



Council Meeting: January 25, 2011

SUBJECT: Raynor Activity Center - Public Notice Update and Long Term Lease Option

REPORT IN BRIEF

On June 29, 2010 the Sunnyvale City Council acted to declare that the Raynor Activity Center was no longer needed for public purposes and available for long term lease. Council then directed staff to initiate a public notification process, as is required by state law, in which other non-profit agencies, including low and moderate income housing, parks, recreation, open space and school districts would be notified of the City's intent to enter into a long term lease of the Raynor Activity Center.

This notification was issued to 24 agencies on July 15, 2010 with a 60 day notification period ending September 15, 2010. Only one inquiry was received. A representative from the Fremont Union High School District contacted City staff on the afternoon of September 15th, expressing an interest in obtaining more information about the Raynor Activity Center and the City's plans. After providing this information and upon further discussion with the District, it was determined that the District would not be submitting a proposal to the City.

Since there is no public agency interest, staff is returning to City Council to seek approval to proceed with the issuance of a Request for Proposals (RFP), which is the remaining option for the Raynor Activity Center based on previous Council direction. Staff recommends issuance of an RFP to determine whether a community group is willing and financially able to provide both long term capital improvements and ongoing maintenance at the Raynor Activity Center. This process is expected to take several months.

If Council directs staff to issue an RFP for the Raynor Activity Center, clarification is needed on what constitutes a use that would "serve Sunnyvale residents as its primary objective" as was stated in the Council Motion in August 2008 (RTC 08-238) To date, over a dozen individuals and groups have expressed an interest in participating in the RFP process, with many of these requests coming from private schools. Other requests have come from real estate developers as well as some of the existing tenants at the Raynor Activity Center.

Staff is seeking direction from City Council on the types of community uses that it considers a priority for Raynor Activity Center. Once the community uses are defined and prioritized by Council, staff will include these criteria into the Master Lease RFP for the Raynor Activity Center. Due to the complex and sensitive nature of this RFP, staff will return to Council for final approval of the RFP prior to publication.

BACKGROUND

The following bullet points provide some historical and operational context to the City facility known as the Raynor Activity Center:

- June 1979 City purchases the Raynor Elementary School from the Santa Clara Unified School District for \$1.8 million
- Raynor Activity Center consists of eight buildings, totaling 33,728 square feet plus four acres of landscaping.
- June 3, 1980 – City approves a use plan (RTC 80-354) that emphasizes the Patent Library Program, daycare, and art studios at the Raynor Activity Center
- Child Development Centers (CDC) occupied a portion of the site as a childcare provider from 1980 to 2003
- My Dream Academy has occupied a portion of the site since 2004
- Other current tenants include artists, the Philatelic Stamp Club, Sunnyvale Gymnastics Club and the City's Facilities Services Division (for storage of surplus furniture)

Management of the Raynor Activity Center has been the primary responsibility of the Facilities Services Division, working with the Public Works Department to lease any available space.

The Community Services Department presented a Report to Council (RTC 08-238) in August 2008 that recommended sale of the property with the proceeds directed towards developing new open space in the City. After receiving feedback from the neighborhood and other community groups, City Council directed staff not to sell the property, but to look into lease options at the Raynor Activity Center with a focus on cost-effectiveness, serving the community, and using the site as a possible branch library. Here is the full text of the motion:

Restated MOTION: Councilmember Howe moved and Councilmember Swegles seconded to approve Alternative 4, Option 3: Council approves to lease the Raynor Activity Center site for long-term use by one or more lessees and stipulates that the lessee(s) invest in the site to upgrade the building structures to meet applicable building codes

with

- *Council directs staff to return to Council with options.*
- *The goal is to be revenue neutral or positive, and should include renovations and maintenance. (goal #1)*
- *The goal of intended use(s) is to serve Sunnyvale residents as primary objective. (goal #2)*
- *Use of site to support goal #1 and goal #2*
- *Explore branch library possibility to include all specialty books already existing on the site.*

and

- *Council directs staff to return to Council if they find it's not possible to make the site revenue neutral or cash positive. Council would then decide to subsidize the center or do something else with the site.*

The Raynor Activity Center currently generates a positive cash flow of \$80,000 annually, collecting \$140,000 in lease revenues which are offset by \$60,000 in maintenance expenses. In addition, the Facilities Division saves approximately \$65,000 each year by storing surplus furniture at the Raynor Activity Center versus a commercial storage facility.

Initial priority was given to the Library Branch option and the Library Director and her staff presented a Report to Council on December 9, 2008 (RTC 08-349). Council decided not to pursue the construction of a branch Library at that time.

In early 2009, staff determined it would be prudent to await the results of the City's Parks of the Future Study before determining a long term use for the Raynor Activity Center. At its July 14, 2009 meeting, Council considered the findings of the completed Parks of the Future Study (RTC 09-183). The future use of the Raynor Activity Center was not specifically addressed in the Study.

EXISTING POLICY

Land Use and Transportation Subelement, Goal N1: Preserve and enhance the quality character of Sunnyvale's industrial, commercial, and residential neighborhoods by promoting land use patterns and related transportation opportunities that are supportive of the neighborhood concept.

DISCUSSION

Community Use Defined

Further clarification is needed regarding that portion of Motion RTC 08-238 which states any future use at the Raynor Activity Center should "serve

Sunnyvale residents as a primary goal". In order to assist Council in this process, the following information may be helpful.

In 1980, the Parks and Recreation Commission developed the following criteria for use in selecting a long term tenant at the Raynor Activity Center:

- a) "The proposed use must provide a service which directly contributes to recreation, education, or the health, safety and general welfare of participants
- b) The user would pay all operating costs such as routine maintenance and utility costs and shall pay all costs of modifying the buildings and grounds necessary to accommodate the intended use.
- c) Any approved use would be governed by a License Agreement, prepared by the City Attorney, reviewed by the Park and Recreation Commission, and approved by the City Council
- d) The City reserves the right to review all long term uses on an annual basis and not renew such uses with 90 days notice if there is a higher priority use in accordance with this policy presented for the use of the facilities
- e) Profit making groups will be given consideration for use of school buildings after all other uses listed above are considered, provided they are compatible with other uses, the user complies with "a", "c" and "d" above, and that the profit-making group pay fair market rental for the use of facilities"

A more recent example of criteria for determining community use comes from the City of San Jose, which issued a Facility Reuse RFP in September 2010. Language contained in the RFP states that first priority will be given to service providers that:

"support the vision, mission, and core services of Parks, Recreation, and Neighborhood Services or are complimentary or in addition to service provided by City staff." Other priority would be given to service providers that support children and youth programs, health and human services, arts and cultural activities.

Staff developed the following list of community groups, in no particular order, for Council to consider as potential users of Raynor Activity Center:

- Local School Districts
- Regional Health and Safety Service Agencies
- Other Social Service Agencies
- Recreation Service Providers
- Other Non Profit Groups
- Day Care Providers
- Private Schools

Lease Options

In reviewing City Council direction given at its August 2008 meeting, only one option would provide for the required renovations to the Raynor Activity Center given that City funds are not available for this renovation; the issuance of a Request for Proposals (RFP). The goal of this RFP process would be to solicit proposals from one or more master tenant(s), who would construct all needed capital improvements, provide operational maintenance of the facility and supply all furniture, fixtures and equipment required for the provision of services throughout the lease period. As part of this process, any of the existing tenants at Raynor Activity Center as well as outside community organizations could submit a proposal.

Public Works engineering staff has developed an estimated cost to replace or renovate Raynor Activity Center. These costs are estimated to be between \$8.4-9.9 million (\$249-293 per square foot). This engineer's estimate will be included as part of the RFP document.

If an RFP process is approved, staff is asking Council to approve the list of community uses on the previous page for inclusion into the RFP. Staff is also asking Council if any of these uses should be given priority. Staff will then include this information into the Master Lease RFP for Raynor Activity Center. Due to the complex and sensitive nature of this RFP, staff would return to Council for approval of the RFP prior to publication.

FISCAL IMPACT

No fiscal impact

PUBLIC CONTACT

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall, in the Council Chambers lobby, 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.

ALTERNATIVES

1. Direct staff to proceed with a Request for Proposals – Master Lease of Raynor Activity Center, incorporating further direction from Council on what constitutes a community use and return to Council at a future date for final approval.
2. Do not approve a Request for Proposals option.

RECOMMENDATION

Staff recommends approval of Alternative No. 1: Direct staff to proceed with a Request for Proposals – Master Lease of Raynor Activity Center, incorporating further direction from Council on what constitutes a community use and return to Council at a future date for final approval.

Approving the issuance of a Request for Proposals will allow staff to solicit input from the Community and to evaluate which proposal has the greatest benefit to the City.

Reviewed by:

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Prepared by: Michael Chan, City Property Administrator

Approved by:

Robert Walker
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Approved by:

Gary M. Luebbers
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