



**COMMUNITY DEVELOPMENT DEPARTMENT
PLANNING DIVISION**

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CITY COUNCIL STAFF REPORT

Meeting: April 3, 2024

Subject

Approve a First Amendment to the contract with PlaceWorks for an increase of \$164,520 to prepare Residential and Mixed-Use Residential Objective Design Standards (FY 2020-21 WP Item) for a total not-to-exceed amount of \$1,261,277 and associated budget modification.

Recommended Action

That the City Council adopt Resolution No. _____ (Attachment A) to:

1. Authorize the City Manager to execute a first amendment to the existing consultant agreement with PlaceWorks to prepare the Residential and Mixed-Use Residential Objective Design Standards, increasing the contract amount by \$164,520 for a new total not-to-exceed contract amount of \$1,261,277;
2. Find that there are valid reasons to waive the competitive procurement procedures for selection of Placeworks;
3. Approve Budget Modification #2324-335 to:
 - a. Transfer existing appropriations in Special Projects CWP Residential/Mixed-Use Design GL 100-71-702 750-090 to Special Project CWP RHNA and GP update GL 100-71-702 750-101
 - b. Increase the appropriations in Special Projects CWP RHNA and GP update GL 100-71-702 750-101 by \$20,000 for the Residential and Mixed-Use Residential Design Standards, all necessary environmental review and incidentals for the fiscal year 2023-24

Reasons for Recommendation

1. *Award Professional Contract with PlaceWorks*

The City began its Housing Element update process in mid-2021, with staff performing community outreach to inform City decision-makers and residents about the upcoming process. Around the same time, in response to newly adopted State housing legislation, the Council identified the adoption of design standards as a Work Program item for FY 2020-21, with the goal to create objective design standards (ODS)

for residential and mixed-use residential projects, including ensuring adequate buffers between future higher-density residential and mixed-use development from established residential neighborhoods. After a comprehensive RFP process, on April 6, 2021, the City Council approved a contract with) RRM Design Group (RRM) to prepare the ODS.

Since that time, with staff focusing extensively on the completion of the Housing Element update, and the consultant's priorities also shifting, work on the Residential and Mixed-Use Residential ODS fell significantly behind schedule and the City decided to terminate its agreement with RRM in October 2023.

Since the termination of the contract, staff has remained aware of the importance getting ODS in place in an environment where the approval of residential development is getting increasingly ministerial in nature. This is also identified as an important policy focus of the Draft Housing Element currently under review by California Department of Housing and Community Development (HCD). The Draft Housing Element, associated zoning and environmental review required by State law are all being prepared by PlaceWorks, which was awarded a contract in March 2023 by the City Council.

PlaceWorks has demonstrated a high degree of expertise successfully managing Housing Element updates throughout California, particularly for the current, more complicated 6th Cycle update, and has consistently provided high-quality work product for the City on planning and environmental issues in recent years. In addition to this, they have also successfully created and assisted cities in adoption of their design standards for residential and mixed-use residential projects.

PlaceWorks' familiarity with Cupertino, the Housing Element update process and prior community input in developing zoning regulations, which directly inform the ODS, makes PlaceWorks uniquely qualified to manage this project through to completion. Notably, PlaceWorks has already successfully assisted the cities of Sunnyvale and Daly City in preparation of their ODS. Now that the City is nearing completion of the Housing Element update process, it is vital that the City contract with PlaceWorks to prepare the ODS and have their support for the increase in residential development applications that are anticipated to be received by the City upon adoption of the 6th Cycle Housing Element. It is anticipated that the Housing Element and all associated zoning changes will be presented to the Council for adoption in mid-2024. Staff anticipates that the ODS will be prepared and presented for the Council's consideration later in 2024.

PlaceWorks scope of services includes the following tasks and deliverables, which are more detailed in the Scope of Work and Fee Estimate (Attachment B):

- Evaluation of existing City land use documents, development standards and design guidelines;
- Hosting a community meeting to explain what ODS are, why they are important in the current California planning landscape, and how they work in relation with other land use policies and regulations;
- Meetings with stakeholder groups, including residential developers, housing advocates and designers;
- Facilitation of Planning Commission and City Council study sessions;
- Preparation of administrative draft and final Residential and Mixed-Use Residential Objective Design Standards (ODS); and
- Attend Planning Commission and City Council adoption meetings.

Considering Placeworks' experience with the Housing Element update process and developing zoning regulations, in accordance with Municipal Code 3.22.060(B), staff requests that the City Council find that there are valid reasons to waive the competitive procurement procedures for selection of a consultant for preparation of an ODS. Staff also recommends the City Council authorize the City Manager to execute the first amendment to the Services Agreement (Attachment C).

2. *Approve Budget Modification #2223-262*

The City's contract with RRM had a budget of \$226,757, \$80,833.78 of which was expended prior to the termination of their contract, leaving \$145,923.22 of their original budget unspent.

At present there is a remaining balance of \$194,922¹ for the Residential and Mixed-Use Residential Design Standards WP Item, referred to in the FY 2023-24 Budget as "Special Projects CWP Residential/Mixed Use Design GL 100-71-702 750-090)." Since it is recommended that the Housing Element Consultant firm, Placeworks, work on this item, it is recommended that the unspent funds appropriated for the Design Standards WP Item be transferred into the Special Projects CWP RHNA and GP update GL 100-71-702 750-101.

PlaceWorks has submitted a scope of work (Attachment B), including a staff recommended 15% contingency, for a total not-to-exceed of \$164,520. To have PlaceWorks complete the tasks identified in this scope of work, an additional \$18,596.78 would need to be appropriated to the ODS budget. Staff recommends that this appropriation be rounded to the next closest whole thousand, to \$20,000. The Fiscal Impact section, below, discusses additional estimated costs related to legal

¹ The New World Financial System allows budget numbers to only be whole numbers. As a result of multiple years of carryovers of this balance, the budget in GL 100-71-702 750-090 is \$194,922 and not \$194,923.22.

review and noticing that are included in the budget, both of which do not change the appropriations amount.

Sustainability Impact

No sustainability impact.

Fiscal Impact

The City has a budget of \$1,687,116 for the Housing Element as part of the FY 2023-24 Adopted Budget 100-71-702 750-101. With the rollover of GL 100-71-702 750-090 funds into the 750-101 Special Projects account, the budget will increase to \$1,882,038. However, the proposal (see Attachment B) and associated project expense estimates exceed the existing project budget; staff therefore requests Budget Modification No. 2324-335 to increase project appropriations in 100-71-702 750-090 by \$20,000 to account for the estimated consultant costs and incidentals. No project contingency beyond the 15% contingency included in PlaceWorks scope of work is requested at this time. As noted before, legal review, ads and notices continue to be part of the project budget for the ODS portion of the contract/scope of work.

Table A, below, lists the current remaining project budget and estimated expenses and the differences that will need to be added to the budget to cover estimated costs. Additional appropriations will be funded from the unassigned fund balance in the General Fund that was estimated at \$36.7 million as of the FY 2023-24 Mid-Year Financial Report.

Table A

Total RRM contract	\$226,757
<i>Total approved budget (100-71-702 750-090)*</i>	<i>\$275,757</i>
Total expenditure (RRM)	\$80,833.78
<i>Total remaining from RRM contract</i>	<i>\$145,923.22</i>
<i>Total remaining in GL 100-71-702 750-090 per New World</i>	<i>\$194,922</i>
Existing approved budget appropriations in GL 100-71-702 750-101	\$1,687,116
<i>Total budget in GL 100-71-702 750-101 after transfer from 750-090</i>	<i>\$1,882,038</i>
Placeworks contract First Amendment	\$164,520
Appropriations Requested (\$164,520-\$145,923.22 = 18,596.78, rounded to next closest 10,000)	\$20,000
<i>Total budget in GL 100-71-702 750-101 after appropriations</i>	<i>\$1,902,038</i>
* Includes Estimated legal review, newspaper legal ads, postcard and postage costs for Design Standards CWP Item: \$49,000	

Generally, transfers between GL accounts within the same fund do not come to City Council for approval. However, City Council approval is requested for this transfer

because it involves changes to two City Work Program projects, in conjunction with a request for an increase in the budget for the project.

California Environmental Quality Act

CEQA review, as required by state law, will be completed prior to the adoption of the design standards.

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Reviewed by: Christopher Jensen, City Attorney

Approved by: Pamela Wu, City Manager

Attachments:

- A – Draft Resolution
- B – Scope of Work, Fee Estimates and Timeline
- C – Draft First Amendment to Service Agreement