

# *City of Brisbane*

## *Agenda Report*

**TO:** City Council via the City Manager

**FROM:** Community Development Director

**SUBJECT:** Sierra Point Biotech Project (Cases ER-3-05, GPA-2-05, RZ-2-05, DP-6-05, UP-12-07, DA-1-07)

**DATE:** Meeting of May 12, 2008

### **City Council Goals:**

1. To promote economic development that stabilizes and diversifies the tax base.
2. To preserve and enhance livability and diversity of neighborhoods.

### **Purpose:**

The City Council is considering a proposal by HCP Brisbane LLC. to develop a biotech complex at Sierra Point, encompassing approximately 540,185 square feet in 5 buildings on approximately 23 acres easterly of Shoreline Court and southerly of Sierra Point Parkway. The project also includes 15,000 square feet of retail along Sierra Point Parkway, 1,801 parking spaces, including a 5-level, 961-space parking structure, and extension of the Bay Trail.

This matter was continued from March 17, 2008 to allow for further consideration of issues raised at the meeting, primarily related to energy and greenhouse gas emissions. A detailed description and analysis of the project can be found in the attached March 3 and March 17, 2008 City Council reports and related attachments.

### **Recommendation:**

That the City Council:

1. Adopt Resolution 2008-10 certifying the final EIR and making the findings required pursuant to the California Environmental Quality Act;
2. Adopt Resolution 2008-11 approving General Plan Amendment Case GPA-2-05;
3. Introduce Ordinance 528 approving Zoning Text Amendment RZ-02-05;

4. Adopt Resolution 2008-12 approving the proposed amendment to the Combined Site and Architectural Design Guidelines for Sierra Point and Design Permit DP-06-05 and Parking Modification Use Permit UP-12-07; and
5. Introduce Ordinance 529 approving Development Agreement DA-1-07.

**Background:**

*Greenhouse Gas Emissions*

While greenhouse gas emissions and energy usage are closely related, there are other important factors in greenhouse gas emissions to be considered. The California Air Resource Board estimates for California’s 1990 greenhouse gas emissions attribute 35% of the state’s emissions to Transportation and 25 % to Power Generation. Industrial uses represent another 24% (primarily cement production and petroleum refining), with other land uses generating the remainder. In the context of land use and development, greenhouse gas emissions are associated with construction, energy usage due to long term building operations, and vehicle trips resulting from building usage.

To provide context in regard to greenhouse gas emissions, the proposed biotech project has been compared to the office project allowed under the existing development agreement as shown in the table below. This table does not attempt to quantify greenhouse gas emissions associated with building construction, but it is assumed that a 90,000 square reduction in building area would result in a reduction of construction and building materials-related emissions.

<b>Factor</b>	<b>Biotech Campus (540,000 square feet)</b>	<b>Office Complex (630,000 square feet)</b>	<b>Difference (%)</b>
Energy Demand	22,676,801 kW hours/ yr*	18,144,000 kW hours/yr	+4,532801 kW hours/yr (+25%)
Transportation**	864,000 trips/yr	1,438,800 trips/yr	-574,800 trips/yr (-40%)
CO(2) generation***	13,197 tons/yr	12,797 tons/yr	+400 tons/yr (+ 3%)

\*As presented by the HCP, factoring in a 17.5% reduction based on their proposal of March 17, 2008

\*\* Based on Institute of Traffic Engineers (ITE) trip generation rates

\*\*\* calculated by LSA Associates Inc.

*Project LEED Requirements*

The project is subject to the City’s Green Building Ordinance, which requires the project to attain sufficient points to achieve a rating of LEED Silver. The required points fall within the categories of Sustainable Sites, Water Efficiency, Energy & Atmosphere, Materials & Resources, and Indoor Air Quality. The Green Building is consistent with the LEED system is menu-based, wherein each project is provided the flexibility to choose which specific credits among the various categories will be implemented, as long as the prerequisite total number of points is achieved.

In the previous hearings regarding the project, concerns were raised regarding the energy-intensive nature of R&D uses, with the suggestion that the project should be subject to mandatory requirements for energy conservation and/or on-site energy generation not otherwise required under the Green Building Ordinance.

The City commissioned green building consultant John Zinner to provide a third-party, independent review of the energy component of the project. The primary emphasis of this review was to identify opportunities for maximum energy demand reduction and on-site energy production in the context of LEED standards. The attached analysis concludes that the project could achieve an energy cost demand reduction of 18% beyond that required under State of California standards (Title 24), thereby earning 3 points in the Category of *Energy and Atmosphere Credit 1: Optimize Energy Performance* under the LEED New Construction Rating System. In evaluating the feasibility of achieving a higher level of efficiency, the study concludes that the uncertainty associated with the end users and their specific energy needs makes it problematic to mandate a higher level of performance, although optimal efficiency beyond 18 percent should be encouraged. The study further concludes that the project would not feasibly be expected to generate sufficient on-site renewable power to earn any LEED *Energy and Atmosphere Credit 2: On-site Renewable Energy* points.

As noted previously, the Green Building Ordinance would not require the project to achieve the 3 points for optimized energy performance which the City's independent review has deemed feasible. In order to mandate this level of performance for the project, this requirement has been incorporated into the development agreement for the project. Lastly, while the on-site energy generation potential of the project will not be adequate to achieve LEED points, there remains an opportunity to provide a lower level of on-site generation, and this issue is discussed further below.

#### *Renewable Power Generation*

While the issue of renewable power generation is important, there is neither formal policy direction nor local experience with its implementation at this scale. Nonetheless, this project provides a unique opportunity to address the issue in a substantial and meaningful way.

The proposed development agreement includes a commitment on the part of the developer to expend \$1,800,000 for renewable energy generation projects, with both on-site and off-site components. The off-site component involves a \$300,000 contribution toward city-sponsored renewable power generation projects anywhere within the City of Brisbane. The on-site component includes a commitment to spend \$1,500,000 for on-site generation. While discussions to date have centered on a solar installation on top of the parking structure, there is very little known about the feasibility of potential wind generation on the site. As such, HCP is proposing that a portion of that \$1.5 million expenditure be used to fund a wind study under the City's direction. Upon completion of the study, HCP would have the flexibility to implement wind and/or solar generation, whichever is more economically feasible. While on-site generation is not expected to adequately offset the project's energy demand for purposes of obtaining LEED credits, the amount of generation would likely offset the garage and common area lighting

demands. It would also address the desire raised at previous hearings that the project incorporate a tangible and visible demonstration of on-site power generation.

While the development agreement proposes on-site and off-site components as discussed above, it also provides the flexibility for the City to shift up to \$500,000 budgeted for on-site generation to off-site generation, increasing the amount available for off-site, city-sponsored generation projects.

For example, the potential installation of a photovoltaic system on remodeled City Hall is estimated to cost approximately 1.1 million dollars (based on 2003 estimates) and generate approximately 146,000 kwh/year of power. Approximately \$548,000 of the installation cost was assumed to be written down by a CEC/CPUC Buy Down program. Programming HCP's \$300,000 contribution toward this project would leave a funding gap of approximately \$260,000. Reprogramming \$260,000 from HCP's on-site generation program could potentially allow the City's project to move forward more quickly than would otherwise occur, thereby enabling the City to reduce its greenhouse gas emissions and electricity costs on an ongoing basis sooner than would otherwise occur. The overall budget for renewable generation of 1.8 million dollars would not be reduced; rather it would be reallocated between on and off-site projects. This is the type of flexibility that the City would be afforded under the development agreement as proposed. Given the global nature of greenhouse gas emission impacts, the benefits of renewable power generation would be the same, irrespective of its precise location or project on which it is co-located.

### **Summary:**

Staff is supportive of the Sierra Point Biotech project overall as proposed, subject to the recommended conditions of approval. The proposed retail liner creates an edge for the future public plaza envisioned at Sierra Point, and would accommodate the types of uses that would enliven and activate the public space. The increased employee base resulting from the project would also help activate the public space and support ancillary uses. The project's financial contribution to City-sponsored renewable energy projects is a meaningful and substantial environmental benefit. Opening up Sierra Point to R&D, one of the most important sectors of the Bay Area economy, would help diversify the City's economic base and help fulfill the objectives of the Sierra Point Master Plan. Lastly, successful development of the project pursuant to the rigorous LEED Silver standards with the additional on-site generation component would be a highly visible and real demonstration in the Bay Area that achieving a high level of environmental performance in private development provides not only environmental benefits, but is economically feasible for the private sector, and adds value to a project.

### **Fiscal Impact:**

As discussed in the March 17 staff report, the proposed biotech campus will directly benefit the Redevelopment Agency through increased property taxes. It could also financially benefit the City in a number of areas. Two direct impacts would be the Sales and Use Tax and Business License Revenues. Sales and Use Tax can be generated either

through direct sales of their products in the case of Intermune and Cutera or through the purchase and use of lab equipment each year like Genetech in South San Francisco. Business License revenues are based on gross receipts, so as the businesses on the campus establish themselves the City should see additional Business License revenues.

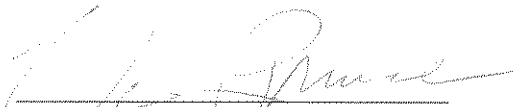
A third way would be through additional room rental at the two hotels located on Sierra Point. The City receives 10% of room rates therefore an increase in room rentals will have a very direct impact on the revenues the City receives. Additionally, new employees from the project would be expected to patronize other businesses at Sierra Point and elsewhere in Brisbane, thereby contributing to sales tax revenues.

The increase in water and sewer usage at the upper end of the City's pricing structure will assist in alleviating the slight operating deficit we currently face. The deficits are caused by an increased awareness of water conservation and lower than projected usage amounts. Any increase in water and sewer usage at this location will assist in this regard. Finally, infrastructure and other public improvements required for the project will be the obligation of the project developer as set forth in the Mitigation Monitoring Program and Development Agreement.

Lastly, the contribution to City-sponsored energy generation projects incorporated into the development agreement would directly reduce the city's capital costs in implementing any such project. The implementation of any such project(s) would be expected to reduce City utility costs on an ongoing basis.

**Attachments:**

- Sierra Point Energy Performance Preview Report
- Draft Resolution 2008-10
- Draft Resolution 2008-11
- Draft Ordinance 528
- Draft Resolution 2008-12
- Draft Ordinance 529
- City Council Reports/Minutes of March 3 and March 17, 2008

  
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Department Head

  
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City Manager