

WESTPORT CUPERTINO

GENERAL PLAN AMENDMENT AUTHORIZATION





May 15, 2017

David Brandt, City Manager
Aarti Shrivastava, Assistant City Manager
Cupertino City Hall
10300 Torres Avenue
Cupertino, CA 95014-3202

Subject: Westport Cupertino – General Plan Amendment Authorization

My brother and I have owned and operated our real estate firm (KT Urban) in Cupertino for over 28 years. In February 2015, we had the good fortune to acquire an excellent property in Cupertino less than ½ mile from our office. We have had our eye on this property for many years in hopes of acquisition as we observed its gradual and expected decline with an eye toward the future and a signature project for the community.

Given the proliferation and impact of online shopping and the corresponding shift in retail shopping behavior, the Oaks Shopping Center has become functionally obsolete, suffering from an outdated aesthetic appearance and suboptimal site configuration that has resulted in a lack of market interest and demand. We believe that the City and its residents can agree that in its present state, the Oaks is certainly not serving the best

interests of the community. ***We hope you share our belief that it's time for a transformation at the Oaks.***

Thinking toward the future, we have invested the better part of two years actively engaging with, listening to, and incorporating community, property owner, stakeholder, City staff and elected official input. *And this is just the beginning.*

The *Heart of the City Specific Plan* envisions this site as becoming Cupertino's western gateway. Our proposed new concept, "Westport Cupertino", embraces this vision and draws upon the City's desire to create a greater sense of place.

KT Urban is pleased to submit our new General Plan Amendment Authorization application. This application includes two alternatives that demonstrate our flexibility in identifying the optimal mix of land use possibilities, site design features, community amenities, fiscal benefits, and general plan amendments.

The alternatives provided demonstrate the creativity of good land planning. Land is a valuable resource. Project architectural design should focus on minimizing large surface parking lots and inefficient low rise structure predominant in the built environment. Today's active retail, entertainment and social hubs provide an urban mixed-use village.

We request approval of the Authorization by the City Council to allow us to work with your professional staff and to seek community engagement to create the best project. It is our intent to work with the Council and City Staff to explore and refine these alternatives, or variations thereof, and come up with

~~a direction that is best suited to Cupertino. We expect that these alternatives will be fully and equally analyzed through the City's independent CEQA (Environmental Impact Report) review process.~~

~~As a Cupertino based company with long standing family and business relationships within the community, KT Urban is committed to working with you and the community at large to implement the Westport Cupertino project in a manner that provides inspiration and enhances our City's outstanding quality of life.~~

~~We respectfully request authorization to proceed with a General Plan Amendment application.~~

~~Thank you for your consideration.~~

~~Thank you.~~

~~Sincerely,~~

A handwritten signature in black ink that reads "Mark E. Tersini". The signature is written in a cursive style with a long, sweeping horizontal line extending from the end of the name.

~~Mark Tersini, Principal
KT Urban~~

City of Cupertino's Vision

"Cupertino aspires to be a **balanced community** with quiet and attractive neighborhoods and a **vibrant, mixed-use 'Heart of the City.'**"



Westport Cupertino

Westport Cupertino will serve as a vibrant **mixed-use gateway** district providing affordable and senior housing, extensive community benefits, significant mobility options, and a retail, entertainment, and civic destination for the greater Cupertino community.

Proposed ~~Alternatives~~Project

With a rapidly changing, technology-driven retail market and an outdated, aging commercial center, the existing Oaks Shopping Center is at a crossroads. The questions is: *What are the alternatives that should be further investigated for this important “gateway” site?*

To afford greater flexibility while also respecting the opinions and diversity of community interests, this General Plan Amendment Authorization application ~~presents two development alternatives for Westport Cupertino: 1) Mixed-Use Residential and 2) describes the~~ [Mixed-Use Gateway Project for City Council determination](#). Below is a brief description of ~~each alternative~~[the proposed Project](#) with conceptual illustrations. These are followed by several tables that address consistency with the City’s General Plan, and consistency with the GPA Authorization evaluation criteria.

Proposed ~~Land Uses Common to Both Alternatives~~

~~Both alternatives include several similar land uses. These include:~~

Retail/Commercial – 69,500 sf. in total. This includes approximately 42,000 square feet constructed on the ground floor. Uses include retail, restaurants, and neighborhood services. It also includes a 27,500 sf. five-screen boutique movie theater. The retail space will be internally connected through a network of pedestrian and open spaces linking the office, hotel and residential uses. *The goal is to create an experience-oriented destination for residential, shopping,*

dining, and entertainment in a “gateway” environment, as envisioned in the Heart of the City Specific Plan.

Community Center –This 4,000 sf. publicly-accessible community center will be available for civic and community functions such as De Anza Community College lectures and education activities, conferences, school events, community celebrations, and a variety of social gatherings (e.g. weddings, parties, club events, non-profit functions).

Open Space~~Both alternatives~~[The Project](#) will also include generously landscaped common areas including plazas, outdoor seating (for restaurants and public use), and public art.

Transit Center – Given the community’s concerns about traffic, we have worked with Council to include a transit center onsite. The transit center will provide the basis for a future connection for rapid transit along State Route 85, 50 onsite parking stalls, and a shuttle drop-off/pick-up area, thus removing commuter buses and improving pedestrian and bike safety along Mary Avenue.

Underground Parking – All parking (1,480 spaces) will be located on three underground levels, thereby reserving the ground floor as a vibrant, pedestrian-friendly urban space.

Offsite Mobility Improvements – ~~Both alternatives~~[The Project](#) will fund significant roadway and intersections improvements on Stevens Creek Boulevard and Mary Avenue, as well as improving pedestrian and bikeway access along Mary Avenue, providing a variety of city-wide bikeway improvements, contributing to the City’s Safe Routes to School, contributing

to a future City-sponsored shuttle program, and other mobility initiatives.

Affordable Housing -- To encourage the development of affordable and senior housing, ~~both alternatives~~ the Project includes a residential density bonus request to allow the onsite construction of affordable housing, particularly for seniors.

Office – To provide 200,000 square feet of Class A office space in the western area of the City with the intent of providing the City an opportunity to diversify its corporate base and attract a headquarters user in this underserved part of the City.

Alternative 1 – ~~Mixed Use Residential~~

~~In addition to the land uses described above, this alternative will help the City meet its Housing Element goals while also helping the City address the current jobs-housing imbalance. The alternative is similar in size and scope to the recently approved Hamptons Redevelopment project, which allowed for a density of 76 units/net acre and a maximum height of 75 feet.~~

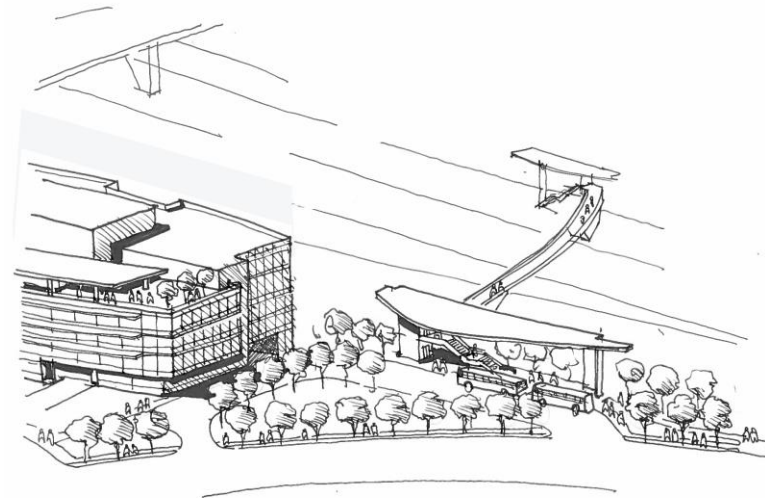
Residential

~~Accordingly, this Mixed Use Residential Alternative will include 605 residential units; 200 units from existing zoning, 248 in additional allocation, and 157 units (35% density bonus). The residential units will include both market rate and senior affordable housing. Under this alternative, we have maintained a 15% affordable housing commitment which~~

~~provides greater affordability rates than what is required by the City’s BMR Housing Program.~~

General Plan Amendments

Requested Amendment	Rationale
Increase in building height	<ul style="list-style-type: none"> ■ To create a “gateway” site consistent with the Heart of the City Specific Plan. ■ To provide density that supports below grade parking, transit center, movie theatre and open plazas.
Increase in the residential unit allocation	<ul style="list-style-type: none"> ■ To provide more affordable housing per the City’s BMR program.



CONCEPTUAL IMAGE OF TRANSIT CENTER

Figure 1: ~~Alternative 1 Mixed-Use Residential Conceptual Illustration~~



Alternative 2—Mixed-Use Gateway Description

The Mixed-Use Gateway is envisioned as a vibrant mixed-use site deserving of its gateway location in the City of Cupertino. In addition to the land uses described above, ~~for both alternatives, this alternative~~ the Project also includes office, hotel, and residential.

Class A Office

Today’s technology companies require work environments that allow them to compete globally. Most existing office inventory in Cupertino consists of Class B and C product that meets neither employers’ needs nor the growing demand for local companies to expand. The project’s new Class A, ~~280,200~~ 200,000 sf., office building will allow the City to diversify its corporate base and attract a headquarters’ user in the western area of the City.

The Community Vision 2040 General Plan establishes a city-wide office allocation of approximately 500,000 sf. for “major companies” pursuant to Chapter 3 Strategy LU-1.2.2. We propose to utilize ~~280,200~~ 200,000 sf. from the “major companies” allocation for Class A office use on this project site. If the City decides to not allow us to utilize the “major companies” allocation, the project will require an allocation of ~~280,200~~ 200,000 sf. of office space.

Flagship Hotel

A flagship 170-room hotel (integrated with the boutique movie theater and community center), will include a rooftop restaurant/lounge and modern amenities that will generate significant incremental tax revenue for the City.

Residential

The opportunity to provide housing near jobs will help reduce local trips and improve the jobs-housing imbalance in the City of Cupertino. ~~For this alternative, t~~ The applicant is requesting a density bonus of 35% over the allowed 200 units for a total of 270 residential units, which will consist of market rate as well as affordable housing for seniors. As compared to our previous submittal, we have increased our affordable housing commitment to ~~20~~ 25%, thereby providing greater affordability rates than what is required by the City’s BMR Housing Program.



General Plan Amendments

Requested Amendment	Rationale
<p>General Plan land use designation of Office.</p> <p>An increase in office allocation of 280<u>200</u>K sf.</p>	<ul style="list-style-type: none"> To allow the City to diversify its corporate base and attract a headquarters user in the western area of the City; and increase office inventory for Cupertino based start-up companies.
<p>Increase in the hotel allocation of 170 rooms.</p>	<ul style="list-style-type: none"> To provide a flagship hotel. To provide increased direct and indirect fiscal benefits to the City.
<p>Increase in building height.</p>	<ul style="list-style-type: none"> To create a “gateway” site consistent with the Heart of the City Specific Plan. To provide density that supports below grade parking, transit center, movie theater and open plazas.
<p>Variation of the Slope Setback on Stevens Creek Boulevard</p>	<ul style="list-style-type: none"> To accommodate building design requirements for the office and hotel buildings.

Changes from Prior Submittal

Following is a summary of changes from the previous Oaks GPA Authorization application (2016):

- Addition of an on-site transit center and associated improvement to accommodate access to a future transit facility on Highway 85.

- Addition of designated space for start-up firms or small office users within the office building.
- Expansion of the community center.
- Addition of a five-screen boutique movie theater with a café/lounge.
- Additional level of below grade parking.
- Greater number of affordable housing units, all constructed onsite.
- Hotel with rooftop restaurant and lounge.
- Major refinements to the architectural features and massing.
- Increased public and private open space and rooftop gardens.
- Addition of conforming slope setbacks on Stevens Creek Boulevard.
- Additional roadway improvements on Mary Avenue beyond project frontage.
- Increased voluntary community amenities with greater City flexibility.
- Redesign of senior residential building to include more rooftop garden open space, greater visibility to public art, and enhanced interior unit designs.
- Complete reconfiguration of interior retail boulevard to enhance outdoor dining and public art, add on-street parking, and improve walkability.

Figure 21: Alternative 2-Mixed-Use Gateway Conceptual Illustration



Figure 32: Conceptual Retail Plan



Table 1: Westport Cupertino ~~Alternatives~~ Project Overview

	Alternative 1 Mixed-Use Residential	Alternative 2 Mixed-Use Gateway
Planning		
General Plan Designation	Commercial/Residential	Commercial/Office/Residential
Zoning Designation	Planned Zoning with General Commercial and Residential Uses	Planned Zoning with General Commercial, Professional Office and Residential Uses
Lot Coverage Floor Area Ratio	40% 2.105	42% 2.157 1.925:1
Land Uses		
Office	—	280,000 sf.
Retail (includes boutique movie theater)	69,500 sf.	69,500 sf.
Community Center	4,000 sf.	4,000 sf.
Hotel	—	170 rooms
Housing Element Residential Allocation	200 units	200 units
Additional Residential Allocation	248 units	--
Subtotal	448	200
Affordable % (<u>Extremely Low</u> Very Low Low)	15% (11% 4%)	2025% (5% 11% 9%)
Senior Affordable	67 units	40-50 units
Senior Unrestricted	3 units	30-20 units
Market Rate	535 units	200 units
Density Bonus (@ 35%)	157 units	70 units

	Alternative 1 Mixed-Use Residential	Alternative 2 Mixed-Use Gateway
Total Residential Units Requested	605 units	270 units
Building Heights		
Office	--	88-65 feet
Hotel	--	70 feet
Residential	35—75 feet	35 - 60 feet
Slope Line (Setback : Height)		
Stevens Creek Boulevard (Residential)	1:1	1 : 1
Stevens Creek Boulevard (Hotel)	--	2 : 1
Stevens Creek Boulevard (Office)	--	3-2 : 1
Mary Avenue	N/A	N/A
Setbacks		
Front (South property line – Stevens Creek Boulevard)	35'-0"	35'-0"
Side – Interior (West property line – along State Route 85)	0'-0"	0'-0"
Side – Street Side (North property line – Mary Avenue)	9'-0"	9'-0"
Parking ¹		
Office	--	982
Hotel	--	190

	Alternative 1 Mixed-Use Residential	Alternative 2 Mixed-Use Gateway
Residential	1,210	540
Retail	168	168
Theater	102	102
Community Center	16	16
Transit Center	50	50
Short-term (residential/retail)	23	23
Total Vehicle Parking Provided	1,503	1,503
Separate Use	1,546	2,021
Shared Use	1,513	1,751
Variance from Shared Use	(10)	(248)
Open Space		
Private - Residential	60 sf./unit (patio)	60 sf./unit (patio)
Residential Common Space	42,350 sf.	21,600 sf.
Residential Landscape @70%	29,675 sf.	15,120 sf.
Residential Hardscape @30%	12,675 sf.	6,480 sf.
Office	--	7,000 sf.
Retail	1,750 sf.	1,750 sf.

Notes:

1. Per City of Cupertino Municipal Code Table 19.124.040(A)

Table 2: Requested General Plan Amendments and Exceptions

Requirement/Standard	Allowed/Required	Alternative-1 Mixed-Use Residential	Alternative-2 Mixed-Use Gateway
General Plan Amendments			
General Plan Designation	Commercial/Residential	No Change	Commercial/Office/Residential
Development Allocation			
Office	--	--	280 200,000 sf.
Hotel	--	--	170 rooms
Residential Total	200 units	448 units	--
Building Heights			
Office	45 feet	--	88 65 feet
Hotel	45 feet	--	70 feet
Residential	45 feet	30-75 feet	30-60 feet
Slope Setback			
Stevens Creek Boulevard	1 : 1	--	3-2 : 1 Office 2 : 1 Hotel

Requirement/Standard	Allowed/Required	Alternatives 1 Mixed-Use Residential	Alternative 2 Mixed-Use Gateway
Exceptions			
Open Space (per Heart of the City Specific Plan)			
Residential common open space	150 sf./unit or 40,500 sf. total	70 sf./unit	80 sf./unit
Setback (per Heart of the City)			
Side – Interior (West property line – along State Route 85) for Transit Center	½ height of building (20 feet) or 10 feet, whichever is greater	0'-0"	0'-0"
Side – Interior (West property line – along State Route 85) for Office	½ height of building (44-32.5 feet) or 10 feet, whichever is greater	–	10'-0"
Parking (per Zoning)			
Shared Use	Per parking study	Per parking study	Per parking study

Consistency with City Plans and Policies

Westport Cupertino is **Consistent with the City's General Plan Guiding Principles**

General Plan Guiding Principles	How Westport Cupertino is Consistent
<p>Develop Cohesive Neighborhoods</p>	<ul style="list-style-type: none"> ■ Increases the quality of life for all Cupertino residents through significant voluntary community amenities for the City. ■ Responds to the surrounding neighborhood context through stepped-back building massing and pedestrian and mobility connectivity. ■ Responds to the surrounding site context by providing active retail and commercial space along Stevens Creek Boulevard and easy pedestrian access from Memorial Park, De Anza College, and the adjacent residential community.
<p>Improve Public Health Safety</p>	<ul style="list-style-type: none"> ■ Funds Mary Avenue and Stevens Creek Boulevard road improvements, adjacent safety enhancements, and the City's Safe Routes to Schools program. ■ Meets and exceeds accepted sustainability standards and strategies by employing Smart Growth land use planning principles and adopting green building design and construction methodologies. ■ Incorporates a comprehensive TDM program that will help reduce traffic to combat greenhouse gases and global warming.
<p>Improve Connectivity</p>	<ul style="list-style-type: none"> ■ Includes an on-site Transit Center as well as on and off-site bike path enhancements that will improve connectivity and enhance mobility. ■ Increases pedestrian walkability and connectivity at grade level due to below-grade parking.

General Plan Guiding Principles

Enhance Mobility

Enhance a Balanced Community

Support Vibrant | Mixed-Use Businesses

Ensure Attractive Design

Support Education

Ensure Fiscal Self-Reliance

How Westport Cupertino is Consistent

- Allows connection to future rapid transit along Highway 85 corridor through new transit center.
- Facilitates last mile connection through shuttle bus service for office, hotel and residential uses.
- Improves the balance between jobs and housing in Cupertino and promotes public transit through the construction of a new transit center.
- Create a vibrant mixed-use gateway entertainment district complete with a boutique movie theater, ground floor retail uses and conference facilities with potential partnerships opportunities for use by local schools, city departments, and community groups.
- High-quality architectural design integrated into a richly landscaped public realm. Achieves LEED Silver certification.
- Community amenities support the construction of permanent classroom facilities at Garden Gate Elementary and provide increased tax revenues for schools. Generates significant one-time and recurring revenue for the Cupertino Union School District and the Fremont Union High School District.
- Enhances the City's economic vitality and fiscal stability by strengthening the City's tax base through the redevelopment of an obsolete commercial center.

Westport Cupertino is **Consistent** the City’s General Plan **Land Use and Housing Element Policies**

General Plan Land Use Policies	How Westport Cupertino is Consistent
<p>1.1: Focus higher land use intensities and densities within a half-mile of public transit service, and along major corridors.</p>	<ul style="list-style-type: none"> ■ The project site lies at the intersection of State Route 85 and Stevens Creek Boulevard, the western gateway to the City and one block west of the Rapid 523 Bus Stop at Stelling Road and Stevens Creek Boulevard.
<p>1.2.2: Reserve development allocations for major companies and corporate headquarters.</p>	<ul style="list-style-type: none"> ■ Structural shifts in the workplace are driving demand for innovative mixed-use environments and should be made available to leading technology companies like Apple and other corporate users.
<p>1.3.1 and 5.2: Create viable retail space along the ground floor street frontage.</p>	<ul style="list-style-type: none"> ■ Significant ground floor retail will activate Stevens Creek Boulevard, creating a neighborhood retail and entertainment destination. Removes unsightly surface parking lot.
<p>1.4.1 (2): Mixed-use residential projects should be designed on the “mixed-use village” concept.</p>	<ul style="list-style-type: none"> ■ Incorporates residential and retail uses and community benefits, integrated with adjacent neighborhoods.
<p>2.1: Creates an opportunity to redevelop the property into a gateway.</p>	<ul style="list-style-type: none"> ■ Redevelops an aging and outdated retail space into a vibrant, community-focused gateway site.
<p>2.2: Incorporate pedestrian-scaled parks, plazas, entries, outdoor dining, and public art.</p>	<ul style="list-style-type: none"> ■ Incorporates plazas, outdoor eating spaces, open space, and significant public art.
<p>3.3.3: Transition building height and massing with existing development.</p>	<ul style="list-style-type: none"> ■ Building massing transitions from existing heights along Mary Avenue to project site.
<p>3.3.5 and 3.3.6: Locate buildings close to the street and promote high-quality architecture.</p>	<ul style="list-style-type: none"> ■ Buildings are located adjacent to the streets and incorporate a rich variety of high-quality materials and associated landscaping.
<p>5.1: Retain and enhance local neighborhood shopping centers and improve pedestrian and bicycle access to neighborhoods to improve access to goods and services.</p>	<ul style="list-style-type: none"> ■ Revitalizes an aging retail center and incorporates a mobility hub and a transit center.

General Plan Land Use Policies

8.3.1: Encourages reinvestment and revitalization of sales-tax producing uses.

8.3.2: Utilizes shared parking between office, residential and retail uses.

9.1.3: Encourages new businesses and retains existing businesses contributing to the City's economic vitality.

9.2.1: Encourage office development to locate in areas where workers can walk or bike to services such as shopping and restaurants.

11.1: Create pedestrian and bicycle access between new developments and community facilities.

How Westport Cupertino is Consistent

- Redevelops an outdated retail center into a vibrant mixed-use development that will significantly increase City sales tax revenue.
- Constructs an underground parking structure that will make more efficient use of the land and provides shared parking between uses.
- Supports retention of the existing business including the boutique movie theater and restaurants.
- Constructs a significant number of improvements that will support pedestrian, bike, and transit mobility options for Cupertino residents.
- Constructs numerous on-and off-site pedestrian and bikeway improvements, including a safer connection to Memorial Park and De Anza Community College.

General Plan Housing Element Policies

1.2: Project a full range of densities for ownership and rental housing.

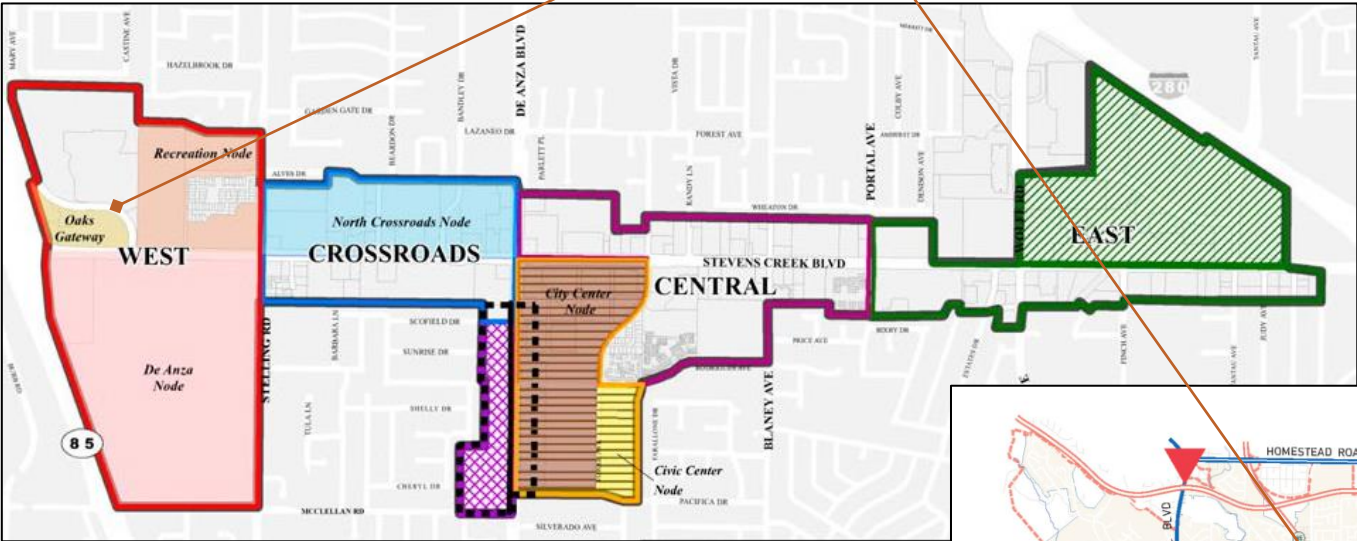
1.3: Encourage mixed-use development near transportation facility and employment centers.

2.3: Develop affordable housing and housing for persons of special needs.

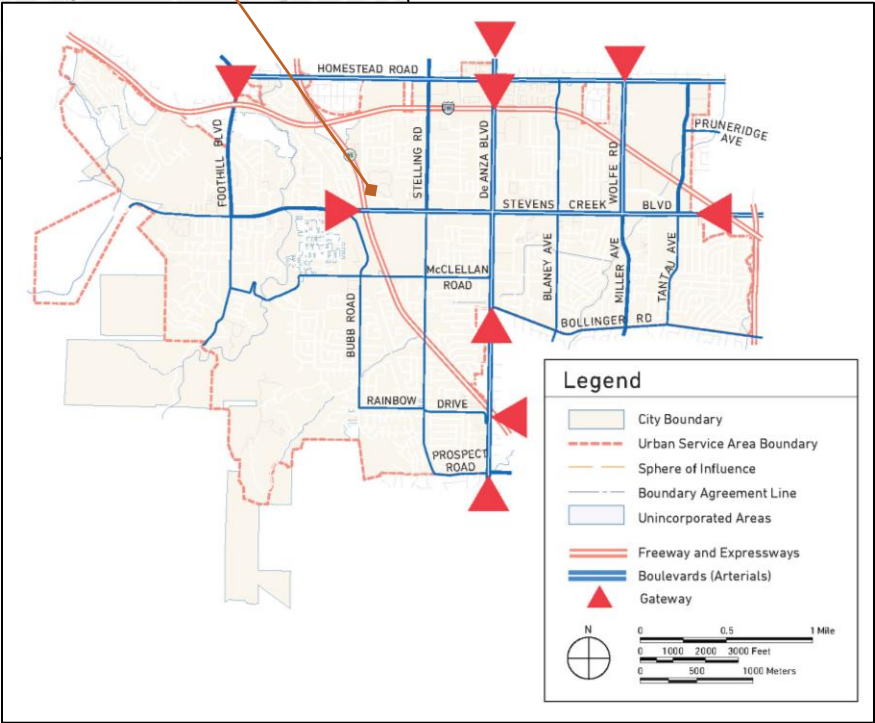
How Westport Cupertino is Consistent

- Accommodates both ownership and rental housing in different configurations.
- Features include a transit center, access to a future VTA Transit Station, and numerous off-site pedestrian and bikeway improvements.
- Provides up to 250% Below Market Rate (or BMR) housing, including accommodation for seniors.

The City of Cupertino clearly recognizes the significance of the **gateway** function of the project site



Heart of the City Specific Plan



General Plan Land Use Element Figure LU-1

Consistency with GPA Amendment Authorization Evaluation Criteria

Evaluation Criteria	Consistency Statement	
Site and architectural design and neighborhood compatibility	<ul style="list-style-type: none"> ■ High quality design, building finishes. ■ Bike and pedestrian friendly. ■ Compatible interface with surrounding uses. 	
Fiscal impacts, including a diverse economic base	<ul style="list-style-type: none"> ■ Up to \$17 in City impact fees. ■ Up to \$1.2M in annual City General Fund revenue. ■ Up to \$2.3M in school construction fees. ■ Up to \$1.9M in annual school tax revenue. 	
Provision of affordable housing	<ul style="list-style-type: none"> ■ 15-20%<u>25%</u> affordable housing built onsite at higher affordability rates than what is required by the City's BMR program. ■ Significantly improves the City's existing BMR rental inventory from 138 units to up to 205-215 units, a potential 49<u>56</u>% increase. 	
Environmental sustainability	<ul style="list-style-type: none"> ■ Transit center and TDM Program. ■ Low impact development methods including impervious surfaces. ■ Native and drought tolerant plants. ■ High efficiency plumbing and heating/cooling systems. ■ Building materials with high-recycled content. ■ LEED Silver certification. 	
General Plan amendment requests	<p><u>Alternative 1 – Mixed-Use Residential</u></p> <p>1. An increase in building height.</p> <p>2.1. An increase in the residential unit allocation.</p>	<p><u>Alternative 2 – Mixed-Use Gateway</u></p> <ol style="list-style-type: none"> 1. A General Plan designation of Office. 2. Increase office allocation. 3. Increase in the hotel room allocation.

Evaluation Criteria	Consistency Statement
	<ol style="list-style-type: none"> 4. An increase in the building height. 5. Variation of the Slope Setback on Stevens Creek Boulevard.
Proposed voluntary community amenities	<ul style="list-style-type: none"> ■ Schools, public facilities and transportation including Safe Routes to Schools program ■ Total estimated value is \$8.7 million.
Staff time and resources	<ul style="list-style-type: none"> ■ Applicant will pay costs to process project.

Provision for Affordable Housing

~~Both alternatives~~The housing programs ~~are-is~~ responsive to all market segments including market rate housing, below market rate housing and senior housing; and will help the City meet its regional housing needs as mandated by State law. We recognize that one of the most difficult issues for the City is identifying land to build below market rate housing. In response to this constraint, we are **proposing to build the below market rate units onsite**, and will enter into a voluntary agreement with the City for the construction of the below market rate rental units as stipulated by the City's Below Market Rate (BMR) Housing Mitigation Program.

~~Both alternatives~~The Project will **construct on-site affordable housing**. In addition to paying mitigation fees for the non-residential components of the project, ~~both alternatives~~the Project will build all below market rate units onsite.

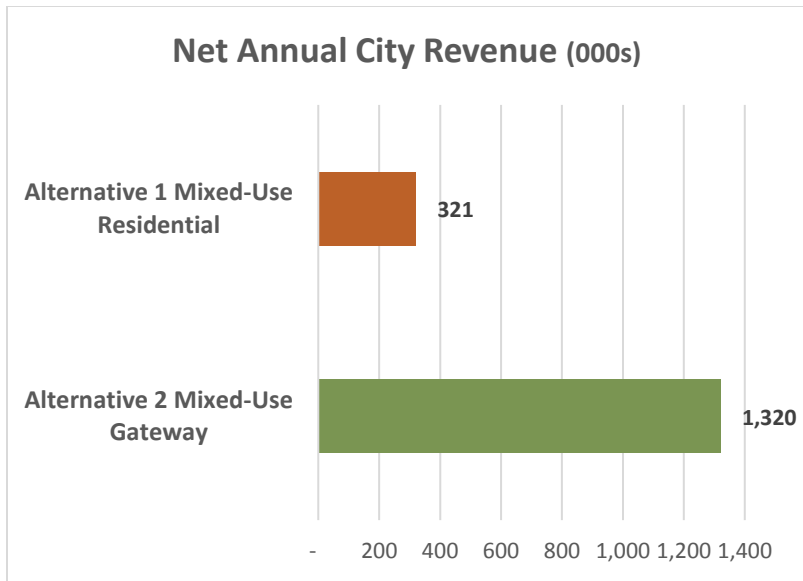
~~The Mixed Use Residential alternative will exceed the City's affordability requirements by building 15% of the units (67) at below market rate of which 11% (49 units) will be built at very low income levels and 4% (18 units) will be built at low income levels.~~

The Mixed-Use Gateway ~~alternative~~Project will exceed the City's affordability requirements by building 2025% of the units (4050) at below market rate of which 5% or 10 units will be built at extremely low income levels, 11% or 22 units will be built at very low income levels and 9% or 18 units will be built at low income levels.

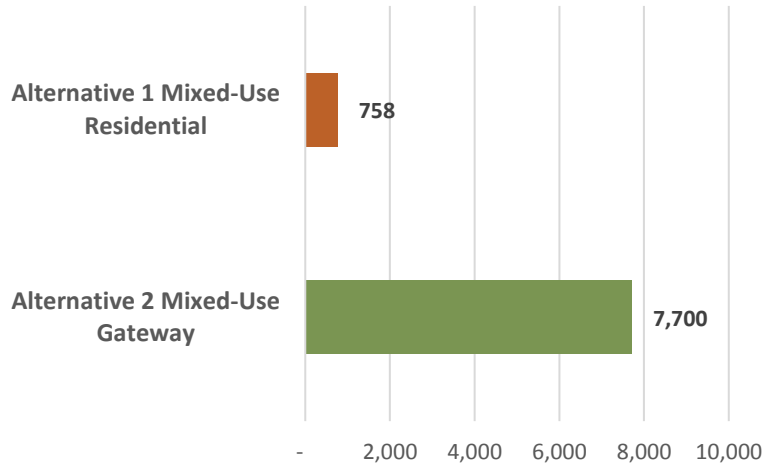
Net Fiscal Impacts

KT Urban retained Applied Development Economics to complete a fiscal impact analysis which examines the proposed project's estimated net fiscal impact on the City's General Fund budget and the City's two school districts; the Cupertino Unified School District (CUSD) and the Fremont Union High School District (FUHSD). The analysis also includes an estimation of the net fiscal impact of the current Oaks retail development in its current underutilized state. and compares the net fiscal impact against two alternatives (1) Mixed Use Residential, and (2) Mixed Use Gateway. This updated application considers the Mixed Use Gateway alternative only. Since submittal of the application in May 2017, the Mixed Use Gateway alternative has been modified to reduce the office space from 280,000 square feet to 200,000 square feet. Correspondingly, the height has been reduced from 88' to 65'. Further, the level of below market rate units has increased from 20% to 25%. It is our understanding that the City's independent consultant will update the City's fiscal analysis of the Project to reflect any modifications identified in this updated submission. Therefore, the fiscal analysis contained in Appendix C has not been updated.

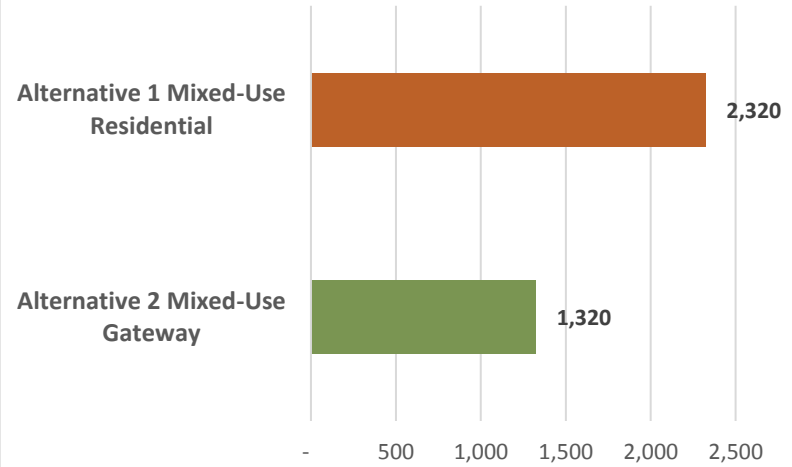
A complete copy of the report can be found in **Appendix C: Westport Cupertino Summary Fiscal Impact Analysis**. A summary of key findings is presented below.



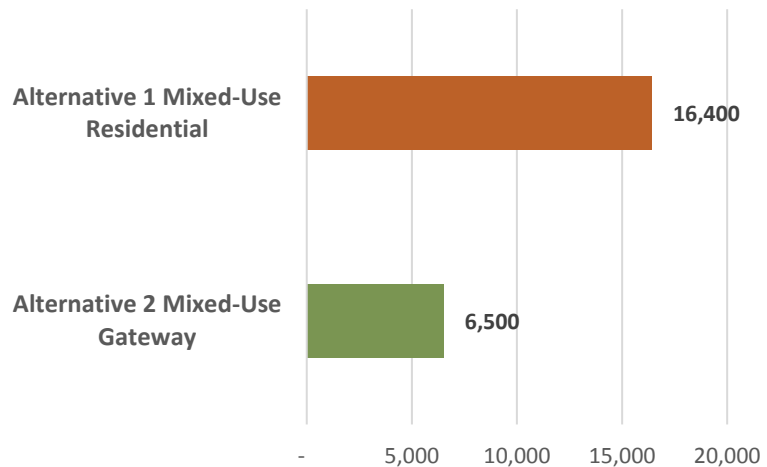
Affordable Housing Contribution (000s)



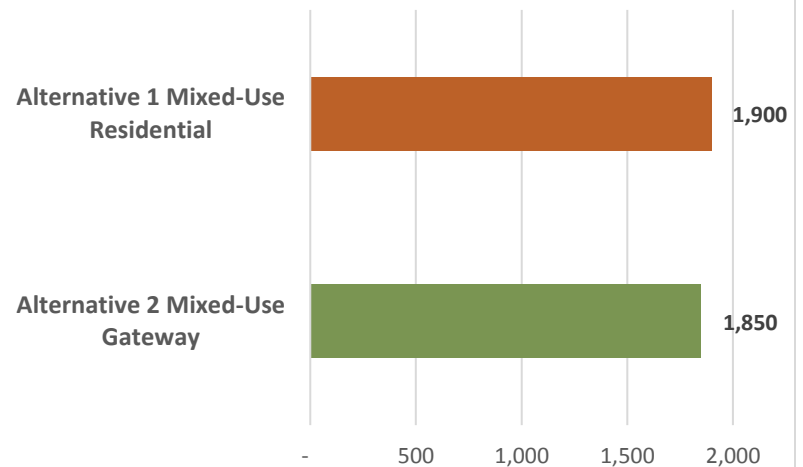
School Construction Fees (000s)



Parkland Dedication Contribution (000s)



School Annual Tax Revenue (000s)



ONGOING

ONE TIME



CITY

CITY

Alternative 1: Mixed-Use Residential

Projected Tax Revenue \$830,100

Projected Expenditure \$691,500

Net City Revenue \$138,600

Alternative 1: Mixed-Use Residential

Affordable Housing \$758.5 K

Park Land Dedication \$16.4 M

City Impact Fees \$17.1M

Alternative 2: Mixed-Use Gateway

Projected Tax Revenue \$1,554,300

Projected Expenditure \$ 333,400

Net City Revenue \$1,220,900

Alternative 2: Mixed-Use Gateway

Affordable Housing \$ 7.7 M

Park Land Dedication \$ 6.5 M

City Impact Fees \$14.2M

SCHOOL DISTRICT

SCHOOL DISTRICT

Alternative 1: Mixed-Use Residential

Projected Tax Revenue \$1.9M

Projected Total Students 365

Revenue / student \$5.2K



Alternative 2: Mixed-Use Gateway

Projected Tax Revenue \$1.85M

Projected Total Students 156

Revenue / student \$12.0 K

School Construction Fees

Alternative 1: \$2.32 m

Alternative 2: \$1.32 m



Transportation and Mobility

Alternative 1: Mixed-Use Residential

While a detailed traffic impact analysis (TIA) was not prepared for Alternative 1, the number of additional trips forecast to be generated is less than that of Alternative 2, and therefore no additional impacts are expected. Should Alternative 1 be selected to proceed through the application process, a detailed TIA will be prepared.

Alternative 2: Mixed-Use Gateway

A TIA was prepared by SANDIS for Alternative 2 Mixed-Use Gateway. The TIA used the Santa Clara Valley Transit Agency (VTA) TIA Guidelines and the City of Cupertino 2014 General Plan EIR as a baseline. A total of six (6) intersections were evaluated for potential for impacts using the following scenario conditions: Existing, Existing + Project, Cumulative, Cumulative + Project.

During the Existing + Project condition, Alternative 2 is forecast to increase the average delay at study intersections between 0.2 and 7.2 seconds. These increases would not result in the reduction of LOS for any study intersections.

During the Cumulative + Project condition, Alternative 2 is forecast to increase the average delay at study intersections between 0.2 and 8.9 seconds. Because of these increases, the intersection level of service (LOS) at Stevens Creek Boulevard and Mary Avenue would increase from LOS D to LOS E during

the PM peak hour. To mitigate this LOS increase, the addition of a second eastbound left turn lane was identified. This additional lane could be accommodated within the existing Stevens Creek Boulevard right-of-way.

Summary

KT Urban understands that the traffic analysis will be fully reviewed by the City as part of the environmental review process.

Voluntary Community Amenities

Consistent with the City’s adopted General Plan Amendment policy, KT Urban is proposing a number of voluntary public amenities as part of its application. These voluntary amenities reflect needs identified by the City and community, based on our extensive neighborhood and public outreach efforts.

Our outreach efforts also included numerous meetings with the Cupertino Union School District, Fremont Union High School District, De Anza College, Friends of Stevens Creek Trail, Walk Bike Cupertino, Santa Clara County League of Conservation Voters, Mineta Transportation Institute, Cupertino Rotary, and the Cupertino Chamber of Commerce, among others.

In total, we are proposing approximately \$8.7 million in voluntary public amenities under both alternatives.



Table 3: Voluntary Community Amenities

Description	Beneficiary	Alternative 1 Mixed-Use Residential	Alternative 2 Mixed-Use Gateway
School Resources			
Cash contribution for construction of permanent school facilities	Cupertino Unified School District (CUSD)	\$1.0 million	\$1.0 million
Public Open Space			
Cash contribution to Public Open Space such as Memorial Park	City of Cupertino	\$300,000	\$300,000
Public Facilities			
Public Art (in excess of the required \$100,000)	City of Cupertino	\$250,000	\$250,000
Transportation			
Road Improvements, safety enhancements and safe routes to schools along Stevens Creek Boulevard and Mary Avenue	City of Cupertino	\$3.0 million	\$3.0 million
Construction of Onsite Transit Center	City of Cupertino	\$3.5 million	\$3.5 million
Construction of Bike Trail along Western project boundary	City of Cupertino	\$250,000	\$250,000
Cash contribution for city-wide shuttle program	City of Cupertino	\$400,000	\$400,000
Total Estimated Value of Community Amenities		\$8.7 million	\$8.7 million

Westport Cupertino Appendices

- A. Alternative 1 Conceptual Project Plans (under separate cover)
- B. Alternative 2 Conceptual Project Plans (under separate cover)
- C. Westport Cupertino Alternatives Summary Fiscal Impact Analysis

Appendix C: Westport Cupertino Alternatives Summary Fiscal Impact Analysis

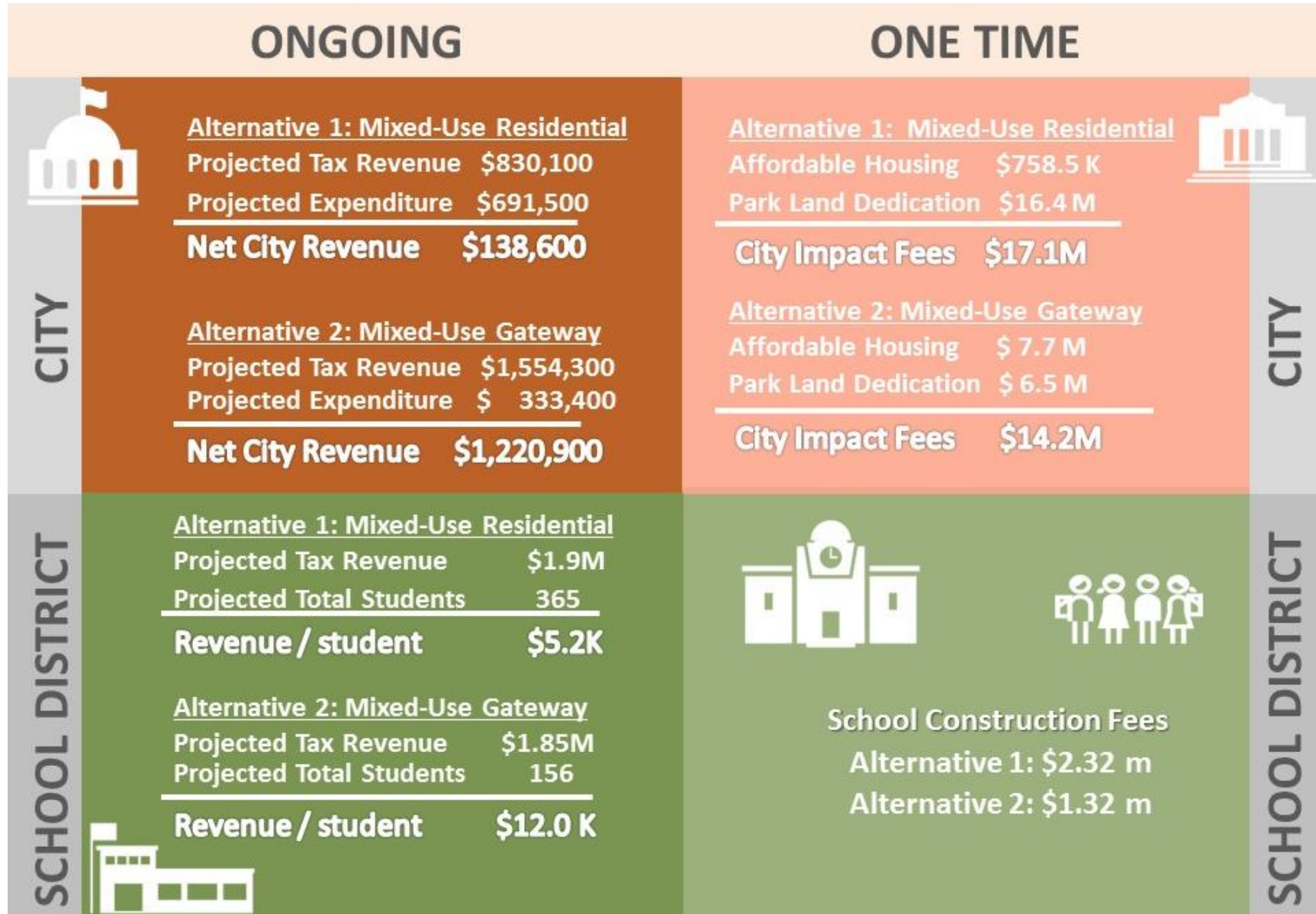
Summary

KT Urban retained Applied Development Economics to complete a fiscal impact analysis which examines the proposed project's estimated net fiscal impact on the City's General Fund budget. Specifically, the analysis reviews whether projected revenues from the project will adequately cover the costs of delivering citywide services (e.g., police protection, parks and recreation, etc.) to the project's residents and employees. The results estimate the annual fiscal impact assuming build out of all of the project's land use components. The analysis also includes an estimation of the net fiscal impact of the Oaks retail project in its current underutilized state. See *Fiscal Impact Analysis of the Proposed Westport Cupertino Project*, May 2017, prepared by ADE.

Additionally, the analysis reviews the annual fiscal impact to the two school districts serving the project and the City of Cupertino, focusing on a comparison between net property and parcel tax generation and the cost to educate the students.

Finally, this analysis reviews the one-time impact fee payments to the City and school districts, specifically, for affordable housing and parks. The analysis is presented separately for the two project alternatives. Overall, the result of these analyses is summarized in Figure I, and in more detail in subsequent pages of this section of the application.

Figure 1: Fiscal Analysis At-a-Glance



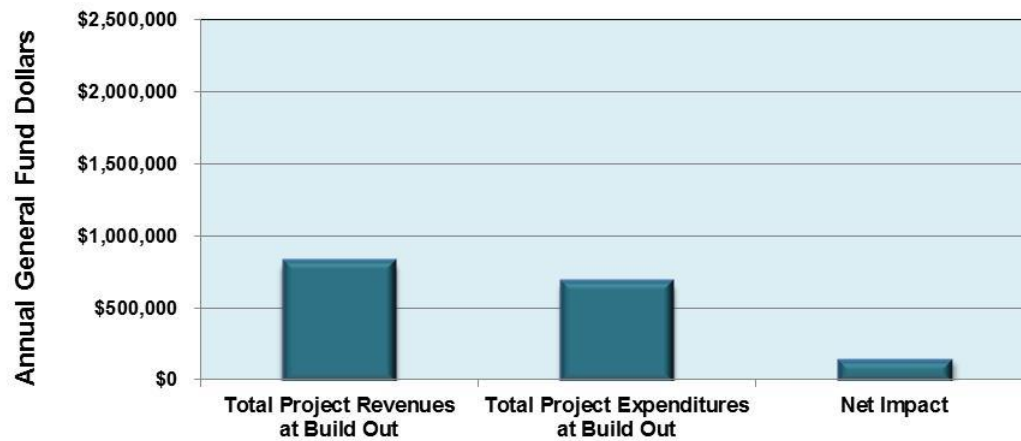
Alternative 1: Mixed Use Residential

The total annual revenue from Alternative 1 to the City's General Fund and to the school districts is estimated at \$2.1 million. In addition, the Alternative would generate 2.3 million in development impact fees for the school districts.

Fiscal Impact – City of Cupertino

Provided in Figure 2, below, is a summary of the significant positive net fiscal impact the project will provide the City of Cupertino's General Fund upon completion of Alternative 1.

Figure 2: Mixed Use Residential Alternative Annual Fiscal Impact on City of Cupertino



Source: City of Cupertino FY 2017/2018 Proposed Operating Budget; KT Urban, ADE, Inc.

Some key findings from the fiscal impact analyses are:

- **At build out, annual revenues are estimated to exceed annual expenditures.** The analysis estimates Alternative 1 will result in an annual net fiscal surplus of approximately **\$320,900** for the City's General Fund at build out.
- **As of 2015, the Oaks retail center generates a net fiscal surplus of \$115,513 for the City's General Fund.** The Mixed Use Residential Alternative would improve this fiscal benefit by nearly three times.

Fiscal Impact – School Districts

In addition to the positive impact to the City of Cupertino, the Westport Cupertino project will also provide significant annual positive net resources to the Cupertino Union School District (CUSD) and Fremont Union High School District (FUHSD). The primary revenues generated by Alternative 1 to these school districts are ad valorem property taxes and parcel taxes. Some of the key findings are:

- Overall, Alternative 1 is estimated to generate approximately \$1.7 million in additional property tax revenue to the school districts on an annual net basis. This figure relates to net new property taxes paid to the CUSD and FUHSD combined, above the current property tax payments of \$113,000 to the two districts.
- Parcel taxes will generate approximately \$210,540 to the school districts annually. While the current tax measure only requires parcel taxes be paid on single ownership parcels regardless of the number of dwelling units on them, the developer has offered to extend this parcel tax to all residential units with the provision of a condominium map.
- Based on data provided by the school district, the residential alternative will generate less property tax and parcel taxes than the cost to educate the students from the project. School officials estimate that their current annual cost per student (or base revenue needed) is approximately \$8,600 per student, and the preferred target revenue per student is \$12,700 for all services. The number of students estimated by the two districts for this site at build out is 365 K-12 students. The residential alternative will generate nearly \$1,900,000 in property and parcel taxes at build out, or \$5,200 per student.

City/School District Impact Fees

In addition to ongoing fiscal impact, the analysis reviewed the one-time impact of capital infrastructure fees paid by the project in development of all project components. These fees are paid both to the City of Cupertino and the two school districts based on current ordinances and state statutes. Graphically, a summary of this impact is provided on Figure 1 above, and key findings are as follows:

- **For the City of Cupertino, the project will generate approximately \$16.4 million in Park Dedication Fees for the City.** Overall, the project could generate \$18.6 million in park dedication fees. However, given the project's significant Affordable Housing Program commitment to on-site below market rate units and Senior Housing, and the project's adjacency to the large Memorial Park, KT Urban is requesting a waiver of park dedication fees for the below market rate (BMR) and senior residential units. If approved, the net fees paid by the applicant will still result in a significant contribution toward the City's future park land and improvement needs.

- **The nonresidential components of the proposed project will result in \$758,520 in BMR impact fees paid to the City.** This fee payment is for the retail, theater and community space uses in the Alternative.
- **Alternative 1 will pay \$2.32 million in school construction impact fees.** This contribution, required per state formula for each land use type, represents a significant contribution to each school district for school facility needs.

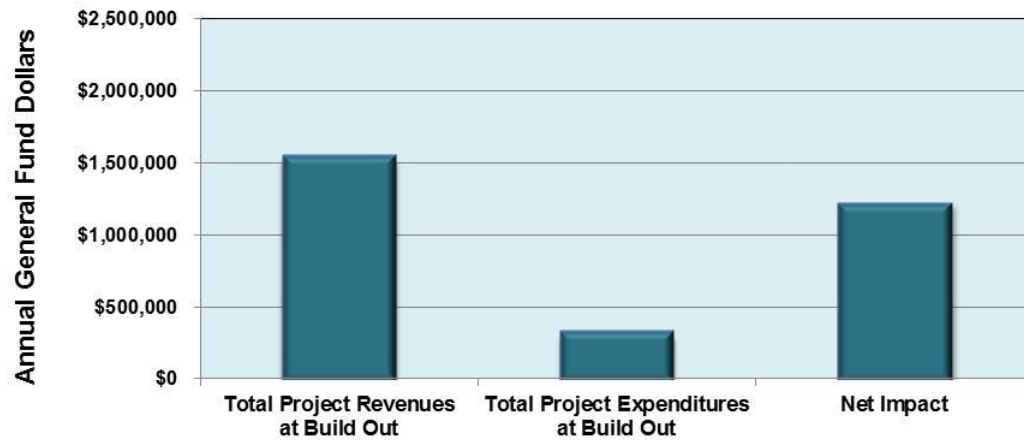
Alternative 2: Mixed Use Gateway

The total annual revenue from Alternative 2 to the City’s General Fund and to the school districts is estimated at \$3.4 million. In addition, Alternative 2 would generate 1.3 million in development impact fees for the school districts.

Fiscal Impact – City of Cupertino

Provided in Figure 3 is a summary of the significant positive net fiscal impact Alternative 2 will provide the City of Cupertino’s General Fund upon completion of the project.

Figure 3: Mixed Use Gateway Alternative Annual Fiscal Impact on City of Cupertino



Source: City of Cupertino FY 2017/2018 Proposed Operating Budget; KT Urban, ADE, Inc.

Some key findings from the fiscal impact analysis are:

- **At build out, annual revenues are estimated to exceed annual expenditures.** The analysis estimates Alternative 2 will result in an annual net fiscal surplus of approximately **\$1.3 million** for the City's General Fund at build out.
- **Transient Occupancy Taxes comprise the largest General Fund revenue source, followed by Property Tax and Sales Tax.** The Alternative's transient occupancy taxes, sales tax, and property tax consist of a total of 81% of potential General Fund revenues at project build out.
- **New office development at build out generates \$150,301 of total net fiscal revenue; hotel development would generate a net 1,024,700.** The office uses account for approximately 11% of total annual fiscal impact at build out, as the second largest revenue source after hotel development, which accounts for the majority of the tax revenue from the new development. Residential uses account for 3.4% of the total Alternative net impact and retail uses account for 7.6%.
- **In its current state, the Oaks retail center generates a net fiscal surplus of \$115,513 for the City's General Fund.** This amount equates to less than 10% of what Alternative 2 would produce.
- **Employees currently at the Oaks are estimated at 143, whereas the Mixed-Use Gateway is estimated to generate approximately 1,247 employees.**

Fiscal Impact – School Districts

In addition to the positive impact to the City of Cupertino, Alternative 2 will also provide significant annual positive net resources to the Cupertino Union School District (CUSD) and Fremont Union High School District (FUHSD). The primary revenues generated by the project to these school districts are ad valorem property taxes and parcel taxes. Some of the key findings are:

- Overall, Alternative 2 is estimated to generate approximately \$1.76 million in additional property tax revenue to the school districts on an annual net basis. This figure relates to net new property taxes paid to the CUSD and FUHSD combined, above the current property tax payments of \$113,000 to the two districts.
- Parcel taxes will generate approximately \$94,000 to the school districts annually. While the current tax measure only requires parcel taxes be paid on single ownership parcels regardless of the number of dwelling units on them, the developer has offered to extend this parcel tax to all residential units with the provision of a condominium map.
- Alternative 2 is estimated to generate approximately \$518,400, on a net fiscal basis, in property taxes and parcel taxes above the base cost estimated to serve these students by the school districts. School officials estimate that their current annual cost per

student (or base revenue needed) is approximately \$8,600 per student, and the preferred target revenue per student is \$12,700 for all services. The number of students estimated by the two districts for this Alternative at build out is 156 K-12 students. This yields a target revenue total of \$1,981,200 (cost of \$1,341,600), whereas the Alternative will generate \$1,860,000 in property and parcel taxes at build out.

City/School District Impact Fees

In addition to ongoing fiscal impact, the analysis reviewed the one-time impact of capital infrastructure fees paid by the project in development of all project components. These fees are paid both to the City of Cupertino and the two school districts based on current ordinances and state statutes. Key findings are as follows:

- **For the City of Cupertino, the project will generate approximately \$6.5 million in Park Dedication Fees for the City.** Overall, the project could generate \$7.7 million in park dedication fees. However, given the project's significant Affordable Housing Program commitment to on-site below market rate units and Senior Housing, and the project's adjacency to the large Memorial Park, KT Urban is requesting a waiver of park dedication fees for the below market rate (BMR) and senior residential units. If approved, the net fees paid by the applicant will still result in a significant contribution toward the City's future park land and improvement needs.
- **The nonresidential components of the proposed project will result in \$7.7 million in BMR impact fees paid to the City.** This fee payment for retail, office and hotel uses is a significant contribution to the affordable housing fund of the City to meet affordable housing needs throughout the community.
- **Alternative 2 will pay \$1.32 million in school construction impact fees.** This contribution, required per state formula for each land use type, represents a significant contribution to each school district for school facility needs.