

Next phase of CityLine Sunnyvale project set to move forward

The Sunnyvale City Council on Tuesday approved a development agreement between the city and the joint venture behind CityLine Sunnyvale, a 36-acre mixed-use project that's already helping to reshape the city's core and is now entitled for hundreds of additional residential units, more office space and retail space.

The 10-year agreement, which the City Council adopted along with an amendment to the city's Downtown Specific Plan, essentially enables the project's second phase.

The joint venture developing CityLine Sunnyvale is comprised of developers Sares Regis Group of Northern California and Hunter Storm and institutional investors advised by J.P. Morgan Asset Management. Sares Regis and Hunter Storm would still need to receive building permits before they can break ground on 792 apartment units, 11% of



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A rendering of a planned office building near the intersection of Mathilda Avenue and McKinley Avenue that would offer 150,000 square feet of office space over 8,000 square feet of retail space. The building would be located on one of four parcels that comprise the second phase of the mixed-use CityLine Sunnyvale project.

which would be affordable, 650,000 square feet of office space and 133,000 square feet of retail space over four parcels along Murphy Avenue and McKinley Avenue.

A one-acre public plaza at the heart of CityLine Sunnyvale called Redwood Park, with a pedestrian loop connecting the Caltrain station at 121 W. Evelyn Ave. and Murphy Avenue, is also planned for the development's second phase. That portion is slated to break ground in early 2021 and is expected to open between 2023 and 2024.

"This approval creates the opportunity to build upon this neighborhood and create a downtown that future generations will be able to enjoy and build a community around," David N.P. Hopkins, chief operating officer of residential development at Sares Regis, said in a news release.

San Mateo-based Sares Regis is developing CityLine Sunnyvale's residential component while Cupertino-based Hunter Storm, the development arm of Hunter Properties, is handling the project's commercial portion. The development encompasses six blocks bounded by Mathilda, Washington, Sunnyvale and Iowa avenues, and is close to the Caltrain station and the city's historic Murphy Avenue retail thoroughfare.

Both the joint venture, called STC Venture LLC, and the city of Sunnyvale stand to benefit from the development agreement. A development agreement is a tool used by cities to guarantee development approvals to a landowner and to provide additional benefits to both a city and a developer that are otherwise not available.

STC Venture will make an up-to-\$10.6-million contribution to the Sunnyvale Community Benefit Fund, construct up to 88 below-market-rate units, construct and maintain the Redwood Park public plaza and operate a winter-season ice rink for three winter seasons at no cost to the city.

Meanwhile, the joint venture is receiving a density bonus of 268 apartment units and is allowed to build nearly 266,000 square feet of office space over the amount allowed in Sunnyvale's downtown specific

plan. The agreement also imposes a freeze on new development impact fees for the project and keeps impact fee rates at their current levels for between 30 months and 60 months.

It also gives the CityLine developer the right to construct buildings taller than the 75-foot height limit in the downtown specific plan area. That would allow the developer to construct, for example, a 12-story residential building and a 7-story office building in the project's phase two area.

Notably, while Sares Regis and Hunter Storm can choose the sequence of development for the second phase of CityLine, the development agreement includes a provision that says Sares Regis must start building 300 housing units before 200,000 square feet of new office space can be occupied.

STC Venture took over CityLine Sunnyvale in 2015 after it had stalled for years following the Great Recession of 2008 and fallen into receivership. Since then, it has completed a fully-occupied 198-unit luxury apartment complex along Washington Avenue and McKinley Avenue called The Flats. Several retailers and restaurants such as seafood eatery Pacific Catch, AT&T and Namaste Nail Salon that signed onto the project last year are expected to occupy space on The Flats' ground floor starting this year. An additional 75 units adjacent to the apartment complex is now under construction and slated for completion in 2021.

What's more, Whole Foods Market and AMC Theaters plan to occupy a completed two-story building near the intersection of McKinley Avenue and Murphy Avenue by the end of this year. Whole Foods will take 52,000 square feet of space on the building's first level and AMC will occupy a 50,000-square-foot multiplex movie theater on the second level.

The building will serve, along with an existing Target store at 298 W. McKinley Ave., as one of the two anchors for the homes, office space and retail space planned for CityLine's second phase.