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CityLine developers in downtown Sunnyvale take over Macy's site

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The developers behind a redevelopment of Sunnyvale's downtown have purchased an adjacent Macy's property that makes up the last piece of the puzzle for its massive mixed-use project, dubbed CityLine Sunnyvale.

STC Venture, made up of affiliates from Hunter Storm, [Sares Regis Group](#) of Northern California and other institutional investors advised by J.P. Morgan Asset Management, on Thursday closed on the Macy's property in a deal with Palo Alto-based Sand Hill Property Co.



Representatives from the companies confirmed the purchase Friday morning, but declined to say for how much. Santa Clara property records show the site traded for \$95 million, or \$534.31 per square foot, though the building may grow in size in the future, according to a proposal the company is currently studying.

"We accepted CityLine's offer and we are confident they will fulfill the City's vision for a vibrant downtown," Steve Lynch, director of planning and entitlement at Sand Hill Property Co. said in a statement to the Business Journal.

CityLine, which restarts the long-stalled development of the project formerly called the Sunnyvale Town Center, will be anchored by a Whole Foods and AMC Theater.

"We're just starting to think through how to optimize around this new opportunity to have the Macy's property, but we'll come forward with some plans quite soon," [Dave Hopkins](#), senior vice president and COO at San Mateo-based Sares Regis said in an interview Friday morning. "We are really excited for what it allows us to do in terms of coordination and just creating a coherent plan that works as one instead of two plans working around each other."

The transaction brings almost all of the 36-acres that will make up the CityLine development under a single owner, with the exception of the land where Target currently sits. The Minneapolis-based retailer continues to own that site at 298 W. McKinley Ave.

The deal comes as the developer is working on expanding the already entitled project, bounded by East Washington, South Sunnyvale, West Iowa and South Mathilda avenues in Sunnyvale's downtown.

Growing CityLine

Today, the project is entitled for about 634,000 square feet of retail space (not including Target or Macy's), 315,000 square feet of office space, 292 residential units, a 200-room hotel and more than 1,100 parking spaces, along with a slew of public improvements.

The first phase of that, including public improvements, 198 residential units and more than 100,000 square feet of retail is underway now and comes with a price tag of about \$200 million, [Deke Hunter](#), president of Cupertino-based Hunter Storm, [told the Business Journal last year](#).

But developers for STC Venture last year got the green light to study a new option for the next phase that would scrap a 200-room hotel in lieu of adding about 350,000 square feet of office space and adding up to 650 residential units to the plan. That would bring the total number of residential units in the project to nearly 950.

Meanwhile, Sand Hill also submitted a proposal to remake the Macy's store. The group proposed last year adding three stories, totaling 210,000 square feet, to the existing Macy's building at 200 Washington Ave.

Mix of uses

The plan would convert the property from a single retail tenant to a mix of uses with a new, open-air public bike and pedestrian connection through the existing building that could extend Frances Street through the development to the Sunnyvale Caltrain Station. Under that proposal, the upper floors of the existing building would be converted to office space, while the approximately 88,500-square-foot ground level would remain retail.

Last summer, Sand Hill principal [Peter Pau](#) wrote in a letter to the city of Sunnyvale that the developer was submitting the plans "in coordination with the owner of the Sunnyvale Town Center property, STC Ventures LLC, in the hopes that the vision of the Sunnyvale Town Center, in its whole, can be updated, re-planned and re-imaged."

The deal this week doesn't change the plans for Macy's dramatically, Hopkins said, though he does expect the development group will submit updated plans to the city in the coming weeks.

"Even while we shared a vision with Sand Hill ultimately in what we were hoping to achieve and were working closely with them on the plan, it is a complicated set of agreements that overlay all of the downtown properties and the execution was complicated by that," he said. "We have really mitigated a lot of that complexity and removed some of that uncertainty."

Though STC Ventures is studying the expansion to the project, the group will still need to complete the environmental review of the plans and receive an affirmative vote from Sunnyvale leaders before those changes are set in stone.

Meanwhile, the development group continues to make headway on the first phase of the development. By the end of the year, CityLine will open 198 new residential units on the site along with 116,000 square feet of new retail and restaurant space.

The two-story building where the development's anchor tenants will rise is slated to wrap up construction by the end of next year, Hopkins said.

Anchor tenants

Amazon.com-owned Whole Foods in February last year signed a 52,000-square-foot lease for a grocery store in the building. This year, AMC agreed to lease a 52,000-square-foot, 12-screen theater that will open on the second floor in the same building at the corner of Murphy and McKinley avenues.

The lease announcements were long-anticipated deals for the mixed-use development that last year kicked off construction again after a lengthy pause that left the city's downtown only partially finished for years.

Sand Hill had previously planned to redevelop the entire property, but that dream never came to fruition due to funding issues during the recession, followed by lengthy litigation of the property that left the site half-finished for more than a decade. STC Ventures ultimately bought the property from Wells Fargo in 2016 for \$100 million.

The purchase Thursday is a milestone for the project, Hopkins said.

"Our goal always has been to complete downtown as quickly as possible and make it as good as it can possibly be, he said. "So [the purchase] certainly is a big step forward in that regard."

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