

**Council Meeting: December 13, 2011****SUBJECT: Approval of Budget Modification No. 18 to Recognize and Appropriate Funding for the Final Planning Phase of the Onizuka/BRAC Project****BACKGROUND**

When the Department of Defense recognized the City of Sunnyvale as the Local Reuse Authority (LRA) on April 6, 2006, it became eligible for planning grants offered through the Office of Economic Adjustment (OEA) to complete the Base Realignment and Closure (BRAC) planning process. A series of grants totaling approximately \$1.8 million were awarded to the LRA from July 1, 2006 to October 31, 2011, to support a number of activities, including: 1) providing staff and legal support for the planning effort; 2) preparing technical, financial and market feasibility studies; 3) preparing land use options, conceptual site plans and development cost analyses; 4) conducting a Notice of Interest process for priority uses such as homeless housing; 5) preparing an application for an economic development conveyance; 6) supporting coordination with federal agencies such as the Air Force and Department of Veteran Affairs; and 7) producing defined deliverables such as a Redevelopment Plan and associated documents.

The LRA BRAC planning process has been complex and over the past five years has involved exploring various land use options, analyzing an auto center as a preferred use through an economic development conveyance, analyzing options for public benefit conveyances, and ultimately identifying an education center as a primary preferred use. The BRAC planning process is nearly complete with LRA adoption of the amended Redevelopment Plan, amended Housing Assistance Submission, amended Legally Binding Agreement, and District Agreement scheduled on December 13, 2011.

A final grant request of \$30,225 has been submitted to the OEA to cover the remaining staff and legal support that will be needed to complete the BRAC planning process. Specifically, this supplemental grant will cover higher than expected legal expenses incurred from September 1 through December 15, 2011 and a part-time staff person from November 1, 2011 to January 31, 2012 to provide continuing staff support, which includes completing required federal grant reporting requirements. OEA is expected to approve this grant request but has emphasized that this will be the final grant. Additionally, they have

indicated that certain items are ineligible for OEA assistance. A budget modification is requested to cover these ineligible costs, which consist of continuing legal support as needed following adoption of the Redevelopment Plan and expenses associated with environmental review for the Redevelopment Plan in compliance with the California Environmental Quality Act (CEQA).

DISCUSSION

The recommended budget modification consists of the following items:

Legal Expenses

The law firm of Kutak Rock has provided legal support for the Onizuka BRAC planning process on an as needed basis since August 2006. OEA grants have cumulatively provided approximately \$172,500 to fund legal expenses throughout the BRAC process. The final grant mentioned above provides another \$20,000 to cover the period through December 15, 2011 (up to approval of Redevelopment Plan).

Following adoption of the Redevelopment Plan, incidental legal support will still be needed to assist with follow-up actions. In particular, further discussions are expected with the two homeless housing providers and the Department of Housing and Urban Development (HUD) on implementing the Legally Binding Agreement, relinquishing and transferring the homeless housing claims, conveying the Onizuka homeless housing site to the city, and gaining HUD acceptance of an alternative project on the Armory site. Since this legal assistance pertains to the production affordable housing, staff recommends allocating \$25,000 in Housing Mitigation Funds to cover eligible legal expenses, some of which have already been incurred, for the remainder of FY 2011/12.

Environmental Review

OEA has indicated that all costs associated with completing CEQA review for the amended Redevelopment Plan are not eligible expenses for reimbursement through an OEA grant. Staff determined that while the Redevelopment Plan could be processed with a Mitigated Negative Declaration (MND), the LRA could not rely solely on the Environmental Assessment prepared by the Air Force. Further environmental analysis and two supplemental technical studies were necessary to comply with CEQA requirements. These consisted of a plan-level traffic study with specific analysis of the preferred educational use and an air quality/greenhouse gas analysis. Foothill-DeAnza Community College District staff has agreed to fund half of these costs as they agree that both studies will assist them in preparing the more comprehensive project-level environmental document for their proposed education center.

The consultant work for the two technical studies was pre-authorized by the City Manager to ensure timely completion of the environmental document for the Redevelopment Plan. Staff had indicated to the OEA when it received its last grant in July 2011 that the Redevelopment Plan would be adopted by October 2011. The adoption date had to be extended when it was determined that further environmental analysis was necessary. Because the Air Force Station is now fully closed, both the Air Force and OEA have stressed the importance of concluding the BRAC planning process without further delays. They understand however that compliance with CEQA is essential, and staff has assured both agencies that the LRA would expedite completing its environmental review process. As part of our final OEA grant request, OEA asked that staff explicitly state that the LRA intends to adopt the Redevelopment Plan by the end of this year. In order to comply with this schedule and the noticing requirements for the MND, work on the two technical studies was time sensitive and had to proceed immediately.

A proposal was requested from Fehr and Peers for the traffic study since this firm is most familiar with the traffic conditions at Moffett Park from past studies they have prepared. The cost of the traffic study is \$19,000 and is an eligible use of Transportation Mitigation Fees. Staff recommends allocating \$9,500 from this fund to cover half of the cost of this study.

Proposals were requested from several air quality consultants and one proposal was submitted. The cost of the air quality analysis is \$10,000. Staff recommends allocating \$7,100 from the General Fund's Budget Stabilization Fund to fund half of the cost of the air quality analysis (\$5,000) and to fund the CEQA filing fees for the MND (\$2,100).

FISCAL IMPACT

Funding from these studies and reviews comes from four sources: the Housing Mitigation Fund reserve, the Traffic Mitigation Fund reserve, the General Fund Budget Stabilization Fund, and the Foothill De-Anza Community College District. Drawing from the various fund reserves has no impact on existing appropriations or on planned expenditures over the 20-year long-term plan. With respect to drawing on the Budget Stabilization Fund, the General Fund finished FY2010/11 better than expected, and therefore a minimal draw for this purpose does not have a material impact.

Budget Modification No. 18 has been prepared to receive and appropriate revenues from the Foothill-De Anza Community College District and to appropriate funds from the Housing Mitigation, Traffic Mitigation, and General Fund reserves as follows:

**Budget Modification No. 18
 FY 2011/2012**

	<u>Current</u>	<u>Increase/ (Decrease)</u>	<u>Revised</u>
General Fund			
<u>Revenues:</u>			
Intergovernmental Revenues – Foothill-De Anza Community College District	\$0	\$14,500	\$14,500
Transfer In – Housing Mitigation Fund	\$0	\$25,000	\$25,000
Transfer In – Traffic Mitigation Fund	\$0	\$9,500	\$9,500
<u>Expenditures:</u>			
New Project – Onizuka/BRAC – Final Planning Phase	\$0	\$56,100	\$51,100
<u>Reserves:</u>			
Budget Stabilization Fund	\$44,102,837	(\$7,100)	\$44,095,737
Housing Mitigation Fund			
<u>Expenditures:</u>			
Transfers Out to Onizuka/BRAC – Final Planning Phase Project	\$0	\$25,000	\$25,000
<u>Reserves:</u>			
Housing Mitigation Reserve	\$3,884,962	(\$25,000)	\$3,859,962
Traffic Mitigation Fund			
<u>Expenditures:</u>			
Transfers Out to Onizuka/BRAC – Final Planning Phase Project	\$0	\$9,500	\$9,500
<u>Reserves:</u>			
Project Matching Funds	\$190,699	(\$9,500)	\$181,199

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, in the Office of the City Clerk, at the Library, Senior Center, Community Center and Department of Public Safety; posting the agenda and report on the City's Web site; and making the report available at the Library and the Office of the City Clerk.

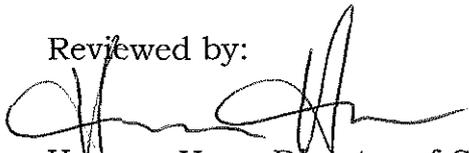
ALTERNATIVES

1. Approve Budget Modification No. 18 to recognize and appropriate \$14,500 in revenue from the Foothill-De Anza Community College District and to appropriate \$41,600 in City funds to fund staff and legal support and CEQA technical studies and filing fees for the Onizuka BRAC planning process.
2. Approve Budget Modification No. 18 with a modified amount.
3. Do not approve Budget Modification No. 18.

RECOMMENDATION

Staff recommends Alternative 1: Approve Budget Modification No. 18 to recognize and appropriate \$14,500 in revenue from the Foothill-De Anza Community College District and to appropriate \$41,600 in City funds to fund staff and legal support and CEQA technical studies and filing fees for the Onizuka BRAC planning process.

Reviewed by:



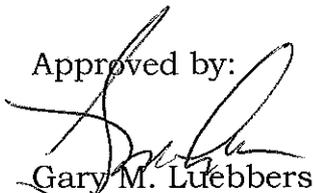
Hanson Hom, Director of Community Development

Reviewed by:



Grace K. Leung
Director of Finance

Approved by:



Gary M. Luebbers
City Manager