LIVERMORE
CALIFORNIA

CITY COUNCIL STAFF REPORT **ITEM NO. 7.5**

DATE: July 27, 2026

TO: Honorable Mayor and City Council

FROM: Brandon Cardwell, Innovation and Economic Development Director

SUBJECT: Hearing to introduce an ordinance and waive the first reading authorizing the first amendment to Development Agreement 08-002 (“Agreement”) with McGrath RentCorp (DAA 26-002). The Agreement term would be extended 30 years to 2059, the Agreement boundary would be adjusted, and the Property Owner Obligations would be modified to: 1) effectuate a commercial land transfer to a high-value commercial user; and 2) secure support for 2045 General Plan and Midtown Area planning objectives.

RECOMMENDED ACTION

The Planning Commission and Staff recommend the City Council:

1. Adopt a Resolution finding that the first amendment to Development Agreement 08-002 with McGrath RentCorp is exempt under CEQA; and
2. Introduce an Ordinance, and waive the first reading, authorizing the City Manager to execute the First Amendment to Development Agreement 08-002 with McGrath RentCorp (DAA 26-002).

SUMMARY

McGrath RentCorp (McGrath) owns approximately 130 acres within the proposed Midtown Specific Plan Area (Midtown), is party to an existing Development Agreement with the City, and initially opposed aspects of the Midtown planning effort during preparation of the 2045 General Plan Update. At the City Council’s direction, staff worked with McGrath to develop a solution that would allow McGrath’s existing industrial operations to continue while supporting the City’s long-term Midtown planning objectives. Staff proposes amending McGrath's existing agreement (Amended Agreement) to provide a framework for future planning, support future residential development opportunities, facilitate conveyance of the northern portion of the site to a high-value commercial user, extend the Development Agreement term, and adjust the agreement boundary to allow McGrath's continued operations. Related General Plan and Zoning Map changes would designate the northern parcel as Service Commercial to facilitate high-value commercial user operations. The Amended Agreement is exempt from CEQA because it does not approve a development project or authorize construction. The Amended Agreement is expected to provide fiscal benefits to the City, supports the City's Strategic Plan goals, and is consistent with General Plan goals and policies. The Planning Commission unanimously recommended City Council approval.

DISCUSSION

Background

Since 2021, at the direction of the City Council, staff has been preparing the 2045 General Plan Update, which identifies the Midtown Specific Plan Area (Midtown) as a future mixed-use area that would include a balance of housing, commercial, office, and industrial uses. McGrath RentCorp (McGrath) is the largest single property owner within Midtown, owning approximately 130 acres generally located between Southfront Road and Las Positas Road as identified in Attachment 1. McGrath operates a mobile modular commercial-industrial business on the property and is party to an existing Development Agreement with the City, originally approved in 2008, that vests McGrath's commercial and industrial land use rights through 2029 (Attachment 2).

During the General Plan outreach process, McGrath expressed opposition to aspects of the Midtown planning effort, including inclusion of its property in Midtown Specific Plan Area and the potential future mix of uses and residential densities. On February 24, 2025, the City Council directed staff to work with McGrath and return with a solution that could advance the goals of both parties. Staff has since negotiated with McGrath and now proposes an amendment to the existing Development Agreement (Amended Agreement). McGrath has agreed to the proposed terms, and the signed Amended Agreement is included as Attachment 9.

Purpose and Effect of the Amended Agreement

The proposed Amended Agreement would establish a framework for future planning and development of the McGrath property in relation to Midtown while allowing McGrath's existing industrial use to continue. The Amended Agreement does not approve a development project, and no changes are proposed to the original agreement's definition of "Project." Future development proposals would continue to require applicable design review, entitlements, environmental review, and other regulatory approvals.

The Amended Agreement supports implementation of the 2045 General Plan by securing McGrath's support for future residential planning on the property and facilitating a related General Plan land use map and zoning map change to support a high-value commercial user on the northern portion of the site. Together, these provisions resolve McGrath's principal concerns while allowing the City to continue advancing its long-term vision for Midtown.

Principal Terms

The Amended Agreement includes several principal terms that balance McGrath's need for operational flexibility with the City's goals for future Midtown planning, housing opportunities, and economic development. The major terms and related City benefits are summarized below:

- **Support for future residential planning**. McGrath would not oppose future residential densities of MDR 4 (18-22 dwelling units per acre) and HDR 1 (23-30 dwelling units per acre) on the property. These densities would not be applied through the Amended Agreement, but could be considered through the future Midtown Specific Plan or another zoning action. This support benefits the City by advancing the long-term Midtown mixed-use vision and providing additional Regional Housing Needs Allocation (RHNA) flexibility, including potential use of the site for Net

Loss units in the Sixth RHNA Cycle or as a Housing Inventory site in future RHNA cycles.

- **Conveyance of the northern approximately 40 acres**. McGrath would be required to convey the northern approximately 40 acres of the property to a high-value commercial user, subject to City Manager approval. The conveyance must occur by January 15, 2027, unless extended by mutual agreement, and the Amended Agreement would not become operative unless and until the property is conveyed to an approved high-value commercial user. This term benefits the City by facilitating a major commercial employment and revenue-generating use adjacent to Midtown. If completed, the prospective user is expected to generate approximately $900,000 to $1 million in annual tax revenue, provide approximately 400 to 600 jobs, and become one of the City's top ten tax generators.

- **Development Agreement term extension**. In consideration of McGrath's obligations, the City would extend the Development Agreement term by 30 years, through 2059, continuing to vest the industrial land uses described in the original agreement. This extension provides McGrath with operational certainty, which is necessary to secure McGrath's support for future residential planning and the commercial property conveyance. The extension does not preclude future cessation of the existing use, establishment of a new use consistent with the 2045 General Plan, adoption of a Midtown Specific Plan, or consideration of the property for RHNA purposes.

- **Development Agreement boundary adjustment**. The Amended Agreement would remove the northern approximately 40-acre commercial parcel from the Development Agreement area and add property under McGrath ownership south of Las Positas Road to support McGrath's continuing operations. This adjustment benefits the City by aligning the Development Agreement boundary with the contemplated commercial conveyance while maintaining sufficient area for McGrath's ongoing business operations, allowing the City to advance the agreement without immediately displacing an existing employer.

<u>General Plan and Zoning Map Change</u>

The Amended Agreement is related to a proposed 2045 General Plan land use map change and Livermore Zoning Map change for the McGrath property. The map previously reviewed by the City Council designated all approximately 130 acres of the McGrath property as Midtown Specific Plan Area. The revised map would retain the southern approximately 90 acres within Midtown and designate the northern approximately 40-acre parcel as Service Commercial.

The Service Commercial designation would provide compatible land use and zoning for the future high-value commercial user, support the contemplated property conveyance, and preserve the balance of the McGrath property for future Midtown planning. The City Council will consider the proposed map change as part of the General Plan adoption item at the July 27 meeting, in advance of this item.

<u>General Plan Consistency and Public Benefit</u>

Livermore Development Code Section 9.04.050(D) requires the City Council to find that a development agreement is consistent with the General Plan and provides benefit to the City. The Amended Agreement satisfies these requirements because it supports implementation of the 2045 General Plan, advances the City's long-term Midtown planning objectives, secures McGrath's support for future housing opportunities, and facilitates a high-value commercial use expected to generate substantial jobs and long-term City revenues. The formal findings are found in Attachment 7.

The complete findings supporting approval of the Amended Agreement are included in the attached Development Agreement ordinance.

PLANNING COMMISSION

On July 7, 2026, the Planning Commission held a duly noticed public hearing to consider the Amended Agreement, related California Environmental Quality Act (CEQA) determination, public testimony, and required findings. The Planning Commission unanimously adopted resolutions recommending that the City Council find the Amended Agreement exempt from CEQA and approve the Amended Agreement. A complete discussion of the project background, negotiations, General Plan consistency, public benefits, and environmental determination is included in the attached Planning Commission staff report (Attachment 3) and meeting minutes (Attachment 4).

PILLAR

2. Economy That Prospers

GOAL

5. Facilitate the development of commercial and industrial projects that provide high-quality local jobs and support a diverse local economy.

FISCAL AND ADMINISTRATIVE IMPACTS

The Development Agreement application fees paid by McGrath are intended to recover the City's costs associated with processing the application, including staff time for negotiation, analysis, public hearing preparation, and preparation of the Development Agreement amendment and related resolutions and ordinance.

Approval of the Amended Agreement would not itself approve a development project or authorize construction. Therefore, there are no direct fiscal impacts associated with physical development at this time. However, if the northern approximately 40-acre parcel is conveyed to an approved high-value commercial user and the user locates in Livermore, the business is expected to generate approximately $900,000 to $1 million in annual tax revenue and provide approximately 400 to 600 jobs. Future development proposals would be subject to separate review, applicable fees, and any required fiscal or environmental analysis at the time they are proposed.

ENVIRONMENTAL DETERMINATION

The Development Agreement Amendment does not approve a development project. Instead, it extends existing vested land use rights and allows an existing business to continue its current operations. For these reasons, the Development Agreement Amendment is exempt from CEQA pursuant to CEQA Guidelines Sections 15301 (Existing Facilities) and 15061(b)(3) (Common Sense Exemption). The complete CEQA analysis is included in the attached CEQA resolution (Attachment 5).

ATTACHMENTS

1. Location Map
2. Original Development Agreement
3. Planning Commission Staff Report
4. Planning Commission Minutes
5. Resolution - CEQA
6. Exhibit A - Planning Commission CEQA Resolution
7. Ordinance - Development Agreement
8. Exhibit A - Planning Commission Development Agreement Resolution
9. Exhibit B - Amended Agreement

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Economic Development Manager

Approved by:	Fiscal Review by:
Marianna A. Burch	Kristen Hilton
City Manager	Acting Administrative Services Director