



COMMUNITY DEVELOPMENT DEPARTMENT

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CITY COUNCIL STAFF REPORT

Meeting: April 7, 2020

Subject

Item 9B: First reading of a Development Agreement for a new 155-room seven-story hotel (24-hour operations) with underground parking, event meeting rooms, a ground floor restaurant with separate bar, and a rooftop lounge with separate bar by demolishing a commercial building with an area of 8,323 sq. ft. (Application No: DA-2018-01; Applicant(s): John Vidovich (De Anza Properties); Location: 10931 N De Anza Blvd.; APN #326-10-061

Recommended Actions

That the City Council conduct a public hearing, consider the Planning Commission's recommendation, and:

1. Introduce Ordinance No. 20-2195 "An Ordinance of the City Council of the City of Cupertino Approving a Development Agreement for the Development of a New 7-Story, 155 Room Hotel and Associated Site and Landscaping Improvements Located at 10931 N. De Anza Blvd. (APN #326-10-061)" (Attachment F).

Discussion

Background:

Application Requests

The applicant and property owner, John Vidovich of De Anza Properties, requested permits to allow construction of a hotel on a 1.29-acre site on the Goodyear Tire site by demolishing an existing 8,323-square-foot auto repair center and replacing it with the following improvements (see Attachment L):

- A new seven-story, 155-room hotel;
- New restaurant with separate bar on the ground floor;
- Rooftop lounge with separate bar;
- Conference Meeting Rooms; and
- Updated landscaping along the perimeter of the property, including updated frontage improvements to provide pedestrian accessibility.

The proposed development required a General Plan amendment, a Development Permit, an Architectural and Site Approval Permit, and a Use Permit, and the applicant proposes a Development Agreement.

At the City Council Hearing on March 3, 2020, the project applications (GPA-2018-01, DP-2018-01, ASA-2018-02, U-2018-02, and EA-2018-03) were approved by a 4-1 vote (Willey voting no). Council did not conduct the first reading of Ordinance No 20-2195 and instead directed the Community Development Director to renegotiate the development agreement (DA) to increase the amount of the Community Amenity (public benefit) payment offered to the City from \$500,000 to \$1 million and clarify that the fees paid for shuttle transportation to and from the De Anza Hotel and regional airports and other significant destinations for City residents and other non-hotel guests will not exceed 50% of the fees paid by hotel guests (Scharf and Paul voting no).

Development Agreement

The Developer is proposing a DA as part of the project to provide the Developer with substantial protection from changes in the law or conditions imposed on the project during the development of the project. See Attachment BA. In exchange for the benefit of entering a DA, the DA includes voluntary public benefits offered by the applicant through the General Plan Amendment Authorization process. The DA has a five (5) year term.

Impact fees required by City ordinances, such as housing and school fees, are not included in the consideration of public benefits under the DA. Public benefits are voluntary contributions in excess of required fees. The public benefits included in the DA are outlined below.

1. *Community Amenity Funding*: In the General Plan Amendment Authorization process the Developer agreed to a Community Amenity payment to the City of \$500,000 to be paid in installments. The funds may be used in any part of the City to benefit residents, businesses, and visitors, including on projects that will enhance and enrich the experience of the most City residents, retail and restaurant customers, and hotel guests closest to the project. Staff has identified as candidates to receive these funds: local transportation facilities, Transportation Management Association start-up costs, local public art, and landscaping beautification improvements in public parks, parkways, or roadway medians. The Developer has declined to increase the Community Amenity payment on the ground that the City approved the \$500,000 payment the Developer offered in the General Plan Amendment Authorization process.

2. *Shuttle Service*: The Developer shall provide a shuttle service to hotel guests, people traveling to or from the hotel that use the hotel's meeting rooms for functions, and, subject to availability, nearby residents, businesses, and the general public to travel between the hotel and airports and major employment centers. The Developer agreed to amend the DA to state that the Developer shall charge non-hotel guests using the shuttle a fee that does not exceed 50% of any fee the Developer charges hotel guests for the shuttle service. If the Developer does not charge hotel guests for the shuttle service, then the Developer shall not charge non-hotel guests for the shuttle service.
3. *Meeting Rooms*: The Developer shall allow the City and Cupertino public schools to use the hotel's meeting rooms for official business 12 days per year, subject to availability.
4. *Rooftop Amenity*: The Project shall include an enclosed publicly accessible rooftop bar or restaurant with outdoor deck seating, not to exceed the height of any rooftop mechanical equipment enclosure, for as long as the hotel is in operation.
5. *Minimum Hotel Standard*: The Developer has committed to maintaining the project as an upscale boutique hotel, which means that the hotel will charge higher rates and provide superior amenities to most hotels.

Fiscal Impacts

The project will generate net positive fiscal impacts to the City's annual budget due to the collection of Transient Occupancy Taxes. This is estimated to be \$1 - 1.5 million a year. As previously mentioned, to ensure collection of the TOT, a condition of approval has been added that reservations may not be made that exceed 29 consecutive nights of stay.

Sustainability Impacts

The project will incorporate a green roof on the second floor and is designed to achieve LEED silver. Further, via the City's Zero Waste Policy will require that the project recover and divert at least 65 percent of the construction waste generated by the project.

Next Steps

A second reading of the Ordinance for the DA is currently scheduled for April __, 2020. The Ordinance will take effect 30 days after the second reading. The DA will not take effect until the Ordinance takes effect and the DA is signed by all parties. The General Plan Amendment will take effect 30 days after adoption because it is a legislative action; therefore, the other permit approvals and DA will not take effect until the General Plan Amendment takes effect.

Prepared by: Gian Paolo Martire, Senior Planner

Approved by: Benjamin Fu, Director of Community Development

Approved by Submission by: Dianne Thompson, Assistant City Manager

ATTACHMENTS:

BA – Draft Ordinance DA-2018-01 – Development Agreement between the City and Northwest Properties LP

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