LIVERMORE
CALIFORNIA

PLANNING COMMISSION STAFF REPORT **ITEM NO. 5.3**

DATE: July 7, 2026

TO: Chairperson and Members of the Planning Commission

FROM: Brandon Cardwell, Innovation and Economic Development Director

SUBJECT: Hearing to consider a request for 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-revenue commercial user; and 2) secure support for 2045 General Plan and Midtown Area planning objectives.

RECOMMENDED ACTION

Staff recommends the Planning Commission adopt the following resolutions, recommending the City Council:

1. Find that the first amendment to Development Agreement 08-002 with McGrath RentCorp is exempt under CEQA; and
2. Adopt an Ordinance to approve the first amendment to Development Agreement 08-002 with McGrath RentCorp (DAA 26-002).

SUMMARY

Since 2021, the City has been preparing the General Plan 2045 update, including the Midtown Specific Plan Area, which is envisioned as a future mixed-use area that balances housing, commercial, office, and industrial uses. McGrath RentCorp owns approximately 130 acres within Midtown and is the largest single property owner in the area. McGrath operates an existing mobile modular commercial-industrial business on the property and is party to a 2008 Development Agreement with the City that vests commercial and industrial land use rights through 2029.

The 130-acre project site is made up of numerous parcels located at 5605 and 5327 Southfront Road and 5700, 5699 and 5698 Las Positas Road with the following APNs: 99-40-72, 99-40-73, 99-40-74, 99-40-75, 99-40-76, 99-40-77, 99-40-78, 99-40,79 and 99-40-80. See Attachment 1 - Location Map.

Following property owner outreach and McGrath’s stated opposition to aspects of the Midtown planning effort, the City Council directed staff to negotiate a compromise that could advance the City’s long-term planning objectives while addressing the Property Owner's interests. The proposed Development Agreement Amendment would not approve a new development project, but would establish a framework for future planning, allow McGrath's existing operations to continue, secure McGrath's support for future residential planning, and facilitate conveyance of the northern approximately 40 acres to a high-value commercial user. The term of the Development Agreement would be extended to 2059.

The related General Plan 2045 land use map change would retain approximately 90 acres within the Midtown Specific Plan Area and designate the northern parcel as Service Commercial. Staff finds that the amendment is consistent with General Plan 2045 and provides public benefits by supporting future housing opportunities, advancing Midtown implementation, and facilitating commercial development expected to generate long-term fiscal and employment benefits for the City.

DISCUSSION

Background and General Plan Context

Since 2021, at the direction of the City Council, City staff has been preparing the General Plan 2045 update. As part of that effort, the City Council, Planning Commission, and the council-appointed General Plan Advisory Committee have reviewed draft land use maps, policies, and Focus Areas where land use changes are anticipated over the planning horizon.

The largest Focus Area is the Midtown Specific Plan Area (Midtown), which is primarily composed of the Metropolitan Transportation Commission (MTC) Southfront Priority Development Area (PDA). Midtown also includes existing developed areas, including local shopping districts and the Arroyo Vista Neighborhood Plan area.

The General Plan 2045 envisions Midtown as a future mixed-use area that balances housing, commercial, office, and industrial uses and functions as a complete community, regardless of whether or when a future transit station is developed (e.g. Valley Link). Following General Plan adoption, the City would prepare a specific plan to establish land uses, circulation improvements, development standards, design requirements, infrastructure and service needs, and other implementing provisions for Midtown.

McGrath Property and Existing Development Agreement

McGrath RentCorp (McGrath or the Property Owner) is the largest single property owner within Midtown. McGrath owns approximately 130 acres generally located between Southfront Road and Las Positas Road, as shown in Attachment 1. McGrath is a publicly traded mobile modular commercial-industrial business that fabricates and sells modular structures on-site.

McGrath and the City are also parties to an existing Development Agreement, originally approved in 2008, that vests McGrath's commercial and industrial land use rights through 2029. The Original Agreement was approved to secure dedication of Bay Area Rapid Transit (BART) right-of-way, as shown in Attachment 2. The Original Agreement did not approve a specific development project; instead, the "Project" consisted of vesting the land uses in effect at the time of adoption. Future development projects remained subject to all applicable regulations, permits, entitlements, and approvals.

Property Owner Engagement and Direction from City Council

From 2021 to 2022, City staff conducted outreach to property owners within Midtown, consistent with the City's standard practice when considering land use changes in a specific planning area. Through those discussions, McGrath and the City did not reach agreement regarding the inclusion of McGrath's property in Midtown, the appropriate future mix of uses and residential densities, or an approach that addressed both the City's long-term planning objectives and the Property Owner's interests. McGrath subsequently submitted written correspondence to the City Council expressing opposition to aspects of the concept plan being developed for the Midtown focus area.

On February 24, 2025, the City Council directed staff to work with McGrath, seek a compromise, and return with a solution that would 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 Exhibit A.

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." However, the Amended Agreement would clarify and expand the subsequent approvals provisions to confirm that any future development project remains subject to all applicable design review, entitlement, and environmental review requirements.

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

Principal Terms of the Amended Agreement

The Amended Agreement includes obligations for both McGrath and the City.

McGrath Obligations

McGrath would support 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 itself, but could be considered through the future Midtown Specific Plan or another zoning action. This support is important to the City's long-term Midtown objectives and provides additional Regional Housing Needs Allocation (RHNA) flexibility, including the potential use of the site for Net Loss units in the Sixth RHNA Cycle or as a Housing Inventory site in the Seventh or Eighth RHNA Cycle.

McGrath would also be required to convey the northern approximately 40 acres of the property to a high-value commercial user, subject to approval by the City Manager. The conveyance must occur by January 15, 2027, unless extended by mutual agreement of the parties. The City may request information necessary to evaluate the proposed user, including employment and fiscal impact data. The Amended Agreement would not become operative unless and until the property is conveyed to an approved high-value commercial user.

As of publication of this report, McGrath is engaged with a prospective high-value commercial user and is processing a purchase and sale agreement. Due to the confidential nature of ongoing real estate negotiations, City staff cannot publicly identify the user at this time. However, staff supports the prospective business because it would meet the Amended Agreement's high-value commercial objective. If the transaction is completed 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. The business would also be expected to become one of the City's top ten tax generators.

City Obligations

In consideration of McGrath's obligations, the City would extend the term of the Development Agreement by 30 years, through 2059. This extension would continue to vest the industrial land uses described in the Original Agreement and provide McGrath with long-term operational flexibility. The extension would not preclude future cessation of the existing use, establishment of a new use consistent with General Plan 2045, adoption of a Midtown Specific Plan, or consideration of the property for RHNA purposes.

The Amended Agreement would also adjust the Development Agreement boundary. The northern approximately 40-acre commercial parcel would be removed from the Development Agreement area because it would be conveyed to a separate high-value commercial user that is not a party to the agreement. Property under McGrath ownership south of Las Positas Road would be added to the Development Agreement area to maintain sufficient space for McGrath's ongoing mobile modular fabrication, storage, and sales operations.

<u>General Plan 2045 Land Use Map Change</u>

The proposed Amended Agreement resulted in one related modification to the General Plan 2045 land use map and the Livermore Zoning Map. The Planning Commission will consider those map changes as part of the General Plan 2045 item at its July 7 meeting before considering the McGrath Development Agreement Amendment.

The land use map previously reviewed by the Planning Commission designated all approximately 130 acres of the McGrath property as Midtown Specific Plan Area. The revised land use map would retain the southern approximately 90 acres within the Midtown Specific Plan Area and designate the northern approximately 40-acre parcel as Service Commercial. This designation would allow the future commercial user to operate by right, providing certainty necessary to support the contemplated property conveyance.

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

Livermore Development Code Section 9.04.050(D) requires the Planning Commission and City Council to find that a development agreement is consistent with the General Plan and provides benefit to the City. Because the General Plan 2045 will be considered before the McGrath Development Agreement Amendment, it is appropriate to evaluate the Amended Agreement for consistency with General Plan 2045 rather than the 2003 General Plan.

The proposed Amended Agreement implements and is consistent with General Plan 2045 because it supports the formation of Midtown, secures Property Owner support for future housing opportunities, and facilitates commercial development that would generate stable long-term City revenues. More specifically, the Amended Agreement supports the following General Plan 2045 policies:

- **Policy LU-15.1: Midtown Neighborhood** — Create a complete, mixed-use, transit-supportive environment that balances housing, commercial, office, and industrial uses.
- **Policy LU-15.5: Midtown Job Opportunities** — Create job opportunities through industrial/office uses including research and development facilities, manufacturing capabilities, and laboratory spaces.
- **Policy ED-4.1: Balanced Development** — Balance a mix of residential, commercial, and industrial development to support local employment opportunities, a diverse economy, and a sustainable tax base.
- **Policy ED-5.1: Capacity for Economic Growth** — Designate land uses to provide sufficient capacity for economic growth and vitality in Livermore. Maintain capacity for a variety of land development opportunities in commercial and industrial sectors as well as other desired land uses.
- **Policy ED-5.2: Fiscal Sustainability Through Land Use** — Provide a land use mix that generates stable, long-term revenues to fund City services, and ensure that fiscal impacts and long-term sustainability are key considerations in land use and development decision making.

The Amended Agreement would provide several public benefits. It would support a viable path for future housing on the McGrath property through the Midtown Specific Plan or another future zoning action, while providing RHNA flexibility for the Sixth, Seventh and Eighth RHNA Cycles. It would allow the City to move forward with mixed-use Midtown policies and land use designations in General Plan 2045. It would also facilitate conveyance of the northern commercial parcel to a high-value commercial user expected to generate approximately $900,000 to $1 million in annual tax revenue and approximately 400 to 600 jobs.

A complete list of findings required under Livermore Development Code Section 9.04.050(D) is included in the attached development agreement resolution, Attachment 4.

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 the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines Sections 15301 (Existing Facilities) and 15061(b)(3) (Common Sense Exemption). The complete CEQA findings are included in the CEQA Resolution, Attachment 3.

ATTACHMENTS

1. Location Map
2. Original Development Agreement
3. Resolution CEQA
4. Resolution Development Agreement
5. Exhibit A - Amended Agreement

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