenants have high sales per square foot (generally at least \$400 per square foot), and they have low vacancy rates. A Class A mall will command the greatest investor interest, typically from institutional investors, owners, and operators.

A "Class B" mall is a non-dominant competitor in its retail trade area. A step down from Class A, these properties are generally older than Class A, tend to have lower retail sales per square foot (less than \$400 per square foot), and may or may not be professionally managed. Rental income is typically lower than Class A. Although often well maintained, this type of mall typically has some deferred maintenance issues as the result of lower rental income, and likely is not up to current interior design standards. Many investors see this as a "value-add" investment opportunity (i.e. less expensive than a class "A" property) because through renovation and common area improvements, the property can be upgraded to Class A or Class B+.

A "Class C" mall is the weakest player and struggles to capture sales from its retail trade area due to competition from competing retail projects. A Class C mall typically has sales of less than \$250 per square foot and is usually hobbled by a significant competitive disadvantage, such as inferior location, outdated physical layout, vacant anchor space, etc. These properties generally have the lowest rental rates in the retail trade area and need significant renovation including updating the building infrastructure and repositioning to get to steady cash flows for investors. Vallco is considered a Class C mall given its poor performance, challenging physical layout and poor historical retail performance.²

The San Francisco Bay Area has several high performing malls, including Valley Fair in San Jose and Stanford Shopping Center in Palo Alto, both of which are good examples of Class A malls on the Peninsula and in the South Bay. However, there are far more Class C malls like Vallco that have been unable to compete effectively. For example, nearby Westgate Shopping Center in San Jose was a Class C mall that was repositioned into a power center, and both San Antonio Center in Mountain View and Sunnyvale Town Center are Class C malls that are presently being repositioned. In the middle are Class B malls like Eastridge in San Jose and Stoneridge in Pleasanton. As retail has evolved to today's commodity versus specialty norm, some Class B and C malls will be revitalized or redeveloped while others will be repurposed into different projects altogether given the highly competitive retail environment within which malls currently operate.

² "Look Out Below," National Real Estate Investor, Kenneth Rogers, August 1, 2003.

<http://nreionline.com/retail/look-out-below>

"What is Class A, Class B, or Class C property?", Jul 24, 2013, <https://www.realtymogul.com/blog/what-is-class-a-class-b-or-class-c-property>

March 24, 2016
Page 7

Description of Commodity and Specialty Retail Classifications

As downtown shopping districts and regional malls declined, and big box, category killer retailers proliferated, and today's "commodity" versus "specialty" retail paradigm was born. This paradigm has transformed the retail landscape and is another key reason that Class C malls like Valco have a tough time competing effectively.³ This commodity versus specialty retail categorization was also described in the 2014 Report and is summarized below to explain how retail is currently organized, along with several other retail distinctions of relevance to this analysis.⁴

At its essence, today's shopping environment is about convenience and price versus experience. Commodity retail goods and services are those goods and services that are purchased and consumed on a regular basis from "primary" household funds, largely without emotional attachment by the consumer, and at retailers and retail shopping centers offering the consumer the combination of low price and convenience most suited to the consumer's needs at a particular moment. Examples of commodity retailers include local convenience stores, drug stores, grocery stores, discounters and warehouse stores. A "commodity shopping center" is the aggregation of a number of commodity retailers in one location, allowing for convenient cross-shopping.



³ ULI - Professional Real Estate Development The ULI Guide to the Business, 2012, By Richard Peiser, David Hamilton

⁴ Retail professionals use many terms to differentiate retail shopping choices and retailers, including terms such as "comparison goods," "convenience goods," "big-box," or "category killers," which refer to specific shopping preferences and the types of retail that align with them. The term "comparison goods" has traditionally been used to describe retail items that consumers do not purchase on a frequent basis (i.e. daily or weekly), and that are more likely to cause consumers to compare price, quality, and features than everyday items. Comparison goods might be either commodity goods or specialty goods. By contrast, a "convenience good" is something more likely purchased on a regular basis and is more likely a commodity as opposed to a specialty item. Good examples of convenience goods are those things that are regularly purchased at a grocery or a drug store. By definition, "convenience" or "comparison" goods could fit in either the commodity or specialty definitions described here. Shoppers are often willing to travel a greater distance to purchase comparison goods.

March 24, 2016
Page 8

While habits may be developed over time (e.g. shopping at the same grocery store), consumers tend to view these retailers as interchangeable and do not to have a strong connection to a commodity retailer's brand or to a commodity shopping venue. For the most part, internet shopping is an option most consistent with purchasing commodity goods and services (see more in the discussion of omnichannel retail below).

Specialty retail goods and services, by contrast, are those goods and services that are purchased on an optional basis by consumers using "discretionary funds" (i.e. funds not designated for basics like rent, food, and transportation), and selected and often consumed during "free" or "discretionary" time (i.e. when not working or tending to daily responsibilities). Successful specialty shopping venues deliver a unique and attractive combination of tenant mix and environment (i.e. a sense of place), often reflecting the character of consumers in the market or trade area in which they operate. Equally as important, these specialty-shopping areas lend themselves to extended consumer stays. An emotional "feeling" or "pleasure" derived from the overall shopping "experience" is an important part of the consumer's point of reference. Successful specialty shopping venues, regardless of format, deliver a unique combination of "product" (i.e. shops) and "place" (i.e. physical and conceptual environment), unique and attractive to the consumer within the market or trade area in question.



Shopping malls typically contain a curated mix of retailers with far more specialty than commodity retailers in a "destination retail" environment that brings together "anchor" department stores, complementary smaller retailers, eating establishments and entertainment in a compelling and appealing environment. Well designed and tenanted shopping malls and lifestyle centers are retail venues that draw consumers from longer travel distances than projects devoted primarily to commodity retailers, and customers typically visit these projects for several hours.

Omnichannel Retail

Retail is now conducted through many channels (e.g. traditional stores, catalogs, on-line, via mobile devices, television, etc.), a phenomenon often referred to as multi-channel retail. Omnichannel retail refers to a consistent and seamless consumer experience across multiple retail channels. This significant shift in how we shop has had a dramatic impact on the competitive retail environment for both shopping malls and department stores.



March 24, 2016

Page 9

Omnichannel consumers frequently use more than one channel simultaneously. For example, a consumer might do research using a price check “app” or look up product reviews on the internet while looking at a product in a traditional retail store, sometimes referred to as “showrooming.” Likewise, omnichannel retailers will track customers across the various channels they utilize (catalog and on-line shopping, or on-line and mobile shopping for example), and employ social media to increase sales opportunities and more precisely target marketing campaigns to consumers most likely to buy a particular product.

Omnichannel strategies work differently for commodity as opposed to specialty retailers. For example, multiple retail channels might be used by a consumer to research and assist in purchasing a particular commodity like a television, or to push out or target a promotion. By contrast, a specialty retailer might use omnichannel strategies to drive customer traffic to a “bricks-and-mortar” store, restaurant, or shopping district. Applicable to both commodity and specialty retailers, the availability and use of multiple retail channels allow consumers to be better informed. A byproduct of a well-educated consumer is that retailers and their salespeople must know much more about their products and competitors in order to serve their customers.

A November, 2012 “Shopping Centers Today” article notes the significant changes that have occurred with retail distribution channels. Previously, these channels operated separately (i.e. something ordered from a catalog or online would be delivered to a customer’s house), but they are now merging so that real estate is part of the picture (i.e. something ordered may be picked up the same or the next day at a local outlet).

Regional Mall and Department Store Trends

All of the retail trends described above are directly impacting Vallco and will continue to exert themselves on the mall business throughout the United States. In summary, three key trends are of significant importance to understanding how the Initiative may affect Vallco:

1. Class A malls continue to flourish while Class B and C malls are languishing at an accelerating rate throughout the United States.
2. Consolidation amongst retailers, most notably department stores, continues, resulting in more instability among the retail tenant base for malls.
3. Consumers are increasingly looking for well-designed and authentic destination retail environments where they can not only spend their free and recreational time, but where they can “experience” something unique and appealing on an emotional level.

New York Times reporter Nelson Schwartz has reported on the current economic challenges that malls face across the nation, referencing research performed by Green Street Advisors that



March 24, 2016

Page 10

documents recent closures of ten malls, with sixty more on the brink of doing so.⁵ He points out that these challenges will likely continue: “With income inequality continuing to widen, high-end malls are thriving, even as solid retail chains like Sears, Kmart and J. C. Penney falter, taking the middle- and working-class malls they anchored with them.”

The trend is exemplified by the declining occupancy rates at shopping malls nationwide: 80 percent of malls have a vacancy rate of 10 percent or less today as compared with 94 percent just ten years earlier. One could fairly speculate that Class B and C malls are experiencing the highest vacancy rates as compared to Class A malls. He goes on to say that “nearly 15 percent of malls are 10 to 40 percent vacant, up from 5 percent in 2006. And 3.4 percent – representing more than 30 million square feet – are more than 40 percent empty, a threshold that signals the beginning of what Green Street calls “the death spiral.” This is precisely the trend that has led to Vallco’s demise.

The closure of the three department stores at Vallco can be seen in the broader context of department store closures nationwide: Macy’s is closing 36 department stores in 2016 in addition to the 14 stores closed in 2015, and JC Penney’s announced the closure of 7 department stores in 2016 in addition to the 40 closed in 2015.⁶

Schwartz also integrates the impact of consolidation among retailers. He says: “Instead, the fundamental problem for malls is a glut of stores in many parts of the country, the result of a long boom in building retail space of all kind.” He quotes Christopher Zahas, a real estate economist and urban planner in Portland, Oregon: “We are extremely over-retailed. Filling a million square feet is a tall order.” Schwartz correctly points out that while online shopping gets lots of attention, it accounts for only 10 percent of retail sales, however, those 10 percent of sales disproportionately impact commodity retailers.

A November 2014 McKinsey research paper titled “The Future of the Shopping Mall,” author Roberto Fantoni says: “...the mall as it’s been conceived for the last half century is at a critical inflection point. A storm of global trends are coming together at the same time to cause malls to change the role they play in people’s lives. No longer are they primarily about shopping. Now, when consumers visit malls, they are looking for experiences that go well beyond traditional shopping.” He cites increasing urbanization, more people living in a smaller area, and increasing interest in mixed-use projects as a response to sustainability concerns as primary catalysts for this trend. This author also agrees with Fantoni’s assertion that “...maintain[ing] a strong association between consumption and pleasure is driving the need for more engaging shopping experiences” and that “the rise of digital technologies are fundamentally reshaping consumer expectations and

⁵ “The Economics (and Nostalgia) of Dead Malls” (New York Times, January 3, 2015),

⁶ <http://www.usatoday.com/story/money/2016/01/06/macys-announces-layoffs-restructuring-after-disappointing-2015/78373358/>

<http://www.businessinsider.com/list-of-sears-and-kmart-stores-closing-2016-2>

<https://consumerist.com/2016/01/13/jcpenney-closing-7-stores-by-mid-april/>

March 24, 2016
Page 11

shifting the function of stores toward useful and entertaining customer experiences.”

The McKinsey study identifies three trends in mall investment:

1. A trend away from commodity towards specialty environments where there is a “broadened value proposition for consumers...that attempt to recast the mall as a new downtown, including concerts, arts centers, spas, fitness clubs, and farmers markets...a place to spend quality time with friends and family.”
2. An increasing use of technology that expands the consumer’s experience to include both before and after a visit to a mall. These efforts might include anything from marketing to using technology to “decrease customer pain points” like finding parking.
3. A willingness to explore new formats for malls including open air malls, mixed-use projects, and a more open, natural design for enclosed spaces. The paper cites non-store space of 30-40 percent or even 50 percent of total space in a project.

The bottom line is that capital must receive a compelling return in order to be attracted. Fantoni states: “Mixed used developments offer consumers an attractive, integrated community in which to live, work and shop. They also serve to generate additional traffic for the malls while maximizing returns on invested capital.” Projects must “define a clear value proposition for both consumers and retailers,” increase efficiency of an existing project, and focus on areas with clear potential for growth. In sum, “To avoid becoming what one chief executive calls a “historical anachronism – a sixty-year aberration that no longer meets the public’s needs,” mall operators must expand their horizons of what a mall can be.”

In an editorial written for Shopping Centers Today, Yaromir Steiner, a well-respected shopping center designer, states that “...understanding the dynamics surrounding Class B and C malls requires an appreciation for the key differences between need-based and want-based retail environments. Need-based environments provide essential goods, promise value and general serve local trade areas. Want-based environments are very different. Designed and built to service large regional trade areas, want-based assets include primarily experiential and aspirational retail tenants.” Steiner points out that some formerly high sales per square foot malls have evolved into Class B and Class C malls with little upside as “want-based competition or unfavorable development patterns forced a regional location to a more sub-regional profile” and better positioned and curated malls have drawn shoppers away.

The 2014 Report also identified a number of trends that help explain Vallco’s underperformance:

- Echoing Schwartz, the excess supply of retail space has shifted retail dollars to new centers without creating additional demand, leading to the decline of older centers. As long ago as

March 24, 2016
Page 12

2002, it was reported that of the more than 2000 enclosed malls in the U.S., approximately 15 to 20 percent of all malls were headed for closure.⁷

- Regional shopping centers with uncertain and shifting identities lacked the ability to appeal to increasingly value-conscious consumers who had alternative channels such as factory outlet stores, catalogs, internet sales, and big-box stores. In addition, a “do-it-yourself” mentality drove customers from traditional retailers to warehouse stores.
- By creatively rethinking public space and urbanism, decaying malls are able to be transformed into “genuine places in the older areas of our spreading suburban environment” resulting in broader appeal to today’s consumers.

These observations support the theory that today’s retail landscape is a dichotomy of price and convenience-oriented commodity retailers, and specialty retailers congregated in appealing environments. Not coincidentally, shoppers are choosing alternatives to enclosed regional malls in part because those malls lack an identifiable sense of place.

- Retail alternatives, or specialty projects where consumers enjoy spending their discretionary time and income, have become a major focus. Formats that add entertainment and cultural uses, or unconventional uses such as mixed-use centers, educational facilities, medical clinics, or a variety of other uses are increasingly common and sought after. Fitzgerald and Leigh agree that downtown shopping may be poised for a recovery, noting “shoppers who used to buy in malls are now more willing to shop on ‘Main Streets.’”

In October 2012, Co-Star published a series of three articles on demalling America. As has already been noted, the articles point out that as anchor tenants merge and contract, dominant regional malls are faring better than secondary malls and do a better job attracting tenants. This trend is particularly important in light of many retailers trending towards smaller stores, exacerbating vacancy rates in weaker projects, and providing opportunities to augment tenant mix in stronger ones. A dominant mall’s success in a retail trade area is often at the expense of outmoded centers such as Vallco. The article asserts that 10 percent of the approximately 1,000 regional malls in the

⁸ J. Thomas Black, Libby Howland, and Stuart L. Rogel, *Downtown Retail Development: Conditions for Success and Project Profiles* (Washington, D.C.: The Urban Land Institute, 1983).
Kevin Mattson, “Antidotes to Sprawl,” in *Sprawl and Public Space: Redressing the Mall*, ed. David J. Smiley (Washington, D.C.: National Endowment for the Arts; New York, N.Y.: Distributed by Princeton Architectural Press, 2002).
Nora Ganim Barnes, “The Restructuring of the Retail Business in the US: The Fall of the Shopping Mall,” *Business Forum* 27, no. 1 (Winter 2005).
Mark Robbins, “Redressing the Mall,” in *Sprawl and Public Space: Redressing the Mall*, ed. David J. Smiley (Washington, D.C.: National Endowment for the Arts; New York, N.Y.: Distributed by Princeton Architectural Press, 2002).
Joan Fitzgerald and Nancey Green Leigh, *Economic Revitalization: Cases and Strategies for City and Suburb* (Thousand Oaks, CA: Sage Publications, 2002).

March 24, 2016
Page 13

US will fail by 2022 and repeats the quip: “Shopping centers aren’t overbuilt, they’re merely under-demolished.”

Malls are typically well located, and are designed for a shorter lifespan than other types of real estate such as housing and office. (Retail is routinely remodeled, as customers are attracted to “new and shiny.”) Malls need to provide a dynamic mix of shopping, dining and entertainment experiences in a “want-based” environment. With this consumer desire in mind, many malls as well as new retail projects are being redesigned as town squares or open-air pedestrian “streets.”

Malls and stores that are not refreshed on a regular basis tend to perform far worse than those with significant upgrades and reinvestment. Distressed malls often reflect the challenges associated with low rents and occupancies, as they cannot generate sufficient income to support the significant reinvestment and financing costs associated with a major renovation. While painful on a case-by-case basis, the culling of weaker properties from the market is a healthy process.

CoStar states that a fundamental decision needs to be made about whether to reposition a mall or to demolish and start over. Regardless, a major repositioning represents key opportunities for visionary planning, political leadership, and the owner. There are positive externalities such as a well-executed project helping lure desired employers and their highly desirable workers that should be considered as well. Execution is difficult: In order to obtain financing, tenants need to be lined up in advance, and the authors point out that successful mall repositioning involves a combination of deleveraging, demalling, and deep pockets. These observations were echoed by several stakeholders whose interviews are summarized in the 2014 Report.

The accelerating differential between the best and marginal malls clearly demonstrates that Vallco is not a unique circumstance. Vallco has suffered because of directly competitive Class A malls in superior locations, namely Stanford Shopping Center and Valley Fair. These malls have best-in-class anchor department store tenants, an up to date selection of in-line shops (as differentiated from Vallco whose shop tenants are virtually nonexistent), and a much more pleasant, pedestrian-oriented physical environment in contrast to Vallco’s poorly laid out mall core and parking, and lack of a direct and pleasant pedestrian connection across Wolfe Road.

In addition to Valley Fair and Stanford Shopping Center having continued to upgrade their common areas and amenities so they are appealing places for consumers to shop and “experience” their free time, Santana Row⁸ has introduced an open-air, “Main Street” environment in Vallco’s primary trade area. All three of these projects have created a high standard for “want-based” shopping environments. (An update to the 2014 Report’s description of Valley Fair, Santana Row, and Stanford Shopping Center is included in Attachment “B” to this memo.)

⁸ Although it does not have the characteristics of a traditional shopping mall, Santana Row competes with surrounding shopping malls (as it would with Vallco), as it offers a unique mix of retail, restaurant and entertainment in a well-curated pedestrian oriented environment.

March 24, 2016
Page 14

Vallco suffers from all of the circumstances, both within and beyond its control, that conspire to relegate once vibrant malls like Vallco to Class C status. It also must be emphasized that Vallco is not unique; many malls across the United States and within the San Francisco Bay Area have experienced exactly the same phenomenon, as documented above.

Vallco-specific Findings

The 2014 Report contained a significant amount of research and analysis of Vallco that is summarized below and updated (*in italics*) to reflect current observations of particular relevance to the analysis of the Initiative. The mall was originally constructed between 1974 and 1979. Increased competition soon came from other regional malls such as Stanford Shopping Center, and in particular Valley Fair, which opened in 1986. These direct competitors began to take market share from Vallco.

The market and ownership challenges faced by Vallco cannot be understated. While Vallco was a high performing destination when it opened, it quickly faced a formidable challenge from Valley Fair, which is located in close proximity and at a high traffic intersection of two major freeways. In addition, Vallco is located in Stanford Shopping Center's trade area.

Vallco's circumstances are not unique as there is an oversupply of mall space in the United States. Key to the repositioning process is creating a brand that sets Vallco apart from competing projects and communicating that brand to the community and prospective tenants alike.

As documented earlier, Vallco was anchored by faltering department stores that did not allow Vallco to differentiate itself from its competitors. Combined with other leasing challenges, including numerous ownership changes as the result of its poor economic performance, Vallco's ability to compete effectively in the competitive regional mall industry was reduced. This led to Vallco having no compelling qualities with which to distinguish itself from other retail offerings serving Cupertino and surrounding communities. Specifically, Cupertino residents have ready access to Valley Fair, Santana Row, and Stanford Shopping Center, all Class A projects. For this reason, the consolidation among tenants (especially anchors), and Vallco's various owners not investing in upgrading facilities and retaining key tenants, Vallco has sunk to Class C status.

An owner or developer with the expertise and financial capability to execute a repositioning strategy is required for a successful outcome. The City's ability to contribute financially and/or to use its governmental powers to facilitate redevelopment will have a material impact on the success and timing of any redevelopment.

Vallco's various owners have been either unable or unwilling to make the financial investment required to renovate Vallco so that it could have a physical plant capable of competing with Valley Fair and Stanford Shopping Center. Neither have they made the financial investments needed to "buy" key tenants to jumpstart leasing efforts, a reflection in part of Vallco's long-term poor economic performance and frequent ownership changes during a period in which repositioning efforts may have had more potential than in today's environment.

Thereafter, while its competitors renovated, expanded, and re-tenanted to meet market demands, Vallco languished with incomplete development, defaults from prior ownerships, prolonged and



March 24, 2016
Page 15

unrealized redevelopment plans, management changes, and other setbacks. One widely and commonly-cited reason for Vallco's decline was a mismatch between Vallco's mid-range stores and Cupertino and the surrounding area's growing affluence and changing ethnic makeup.

Vallco's anchor tenants: Sears, JC Penney, and Macy's (previously Emporium that was acquired by Macy's) are precisely the sorts of retailers that did not fare well as regional malls differentiated themselves from their competitors. Valley Fair's anchor tenants (Macy's, Nordstrom, and planned Bloomingdales) only serve to accentuate Valley Fair's superior retail positioning.

Regional mall operation, leasing and management is a competitive business: Vallco was unable to compete with the much larger and more sophisticated operators of Stanford and Valley Fair. As a direct result, the mall is largely vacant, save for AMC Theater, The Bay Club, the skating rink, bowling center, a few restaurants, and small tenants.

Westfield (Valley Fair) and Simon (Stanford) both own multiple properties. Space at both Valley Fair and Stanford is at a premium, and the demand for space allows Westfield and Simon to do package deals with tenants with specific leasing conditions that could put Vallco at a competitive disadvantage. For example, some leases may require tenants to exclusively occupy high-demand malls, dictate a specific location within those malls or place "radius restrictions" that prohibit tenants from opening stores at competing properties within a certain number of miles of their store. Vallco has no doubt had trouble leasing to various tenants in this competitive environment.

The lack of clothing and apparel-related stores is due in part to the lack of fashion-driven, destination retail centers in Cupertino. Vallco suffered from competition with Valley Fair and other projects, leading to high vacancy and shoppers on apparel-driven trips turning to destinations outside Cupertino.

Cupertino currently lacks specialty retail, and fashion, in particular. With the department stores at Vallco now being closed, and new offerings at competing Valley Fair, Santana Row, and Stanford Shopping Centers, this dearth of fashion has gotten worse.

Several adjacent projects are planned or under construction. The adjacent Rose Bowl project is under construction, and the owner expects to receive competitive rents for the 60,000 square feet of retail space. Main Street is entitled and being marketed for lease, but grading has only just begun. The Apple Campus 2 is approved, with construction expected to start soon.

These projects are presently either complete or under construction, and the opportunities or competition they represent, as the case may be, will inform how Vallco is ultimately designed so as to be most successful.

Governing documents control what can be changed on the property, including parking, building requirements, and certain uses. Ground leases and various tenant leases have provisions further restricting changes and certain uses.

With the three department stores and the mall itself now under a single ownership, the restrictions contained in Vallco's governing documents are not as significant as before, but some remaining tenants still have certain control rights in their leases. Certain approvals needed to redevelop the property will need to be negotiated. Details of these leases follows:

- **AMC Theaters:** AMC executed a lease on 5/5/05 for 15 years with three 5-year options and one 4½-year option. The lease includes the following provisions:



March 24, 2016

Page 16

- A protected area requiring AMC's approval for changes of any parking areas west of Wolfe Road including the then newly built parking deck, and all pedestrian access to and from the parking areas, but allowing the landlord rights to certain future building areas (lease § 26).
 - A requirement that the landlord continuously operate the property as a shopping center.
 - Restrictions on the sale of movie concession food or beverage within 50 feet of AMC's premises, in common areas, or in parking areas, on so-called noxious uses typically restricted in shopping center governing documents (but allowing Lucky Strike bowling alley), and on a health club.
 - Co-tenancy requirements (and rent concessions for failure for them to be met).
- **Lucky Strike:** The bowling alley executed a lease on 12/11/06 for 38,000 square feet of space for a term of 15 years from 1/1/07 to 12/31/22 with three 5-year options to renew.
 - **The Bay Club:** The Bay Club's lease dated 3/15/11 has a term of 15-years 4-months plus options to renew for three 5-year periods. The lease establishes part of the common areas as protected areas requiring Bay Club's approval for modifications, and an exclusive for a health club on Sears' lands.
 - **Sprint:** Sprint has two leases for cell towers, each commencing in 2002 with a 15-year initial term plus two 5-year options to renew.

Analysis of the Potential Impact of the Initiative on Vallco

This memorandum analyzes the potential impact of the Initiative on Vallco by comparing what would be allowed under the City's currently adopted General Plan with what could occur if the Initiative were to be approved by Cupertino's voters. It begins with a brief description of the Initiative and then analyzes potential development scenarios with and without the Initiative.

The Initiative would modify the General Plan and would affect future development at the Vallco Shopping District and in other areas of Cupertino in the following ways.

- At the Vallco Shopping District, the Initiative would limit uses to retail, entertainment, and hotel, prohibiting any new residential or office development.
 - While none of the units allocated to Vallco (389 units) would be allowed to be built, about 60 percent (243 units) would be reallocated to other residential areas in Cupertino.
 - In contrast, the 2,000,000 square feet of office space presently allowed at Vallco would be eliminated from the General Plan altogether, which would significantly reduce potential new office development in Cupertino.
 - The Initiative would also reduce height limits for any new development on the site to a maximum of 45 feet, below the height of some of the existing buildings at Vallco.

March 24, 2016
Page 17

- In other areas of Cupertino, the Initiative would generally modify the General Plan to:
 - Set maximum building heights for Neighborhoods at 45 feet, which increases the maximum General Plan height for these areas;
 - Set maximum building heights for Special Areas as identified in the current General Plan.
 - Add new policies regarding development setbacks, “step-backs,” “building planes,” and rooftop height extensions citywide.
 - Limit the maximum lot coverage for projects over 50,000 square feet.
 - Reduce the number of new residences allowed by 146 units.
 - Add specific land use policies applicable to North De Anza Boulevard, Stevens Creek Boulevard, and Homestead Road in North Vallco Park.

- Voter approval would be required for any further changes to the development allocations for Vallco and to the other policies and provisions enacted by the Initiative.

- Voter approval would not be required for the City Council to make changes to the development allocations for other areas of the City, or for any General Plan provisions not enacted or amended by the Initiative.

This memorandum evaluates what could occur at Vallco under the following potential development scenarios, as further described in the 9212 Report for this Initiative:

- Adopted General Plan, which assumes full buildout of land uses throughout the City as allowed under the 2040 General Plan, including redevelopment of Vallco site,
- Adopted General Plan With 2015 Sand Hill Proposal, which is consistent with the first scenario with additional specificity based on what Sand Hill is currently proposing,
- General Plan With Initiative Assuming Vallco as a Viable Mall, which assumes the mall can be preserved and rehabilitated to become a viable mall.
- General Plan With Initiative Assuming Vallco With 2016 Occupancy, which assumes all three anchors remain closed and only a limited number of businesses remain occupied consistent with current conditions.

In order to understand the Initiative’s potential impact, each of these potential scenarios are evaluated with respect to the following:

- **Supportable Retail:** Types of retail that might be supportable and attracted to Cupertino, given Cupertino’s retail trade area and retail environment, with emphasis on anchor tenants.
- **Needed Improvements:** Potential physical and other improvements that would be needed to accomplish each scenario.

March 24, 2016
Page 18

- **Required Investment:** To the extent possible, a high level estimate of required investment.
- **Market Strategies:** Strategies to accomplish each scenario, and associated costs if known.
- **Likelihood of Success:** An opinion about the relative financial feasibility, and probability of success of each scenario.

Adopted General Plan: Full buildout throughout the City under the 2040 General Plan, including redevelopment of Vallco site as allowed under the adopted General Plan (i.e. 389 residential units allowed at Vallco; other units could be reallocated as per Alt. C in the 2014 EIR). This alternative does not include the additional community and fiscal benefits proposed by Sand Hill for the Hills at Vallco Project.

- **Supportable Retail:** As documented in this memorandum, it is unrealistic that Vallco will remain a regional shopping center under any scenario because “solid retail chains like Sears, K Mart, and JC Penney are faltering,” and high-end retailers like Nordstrom, Bloomingdales, and Neiman Marcus are consolidating into a smaller number of remaining Class A malls that are able to draw from a wide geographic area. The retail options left for Vallco can be categorized as follows:
 - a. Have a significantly smaller retail footprint with specialty retailers curated for Cupertino and the surrounding retail trade area with the caveat that the trade area will be much smaller than that commanded by a regional mall,
 - b. Focus on attracting commodity or daily needs retailers (i.e. big box commodity stores, or food/drug retailers with some shop space) whose store spacing requirements would include Cupertino, or
 - c. Some combination of “a” and “b” where an even smaller specialty component would exist in a distinctly different district than the commodity component.
- **Needed Improvements:** The supportable retail scenarios described above lend themselves to an open-air environment. In the case of this scenario, a so-called lifestyle center or a “Main Street” or “Downtown” environment would be required. In the case of a commodity or daily needs shopping center, convenience attributes such as easy access (both ingress and egress), visibility, and ample convenient parking would be called for as competing projects possess these attributes, and retailers will be cautious not to be at a disadvantage with respect to attributes enjoyed by a competitor. Regardless of the scenario selected, demolition of a significant portion (if not all) of the existing mall would likely be required.
- **Required Investment:** Required investment will be equal to that required for development of any new project. Costs would be similar to those incurred at the Village at San Antonio Center in Mountain View, or other similar projects, and will vary, potentially significantly, depending upon the extent of vertically integrated mixed-use structures and structured parking incorporated into the project design. In addition, a developer would need to incur

the significant costs of acquiring Vallco, demolishing the existing buildings, buying out existing tenants, preparing plans and processing land use approvals, “carrying” this upfront investment for a substantial amount of time until a new project is approved, and financing the construction and development of a new project.

- **Market Strategies:** Vallco has long since been a “tainted” mall that does not have a brand: a clear statement of what makes it unique and compelling as compared with alternative shopping environments. A clearly articulated branding statement will need to be made. Furthermore, a clearly articulated plan demonstrating a clear path for redevelopment including obtaining required governmental approvals and a realistic timeline for accomplishing this will be required in order to generate attention from prospective retail tenants. The inclusion of office, residential and hotel uses at Vallco will provide more “round the clock” activity and a local retail consumer base to help support its retail offerings, although onsite demand will need to be significantly supplemented from the surrounding retail trade area. Aggressive economic deals will need to be made with the first tenants committing to the new project, most likely in the form of rent concessions and tenant improvement allowances. Brokerage commissions and legal expense will be significant up front costs.
- **Likelihood of Success:** If a developer is able to articulate a clear branding statement, has the financial capability and staying power to execute redevelopment and can attract tenants through potentially aggressive lease concessions, then a project of a realistic size and scope should be achievable. Again, this project is likely to be much smaller than what presently exists at Vallco Shopping Center.

Adopted General Plan with Sand Hill Proposal: Full buildout throughout the City under the 2040 General Plan, with the Hills at Vallco project redeveloped as proposed in September 2015 (as further specified in Dec. 2015) at the site of the Vallco Shopping Center. This plan calls for 800 residential units, some reallocated from other areas.

- **Supportable Retail:** Same as described above under Adopted General Plan scenario.
- **Needed Improvements:** Same as described above under Adopted General Plan scenario.
- **Required Investment:** Same as Adopted General Plan scenario with the caveat that vertically integrated mixed use projects can be significantly more complicated and expensive to build than single use or horizontally integrated mixed use projects.
- **Market Strategies:** Same as Adopted General Plan scenario. On-site residential units will help generate “round the clock” activity and will likely add some incremental on-site sales.⁹

⁹ If you consider that each household in Cupertino has approximately 2.87 persons per household (Strategic Economics, January, 2016), 800 dwelling units would be expected to house 2,296 persons. Compare this number to the 16 million customer visits at Valley Fair, many of which are repeat customers from the

- **Likelihood of Success:** Same as described above under Adopted General Plan scenario.

General Plan with Initiative Assuming Vallco as Enhanced Mall: Full buildout throughout the City under the 2040 General Plan *as amended by the Initiative*, with a re-tenanted 1.2 million SF enclosed shopping center. The existing 1.2 million square feet of retail-dining-entertainment at Vallco would need to be maintained as both a “minimum” and a “maximum,” thereby reducing flexibility and the ability to adapt to changing market conditions. There will be no residential units, and no office space added to the project.

- **Supportable Retail:** As stated earlier, it is unrealistic that Vallco will be successful as a regional mall under any scenario. Stipulating that Vallco will have a minimum size approximately equal to that of Valley Fair is unrealistic given the historical experience of Vallco and the current competitive retail environment in which it operates. Although Vallco once thrived in the ‘80’s and early ‘90’s, its decline started in the mid-90’s as the result of competing projects with superior location attributes, anchor tenants better suited to withstand two decades of retailer consolidation, and greater investment in creating a more attractive shopping environment. Also, as noted earlier, while 800 residential units will not attract retailers on their own, a mix of uses including residential and office will add vitality to a project – vitality that would be precluded under the Initiative.
- **Needed Improvements:** The entire mall would need to be gutted and upgraded to a level of finish that would compete favorably with competing projects. It is unlikely that the pedestrian bridge and the JC Penney portion of the project could successfully be renovated, and alternative arrangements would likely need to be made for those facilities. Parking facilities would also need to be redesigned and rebuilt where they do not function well.
- **Required Investment:** In absolute dollars, the required investment would not likely be as high as under the Adopted General Plan because less development is contemplated at Vallco. However, the return on investment could reasonably be assumed to be much lower than the Adopted General Plan scenario given the challenges and costs associated with repositioning the Mall. Given these challenges, this scenario may not generate high enough returns to attract sufficient private capital to fund the extensive renovation and repositioning that the mall would require to be successful. Several owners in the past have attempted to make Vallco successful at significant financial cost, which has resulted in a history of ownership changes, foreclosures and deferred maintenance.
- **Market Strategies:** A marketing strategy would initially need to focus on finding suitable anchor tenants. It has already been established that mid-market anchor retailers like Sears or JC Penney do not have the drawing power required of a regional mall in today’s world;

surrounding retail trade area. In other words, while the on-site residential population will add a certain amount of vitality and round-the-clock activity, the on-site residential population in and of itself does not create the demand required to attract retailers that seeks to draw sales from a much broader retail trade area.



March 24, 2016

Page 21

their brands do not help to differentiate the malls they anchor. It is unlikely that high-end anchor tenants like Nordstrom, Bloomingdales, Neiman Marcus, and the like would be interested in locating at Vallco if for no other reason than expected cannibalization of sales at their next closest stores. Some malls have backfilled anchor tenant spaces with Walmart, Costco, or Target. These anchors are generally not compelling anchors for mall tenants looking for new environments in which to open. Without anchor tenants, it is unlikely that main mall tenants would be attracted even to an upgraded Vallco. Many malls have used entertainment anchors as part of their repositioning strategy, however, Vallco presently has three major entertainment uses: movies, bowling and an ice rink. If these current entertainment uses were compelling for mall tenants, Vallco's occupancy level would be much higher.

- **Likelihood of Success:** Doing something over the same way and expecting a different result is an unlikely outcome. It certainly would not be a predictor of success for a redeveloped Vallco. Retail must constantly reinvent itself to stay "fresh" and relevant to customers. Trying to preserve Vallco as it was decades ago would not result in attracting new tenants or customers, both of which are critical to project success. Rather, something substantively new and differentiated from other competing projects should be created at Vallco in order to draw customer traffic.

General Plan with Initiative Assuming Vallco with 2016 Occupancy: Full buildout throughout the City under the 2040 General Plan *as amended by the Initiative*, with no re-tenanting of Vallco, and no site improvements. This scenario recognizes that, without significant investment and redevelopment, Vallco is unlikely to improve beyond its present 2016 level of occupancy (314,000 SF retail occupied). This scenario also assumes, as required by the Initiative that there will be no residential units, and no office at Vallco.

- **Supportable Retail:** If no site improvements are made, then "nothing new" would drive either retailer or consumer interest. Furthermore, the project would remain mostly vacant, a strong deterrent to customers visiting the center. In this scenario, new tenants likely would not be attracted to Vallco and the remaining tenants, primarily entertainment, restaurant and fitness uses, would represent the Mall's primary draw.
- **Needed Improvements:** No major improvements are assumed, in part due to the fact that there would be little surplus rental revenue from tenants to enable the owner to invest in needed improvements.
- **Required Investment:** While capital investment would be minimal, the owner would continue to have significant ongoing operating expenses in addition to carrying costs on the acquisition. In addition, the owner will likely have to bear the cost of lease concessions to keep current tenants on site.
- **Market Strategies:** There is no plausible marketing strategy for a do-nothing scenario.

March 24, 2016
Page 22

- **Likelihood of Success:** There is no plausible likelihood of success for a do-nothing scenario, and Vallco will likely continue to deteriorate to the point of closure.

Conclusion

This memo has identified three key trends that explain both the environment in which all malls operate, including Vallco, and the reasons some are successful while others are not:

1. Class A malls continue to flourish while Class B and C malls are languishing at an accelerating rate throughout the United States.
2. Consolidation amongst retailers, including department stores, continues, resulting in instability among the retail tenant base for malls.
3. Consumers are increasingly looking for well-designed and authentic destination retail environments where they can not only spend their free and recreational time, but where they can “experience” something unique and appealing on an emotional level.

Store spacing has been referenced multiple times. Malls are generally tenanted by specialty retailers who draw from a wide trade area. The more unique the offering, the wider a consumer draw that can be expected. Both Valley Fair and Stanford Shopping Center offer unique shopping environments with tenants, particularly anchors, that exist only in those locations. For example, a daily needs retailer such as a grocery or drug store may draw from as little as a one-mile radius. Conversely, a luxury retailer like Neiman Marcus might decide it only needs 3 stores to adequately cover a metropolitan area the size of the San Francisco Bay Area. Valley Fair and Stanford leasing plans and trade areas may be found in Appendix B.

Department stores are no longer department stores as most of the "departments" left a long time ago and became “big box” retailers. Today’s department stores can be more accurately described as large fashion retailers without any particular brand other than their own house labels. The dramatic consolidation of department stores has led to an environment with fewer available anchors to backfill vacant spots in malls. In some situations, non-traditional anchors such as Walmart, Costco, and branded anchors like F21 are filling these gaps, however, these retailers do not have the star drawing power of traditional department stores. Multi-channel retailing and the internet in particular offer consumers a compelling choice in the price/convenience equation. This phenomenon combined with consolidation of the big box retailers that sell commodities means big box stores are not likely candidates to backfill Vallco’s anchor spaces.

The major projects competing for customers from Vallco’s primary trade area have reinvested heavily, bringing in new and interesting tenants, and creating an appealing environment and amenities not found elsewhere. Examples include Valley Fair’s Luxury Collection and Dining Terrace, and Santana Row’s open air, Main Street environment. The cost of such improvements is significant.



March 24, 2016

Page 23

Rent and the cost of construction are directly linked. Existing “second hand” space can be both attractive and competitive as compared with new construction, however, existing spaces may not have key physical attributes, such as access, proximity to adequate parking, visibility, loading facilities, and windows, which a retailer is likely to require. Thus, occupying secondhand space in an older project such as Vallco is not an option for many retailers, as they do not believe that they will be able to compete effectively from a sub-marginal facility or generate the top line sales necessary to justify investment in a new store. Complicating matters, Vallco does not generate much rental income from which to pay for its operating costs or debt service. If forced to stay in its present configuration, there is no reason to believe Vallco would be able to generate the additional income required to fund a significant renovation that might make it more attractive to retailers.

Encouraging mixed-use projects is part of a larger nationwide trend of encouraging increased density and activity. With respect to retail, this trend is not without its own set of issues as it is much more difficult and expensive to accommodate a mix of uses as opposed to a single retail use.¹⁰ If economically viable, the community, owners, and tenants alike can benefit from the synergies created by a mix of uses in the same project, increased resilience to an economic downturn due to a diversity of uses, shared parking, increased scale of development as compared to a single use projects, and some incremental consumer demand on-site.

Finally, a complete conversation about Vallco cannot occur without referencing the understandable sentimental attachment the community has to Vallco in its heyday. However, the retail landscape has evolved in ways that were unimaginable when Dorothy Hamill was practicing at Vallco’s skating rink in the 1970’s. Redevelopment of obsolete assets is a fact of life, whether the asset is economically or functionally obsolete. In Vallco’s case, it is both.

Could Vallco be resurrected? Not in its original form, but quite possibly in another form that could be a centerpiece of the Cupertino community and serve today’s consumer’s needs. Any resurrection needs to be sufficiently profitable to attract investment in a competitive economic environment. A strict adherence to the past can result in a distressed shopping center continuing on a downward spiral, unable to compete in a rapidly changing retail environment, and to continued blight.

The initiative that is the subject of this memo should be carefully evaluated for unintended consequences. Similar land use initiatives in other cities have significantly impaired the ability of

¹⁰ Cupertino is a suburban, auto-oriented environment that is just starting to experience the market and economic changes that make increased densities viable. It can be difficult to attract quality retailers because of the compromises a retailer might need to make as compared with more traditional settings. In addition, incorporating all the design and facility elements needed to successfully operate retail space as part of a mixed use project (e.g. parking, vertical transportation systems, loading including accommodating truck turning movements, trash and recycling areas, utilities, mechanical and venting systems, etc.) is challenging from a cost perspective. For example, when designing space that does not compete with existing projects’ critical convenience attributes (visibility, parking, and access), overcoming tenant objections can be difficult. Often it is easier and more cost effective to design horizontally integrated mixed-use projects where the intent is to include a retail component alongside residential and non-residential uses.



March 24, 2016

Page 24

owners to redevelop a property, mostly due to the significant costs associated with planning and executing a redevelopment project combined with the uncertainty of obtaining the required approvals to move a new project forward. In other words, such initiatives have skewed the cost benefit equation away from making these projects attractive for investment.

Four scenarios describing Vallco's future have been evaluated in this memo. These scenarios and a summary of the conclusion for each (*in italics*) are as follows:

- Adopted General Plan, which assumes full buildout of land uses throughout the City as allowed under the 2040 General Plan, including redevelopment of Vallco site,
A mixed-use project with a smaller retail component has a much higher likelihood of success than preserving the existing Vallco mall in its present configuration.
- Adopted General Plan With Sand Hill Proposal, which is consistent with the first scenario with additional specificity based on what Sand Hill proposed in 2015,
Allowing for a mix of land uses on the Vallco site has the greatest likelihood of success. The Sand Hill Proposal that includes 800 residential units and 2,000,000 square feet of office space has the potential to create a dynamic environment.
- General Plan With Initiative Assuming Vallco as Enhanced Mall, which assumes the mall can be preserved and rehabilitated to become a viable mall.
This scenario is not a feasible option from either a market or development perspective. Trying to preserve Vallco as it was decades ago will not attract new tenants or customers, especially customers who are drawn to vibrant, pedestrian-oriented retail environments. Something substantively new and differentiated from competing projects must be created at Vallco in order to draw customer traffic. Valley Fair (and Santana Row), and Stanford Shopping Center continue as the successful Class A malls serving Cupertino's trade area, market forces having determined there is no need for an additional Class A regional shopping center serving the Cupertino trade area.
- General Plan With Initiative Assuming Vallco With 2016 Occupancy, which assumes all three anchors remain closed and only a limited number of businesses remain occupied consistent with current conditions.
Vallco in its present configuration is unlikely to generate the incremental income required to justify investment in a significant renovation. The most likely outcome with the Initiative is that Vallco will remain in its current state, or it will continue to decline and face closure like many similar Class C malls across the United States.

These trends do not mean that a retail component will not be successful at the Vallco site. Rather, these trends point to the Vallco site needing to be redeveloped into a project that more closely reflects the realities of today's consumer and real estate market. The scenarios allowing the redevelopment of the Vallco site into a mixed-use project with a smaller retail component are far more likely to succeed than the scenarios that require the existing mall to be left in place, which have little chance of succeeding.



March 24, 2016
Page 25

In conclusion, as previously stated in the 2014 Report: "The suitability of a retail project for any given community is a comment on how market forces have evolved over time. Focus on planning retail projects that are best suited to serve the local community's needs as opposed to replicating facilities found elsewhere or resurrecting facilities from another era."

March 24, 2016
Page 26

Attachment "A"

Historic and Current Retail Conditions in Cupertino and Surrounding Areas

The following findings were made in the 2014 Report about Cupertino and the surrounding area. To the extent applicable, updates have been added in *italic letters* at the end of each finding.

Situational and Demographic Findings

The 2014 Report noted a number of attributes identified in the 2014 BAE Market Study. Like in 2014, these attributes provide important context for this memo:

- ABAG's One Bay Area Plan indicates that Cupertino will gain almost 5,000 households and over 7,000 jobs between 2010 and 2040.
No change.
- Cupertino differs markedly from the County and region with respect to racial and ethnic breakdown. The City's Asian population comprised 63.1 percent of total population in 2010. By contrast, just under 35 percent of daytime workers are of Asian descent.
The City's ethnicity has not changed markedly.
- Reflecting high education levels and professional occupations, Cupertino households earn a significantly higher median household income (\$123,700) than Santa Clara County (\$87,200), and the Bay Area (\$75,800).
No change.
- On a per capita basis, Cupertino's annual retail sales for 2011 are \$10,483, compared to \$13,404 for Santa Clara County, and \$12,493 for California.
If anything, Cupertino's annual retail sales have eroded slightly with the recent closure of Vallco's anchors, and Santa Clara County's have increased slightly with the opening of new retail projects like Hunter Storm's development on the former Hitachi property.
- Office demand continues to be strong, limited primarily by supply constraints and Apple's demand for office space.
If anything, demand for Class A office space has only increased as the high-tech industry has continued to expand in Santa Clara County. The opportunity for Cupertino can easily be seen in the number of office campuses that recently have been or presently are being assembled in neighboring cities. Apple's North San Jose assemblage is just one example.

The City is well served by road infrastructure; however, there exist few regional mass transit options.

A rapid bus route along Stevens Creek Blvd. has been proposed by VTA, and, once implemented, will bring a new and much needed public transit option to what has traditionally been an auto-oriented community.



March 24, 2016

Page 27

The City's resident and workforce populations are distinct beyond the income and ethnicity differences noted above. For example, Apple is competing with Google, Facebook, LinkedIn and others for talent. To the extent that these workers are younger (as is often the case), there is a greater demand for a more urban environment.

Competition for knowledge workers has only increased since the 2014 Report was written. Controversies such as private busses taking San Francisco residents to and from jobs in Silicon Valley only serve to highlight the extent to which millennials prefer to live in urban as opposed to suburban environments.

Cupertino's central location within the Trade Area as well as access to freeways and major arterials creates the opportunity to introduce new retailers to the City, and perhaps even to capture sales presently leaking out of the City to other parts of the Trade Area.

The lack of a coherent retail economic development strategy (i.e. a Cupertino "retail branding statement"), political uncertainty about key redevelopment opportunities, and well tenanted and managed shopping alternatives all undermine capitalizing on this opportunity.

Cupertino has more jobs than employed residents, leading to a net inflow of workers (31 percent of people employed in Cupertino live in San Jose, 16 percent live in Cupertino, and 34 percent elsewhere in Santa Clara County). This daily inflow creates a significant opportunity for well-located properties in Cupertino to be positioned as destination-oriented retail development.

There are established traffic patterns favoring Cupertino given the established and growing office sector (the Apple 2 campus being the most obvious growth example). Taking advantage of these established traffic patterns could be part of a retail economic development strategy.

Daytime workers generate demand for purchases near their workplace, especially meals eaten during the workday. Additional daytime or to/from work shopping opportunities are created when shopping alternatives are near to or on the path of travel to/from workplaces.

To the extent that office campuses are not "closed" in that they offer dining and daily needs shopping venues on-site, demand for daily needs and food and beverage should continue to grow along with the growing base of office space.

General Retail Findings

There are significant barriers to entry such as lack of available land to build new retail projects in Cupertino.

The Apple II campus has been approved by the City and is presently under construction. The Main Street project is also moving forward. There remains a lack of large parcels suitable for new commercial development; most development will need to be redevelopment of existing but economically obsolete product.

Vallco will be the City's single greatest opportunity to draw retail dollars to Cupertino. While the present retail allocation for Cupertino is projected to be adequate to meet the retail needs of today's residents and projected population growth, developing an overall retail strategy as a stated economic development goal will inform that allocation and enhance the City's ability to create retail facilities capable of meeting the City's future needs and meeting any stated goal of recapture



March 24, 2016
Page 28

leaking sales.

The City has begun to address a retail economic development strategy, however, clearly articulated goals have not yet been made. The absence of such a strategy has created a vacuum in which considerable speculation about the worth and value of Vallco has occurred. This speculation is not consistent with the goal of implementing a retail strategy for the City.

Cupertino has a bifurcated retail sector: Daily needs and some commodity categories perform well while other categories perform poorly or not at all. Overall, the City leaks sales to Cupertino's larger shopping Trade Area. That less than eight percent of potential sales from trade area customers were occurring outside of the Trade Area indicates that the overall retail trade area is well balanced with respect to retail.

The City's commodity retail options (daily needs retailers in particular), with the exception of food and beverage, remain more plentiful than specialty retail options. Sales and sales leakage patterns have not changed materially in the past two years.

This leakage is probably more as a result of being bested by more aggressive economic development and better-executed development elsewhere than by any fundamental flaw such as the City's location in the Trade Area, transportation issues, or demographics.

Neighboring cities continue to forward economic development initiatives, so Cupertino remains in an even more competitive environment for attracting specialty retail than at the time the 2014 Report was drafted.

A retail offering tailored to better meet the needs of citizens (both those presently living in Cupertino and likely future residents, i.e. knowledge workers) will be instrumental if the City hopes to recapture some of the sales leakage.

Real estate circles have repeatedly identified two trends contributing to "B" and "C" regional malls losing market share to "A" malls, closing, and being redeveloped: (A) Retail anchors and in-line retailers focused on other than the high-end market, and the malls that are primarily comprised of these retailers continue to lose market share while malls with high-end/luxury retailers are gaining market share. (B) Enclosed malls that "turn their back" on the street by not having stores facing outwards, and instead having blocks-long blank walls facing outwards are not appealing to today's customers who increasingly value a more urban experience.

A broad array of retail shopping options are available in nearby communities and are easily accessible to Cupertino residents.

The number of options available to Cupertino residents has not changed materially, however, higher-end specialty destinations Valley Fair and Stanford Shopping Centers have undergone upgrades since the 2014 Report was drafted.

The leakage analysis shows that city boundaries do not represent a constraint on Cupertino residents shopping elsewhere or non-residents shopping in Cupertino.

No change. This point is an important one: Political boundaries (in this case the limits of incorporation of the City of Cupertino) do not represent a boundary on where residents will travel to shop. Distance, traffic congestion, and time of travel are all greater factors when making shopping decisions than which municipality might receive the benefit of sales tax revenue.



March 24, 2016

Page 29

With respect to specific categories:

- The general merchandise category, which includes businesses that sell everyday items, is performing well in part because of three mall department stores and one discount department store whose sales are included. It should be noted that two Trader Joe's and two Safeway stores are located just outside the City limits, but that a new Safeway will be opening within the City shortly.

Two of the three department stores at Vallco have closed, and the third is expected to close imminently. As could be expected, the general merchandise category is performing slightly worse than at the time of the 2014 Report, however, performance has been tempered due to increased sales due to an improving economy and the shopping center on Homestead with the relocated Safeway now being open.

- There are also no major electronics or appliance stores such as Best Buy or Fry's in Cupertino, although Sears (in the general merchandise store category) carries a large variety of appliances and may capture a larger share of resident expenditures that would otherwise occur in stores dedicated to electronics and appliances.

Sears is now closed, however, many of the items sold by Sears are commodities that can be obtained easily in or in close proximity to Cupertino.

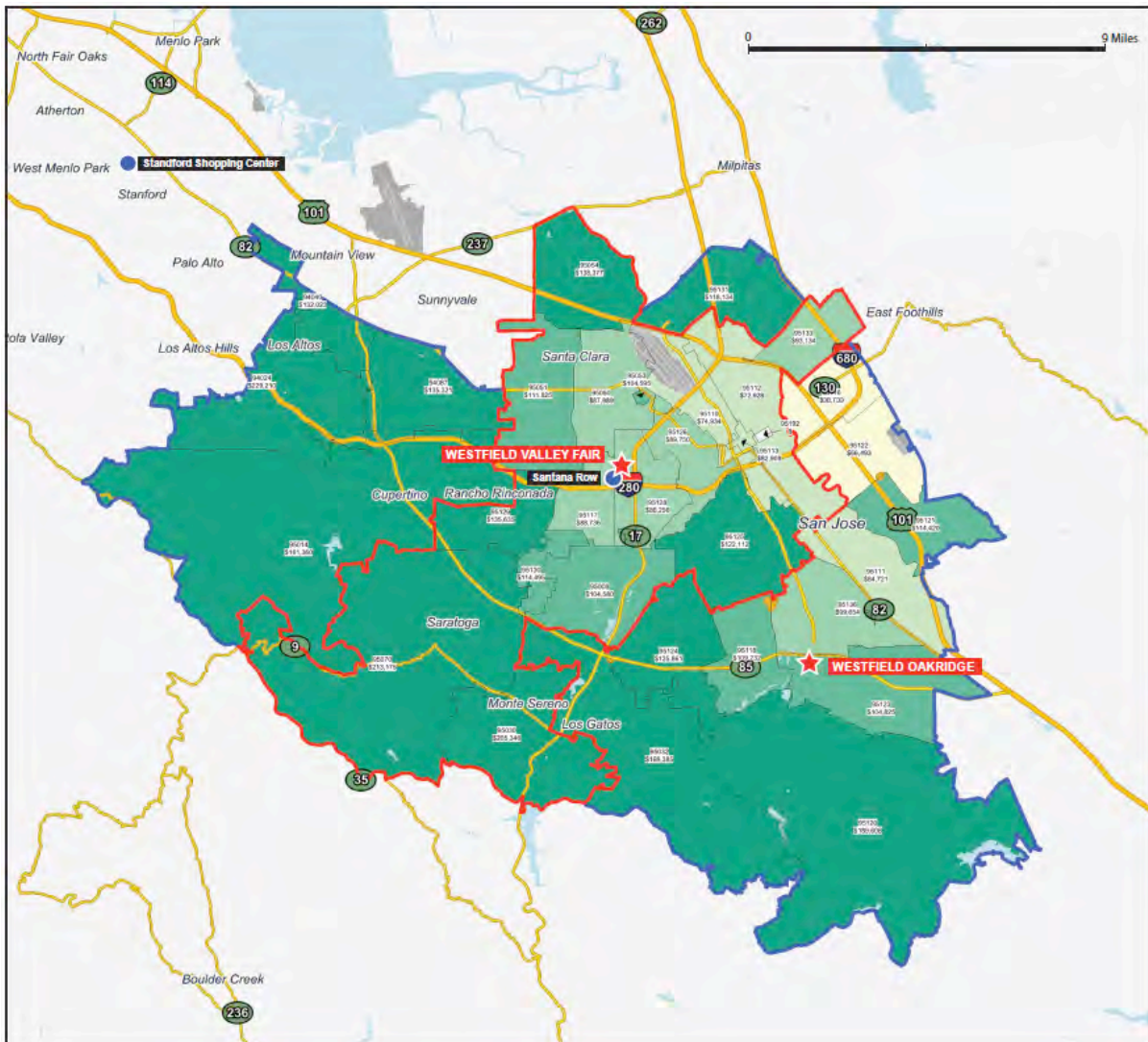
March 24, 2016
 Page 30

Attachment "B"

Summary of Competing Specialty Shopping Destinations

The 9212 initiative proposes preserving Vallco to be a competitive project with Valley Fair, Santana Row, and Stanford Shopping Center. Each project's current status is described below for reference:

Westfield's Valley Fair Shopping Center opened in 1986. Presently 1,477,393 square feet, the Mall is home to 272 retailers including Nordstrom, Macy's, Apple and Cartier producing \$494.9 million in annual sales from over 16 million annual customer visits. Following is a map showing how Valley Fair defines its trade area:



March 24, 2016
 Page 31

Valley Fair is often cited as the highest performing mall in Northern California. This map shows the breadth an “A” mall draws from up to and including from its biggest competitor, Stanford Shopping Center. New merchandising strategies such as Valley Fair’s “Luxury Collection,” a curated cluster of upscale tenants gives shoppers from a wider geographic area reason to make the trip to Valley Fair. Likewise, additional draw can be expected from Bloomingdales, a planned new anchor. Shopping destinations such as the Luxury Collection and Bloomingdales broaden the base for future leasing efforts, so Valley Fair can be expected to continue to increase in size and market share.

Valley Fair’s leasing plan is shown below:



Westfield recently remodeled its food court to create its “Dining Terrace.”



This amenity creates a place for people to gather, mingle, and linger. Lighting, materials, and the

March 24, 2016
 Page 32

inside-outside connection expand the open environment during warmer seasons. Banquettes, tables that can be moved together, and internet stations allow visitors with various needs (groups, families, couples) to patronize the dining terrace. Again, these sorts of amenities broaden the appeal and trade area for the mall.

Opened in 2003, Santana Row is a 647,000 square foot mixed-use project with retail, hospitality, office, and residential components. There are over 3,500 parking stalls supporting the 70 shops, 20 restaurants, the 212 room Hotel Valencia, 622 rental units, 219 condominium units, and 65,000 square feet of office space.



Originally built in the mid-1950s, Stanford Shopping Center has evolved into a regional mall with 1,364,000 square feet of retail space and restaurants with 140 stores including anchors Neiman Marcus, Bloomingdale's, Macy's, and Nordstrom. Simon recently completed a major remodel that created four new shop buildings totaling about 140,000 square feet located where Bloomingdale's formerly operated. Bloomingdale's relocated to Fleming's former location, and Fleming's moved to a new building. The total GLA of the mall, which generates approximately \$5.4 million in sales taxes annually, stayed roughly the same.

March 24, 2016
 Page 33



Stanford Shopping Center's trade area is defined by its owner in the following graphic:



Attachment "C"

Bibliography and Reference Sources

- Badger, Emily. "Why No One Likes Indoor Malls Any More". The Washington Post. January 6, 2015.
- Drummer, Randy. "Can This Mall Be Saved? Elements Needed for a Turnaround Include Lower Debt, Deep Pockets". CoStar.com. October 10, 2012. Available: <http://www.costar.com/News/Article/Can-This-Mall-Be-Saved-Elements-Needed-for-a-Turnaround-Include-Lower-Debt-Deep-Pockets/142143>. Accessed March 15, 2016.
- Drummer, Randy. "The De-Malling of America: What's Next for Hundreds of Outmoded Malls?" CoStar.com. October 3, 2012. Available: <http://www.costar.com/News/Article/The-De-Malling-of-America-Whats-Next-for-Hundreds-of-Outmoded-Malls-/141980>. Accessed March 15, 2016.
- Drummer, Randy. "When Retail Won't Work: Alternative Uses for Converting Former Ghost Malls Back Into Income-Producing Property". CoStar.com. October 17, 2012. Available: <http://www.costar.com/News/Article/When-Retail-Wont-Work-Alternative-Uses-for-Converting-Former-Ghost-Malls-Back-Into-Income-Producing-Property/142285>. Accessed March 15, 2016.
- Fantoni, Robert, Fernanda Hoefel and Marina Mazzarolo. "The Future of the Shopping Mall". McKinsey & Company. November 2014. Available: <http://www.mckinseyonmarketingandsales.com/the-future-of-the-shopping-mall>. Accessed March 15, 2016.
- Heifetz, Justin. "Malls Slump While New Shopping Trends Take Off". Gallup Business Journal. November 26, 2014.
- International Council of Shopping Centers. "Shopping Centers: America's First and Foremost Marketplace". New York, NY. 2014.
- International Council of Shopping Centers. "US Shopping-Center Classification and Characteristics". December 2015.
- "Malls Into Mainstreets". Congress for the New Urbanism. 2005.
- Mattson-Teig, Beth. "Retail Trends to Watch in 2016: Closings, Relocations, and Food as the True Anchor". Urban Land. March 2, 2016.
- Nehamas, Nicholas. "Massive Miami Worldcenter Project Ditches Mall, Will Move to 'High Street' Retail". Miami Herald. January 11, 2016.
- Niemira, Michael P. and John Connolly. "Office-worker Retail Spending in a Digital Age". International Council of Shopping Centers. New York, NY. 2012.



March 24, 2016
Page 35

O’Roarty, Brenna and Alan Billingsley. “Exploring New Leasing Models in an Omni-Channel World”. International Council of Shopping Centers. New York, NY. October 2015.

Peterson, Hayley. “America's Shopping Malls Are Dying A Slow, Ugly Death”. Business Insider. January 31, 2014. Available: <http://www.businessinsider.com/shopping-malls-are-going-extinct-2014-1>. Accessed March 15, 2016.

Pleven, Liam. "Anchors Aweigh: Malls Lose More Department Store Tenants". Wall Street Journal. February 23, 2016. Available: <http://www.wsj.com/articles/anchors-weigh-malls-lose-more-department-store-tenants-1456241715>. Accessed March 15, 2016.

Powell, Matt. “Sneakernomics: The American Mall Is Doomed”. Forbes.com. August 18, 2014. Available: <http://www.forbes.com/sites/mattpowell/2014/08/18/sneakernomics-the-american-mall-is-doomed/#227e4be57a55>. Accessed March 15, 2016.

Schwartz, Nelson D. “The Economics (and Nostalgia) of Dead Malls”. The New York Times. January 3, 2015.

Steiner, Yaromir. “The ABCs of ‘B’ and ‘C’ Malls”. Shopping Centers Today. May 2014. Available: http://steiner.com/wp-content/uploads/2015/11/ShoppingCentersToday_May2014.pdf and <http://steiner.com/2014/06/10/the-abcs-of-bc-malls-2/>. Accessed March 15, 2016.

Uberti, David. "The Death of the American Mall". The Guardian. Thursday 19, June 2014.

Appendix 7

Fiscal Analysis Tables

Appendix 7 Table 1
Summary of Development Scenarios
City of Cupertino 9212 Report

Development Type	Current Built/ Approved ^a	Without Initiative		With Initiative		Increase/ (Decrease) With Initiative
		Adopted General Plan	Adopted General Plan With 2015 Sand Hill Proposal	General Plan With Initiative Assuming Vallco As Viable Mall	General Plan With Initiative Assuming Vallco With 2016 Occupancy	
Development Buildout^b						
Residential						
Vallco	0	389	800	0	0	
Other Residential	21,412	22,905	22,494	23,148	23,148	
Housing (units)	21,412	23,294	23,294	23,148	23,148	(146)
Non-Residential						
Office (sq.ft.)	8,916,179	11,470,005	11,470,005	9,470,005	9,470,005	(2,000,000)
Commercial/Retail (sq.ft.)	3,632,065	4,430,982	4,430,982	4,430,982	4,430,982	
Vallco (Allowable)	1,200,000	1,200,000	650,000	1,200,000	1,200,000	0
Vallco (Assumed Occupancy)	797,000	1,104,000	598,000	1,104,000	314,000	N/A
Other Retail/Commercial	2,432,065	3,230,982	3,780,982	3,230,982	3,230,982	0
Hotel (rooms)	1,116	1,429	1,429	1,429	1,429	0
Net Increase in Potential Development^c						
Residential						
Market Rate (units)		1,768	1,748	1,649	1,649	
Affordable (units) ^d		114	134	87	87	
Total Housing (units)		1,882	1,882	1,736	1,736	
Residential Total (sq.ft.)^e		2,258,400	2,258,400	2,083,200	2,083,200	
Non-Residential						
Office (sq.ft.)		2,553,826	2,553,826	553,826	553,826	
Retail/Commercial (sq.ft.)		798,917	798,917	798,917	798,917	
Vallco (Allowable)		0	(550,000)	0	0	
Vallco (Assumed Occupancy)		307,000	(199,000)	307,000	(483,000)	
Other Retail/Commercial		798,917	1,348,917	798,917	798,917	
Hotel						
(room)		313	313	313	313	
(sq.ft.)		156,500	156,500	156,500	156,500	
Total Non-Residential (sq.ft.)		3,509,243	3,509,243	1,509,243	1,509,243	

- a. Figures for "Current Built/Approved" are from the "Current Built" column of General Plan Table LU-1, which represents existing development and all development approved as of 12/10/14. Table LU-1 is included in the Adopted General Plan and the Initiative.
- b. Figures for "Development Buildout" are from the "Buildout" column in Table LU-1.
- c. Net increase is calculated for each scenario compared against the "Current/Built Approved" figures.
- d. Assumes 5% affordable for citywide projects and 10% affordable for Vallco.

Appendix 7 Table 2
Annual Sales Tax Generated from Retail Space
In Constant FY 2015/16 Dollars
City of Cupertino 9212 Report

	Current Built/ Approved	Without Initiative		With Initiative	
		Adopted General Plan	Adopted General Plan With 2015 Sand Hill Proposal	General Plan With Initiative Assuming Vallco As Viable Mall	General Plan With Initiative Assuming Vallco With 2016 Occupancy
Vallco					
Retail Space at Buildout	1,200,000 sq.ft.	1,200,000 sq.ft.	650,000 sq.ft.	1,200,000 sq.ft.	1,200,000 sq.ft.
Occupancy Rate	66%	92%	92%	92%	26%
Occupied Retail Space	797,000 sq.ft.	1,104,000 sq.ft.	598,000 sq.ft.	1,104,000 sq.ft.	312,000 sq.ft.
Taxable Retail Sales per sq.ft. ^a	\$124	\$149	\$300	\$124	\$74
Estimated Taxable Sales	99,055,000	\$164,496,000	\$179,400,000	\$137,210,439	\$23,088,000
Increase (Decrease) in Taxable Sales		\$65,441,000	\$80,345,000	\$38,155,439	(\$75,967,000)
Other Retail/Commercial					
New Retail Space		798,917 sq.ft.	1,348,917 sq.ft.	798,917 sq.ft.	798,917 sq.ft.
Occupancy Rate		92%	92%	92%	92%
Occupied Retail Space		735,004 sq.ft.	1,241,004 sq.ft.	735,004 sq.ft.	735,004 sq.ft.
Taxable Retail Sales per sq.ft. ^a		\$149	\$149	\$149	\$149
Taxable Retail Sales		\$109,500,000	\$184,900,000	\$109,500,000	\$109,500,000
Total Increase in Taxable Retail Sales		\$174,941,000	\$265,245,000	\$147,655,439	\$33,533,000
Projected Sales Tax Revenues^b		\$1,750,000	\$2,650,000	\$1,480,000	\$340,000

Note: Dollar figures rounded to the nearest thousand. Numbers may not add up precisely due to rounding.

a. Historical data on taxable retail sales was reviewed for Vallco and other establishments throughout the City. The estimates used in the analysis are based on actual performance from 2014, adjusted as necessary to appropriately reflect each retail area and scenario. Taxable sales at Vallco in 2014 were used alongside occupancy data of the mall to estimate the average retail sales per square foot of occupied space. This data was adjusted downward by 40% for the General Plan with Initiative Assuming Vallco with 2016 Occupancy because a substantial portion of currently occupied space is for entertainment and fitness uses. The same type of analysis was done for the areas located outside of Vallco, based on 2.4 million sq.ft. and 92% occupancy. Reported sales are adjusted to 2015 dollars. See Appendix 7 Table 6.

b. Projected sales tax revenues assumes City receives 1% of taxable sales, according to sales tax data.

Source: City of Cupertino, MuniServices, Strategic Economics, Seifel Consulting Inc.

Appendix 7 Table 3
Annual Sales Tax Revenues from Business-to-Business (B-to-B) Transactions
In Constant FY 2015/16 Dollars
City of Cupertino 9212 Report

	Without Initiative		With Initiative	
	Adopted General Plan	Adopted General Plan With 2015 Sand Hill Proposal	General Plan With Initiative Assuming Vallco As Viable Mall	General Plan With Initiative Assuming Vallco With 2016 Occupancy
Office				
Increase in Office Space	2,553,826	2,553,826	553,826	553,826
Taxable B-to-B Sales per sq.ft. ^a	\$40	\$40	\$40	\$40
Estimated Taxable B-to-B Transactions	\$102,200,000	\$102,200,000	\$22,200,000	\$22,200,000
Projected Sales Tax Revenues^b	\$1,020,000	\$1,020,000	\$220,000	\$220,000

Note: Dollar figures rounded to the nearest thousand. Numbers may not add up precisely due to rounding.

- a. Based on recently reported B-to-B sales for businesses (exclusive of Apple) most likely to occupy office space and the current leasable office square footage (excluding Apple) in Cupertino, taxable B-to-B sales ranges \$37 to \$53 per square foot for the past three fiscal years.
- b. Projected sales tax revenues assumes City receives 1% of taxable sales.

Source: City of Cupertino, MuniServices, Seifel Consulting Inc.

Appendix 7 Table 4
Growth in Annual General Fund Property Tax Revenue
In Constant FY 2015/16 Dollars
City of Cupertino 9212 Report

Development Type	Incremental Assessed Value per Unit/Sq.Ft./Room ^a	Without Initiative		With Initiative	
		Adopted General Plan	Adopted General Plan With 2015 Sand Hill Proposal	General Plan With Initiative Assuming Vallco As Viable Mall	General Plan With Initiative Assuming Vallco With 2016 Occupancy
Estimated Incremental Assessed Value					
Residential					
Market Rate Units ^b	\$560,000 /unit	\$990,100,000	\$978,900,000	\$923,400,000	\$923,400,000
Affordable Units ^c	\$273,000 /unit	\$31,100,000	\$36,600,000	\$23,800,000	\$23,800,000
Net Growth in Assessed Value		\$1,021,200,000	\$1,015,500,000	\$947,200,000	\$947,200,000
Non-Residential					
Office ^d	\$520 /sq.ft.	\$1,328,000,000	\$1,328,000,000	\$288,000,000	\$288,000,000
Commercial/Retail Vallco ^e	N/A /sq.ft.	N/A	N/A	N/A	N/A
Other Retail/Commercial ^d	\$480 /sq.ft.	\$383,500,000	\$647,500,000	\$383,500,000	\$383,500,000
Hotel ^d	\$ 300,000 /room	<u>\$93,900,000</u>	<u>\$93,900,000</u>	<u>\$93,900,000</u>	<u>\$93,900,000</u>
Net Growth in Assessed Value		\$1,805,400,000	\$2,069,400,000	\$765,400,000	\$765,400,000
Total Incremental Assessed Value		\$2,826,600,000	\$3,084,900,000	\$1,712,600,000	\$1,712,600,000
Estimated Incremental Property Tax Revenues to the City					
Annual Property Tax Revenues	City's Share: 5.60%	\$1,580,000	\$1,730,000	\$960,000	\$960,000

Note: Dollar figures rounded to the nearest hundred thousand for projected assessed values and to the nearest thousand for property tax revenues. Numbers may not add up precisely due to rounding.

- a. Incremental assessed value represents the increase in property value added by new development, calculated by subtracting existing land value from total development value. Non-residential values include estimated value for personal property / tenant improvements (\$100 per sq.ft. of office, \$50 per sq.ft. of commercial/retail, and \$30,000 per hotel room).
- b. Assumes mid-range development at \$650 per sq.ft. value, unit size of 1,200 sq.ft., 25 units per acre, and land value of \$5.5 million per acre based on "City of Cupertino, Residential Below Market Rate Housing Nexus Analysis" by Keyser Marston Associates, Inc. (April 2015).
- c. Affordable unit value is assumed to be \$259,000 for very low income units and \$287,000 for low income units in "City of Cupertino, Residential Below Market Rate Housing Nexus Analysis" by Keyser Marston Associates, Inc. (April 2015).
- d. Incremental assessed value calculated based on prototype #2 (commercial/retail), prototype #4 (office), prototype #6 (hotel) from "City of Cupertino, Non-Residential Jobs-Housing Nexus Analysis" by Keyser Marston Associates, Inc. (April 2015).
- e. This analysis does not reflect growth in assessed value at commercial/retail space at Vallco. Incremental assessed value would most likely increase under Adopted General Plan With 2015 Sand Hill Proposal due to redevelopment of the property and decrease under General Plan With Initiative Assuming Vallco With 2016 Occupancy due to reassessment.

Source: City of Cupertino, Keyser Marston Associates, Inc, Seifel Consulting Inc.

Appendix 7 Table 5
 Net Increase in Annual Transient Occupancy Tax (TOT) Revenues
 In Constant FY 2015/16 Dollars
 City of Cupertino 9212 Report

	Assumption ^a	Without Initiative		With Initiative	
		Adopted General Plan	Adopted General Plan With 2015 Sand Hill Proposal	General Plan With Initiative Assuming Vallco As Viable Mall	General Plan With Initiative Assuming Vallco With 2016 Occupancy
Number of Rooms		313	313	313	313
Occupancy Rate	80%				
Number of Occupied Rooms		250	250	250	250
Estimated Room Charge	\$215				
Estimated Annual Hotel Room Revenues		\$19,700,000	\$19,700,000	\$19,700,000	\$19,700,000
City's TOT Rate	12%				
Projected Annual TOT Revenues		\$2,360,000	\$2,360,000	\$2,360,000	\$2,360,000

a. Based on typical hotel occupancy and room rates in Cupertino based on TOT data. Projected TOT revenues assumes City receives 12% of taxable sales.

Source: City of Cupertino, Seifel Consulting Inc.

County of Santa Clara

Office of the Sheriff



West Valley Patrol Division
 1601 S. De Anza Boulevard, Suite 148
 Cupertino, California 95014
 (408)868-6600

Rick Sung
 Captain

March 1, 2016

Cupertino Citizen’s Sensible Growth Initiative

The City of Cupertino contracts the Santa Clara County Sheriff’s Office for police services. To determine the Initiative’s impact on the need for services, calls for service and reported incidents at Vallco from 2013 to present were analyzed.

Crime Data for Vallco Shopping Mall – 2013 to Present

In any active shopping mall, theft crimes will comprise the majority of incidents, specifically shoplifting. Second to that, patrons leaving valuables in their vehicles while they shop will attract vehicle burglars, making these incidents of high frequency as well.

In recent months, however, the number of thefts and shoplifting incidents decreased drastically, but the occupancy of the mall has decreased during this time as well. Moreover, two of the three large department stores closed during that time (see Figure 1). Macy’s closed in March of 2015 and Sears in October of 2015. JC Penney is set to close in March of 2016.

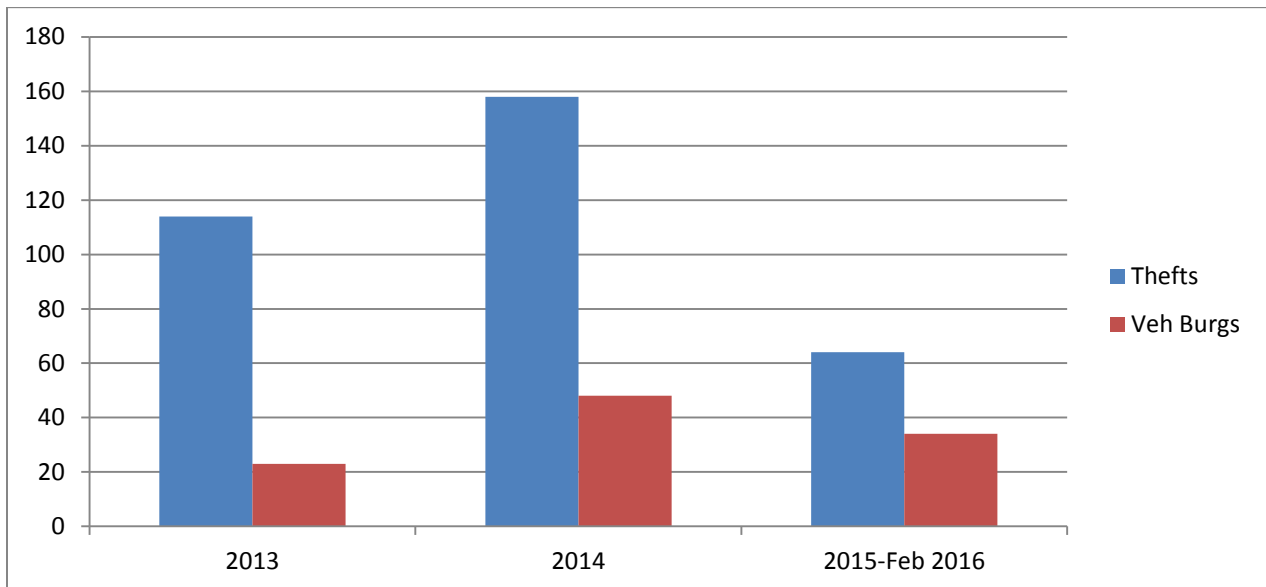


Figure 1

Criminal Hot Spot and Dumping Ground

Vandalism and Stolen/Recovered Vehicles

Although the Mall is not completely vacant, Vallco has seen an uptick in vandalism incidents and the number of stolen vehicles and recovered stolen vehicles (see Figure 2). Deputies did not recover any stolen vehicles at Vallco in 2013, but recovered one in 2014 and six in 2015/2016. Those six were recovered after Macy's and Sears closed.

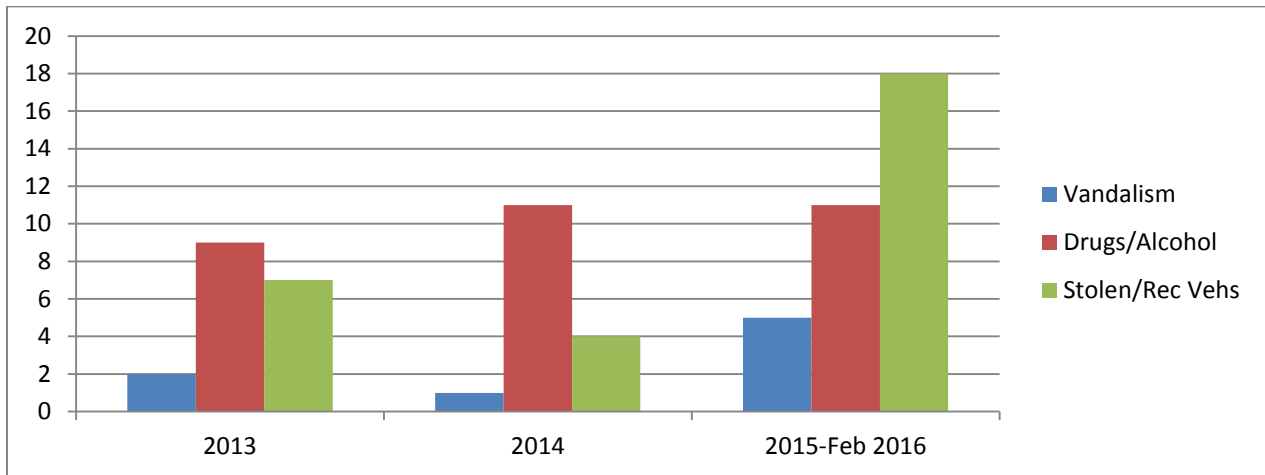


Figure 2

Found Property

Also up within the last year is the number of found property reports at Vallco (see Figure 3). There were only two documented incidents of found property in 2013 and 2014, but in 2015/2016 there were six.

In 2013, a weapon, or wooden baton, was found in a parking structure. In 2014, a suspect's backpack was left at the scene of a vehicle burglary. In 2015/2016, the property found included wallets stolen from prior vehicle burglaries in other jurisdictions, important documents and credit cards as used in identity theft crimes, garbage and drug paraphernalia.

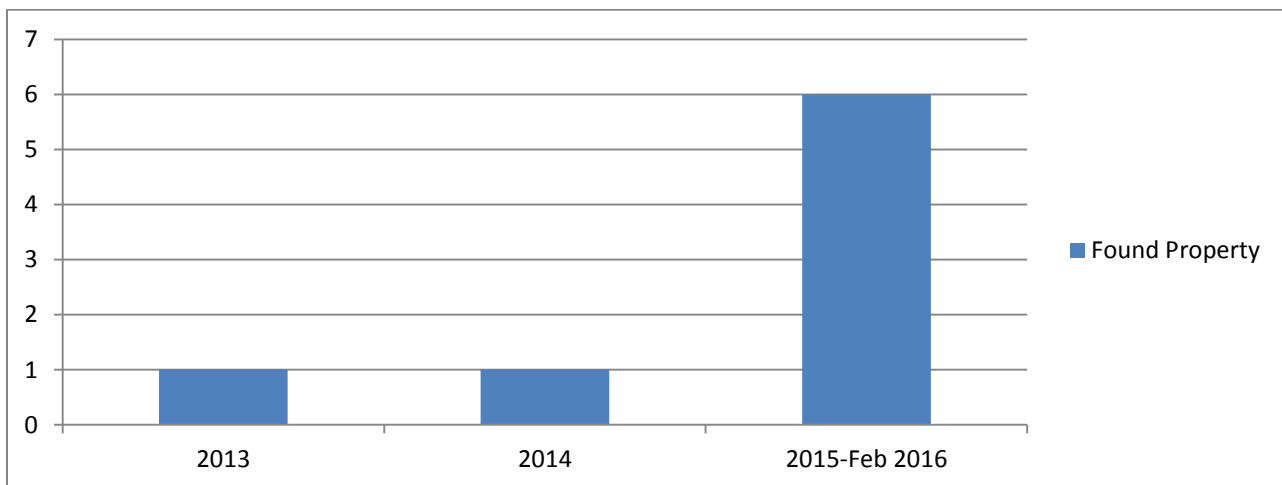


Figure 3

Vallco's Location

The proximity to Interstate 280, from N. Wolfe Road, makes the location ideal for marking a quick tag or dumping a stolen vehicle, giving criminals a quick escape route and avenue of disassociation. But the concern then becomes that if the property becomes or remains abandoned, the location will be ideal for all types of criminal activity, e.g., a meet up spot for drug sales, a place to party, an encampment space for transients, etc.

Abandoned Property and the Broken Windows Theory

In criminology, there is a theory known as the “Broken Windows Theory.” The theory is that a building with broken windows attracts crime. Broken windows are “that one sign of abandonment or disorder and will encourage further disorder.”¹ The theory, however, may relate to more than just broken windows. “Boarded doors, unkempt lawns, and broken windows can signal an unsupervised safe haven for criminal activity or a target for theft of, for example, copper and appliances.”²

Vallco is not completely vacant, but as the occupancy of the Mall decreased within the last year, there was an increase in the calls for service related to vandalism. There is concern that if Vallco Shopping Mall becomes an abandoned property altogether, the calls for service in this regard will increase.

Cupertino’s Nuisance Abatement Ordinance, codified in Chapter 1.09 of its Municipal Code, permits the City to abate properties which have deteriorated to the point of becoming a “nuisance” as defined in Section 1.090.030. In addition, the City has other remedies such as civil action for abatement of a nuisance.

Conclusion

Abandoned properties attract and enable crime. The longer the property sits abandoned, the more it deteriorates, the more known and frequented by criminals it becomes, increasing crime. Conversely, if the mall is re-tenanted or if it is developed into a mix use center, similar to the trends identified above, it is anticipated with more activity and increased population, the need for police services will increase as the opportunity to commit crimes increases.

¹ Kelling, George L. and Wilson, James Q., 1982. *The Atlantic Monthly*, “Broken Windows: The Police and Neighborhood Safety.” 249:3, 29-38.

² Arnio, Ashley N., Baumer, Eric P., and Wolff, Kevin T., 2012. *Social Science Research*, “The Contemporary Foreclosure Crisis and US Crime Rates,” 41:6, 1599-1600.