



Council Date: September 29, 2009

SUBJECT: Consider Use of Hendy Iron Man Museum for a Cultural Amenity – Phase II (Study Issue)

BACKGROUND

On June 10, 2007, following the review of the Report to City Council #08-170 “Consider the Use of the Hendy Iron Man Museum as a Cultural Amenity Walkable from Downtown (Study Issue)”, the City Council directed staff to work with officials from Northrop Grumman and interested community leaders and organizations to select a specific site on the Northrop Grumman Campus and return to Council with a proposed agreement with Northrop Grumman for the use of space and a related capital project request for a new or renovated museum building. In addition, depending on the proposed agreement with Northrop Grumman, direction was also provided to staff to include a description of the types of programs to be offered in the new facility along with detailed operational and maintenance costs for Council’s consideration. The City Council also requested that staff check with the Western Philatelic Club to see if they would be interested in renting a space in the new facility, and directed staff to pursue all grant funding that may be available for a project of this nature.

EXISTING POLICY

From the Arts Sub-Element: POLICY A.4. Further a sense of community identity through the promotion of the Arts.

B.3.c. Identify cultural groups in the community and explore ways to facilitate and build partnerships for the provision of culturally diverse arts-related programs.

D.2.a. Leverage available resources by pursuing co-funded and/or cooperative agreements for both expansion and maintenance of arts programs, facilities, and services, in order to maximize benefits to the community.

F.1.e. Evaluate opportunities to utilize regional arts facilities and resources.

DISCUSSION

After the initial report to “Consider the Use of the Hendy Iron Man Museum for a Cultural Amenity Walkable from Downtown” was presented, staff met with Northrop Grumman’s site director for the Sunnyvale campus to determine what steps may be required to secure a commitment from Northrop Grumman to

provide space that could include the existing Hendy Iron Man Museum or an alternate building space or land that could be leased where a new museum structure could be built. Since the City would be committing public funds for the new museum, staff was clear that the lease agreement would need to span at least 20 to 25 years.

After several meetings and email messages back and forth, the Director of Community Services sent a letter to the Site Director at Northrop Grumman describing the City's requirements for a project of this size and also asked if NGC would be willing to alter its security fences to accommodate the general public's attendance to a new museum on their campus. (See Attachment A: Letter to NGC dated February 3, 2009.) Northrop Grumman's site director responded in July, explaining that while they had been exploring three options for a long term museum space on the campus, they (Northrop Grumman) are unfortunately, still not in a position to commit to such a long term arrangement. (See Attachment B: Letter from Northrop Grumman Site Director.)

Although the company did not exclude the possibility for future consideration, the primary reasons why Northrop Grumman could not commit to a long term arrangement for use of their property included the fact that NGC has a more immediate need for additional space on or near their existing campus to meet their own needs for expansion. The company anticipates hiring up to 100 more employees over the next several years and their current space is at or near capacity. In addition to workspace for additional employees, parking continues to be an issue as street parking is limited. The company's additional demand for new parking would leave museum attendees in competition for limited parking either on campus or on local streets.

Overall, the letter concluded that Northrop Grumman supports the museum concept in general, but cannot make a long term commitment at this time given their near term needs for additional office space. However, if their plans for growth in Sunnyvale do not come to fruition, they would be very willing to revisit the museum concept in the future.

Since the purpose of the study was to consider the options the Hendy Iron Man Museum site or a new museum site on the Northrop Grumman campus would provide as a new museum walkable from downtown, there currently is no pending agreement to bring back to the City Council for consideration at this time.

FISCAL IMPACT

None

PUBLIC CONTACT

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall and Department of Public Safety; and by making the agenda and report available at the Sunnyvale Public Library, the Office of the City Clerk, Senior Center, Community Center, and on the City's Web site.

The Arts Commission conducted a public hearing on this item at their meeting on August 19, 2009. The Parks and Recreation Commission conducted a public hearing on this item at their meeting on September 9, 2009.

Copies of this report were sent to the Philatelic Library, Sunnyvale Stamp Society, Sunnyvale Art Club, Lace Museum, and Northrop Grumman.

ALTERNATIVES

1. Conclude this study based on the information from Northrop Grumman stating they are not in a position to commit to a museum facility on their campus at the present time.
2. Other options as determined by City Council.

RECOMMENDATION

Staff recommends Alternative No. 1: Conclude this study based on the information from Northrop Grumman stating they are not in a position to commit to a museum facility on their campus at the present time.

The direction from City Council following the first phase of this study was to work with Northrop Grumman and interested community organizations to select a specific site on the NGC campus for a museum facility. After that decision was made, staff would return to the Council with a proposed agreement for the use of that space and a related capital project request for a new or renovated facility. However, now that Northrop Grumman has confirmed it is not in a position to commit space for a museum facility, there are no sites to be considered.

The Arts Commission reviewed a draft of this report at its meeting on August 19, 2009, and voted 4-0 (Commissioner Lanoie-Newman was absent.) to recommend that Council accept staff's recommendation: Alternative No. 1, Conclude this study based on the information from Northrop Grumman stating they are not in a position to commit to a museum facility on their campus at the present time. (See Attachment C, Excerpt from Draft Minutes of August 19, 2009, Arts Commission Meeting.)

The Parks and Recreation Commission reviewed a draft of this report at its meeting on September 9, 2009, and voted 5-0 to recommend that Council

accept staff's recommendation: Alternative No. 1, Conclude this study based on the information from Northrop Grumman stating they are not in a position to commit to a museum facility on their campus at the present time. (See Attachment D, Excerpt from Draft Minutes of September 9, 2009, Parks and Recreation Commission Meeting.)

Reviewed by:

David A. Lewis, Director of Community Services
Prepared by: Cathy E. Merrill, Assistant to the Director

Approved by:

Gary M. Luebbers
City Manager

Attachments

- A. Letter to NGC dated February 3, 2009
- B. Letter from Northrop Grumman Site Director
- C. Excerpt from Draft Minutes of August 19, 2009, Arts Commission Meeting
- D. Excerpt from Draft Minutes of September 9, 2009, Parks and Recreation Commission Meeting

February 3, 2009

Mr. Russ K. Parman
Sunnyvale Site Director, Marine Systems
Northrop Grumman Corporation
P. O. Box 3499, M/S 71-7
Sunnyvale, CA 94088-3499

Dear Mr. Parman:

I am writing to follow-up on our previous meetings and discussions regarding the City's study of the possibility of developing a cultural amenity within Northrop Grumman's Sunnyvale site. We are specifically looking at the concept of a museum type facility which would house and display materials from several local museums and historically oriented groups, including the Hendy Iron Man Museum already located on your site.

As you know, we have identified three possible alternatives regarding the siting of the museum/exhibit space. The first would be to expand the existing Hendy museum into the adjacent 800 – 1,000 sq. ft. that is either unused or being utilized as storage. The second alternative would be to renovate and remodel a portion of an existing building/warehouse to accommodate the museum space. The third alternative would be to construct a new separate structure on your property to house the museum space.

There are several "pros" and "cons" to each alternative which would have to be explored prior to selecting one and, of course, formal agreements, designs, construction and operational costs/funding would all have to be dealt with prior to moving ahead. Prior to those items being considered, there are a couple of key questions that the City needs to ask Northrop Grumman which will determine whether or not the City will continue on with the study effort.

The first question deals with the length of time your company would be willing to commit to the site being used for this purpose. When City or other public funds, such as grants, are used to fund projects of this type, it is usually a requirement that the life of the project have a minimum of 25 years in order to justify the capital outlay. So the question is, "If any of the three alternatives as previously described were to be pursued, would Northrop Grumman be willing to commit to a 25 year time period for the museum to remain on site and be utilized as such?"

Mr. Russ K. Parman
February 3, 2009
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The second question has to do with Northrop Grumman's site security as well as security policies and procedures. The specific question is, "If any of the three alternatives were brought to fruition, would Northrop Grumman be willing to alter its current fencing configuration to be moved inside the museum 'footprint' to allow direct access from the street and/or parking areas to the museum? Further, would the company allow museum access without visitors going through current security areas and procedures?" If the answer to the first part of this question is different for the different alternatives, please let me know.

I would like to take this opportunity to thank you and your staff for the time and effort you have given to meet with us and to help in furthering this study.

I look forward to your response to this letter. If you have any questions, please feel free to call.

Sincerely,

David A. Lewis, Director
Parks and Recreation Department
City of Sunnyvale
408-730-7516
dlewis@ci.sunnyvale.ca.us

ks

cc: Gary Luebbers, City Manager
Cathy Merrill, Assistant to the Director

RECEIVED

JUL 13 2009

DPR ADMIN

NORTHROP GRUMMAN**Northrop Grumman Corporation**
Electronic Systems**Marine Systems**
401 East Hendy Avenue
Post Office Box 3499
Sunnyvale, California 94088-3499

To: David A. Lewis
Director, Community Services Department
505 West Olive Ave., Suite 115
P.O. Box 3707
Sunnyvale, CA 94099-3707

Ref: Letter dated Feb 3, 2009, from David A. Lewis to Russ K. Parman

Dave,

Thank you for the continued interest in developing a museum space within walking distance of Downtown Sunnyvale. Northrop Grumman Marine Systems, having been an operating facility in Sunnyvale for over 100 years, certainly appreciates the merits of capturing the heritage and history of what has made Silicon Valley what it is today. As you know, our facility is currently home to the Hendy Iron Man museum which proudly displays many of the products we have manufactured here since 1906.

We have been exploring with the City three possible options for a long term museum space on our site. These options are described in the referenced letter. The referenced letter put forth two fundamental questions to Northrop Grumman, which I will address separately.

Question #1 – “If any of the three alternatives as previously described were to be pursued, would Northrop Grumman be willing to commit to a 25 year time period for the museum to remain on site and be utilized as such?”

Response – I am not in a position at this time to commit the Corporation to such a long term arrangement, nor am I in the position to flatly say we can not support a 25 year expanded museum on our facility. Northrop Grumman prides itself in being a good corporate citizen, and the Corporation has supported similar arrangements in other locations so there is a precedent. However, as I have pursued this through my corporate channels, I have encountered questions about how we intend to house the additional number of employees we have forecast in our business future while at the same time allocating space for a larger museum on site. We are currently near full capacity of our office spaces, and expect to hire on the order of another 100 engineers and professional staff in the next several years. With our

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current FAR near the maximum, we will be looking at options including the conversion of manufacturing and storage spaces into office spaces. Under the current circumstances, it is difficult to justify a commitment of space that could potentially be converted to more offices that will be necessary to grow our business.

Question #2 – “If any of the three alternatives were brought to fruition, would Northrop Grumman be willing to alter its current fencing configuration to be moved inside the museum ‘footprint’ to allow direct access from the street and/or parking areas to the museum? Further, would the company allow museum access without visitors going through current security areas and procedures?”

Response - The answer to this question is “YES”. We have reviewed the three options under consideration, and feel that any of the three could be accommodated with some changes involving re-routing existing fencing, additional alarms, and CCTV systems. The stand alone “new building” option along Sunnyvale Avenue would probably represent the least impact as we would simply re-route our security fence around the new building with no access or common walls with the secure facility. The other two options we have discussed would result in common walls with the secure facility, and therefore would require the use of alarms and CCTV systems as mentioned above. All of the options could be managed to allow public access without going through our plant security. However, all of the options would require full time museum docents to be on site during museum operating hours.

I would also like to point out that parking will always be an issue as we are currently stressed for parking spaces on site and along the street. While it is feasible to allocate a few parking spots for a museum, I foresee that this will always be in conflict with our site needs as we grow.

Additionally, the initial feedback we have received from the existing Hendy Iron Man museum operators indicates an uneasiness about participating in a joint museum space with others. It is not at all clear that the Hendy Iron Man museum, which is a registered non-profit organization with elected officials, would want to be a part of a bigger joint museum.

Northrop Grumman supports the museum concept in general, but we simply can not make a long term commitment at this time given our near term needs for additional office space. If our plans for growth do not come to fruition, we certainly would be willing to revisit the museum concept in the future.

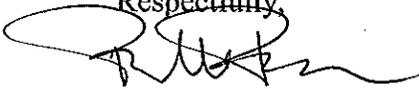
NORTHROP GRUMMAN

**Northrop Grumman Corporation
Electronic Systems**

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I hope these responses are helpful to you in determining if the project should proceed. I want to reiterate that Northrop Grumman is dedicated to supporting the communities in which we reside, and Sunnyvale is no exception. We have operated in Sunnyvale for over 100 years, and given our position as a key supplier to the US Navy, we currently have a growing business outlook for many years to come.

Respectfully,



Russell K. Parman
Sunnyvale Site Director
Northrop Grumman Marine Systems



**EXCERPT FROM DRAFT MINUTES
SUNNYVALE ARTS COMMISSION
AUGUST 19, 2009**

The Sunnyvale Arts Commission met in regular session in City Hall Council Chambers, at 456 W. Olive Avenue, Sunnyvale, CA 94086 at 7 p.m. with Chair Obrey presiding.

The meeting was called to order at 7 p.m.

ROLL CALL

Commissioners Present: Chair Robert Obrey
Commissioner Noelle Hughes
Commissioner Tara Martin-Milius
Commissioner Dennis (Jay) Shinseki

Commissioners Absent: Commissioner Christine Lanoie-Newman (unexcused)

Staff Present: Director of Community Services David A. Lewis
Assistant to the Director Cathy E. Merrill
Diane Moglen, Recreation Supervisor
Tegan McLane, Recreation Coordinator

PUBLIC HEARINGS/GENERAL BUSINESS

2. Consider Use of Hendy Iron Man Museum for a Cultural Amenity – Phase II (CA 9/29/09)

Director David Lewis presented the staff report and responded to questions regarding the 25 year commitment required from Northrup Grumman Corp. (NGC), funding sources if NGC had agreed to provide the space for 20-25 years, and other groups' interest in using the space.

Chair Obrey opened the public hearing and there being no public testimonies, closed the public hearing.

MOTION: Commissioner Hughes moved and Commissioner Shinseki seconded to recommend that Council accept staff's recommendation, Alternative No. 1: Conclude this study based on the information from Northrop Grumman stating they are not in a position to commit to a museum facility on their campus at the present time.

VOTE: Motion passed unanimously 4-0. Commissioner Lanoie-Newman was absent.

Chair Obrey stated he will present the Commission's recommendation to Council on September 29, 2009.

Respectfully submitted,
Cathy E. Merrill
Assistant to the Director
Department of Community Services



**EXCERPT FROM DRAFT MINUTES
SUNNYVALE PARKS AND RECREATION COMMISSION
SEPTEMBER 9, 2009**

The Sunnyvale Parks and Recreation Commission met in regular session in City Hall Council Chambers, at 456 W. Olive Avenue, Sunnyvale, CA 94086 at 7 p.m. with Chair Colvin presiding.

CALL TO ORDER/SALUTE TO THE FLAG

Chair Colvin called the meeting to order at 7 p.m.

ROLL CALL

Commissioners Present: Chair Jim Colvin
Vice Chair Richard Oliver
Commissioner Howard Chuck
Commissioner Robert Harms
Commissioner Robert Pochowski

Commissioners Absent: None

Staff Present: Assistant to the Director Cathy Merrill

PUBLIC HEARINGS/GENERAL BUSINESS

2. Draft RTC – Consider Use of Hendy Iron Man Museum for a Cultural Amenity – Phase II
(Council Action 9/29/09)

Assistant to the Director Merrill presented the staff report.

Commissioners inquired about the option for a short-term lease (10 years instead of 25 years), timeframe for Northrop Grumman reconsideration, and alternative locations for a new museum facility that does not require a security check.

Commissioner Harms commented that Sunnyvale Heritage Museum docents toured the Hendy Iron Man Museum and went through a security check. He feels the City should not get involved with this project and that there are other things the City can spend money and energy on. He said the City could do more to direct the public to the Sunnyvale Heritage Museum. Chair Colvin agreed.

Commissioner Chuck noted the benefits of a museum site walkable from downtown and requested a brief overview of the background of the initial report.

Commissioner Pochowski asked about the intent of the original report regarding space at Northrop Grumman.

Chair Colvin opened the public hearing and there being no public testimonies, closed the public hearing.

MOTION: Commissioner Pochowski moved and Commissioner Chuck seconded to recommend that Council accept staff's recommendation, Alternative No. 1: Conclude this study based on the information from Northrop Grumman stating they are not in a position to commit to a museum facility on their campus at the present time.

VOTE: Motion passed unanimously 5-0.

There was no further discussion.

Respectfully submitted,
Cathy E. Merrill
Assistant to the Director
Department of Community Services