REPORT TO ONIZUKA LRA **NO: LRA 10-003**

LRA Meeting: October 5, 2010

SUBJECT: Auto Center Refinement Study and Economic Development Conveyance Process (Continued from September 28, 2010)

This item was continued from the September 28, 2010 Local Redevelopment Authority (LRA) meeting. The public hearing was held on September 28, 2010.

LRA Meeting: September 28, 2010

SUBJECT: Onizuka Auto Center Refinement Study and Economic Development Conveyance Process

REPORT IN BRIEF

On August 31, 2010, the Onizuka Local Redevelopment Authority (LRA) reviewed the findings of the Onizuka Auto Center Refinement Summary Report (see Attachments 1 and 2). The report indicates that the auto center concept is feasible; however, the LRA expressed reservations due to several factors. These include the lack of interest by auto dealers; the inability to accommodate more than two substantial dealerships on the Onizuka site; and the potential impact on existing dealers that would remain on El Camino Real. In addition, the LRA inquired about alternative land uses and conveyance options. Information regarding these options is included in this report.

Because the auto center concept no longer appears to have substantial support, the LRA is requested to provide direction to staff to change the preferred land use. Staff recommends considering a preferred land use consistent with the Moffett Park Specific Plan (MPSP), which could include Class A office, research and development, hotel, a data center and ancillary retail uses. Staff would further evaluate the development potential of the site consistent with the MPSP, prepare proposed amendments to the Redevelopment Plan as needed, revisit the Legally Binding Agreement with the homeless housing providers to remove one or both from site, and work with the Office of Economic Adjustment (OEA) to modify the scope of work and timeline for the existing grant. Additionally, based on the new preferred land use, staff recommends that the LRA direct staff to further evaluate the potential risks, costs and benefits of an economic development conveyance (EDC).

BACKGROUND

Onizuka Redevelopment Plan

The LRA adopted the Onizuka Redevelopment Plan on December 9, 2008, with a preferred land use plan for an auto center concept. Staff was directed to submit this plan to the Department of the Air Force (AF) and the Department of Housing and Urban Development (HUD). Staff also submitted an accompanying

Homeless Assistance Submission to HUD in response to the Notices of Interest (NOI) received from two homeless housing providers. The LRA also received a grant from the Office of Economic Adjustment (OEA) to fund the development of a business plan and related studies to support an EDC application.

Action on the Homeless Assistance Submission by HUD is pending a determination on the auto center concept and further discussions between the LRA and AF on the terms of the EDC. Additionally, approval of the Onizuka Redevelopment Plan by the AF is dependent on HUD acceptance of the Homeless Assistance Submission. The AF is seeking full closure and transfer of the property by September 2011.

Auto Center Refinement Study

On June 15, 2009, the LRA accepted a grant from OEA for $652,578 to cover staff and consultant costs to prepare an auto center refinement study, business plan and EDC application. A supplemental OEA grant for $58,573 was also approved in March 2010. BBP & Associates were brought on board to assist staff in completing the scope of work under the grant. The scope includes two phases: Phase 1 - to refine the auto center concept and conduct additional site development, market, economic and financial analyses; and Phase 2 - to prepare the business plan and EDC application. The work under Phase 1 was presented at the LRA Study Session on August 31, 2010. The work for Phase 2 has not begun and is dependent on the decision the LRA makes on September 28, 2010. Depending on LRA direction, the Phase 2 scope may need to be modified.

Study Session, August 31, 2010

The LRA reviewed and provided comments on the Onizuka Auto Center Refinement Summary Report and the Economic Development Conveyance process (see Attachment 2, LRA Summary Minutes). The LRA requested additional information regarding the following:

- *What are alternate land use options through an* Economic Development Conveyance*?*

  The LRA may choose a land use that was identified in the adopted Redevelopment Plan, which includes an auto center, mixed-use with office and conference center, or stand alone Class A office. These options acknowledge that the Department of Veteran Affairs (VA) will remain on the site. The LRA may also choose a land use not evaluated in the Redevelopment Plan, although additional analysis would likely be required. In addition to the selection of a preferred land use, the LRA may establish the time schedule for redevelopment of the site.

When considering alternate land uses it is important to note that the Base Realignment and Closure (BRAC) Manual indicates that the premise for an EDC is job creation. The manual does not include a list of "approved uses" as it would vary greatly for each site and the economics of the region. Specific uses (or improvements) may be used to "offset" the fair market value of the site. Uses or improvements that may be considered include: police, fire protection and other public facilities; utility construction; right-of-way acquisition and roadway construction; storm and sanitary sewer construction; site demolition; and landscaping, grading and other pubic improvements.

- *What uses qualify under a Public Benefit Conveyance (PBC)?*

  The PBC process is limited to the following uses: Education; Public Health; Park and Recreation; Self Help Housing; Historic Monument; Correctional; Law Enforcement; Emergency Management; Homeless; Wildlife Conservation; Public Airport; Highway; Widening of Public Roads; and Power Transmission Lines. Each of these types of uses requires a federal agency sponsor and the availability of a land discount up to 100%, depending on the proposed use (see table in Attachment 3). The intent of a PBC is to support property uses that benefit the community as a whole. A community or civic center does not qualify for a PBC. The difficulty of pursuing a PBC at this point is that it would require reopening the process to allow submittal of new NOIs which may result in additional land claims from other homeless providers or qualifying agencies as well as risk delaying the reuse of the property significantly.

- *What are the benefits of an Economic Development Conveyance?*

  An EDC allows the City to retain control of the subject site and schedule for redevelopment and to select a new developer or attract a firm or company beneficial to the City. It also allows the City to negotiate the value of the property with the AF, hopefully receiving a reduced cost for the site due to required improvements and other associated public costs (such as demolition, right of way dedication, etc.). Staff has prepared a matrix that weighs the advantages and disadvantages of an EDC for reference (see Attachment 4). Staff recommends that the LRA include direction to further study the benefits of an EDC and to discuss potential terms and options for an EDC with the AF if an alternative land use is selected.

- *Is there more recent traffic information for the area since the Redevelopment Plan indicated that traffic was an issue in the area and that some uses may impact it further?*

  The traffic analysis for the Redevelopment Plan was based on data from 2006 and projected out to 2020. The projections compared Onizuka's existing buildings operating at their peak with the proposed land use options in the Redevelopment Plan. The analysis determined that of the three options, only the denser development (combined office, hotel and conference center) would result in a level of service reduction at some intersections. The study did assume some traffic generation reduction due to proximity to the light rail. However, further trip reduction through a Transportation Demand Management (TDM) was not considered, as it would vary depending on the tenant of the space. A TDM is required for development within the Moffett Park Specific Plan (MPSP) area and it would add to the trip reduction.

- *Would a Civic Center be an option at Onizuka?*
  A Civic Center could be considered at the Onizuka site and it may be considered under an EDC but not under a PBC, except for public safety functions. As noted above, the proposed use would need to generate jobs at the site. In addition, public safety uses, such as police and fire, may be considered in the negotiated sale of the site. At its study session on August 31, 2010, a majority Council indicated no interest in further pursuing this option.

DISCUSSION

Land Uses

The Onizuka site is currently zoned Moffett Park – General Industrial (MP-I), which allows for a variety of different uses including office, light manufacturing, retail and service commercial, and lodging and eating establishments. New uses will either be permitted through the review of a Miscellaneous Plan Permit or Special Development Permit. Staff has included the MP-I Land Use table from the Zoning Code for reference (see Attachment 5).

The Redevelopment Plan evaluated three alternatives for the site, two of which are allowed under the current MP-I zoning designation and one which requires modifications to the MPSP. The plan evaluated the following allowed uses: a high quality hotel and conference center and a Class A office/research and development center. The currently adopted preferred land use for an auto retail center requires modifications to the MPSP and zoning. The preferred land use

assumes an EDC and relocation of the two homeless housing providers and the VA claim.

Staff further studied the availability of alternative sites for the VA. Approximately 12 potential sites were identified, including two in Sunnyvale. The VA evaluated these sites and found that only one potentially fits its program needs. However, reallocation or reprogramming of budgeted funds would require a significant effort. VA staff was reluctant to initiate the process and possibly jeopardize the currently earmarked Onizuka funds. VA staff ultimately concluded that the VA would retain its claim at Onizuka.

The LRA has inquired about alternative land uses including a civic center, data center and manufacturing. These uses would be allowed at the site under the current MP-I zoning. If the LRA continues to pursue the EDC process, then the preferred land use should satisfy the main EDC premise of job creation (see EDC discussion below). The following table illustrates the various uses that have been discussed, potential job creation (one-time and permanent), and whether the use is allowed under the MPSP. The estimated job creation is either based on the Summary Report or the Redevelopment Plan. For uses included under the preferred land use, but without a job creation estimate, further analysis is necessary for an EDC application.

Use	**Job Creation**		**Allowed under MPSP**
	One-Time	**Permanent**	
Auto Center	100	60	No
Class A Office/R&D	1,057	2,343	Yes
Hotel/Convention Center	2,343	4,437	Yes
Manufacturing *(New)*	Yes	Yes (Medium to High)	Yes
Data Center *(New)*	Yes	Yes (Low to Medium)	Yes
Civic Center *(New)*	Yes	Yes (Medium)	Yes
Park and Recreation	Yes	Yes (Very Low)	Yes

Economic Development Conveyance

The EDC process allows the AF to convey land to an LRA for the purpose of job generation and other associated economic benefits. The current Department of Defense (DOD) rules favor an EDC based on the fair market value of the land. Pursuant to recent Federal legislation, we and all other LRA are awaiting for new DOD EDC rules that may favor reductions in LRA consideration of payments for the land. Costs to the LRA for preparing the property, including relocating the two homeless housing providers, can be considered in determining the terms for an EDC. Fair market value is based on the highest and best use of the land. The AF will begin the land survey and appraisal process pursuant to BRAC guidelines this fall. The appraisal will serve as the

negotiating basis to value a possible EDC. Other factors that can be considered in the conveyance discussions with the AF are job creation, demolition and other infrastructure costs, public service facilities (police and fire) and required utilities (electrical substation). The LRA may also negotiate the timing and terms for the transfer of funds for the land conveyance.

An EDC to the LRA would allow the City to have greater control over the site beyond its police powers and entitlement approval authority. The City could select a favorable developer, land use or company, based on the preferred land use alternative and set the development schedule for the site. As noted in the report for the study session, the LRA may also consider expending initial funds for demolition and site clearance to prepare and ready the site for redevelopment. This would also reduce the City's site maintenance and liability while the property is marketed, especially if there is a significant span of time between conveyance of the site to the LRA, selection of a master developer and the sale of the property. The table in Attachment 4 provides initial guidance to the LRA in assessing the possible risks, costs and benefits of an EDC decision.

Options

Based on the information provided in this report and comments at the August 31 study session, staff has developed the following options for consideration by the LRA.

- **Option 1: Designate and further study a preferred land use consistent with the MPSP**

  The MPSP allows a variety of uses, many of which are consistent with the suggestions of the LRA. This option allows consideration of a range of possible land uses including Class A office, research and development, hotel, data center and ancillary retail uses. If selected, staff could further refine the option with additional site studies, market analysis and traffic assessment. If directed by the LRA, staff would also compare the advantages and disadvantages of pursuing an EDC with this option. Staff would present the completed analysis to the LRA for a formal decision. This process involves the following steps.

  1. Prepare a revised scope of work to further analyze uses consistent with the MPSP. Several specific land use scenarios could be developed: one emphasizing office and research and development uses with a potential site for a data center, and a second combining office uses and a possible hotel with meeting space. The analysis will further explore the economic impacts of traffic and job generation and the feasibility of reserving a site for a PG&E substation.

2. Amend the grant agreement with OEA to revise the scope of work and reallocate the unspent funds, and assess the possible need for additional funds to complete the revised scope of work.
3. Revise the contract with the current consultant, consistent with the revised scope and identify if additional funding will be required.
4. Discuss with the two homeless housing providers the terms of the Legally Binding Agreement based on the VA remaining on the site and a new preferred land use.
5. Revise the Homeless Assistance Submission if needed and resubmit to HUD for confirmation and acceptance.
6. Amend the Redevelopment Plan for LRA adoption as needed to change the preferred land use, which includes determining the feasibility of continuing with an EDC application.
7. If direction is given to proceed with an EDC, submit an application to create an Implementing LRA to accept conveyance of the property and prepare a business plan and EDC application for submission to the AF.

The time required to complete the process for Option 1 is very much contingent on the extent of supplemental studies required, and a decision on whether or not to proceed with an EDC application. Preliminarily, staff would expect to return to the LRA in approximately four months to complete the above items for the preferred land use and an additional four months to prepare the optional EDC application, depending on the progress of discussions with the AF.

- **Option 2: Pursue the Auto Center Concept**

Although the Summary Report indicated that the Auto Center concept is feasible, there is limited interest in auto dealerships locating at the site. OEA also noted that the Auto Center concept is weak in job generation. However, the Auto Center could generate increased sales and property taxes and other fiscal benefits for the City. The main constraints with the Auto Center concept include the feasibility of locating multiple dealers on the limited site, insufficient interest from Sunnyvale dealers to locate on the site, the possible need for financial assistance, the negative impacts on the dealers that remain on El Camino Real, and the challenge of justifying a no-cost EDC. If the LRA wishes to pursue this option, then staff would proceed with Phase 2 of the Auto Center Refinement Study, which includes the following steps.

1. Determine whether the LRA should explore possible financing assistance for interested Sunnyvale auto dealers and determine the level of assistance needed.
2. Explore the possibility of attracting another auto brand not represented in Sunnyvale to the Onizuka site.
3. Explore the feasibility of reconfiguring the parking area for the VA site to create one contiguous EDC site.
4. Discuss with the two homeless housing providers the terms of the Legally Binding Agreement based on the VA remaining on the site.
5. Revise the Homeless Assistance Submission, if needed, and resubmit to HUD for acceptance and confirmation.
6. Adopt an amended Redevelopment Plan, if needed, and submit an application to create an Implementing LRA to accept conveyance of the property, work with the consultant to prepare the business plan and application for an EDC for submission to the AF.

Staff expects that the above items could be completed within six months, depending on the progress of discussions with the AF on the EDC application.

- **Option 3: Direct staff to pursue another preferred land use that could include a possible Public Benefit Conveyance (PBC)**

Based on the questions at the Study Session, staff included this option for the LRA. The PBC process is limited to specific uses and requires a federal agency sponsor. In addition, the risk of reopening the PBC process is that additional NOIs for a portion of the site could be submitted in addition to the current claims by the two homeless housing providers and the VA. The process would also be lengthy and require repeating or revisiting much of the progress that has been achieved to date. If the LRA wishes to pursue this option, staff suggests the following steps.

1. Amend the grant agreement with OEA to revise the scope of work and reallocate the unspent funds, and assess the possible need for additional funds to complete the revised scope of work.
2. Conduct supplemental site development, market, economic and fiscal analyses for alternative land use scenarios as deemed necessary.
3. Discuss with the two homeless housing providers the terms of the Legally Binding Agreement based on VA remaining on the site and a new preferred land use.

4. Revise the Homeless Assistance Submission, if needed, and resubmit to HUD for acceptance and confirmation.
5. Amend the Redevelopment Plan to change the preferred land use for LRA adoption, including determining the feasibility of a PBC application.
6. If direction is given to proceed with a PBC, prepare PBC application and work with the applicable sponsoring federal agency; **OR**

   If direction is given to proceed with an EDC for the remainder parcel, submit an application to create an Implementing LRA to accept conveyance of the property, work with the consultant to prepare the business plan and application for a EDC for submission to the AF; **OR**

   The LRA directs staff not to pursue a PBC or EDC and to allow the site to go to public auction.

The time required to complete the process for Option 3 is contingent on the proposed land use; the extent of supplemental studies needed; and the process required for a possible PBC and EDC. Preliminarily, staff would expect approximately four months to define the preferred land use and an additional six months for the PBC process, depending on the progress of discussions with the AF. Additional time might also be required if an EDC is pursued along with the PBC.

FISCAL IMPACT

Any of the options above may require additional funding sources depending on the additional analysis required and if a decision is made to prepare an EDC application. At the present time, the remaining balance in the OEA grant is $171,618. Staff would evaluate whether this amount is sufficient to complete the revised scope of work. It is possible that OEA might provide additional grant assistance, but further discussions with OEA staff would be necessary to determine this possibility.

PUBLIC CONTACT

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall, at the Sunnyvale Senior Center, Community Center and Department of Public Safety; and by making the agenda and report available at the Sunnyvale Public Library, the Office of the City Clerk and on the City's Web site. Mailed notices were delivered to all property owners and tenant within 300 feet of the subject site. Sunnyvale auto dealers, the members of the LRA's former Citizen's Advisory Committee, the

Moffett Park Business and Transportation Association, Juniper Networks and the two homeless housing providers were also notified about the LRA hearing.

ALTERNATIVES

1. Select Option 1 to designate a preferred land use consistent with the Moffett Park Specific Plan and direct staff to further analyze the development potential and the possible benefits of pursuing an economic development conveyance or allowing the site to go to public auction.

2. Select Option 2 to proceed with Phase 2 of the Auto Center Refinement Study, including preparing a business plan and economic development conveyance application.

3. Select Option 3 to study an alternate preferred land use with a possible public benefit and/or economic development conveyance or allow the site to go to public auction.

RECOMMENDATION

Staff recommends Alternative 1.

Prepared by:

Hanson Hom
Director of Community Development
Prepared by: Shaunn Mendrin, Senior Planner

Approved by:

Gary M. Luebbers
City Manager

Attachments

1. LRA Study Session Report, dated August 31, 2010.
2. LRA Study Session Summary Minutes, dated August 31, 2010.
3. Public Benefit Conveyance Land Use Table
4. Economic Development Conveyance
5. Moffett Park Specific Plan Land Use Table

Attachment 1

REPORT TO ONIZUKA
LOCAL REDEVELOPMENT AUTHORITY

NO: LRA

Onizuka LRA Meeting: August 31, 2010

SUBJECT: Study Session on Onizuka Auto Center Refinement Study and Economic Development Conveyance Process

REPORT IN BRIEF

The purpose of the Onizuka Local Redevelopment Authority (LRA) study session is to provide the results of the consultant team's study for refinement of the auto center concept, which is the preferred land use for the Onizuka Air Force Station (OAFS) site per the LRA adopted Redevelopment Plan (December 2008). The study session will also discuss next steps. The LRA has two basic options: 1) proceed to prepare a business plan and submit an economic development conveyance (EDC) application for a reduced auto center concept; or 2) do not proceed with the auto center concept and amend the Redevelopment Plan to identify a different preferred land use with or without an EDC application. A public hearing is scheduled for September 28 for the LRA to provide formal direction to staff on the preferred option.

Attached is the Onizuka Auto Center Refinement Summary Report as prepared by BBP & Associates, LLC with staff direction. The report also includes appendices consisting of background technical memorandums to support the conclusions reached in the study.

BACKGROUND

Onizuka Redevelopment Plan

The LRA adopted the Onizuka Redevelopment Plan on December 9, 2008, with a preferred land use plan for an auto center concept. Staff was directed to submit this plan to the Department of the Air Force (AF) and the Department of Housing and Urban Development (HUD). Staff also submitted an accompanying Homeless Assistance Submission to HUD in response to the Notices of Interest (NOI) received from two homeless housing providers. The LRA also recommended in the Redevelopment Plan pursuing an EDC for disposition of the property to the LRA. To accomplish this task, staff was authorized to submit a grant request to the Office of Economic Adjustment (OEA) to fund the development of a business plan and related studies to support an EDC application.

Action on the Homeless Assistance Submission by HUD is pending a determination on the auto center concept and further discussions between the LRA and AF on the terms of the EDC. Additionally, approval of the Onizuka Redevelopment Plan by the AF is dependent on HUD approval of the Homeless Assistance Submission. The AF is seeking full closure and transfer of the property by September 2011.

Auto Center Refinement Study

On June 15, 2009, the LRA accepted a grant from OEA for $652,578 to cover staff and consultant costs to prepare an auto center refinement study, business plan and EDC application. A consultant services agreement was executed in February 2010 with BBP & Associates, LLC, to assist staff in completing the scope of work under the grant. Work began in March 2010. The report provided to the LRA for the study session represents Phase 1 of the work, which is to refine the auto center concept and conduct additional site development, market, economic and financial analyses. If the LRA directs staff to proceed with an EDC, staff would work with the consultant to complete Phase 2, which is to prepare the business plan and EDC application.

The Phase 1 work consists of the following items:

- Assess the facility and operational needs for Sunnyvale auto dealers and develop alternative site plans to accommodate three to five auto dealers; the site plans would consider the Department of Veteran Affairs (VA) remaining of the Onizuka AFS site as well as relinquishing its claim on the site;
- Refine and update the regional market analysis on the feasibility of an auto center at the OAFS site;
- Review the environmental and infrastructure analyses completed during preparation of the Redevelopment Plan for the purpose of estimating site development costs;
- Conduct additional historic review as needed (work has been deferred for the time-being with the AF taking the lead on this assessment);
- Refine the financial feasibility analysis based on the assessment of current market conditions, site development costs and financing requirements;
- Determine the financial capability of Sunnyvale auto dealers to participate in the project, including developing preliminary business terms and suggesting a development model;
- Identify alternative sites in Sunnyvale and adjoining cities that could accommodate the VA instead of the OAFS site; and

- Assess the economic impacts on existing auto dealers that remain on El Camino Real and the potential economic development opportunities on vacated auto dealer sites.

The Summary Report covers the above items except historic review as noted above. The technical memorandums that are attached as appendices provide considerably more details on the above analyses.

DISCUSSION

After reviewing the Onizuka Auto Center Refinement Summary Report, the LRA is requested to provide comments on two basic options:

Option A: Continue with Reduced Auto Center Concept

This option continues with the auto center concept as the preferred land use, but consists of pursuing the Scheme 1 site development plan with the VA remaining on the property. After considerable discussions with VA staff, including evaluation of alternative sites, the conclusion is that VA will continue to exercise a fed-to-fed transfer on approximately 57,000 square feet of building space and 2 to 3 acres at OAFS. This significantly impacts the available development area for an auto center because the VA claim bisects the OAFS site. The remaining land area, approximately fifteen acres, can realistically accommodate only two dealers with a limited possibility for a third small dealership. The consultant study shows that the reduced project is still potentially feasible, but the auto center would be diminished from the preferred concept of multiple dealerships as depicted in Schemes 2 and 3.

Originally, the City received signed letters of intent (non-binding) from three Sunnyvale auto dealers. These signed letters were based on the ability to proceed with Scheme 2 for development of the entire site with four dealerships. (Scheme 3 with five dealerships was not considered feasible by Sunnyvale's largest auto dealer due to his need for a larger site.) Once it was determined that VA would not be relocating and Scheme 1 was the only available option, interest weakened among the Sunnyvale dealers for an auto center at OAFS. The dealers expressed concerns about creating two auto shopping areas in the city if one or two dealers move to OAFS, which might reduce sales on El Camino Real. One of the dealers subsequently rescinded its letter of intent. A second dealer indicated that he could only participate if the city provided financial assistance for development costs. Effectively, the City only has one signed letter of intent, but this dealer also has expressed reservations about proceeding forward alone.

If the LRA authorizes proceeding with the reduced auto center concept, the next steps would include the following suggested actions:

1. Determine whether the LRA should explore possible financing assistance for interested Sunnyvale auto dealers and determine the level of assistance needed;
2. Explore the possibility of attracting another auto brand to the OAFS site that is not represented in Sunnyvale;
3. Explore the feasibility of reconfiguring the parking area for the VA site to create one contiguous EDC site;
4. Adopt an amended Redevelopment Plan if needed and work with the consultant to prepare the business plan and application for a no-cost EDC for submission to the AF;
5. Submit an application to create an Implementing LRA to accept conveyance of the property;
6. Discuss with the two homeless housing providers the terms of the Legal Binding Agreement based on VA remaining on the site; and
7. Revise the Homeless Assistance Submission if needed and resubmit to HUD for approval.

Staff expects that the above items could be completed within six months depending on the progress of discussions with the AF on the EDC application.

Option B: Identify a Different Preferred Land Use

If the LRA chooses not to proceed with the reduced auto center concept, the Redevelopment Plan would have to be amended to identify a different preferred land use. Alternatives would assume the VA on the site and could consider land uses previously studied when preparing the Redevelopment Plan, such as Class A office, research and development space or a hotel/meeting facility. The LRA could also suggest that staff evaluate other options such as: a civic center (which was recently excluded by City Council decision); ancillary retail space; or a data center, which has been mentioned by members of the Moffett Park Business and Transportation Association. All of the above uses are potentially allowed under the existing Sunnyvale General Plan and Moffett Park Specific Plan. Because of uncertain economic conditions, some flexibility in the preferred land uses should be considered.

Once an alternative preferred land use is selected, the LRA should consider the costs and benefits of submitting an EDC application for the new preferred land use. If the LRA were successful in obtaining an EDC at no-cost or considerably below fair market value, the City could exercise greater land use control over this key site, provide an economic development opportunity to attract a preferred developer or tenant, or allow for a public/private partnership venture. City costs would pertain to the LRA being the property owner and assuming liability and maintenance responsibility for the site until an agreement is reached with a private entity to lease or purchase the property. Ideally, the

transfer of the property to the LRA could be coordinated with the lease or sale of the property to a private entity.

If time elapses before the property is leased or purchased, however, staff suggests that it might be beneficial to pursue site clearance as an immediate action, but this would likely require an upfront allocation of funds. These funds could possibly be reimbursed with proceeds from the future sale or lease of the property to a private entity. This investment could also serve as an economic development incentive to attract/retain a business to Sunnyvale and reduce site development costs if the potential employment, fiscal and economic benefits to the city are favorable. Staff would also evaluate the consequences of not pursuing an EDC.

If the LRA authorizes proceeding with a different preferred land use, the next steps would include the following suggested actions:

1. Amend the grant agreement with OEA to revise the scope of work and reallocate the unspent funds; assess the possible need for additional funds to complete the revised scope of work;
2. Conduct supplemental site development, market, economic and fiscal analyses for alternative land use scenarios as deemed necessary;
3. Amend the Redevelopment Plan for LRA adoption to change the preferred land use, which includes determining the feasibility of continuing with an EDC application;
4. If direction is given to proceed with an EDC, submit an application to create an Implementing LRA to accept conveyance of the property and prepare a business plan and EDC application for submission to the AF;
5. Discuss with the two homeless housing providers the terms of the Legal Binding Agreement based on VA remaining on the site and a new preferred land use; and
6. Revise the Homeless Assistance Submission if needed and resubmit to HUD for approval.

The time required to complete the process for Option B is very much contingent on the selection of the preferred land use, the extent of supplemental studies required, and a decision on whether to proceed with an EDC application. Preliminarily, staff would expect up to four months to define the preferred land use and an additional four months to prepare the optional EDC application depending on the progress of discussions with the AF.

Prepared by:

Hanson Hom
Director of Community Development

Approved by:

Gary M. Luebbers
City Manager

Attachments

Onizuka Auto Center Refinement Summary Report w/ attached Technical Memorandums

Attachment 2

CITY OF SUNNYVALE
Onizuka Local Redevelopment Authority
Study Session Summary
Onizuka Auto Center Refinement Study and Economic Development Conveyance Process
August 31, 2010 5:30 p.m.

The Local Redevelopment Authority (LRA) met in study session at City Hall in the West Conference Room, Sunnyvale, California on August 31, 2010 at 5:30 p.m., with Authority Member Hamilton and Authority Member Moylan presiding.

Onizuka LRA Authority Members Present:
Authority Chair Ron Swegles
Authority Vice Chair Otto Lee
Authority Member Melinda Hamilton
Authority Member Christopher Moylan
Authority Member Anthony Spitaleri
Authority Member Jim Griffith
Authority Member David Whittum

Onizuka LRA Authority Members Absent:
None

City Staff Present:
Authority Executive Gary Luebbers
Authority Counsel David Kahn
Assistant City Manager Robert Walker
Director of Community Development Hanson Hom
Acting Director of Finance Grace Leung
Assistant City Attorney Robert Boco
Senior Management Analyst-Finance Brice McQueen
Affordable Housing Manager Ernie De Frenchi
Senior Planner Shaunn Mendrin

Visitors/Guests Present:
Brian Dowling, BBP & Associates (Consultant for the City)
Crystal Barriscale, HOK (Consultant for the City)
Amanda Fagan, Department of Defense, Office of Economic Adjustment
Art Schwartz, Sunnyvale Resident
Lois Schwartz, Sunnyvale Resident

Call to Order:
Authority Member Hamilton called the meeting to order at 5:35 p.m.

Study Session Summary:
Hanson Hom, Brian Dowling and Crystal Barriscale presented a power point presentation discussing the findings of the Onizuka Auto Center Refinement Study and Economic Development Conveyance (EDC) Process.

An authority member inquired about locating parking off-site for the auto center concept. Staff clarified that it is allowed since it would be for storage. All required parking for operation of the facility (staff and visitors) would be provided onsite.

An authority member stated that the report implies that redevelopment of El Camino Real and the loss of auto centers is a good thing, which is not the case as they provide a large amount of revenue for the City. The authority member inquired about the number of existing auto sites that have been redeveloped. Staff clarified that none have been redeveloped as of yet and inquiries from developers have been for residential on these sites.

An authority member asked if we changed land use options, would the City need to form a new citizen group. Staff clarified that this would up to the LRA.

An authority member stated that the original BAE report noted that any uses considered at the Onizuka site should be ones that did not result in increases in commute hour traffic since the area between 101 and 237 is currently impacted.

An authority member asked if there was more recent traffic data as the traffic counts were based on 2005 data. The authority member stated that there was concern with the estimated 30% increase due to the state of the current economy. Staff clarified that it was the most recent data that we had and that the actual percent change in traffic counts between El Camino Real and Onizuka would most likely result in the same percent of change regardless of the traffic volume.

An authority member questioned the ability of the auto center to have a large freeway oriented sign as indicated in the presentation. Staff clarified that the current code would not allow it. However, there is an unranked Council Study Issue to evaluate freeway oriented signs.

An authority member inquired about how Innovation Way would interface with West Moffett Park Drive. Staff clarified that a full traffic analysis would need to be done to determine if additional improvement would be required.

An authority member asked about the number of auto dealers that were interested in the proposed project. Staff clarified that the City only received one letter of intent and that one additional dealer is interested but only if assistance can be provided. The amount of assistance has not been determined.

An authority member inquired about the acreage of the current Sunnyvale civic center. Staff clarified that it is approximately 30 acres.

An authority member inquired about the option of locating a new civic center at the subject site. Amanda Fagan clarified that the EDC process has specific requirements. A new city hall use would not meet the criteria and the land would be at fair market value.

An authority member asked about the option of including a library and police and fire station at the site. Amanda Fagan clarified that there may be some element of conveyance available for those components that qualify.

An authority member inquired if the relocation option of the Department of Veterans Affairs (VA) was still on the table. Staff clarified that the discussions have stopped since the VA indicated that the option of relocation would take significant re-budgeting or re-programming efforts and VA staff was hesitant to initiate these efforts. Staff also clarified that numerous alternative sites were identified and only one, in Mountain View, appeared to meet the program needs of the VA.

An authority member inquired about the homeless housing providers that have land options at the site. Staff clarified that the City has legally binding agreements with the two providers and they have been submitted to Department of Housing and Urban Development (HUD) for review. HUD has indicated that review will remain pending until the LRA decides on the appropriate land use for the site.

An authority member inquired about the acreage the homeless providers are requesting. Staff clarified that it is approximately four to six acres. Staff also clarified that the legally binding agreement would need to be revisited once the LRA decides on the next steps for the Onizuka site.

Amanda Fagan clarified that if the LRA chooses not to move forward with the EDC, then the land would be up for public auction at fair market value. Staff clarified that the City would still have land use authority over any future redevelopment of the site.

An authority member clarified that part of Innovation Way is privately owned.

An authority member clarified that the project's environmental costs are in a range that may still be low. Staff clarified that the costs only deal with lead based paint and asbestos for the site without the VA building.

An authority member asked if the LRA could get information regarding what "public uses" qualify for an EDC. Staff stated that it can be provided.

An authority member inquired about the funding source for the work that has been done to date. Staff clarified that it has been primarily funded through OEA grants. If the LRA chooses an alternate land use, then the City would need to work with OEA to reallocate funding for a revised scope of work.

An authority member stated that the redevelopment of downtown, once completed, should improve the traffic counts on El Camino Real.

An authority member inquired about the vacancy rate on El Camino Real and if the redevelopment could support it. Staff clarified that the market analysis indicated that additional retail space could be supported on El Camino Real but that the redevelopment of El Camino Real is difficult to anticipate.

An authority member inquired about other options available at the site such as recreation fields and a data center. These may be better options as they will not affect commute traffic.

An authority member inquired about the existing PG&E easement and line that runs through the site and whom it will go to once the property is conveyed or sold. Staff clarified that it could go with PG&E or the new property owner.

An authority member clarified that there are manufacturing uses that are in need of a location that can provide an ample power source and that the site has the potential to provide such a source.

An authority member inquired if the creation of a PG&E substation would meet the EDC criteria. Staff clarified that additional information could be provided.

An authority member inquired about the worst case scenario for auto centers. Staff clarified that it varies by brand and further, by the individual dealerships business models.

An authority member asked what qualifies for a zero cost EDC. Staff clarified that there are guidelines being developed, but they have not been finalized. Staff also noted that there are differences of interpretation regarding how a zero cost EDC is determined.

Amanda Fagan noted that the Department of Defense recently provided flexibility in the regulations for the EDC process. Ms. Fagan also stated that the grounds for the zero cost conveyance in the study are shaky.

Staff clarified that there are questions as to whether the relocation costs associated with the homeless provider claims can be considered in an EDC.

Art Schwartz stated that the auto center concept is a bad idea that splits the existing auto row on El Camino Real and eliminates the current "destination" aspect of El Camino Real. The current configuration on El Camino provides visibility and encourages people to stop and shop.

Adjournment:
Authority Member Hamilton adjourned the meeting at 6:57 p.m.

Respectfully submitted,
Shaunn Mendrin, Senior Planner

Attachment 3

MATRIX OF PUBLIC BENEFIT CONVEYANCE AUTHORITIES

CURRENT THROUGH JANUARY 1, 2010

PUBLIC BENEFIT PROGRAM	AUTHORITY	ELIGIBLE PUBLIC AGENCY	SPONSORING AGENT	DISCOUNT	USE RESTRICTION	TIME RESTRICTION
NEGOTIATED SALE	40 USC 545(b)(8)	Public body or tax-supported institutions	None; GSA facilitates negotiation	0	No excess profits allowed	None
EDUCATION	40 USC 550(c)	Public body or tax-supported institutions	EDUCATION	UP TO 100	Based upon approved plan for educational use	30 years
PUBLIC HEALTH	40 USC 550(d)	Public body or tax-supported institutions	HHS	UP TO 100	Based upon approved plan for public health use	30 years
PARK AND RECREATION	40 USC 550(e)	Public body	DOI NPS	UP TO 100	Park or recreation area use	Perpetuity
SELF HELP HOUSING	40 USC 550(f)(3)	State and local agencies and nonprofit organizations	HUD	UP TO 100	Self-help housing only	
HISTORIC MONUMENT	40 USC 550(h)	Public body	GSA	100	None, but all profits from use are to be used for preservation	None
CORRECTIONAL	40 USC 553	Public body	DOJ AG	100	Correctional use	Perpetuity
LAW ENFORCEMENT	40 USC 553	Public body	DOJ AG	100	Law enforcement use	Perpetuity
EMERGENCY MANAGEMENT RESPONSE, INCLUDING FIRE	40 USC 553	Public body	FEMA	100	Emergency management response, including fire use	Perpetuity
PORT FACILITY	40 USC 554	Public body	DOT MARAD	100	Development and operation of port	Perpetuity
HOMELESS	42 U.S.C. 11411	State and local agencies and nonprofit organizations providing services to the homeless	HHS	100	Homeless-related only	30 years
WILDLIFE CONSERVATION	16 U.S.C. 667b-d	State agency administering wildlife resources	DOI FWS	100	Wildlife conservation use	Perpetuity
PUBLIC AIRPORT	49 U.S.C. 47151	Public body	DOT FAA	UP TO 100	Development, improvement, operation or maintenance of public airport	Perpetuity
HIGHWAY	23 U.S.C. 107 & 317	State wherein property is situated	DOT FHWA	100	Highway use related to interstate highway network	Perpetuity
WIDENING OF PUBLIC ROADS	40 USC 1304(b)	Public body	HEAD OF THE DISPOSAL AGENCY	0-100	Highway use related to interstate highway network	Perpetuity
POWER TRANSMISSION LINES	50 U.S.C. App.1622(d)	Public body	GSA	0	Public of cooperative power project use	None

Attachment 4

Attachment 4 **Summary of Risks, Costs and Benefits of EDC versus No EDC**		
	EDC	**No EDC**
City/LRA Land Acquisition Costs	**Fair Market Value (FMV):** *The Air Force would value the land at FMV with adjustments related to required improvements, demolition and employment and economic development benefits associated with redevelopment of the site.*	**None:** *The land would be available for public auction at fair market value and the successful buyer/developer would incur costs for entitlements and development. The LRA would choose to not compensate the homeless housing providers to relocate.*
Compensation for Homeless Housing Providers	**Yes:** *With Housing Mitigation Funds, the City may choose to compensate the homeless housing providers to relocate to another site in accordance with the Legally Binding Agreement.*	**None:** *If the homeless housing providers execute a public benefits conveyance with the Air Force, they would need to find funding sources to develop the required homeless units. If funding is unavailable and the providers cannot proceed with the approved project, the land could revert back to the LRA to manage the selection of another homeless housing provider.*

Attachment 4 **Summary of Risks, Costs and Benefits of EDC versus No EDC**		
	EDC	**No EDC**
City/LRA Liability	**Yes:** *The City would assume ownership of the property and would be responsible for maintenance, security and other public costs for an interim period (unless the property is simultaneously sold to a private entity with conclusion of the EDC.).*	**Limited:** *The new landowner would be responsible for maintenance. Enforcement problems could result from a negligent owner that might purchase the property and not properly secure and maintain the site and buildings.*
City/LRA Control of Future Property Owner, Redevelopment, and Redevelopment Schedule	**Maximum:** *The LRA/City could exercise greater control over the redevelopment of the site for the adopted preferred land use. The city could select the master developer, specify the optimum land uses, establish a redevelopment schedule and further control the conditions for development of the site.*	**Limited:** *LRA may have limited ability to influence the selection of the new landowner or tenants for the site. The LRA could only control redevelopment through its police powers and entitlement and environmental review process. Land use, site design and architecture would be reviewed for conformance to the Moffett Park Specific Plan and zoning standards.*

Attachment 4 **Summary of Risks, Costs and Benefits of EDC versus No EDC**		
	EDC	**No EDC**
Economic Development Incentives Opportunity	**Maximum:** *The LRA/City could enter into a joint public/private partnership for redevelopment of the site. The land could be sold at a reduced value or other incentives could be offered through the sale of the property to attract a desired reuse or to attract a particular industry or tenant to the city.*	**Limited:** *The City/LRA would have limited ability to select the desired developer or development project. Incentives could be offered to the new property owner after the public auction of the property, including possible assistance to relocate the homeless housing providers (although not an obligation.)*

Attachment 5

19.29.050. Permitted, conditionally permitted and prohibited uses.

(a) Table 19.29.050 sets forth those uses which are permitted, conditionally permitted, or prohibited in each of the Moffett Park Specific Plan subdistricts.

(b) It is a violation of this chapter to:

(1) Engage in a prohibited use;

(2) Engage in a use requiring a permit without first obtaining that permit;

(3) Engage in a use that is conditional without complying with the imposed conditions.

(c) Permitted uses. Permitted uses are allowed subject to compliance with all applicable provisions of the specific plan and the Sunnyvale Municipal Code. All permitted uses that require no new construction or additions or changes to the exterior of the building may be conducted within existing enclosed buildings. Major changes to the exterior of a building for either approved or permitted uses, new construction, site improvements, or additions to an existing building shall require a Moffett Park Design Review Permit (MP-DRP) or Moffett Park Special Development Permit (MP-SDP). Minor changes to the exterior of a building for either approved or permitted uses may be approved by the director of community development through a Miscellaneous Plan Permit (MPP) as set forth in Chapter 19.82.

(d) Uses are to be conducted entirely within an enclosed building unless otherwise identified in the table. Where unenclosed uses are allowed through the approval of a planning permit, such a use (excepting, e.g., outdoor seating, plazas, etc.) is prohibited from locating in a required front yard and is to be screened from view from adjacent streets and adjacent property with suitable landscaping, walls or fencing as determined by the approving authority. (Ord. 2906-09 § 5; Ord. 2750-04 § 6 (part)).

Table 19.29.050

Permitted, Conditionally Permitted and Prohibited Uses

in MPSP Subdistricts

In the table, the letters and symbols are defined as follows:

P = Permitted use. A Moffett Park Design Review Permit is required pursuant to Section 19.29.050(c). Development exceeding the standard FAR limit must be reviewed through a major permit.

SDP = Special development permit. A Moffett Park Special Development Permit is required.

MPP = Miscellaneous Plan Permit. A Miscellaneous Plan Permit is required.

N = Not permitted. Prohibited.

Use			Specific Plan Subdistrict		
			MP-TOD	MP-I	MP-C
1.		**Office, Research and Development**			
	A.	Corporate, professional, research and development, and administrative offices (maximum of 10% FAR as exclusive manufacturing, processing or assembly)	P	P	N
	B.	Financial institutions (without drive-through facilities)	P	P	P
	C.	Medical offices and clinics	SDP	SDP	SDP
	D.	Research and development primarily of propellants or explosives and related manufacturing or processing	SDP	SDP	N
2.		**Manufacturing and Warehousing**			
	A	Electronic data storage and data server farms	N	P	N
	B.	Manufacture, processing, repair, compounding, packaging, assembly or treatment plants or facilities for equipment, materials or products, including production bakeries and food processing activities. (Non-hazardous materials)	SDP	P	N
	C.	Printers, copiers, and engravers using chemical processes	SDP	SDP	N
	D.	Wholesale or commercial storage or warehousing of merchandise or products within a building.	N	P	N
3.		**Commercial**			
	A.	Custom fabricators	SDP	P	N
	B.	Drive-through businesses, except restaurants	SDP	SDP	SDP
	C.	Laundry and dry cleaning drop off and pick up with off-site processing; dry cleaning service with on-site self contained system; self-operated coin-op laundries	MPP	MPP	MPP
	D.	Laundry or dry cleaning, bulk service or processing as an off-site facility	N	SDP	N
	E.	Personal service businesses (i.e., hair salon, barber, cosmetology)	MPP	MPP	MPP
	F.	Repair shops for household appliances and wearing apparel	P	P	P
	G.	Retail sales businesses and or centers (individual tenant sizes under 10,000 sq. ft.)	MPP	MPP	MPP
	H.	Retail sales businesses over 10,000 sq. ft. (“destination retail”)	N	SDP	N
	I.	Service commercial uses to support businesses, e.g., copiers or printers.	P	P	P
	J.	Self storage “mini warehousing”	N	N	N
4.		**Eating/Drinking Establishments**			

	A.	Nightclubs and cocktail lounges, where alcoholic beverages are sold and consumed	SDP	SDP	SDP
	B.	Outdoor seating areas	MPP	MPP	MPP
	C.	Restaurants with drive-through service	N	SDP	SDP
	D.	Restaurants and fast food restaurants not serving alcoholic beverages, or on sale beer and wine alcohol beverage service, no drive-through	MPP	MPP	MPP
	E.	Restaurants and fast food restaurants that serve on sale general alcoholic beverages	SDP	SDP	SDP
	F.	Take-out restaurants, no drive-through	MPP	MPP	MPP
5.		**Automotive**			
	A.	Car wash facilities	N	SDP	SDP
	B.	Gasoline stations with or without automobile service and repair	SDP	SDP	SDP
	C.	Parking structures and surface lots as independent or stand alone use on a property	SDP	SDP	N
	D.	Automobile repair and service	N	N	N
6.		**Public Facilities**			
	A.	Public transportation facilities: storage for public transportation facilities when not in use or pending dispatch	SDP	SDP	SDP
	B.	Public transportation facilities: stop or station along a public transit line	MPP	MPP	MPP
	C.	Public utility buildings and service facilities	SDP	SDP	SDP

Use			Specific Plan Subdistrict		
			MP-TOD	MP-I	MP-C
	D.	Public parks	P	P	P
	E	City facilities (i.e., fire station, police station, etc.)	P	P	P
7.		**Boarding/Lodging**			
	A.	Hotels or motels	SDP	SDP	MPP
	B.	Residential (single family or multiple family)	N	N	N
	C.	Security personnel or caretakers sleeping quarters in conjunction with a primary office or manufacturing type use	MPP	MPP	N
8.		**Other**			
	A.	Accessory structures, including emergency generators (non-hazardous materials)	P	P	P
	B.	Adult business (subject to provisions of SMC Chapter 9.40)	P	P	P
	C.	Childcare centers, small business sponsored (maximum 14 children)	MPP	MPP	N
	D.	Childcare centers, large business sponsored (maximum 30 children)	SDP	SDP	N
	E.	Educational uses of higher learning, with or without dormitories	SDP	SDP	N
	F.	Emergency shelter containers (ARKs) meeting criteria described in Section 19.22.05 of the Zoning Ordinance	P	P	P
	G.	Emergency shelter containers other than ARKs	SDP	SDP	N
	H.	Hazardous materials storage as defined in Titles 20 and 2 1 of the Municipal Code	P	P	N
	I.	Hazardous materials storage facilities which meet the criteria of Section 19.22.060 of the Zoning Code	MPP	MPP	N
	J.	Hazardous materials storage facilities which do not meet the criteria of Section 19.22.060 of the Zoning Code	SDP	SDP	N
	K.	Hazardous wastes management facilities which meet the criteria of Section 19.22.070 of the Zoning Code	SDP	SDP	N
	L.	Incidental and accessory outdoor storage, mechanical equipment which meet criteria in Chapter 19.82 of the Zoning Code (less than 5% net coverage and screened)	MPP	MPP	MPP
	M.	Incidental and accessory outdoor storage, mechanical equipment which meet criteria in Chapter 19.82 of the Zoning Code (greater than 5% net coverage and screened)	SDP	SDP	SDP
	N.	Places of assembly, business serving	SDP	SDP	SDP
	O.	Places of assembly, community serving	N	N	N
		Recreational enterprise or business (indoor/			

	P.	outdoor)	SDP	SDP	SDP
	Q.	Recreational, ancillary to on-site general industrial and office uses	MPP	MPP	MPP
	R.	Recycling centers	SDP	SDP	N
	S.	Storage of vehicles incidental to the allowed use (e.g., fleet management)	MPP	MPP	MPP
	T.	Telecommunications facilities	Per Chapter 19.54 of the Zoning Code MS zoning	Per Chapter 19.54 of the Zoning Code MS zoning	Per Chapter 19.54 of the Zoning Code MS zoning

(Ord. 2750-04 § 6 (part).