



Onizuka LRA Meeting: December 2, 2008

SUBJECT: Recommended Reuse of Onizuka Air Force Station: Onizuka Redevelopment Plan, Homeless Assistance Submission, and Approval to Apply for Department of Defense Funding

REPORT IN BRIEF

The Department of Defense slated Onizuka Air Force Station (AFS) for closure as part of its 2005 Base Realignment and Closure (BRAC) process and subsequently recognized the Sunnyvale City Council as the Onizuka AFS Local Redevelopment Authority (LRA). The LRA is responsible for submitting a redevelopment plan and a Homeless Assistance Submission to the Department of the Air Force (AF) and the Department of Housing and Urban Development (HUD). The submission is due on December 15, 2008; Onizuka AFS is scheduled for closure in 2011.

This report presents the Redevelopment Plan and Homeless Assistance Submission:

1. The Redevelopment Plan This Plan (Attachment A) identifies the auto center as the staff-recommended preferred land use for the conversion of Onizuka AFS, and compares this option with the other conceptual reuse options that were considered for the site: a hotel/conference center with offices, and corporate headquarters (Class A) office development. As required by federal statute, the Plan also includes the staff proposed recommendation on how the Department of the Air Force (AF) should dispose of the property upon AFS closure in 2011. Staff's recommended conveyance is that the Air Force conveys the facility to the LRA using an Economic Development Conveyance to provide for local control over future development.
2. The Homeless Assistance Submission (HAS) The HAS (Attachment B) identifies Sunnyvale's homeless needs and describes how Sunnyvale plans to balance these needs with other community and economic development needs. Sunnyvale's proposed accommodation is set forth in a legally binding agreement (LBA) between the LRA and the two community-based, homeless services agencies that have submitted Notices of Interest (NOIs) for no-cost homeless conveyances to construct homeless housing at Onizuka.

LRA adoption of these documents is the last official step in the LRA's planning obligation to the Department of the Air Force (AF) for Onizuka's transition to civilian reuse. Further analysis of fiscal, economic and land use feasibility will

be required for the LRA to make a final decision on whether an LRA implementation role is appropriate. The LRA is eligible to apply for additional federal funding to prepare a business plan to determine the feasibility of an Economic Development Conveyance for an auto center at Onizuka.

Staff recommends that the LRA:

I. Direct staff to return to Council on December 9 for adoption and authorization to submit to the Department of the Air Force (AF) and the Department of Housing and Urban Development (HUD), an Onizuka AFS redevelopment plan including:

A. A Preferred Land Use:

1. Auto center (Attachment A)

B. A Conveyance Recommendation:

1. Economic Development Conveyance of the Onizuka property to the LRA by the AF (Attachment A). Direct staff to prepare a grant request to OEA for funding to develop a business plan and related activities as required to prepare for an Economic Development Conveyance of Onizuka AFS to the LRA.

II. Direct staff to return to Council on December 9 for adoption and authorization to submit to AF and HUD, a Homeless Assistance Submission (Attachment B) with the legally binding agreement to accommodate the homeless.

BACKGROUND

The Department of Defense slated Onizuka AFS for closure as part of its 2005 Base Realignment and Closure (BRAC) process. In April 2006 the DOD recognized the Sunnyvale City Council as the Onizuka AFS Local Redevelopment Authority. The planning LRA is responsible for developing the redevelopment plan for Onizuka AFS in compliance with the *Base Closure Community Redevelopment and Homeless Assistance Act of 1994* (the Redevelopment Act). Among other responsibilities, the Redevelopment Act charges the LRA with balancing the needs of the community for economic redevelopment, other development, and homeless assistance. The deadline for submission of the Redevelopment Plan to AF and a Homeless Assistance Plan to the Department of Housing and Urban Development (HUD), is December 15, 2008.

The approximately 23-acre site (18+ acres of developable land and almost four acres of easement) contains 507,457 square feet of space in 33 buildings. It is located in Sunnyvale on Mathilda Avenue just north of SR 237 and U.S. 101.

The attached Fact Sheet provides a fuller site description, a brief history of the site, and summary information about the redevelopment planning project (Attachment C, *Onizuka Fact Sheet*).

In developing the redevelopment plan, the LRA followed a multifaceted process that included the appointment of a Citizens Advisory Committee (CAC) to play a central role in community input. The LRA appointed the CAC in 2006. Since its appointment, the CAC has held ten public meetings over a two-year study and review process. The CAC is made up of twelve community members (and two LRA members) representing various aspects of the community.

The Onizuka AFS community outreach process is further summarized in the Public Contact section of this report, and is fully documented in the proposed Homeless Assistance Submission (Attachment B).

Significant Activities to Date

The following is a chronological summary of some of the milestone activities to date. For those activities that have included the development of City reports, report numbers and dates are provided for reference. All Onizuka-related City reports are posted on the City's Onizuka Web page at *Onizuka.InSunnyvale.com*.

2005 The City adopted the "Sunnyvale 2005-2010 Consolidated Plan" for housing and community services, which identified the needs of Sunnyvale's homeless residents and City objectives to address their needs.

May 2006 During the Federal outreach process the AF approved a request from the Department of Veterans Affairs (VA) for approximately two acres of the Onizuka site, including offices and surface parking; therefore, that parcel was not included in the AF's declaration of surplus Onizuka property. The LRA does not have the unilateral ability to remove the VA from the property and unless the LRA reaches agreement with the VA to reconfigure the property boundaries or relocate VA from the property to another location, the LRA's preferred reuse will occur on the remainder parcel(s).

June 28, 2006 The LRA published the Notices of Interest (NOIs) Advertisement in the *San Jose Mercury News* and *Sunnyvale Sun*.

September 13, 2006 The LRA held the federally mandated Notice of Interest (NOI) Workshop for agencies interested in the Onizuka AFS property. Representatives from the City, OEA, HUD, AF, homeless agencies, and members of the public attended. A full list of attendees is noted in the Homeless Assistance Submission.

December 5, 2006 In response to the federally mandated local outreach and solicitation process, the LRA received two requests for no-cost conveyances for homeless housing: one from Mid-Peninsula Housing Coalition and Shelter Network, and a second from a consortium of providers led by Charities Housing Development Corporation. These requests are described in the Homeless Assistance Submission.

December 13, 2006 Information Report to the CAC: *Goals for Onizuka Transition to Civilian Use (Information Only)* -- The CAC recommended seven goals to guide their deliberations regarding Onizuka's transition to civilian use:

1. Partner with VA to pursue disposition and development options that facilitate VA goals to acquire and develop office space on-site or at other more suitable locations, consistent with highest and best use.
2. Seek development options which maximize "highest and best use" and the highest fair market value.
3. Seek disposition and development which will appropriately recognize the historic role of the Onizuka mission and achievements in space and in the Cold War, and its seminal impact on the Silicon Valley economy.
4. Seek development options which leverage Federal participation in site improvements to ensure the highest development standards, highest and best use, fair market value, and public benefit.
5. Seek OEA predevelopment funding and select planning, disposition and development options which resolve environmental and development issues to accommodate preferred uses.
6. Seek alternatives that create maximum jobs and other direct benefits for area residents.
7. Seek disposition and development which creates a highly visible and widely recognized "landmark class" facility design - identified with Sunnyvale and an important City entryway.

October 4, 2006 *Information Report to the Heritage Preservation Commission: Preliminary Assessment of the Historic Significance of Onizuka AFS* -- This report listed a number of key events and projects that occurred at Onizuka, including the Corona and space shuttle programs. It noted that the Heritage Preservation Commission would be asked to make a recommendation to the LRA at a later date when more information was available.

January 30, 2007 LRA Report 07-001, *Preliminary Review of Conditions of Property and Notices of Interest Received (Information Only)* -- This report provided an inventory and reviewed conditions of land, buildings and infrastructure at Onizuka. It also provided a preliminary environmental assessment, and commented on the historical aspects of the site. The report explained that staff would be requesting grant funding from the Office of Economic Adjustment to analyze conceptual reuse options. The analysis would

include market, project feasibility, cost and value comparisons, and the impact of the VA parcel on the site.

March 27, 2007 LRA Report 07-002, *Onizuka AFS Conceptual Reuse Options for Base Realignment and Closure* -- The LRA approved five conceptual land use alternatives for further analysis. Two of the reuse options responded to Federal mandates, not as LRA identified options for consideration -- one for homeless housing and a second for VA-style offices -- to identify their influence on the other reuse options. The three additional conceptual uses for further analysis were (in no particular order):

Corporate Offices This option provides a design and density over the entire site for consistency with the AF-approved VA office development.

Hotel Conference Center This option consists of a new, four-star hotel, interior restaurant, bar, and possible conference facilities, over the entire site to provide diversified tax revenues and business support services.

Automotive Retail Center This option includes new, retained or expanded auto retail outlets, and may include assembly of adjacent properties, to generate significant sales tax revenues and minimize impacts on peak period traffic congestion.

June 12, 2007 LRA Report 07-004, *Onizuka AFS: Homeless Housing Notices of Interest, Deficiency Correction phase, and Alternative Site Strategy* -- Staff notified the LRA of two deficiencies in the submitted housing notices of interest and initiated a deficiency correction phase, as required by the Redevelopment Act, to address the deficiencies. Both agencies subsequently revised their NOIs to respond to the deficiency notices.

January 2008 Bay Area Economics (BAE), a consulting firm specializing in land reuse planning for complex projects, was hired to analyze the reuse options to conduct: a) market analysis -- the adequacy of retail market to support the proposed use; b) economic analysis -- the business, employment and payroll impacts of the proposed use; c) fiscal analysis -- the local tax revenues generated to support City services by the proposed use; and d) the value the LRA could add to the property through City entitlements. The consultant work program also included seismic, infrastructure, and traffic analysis.

February 12, 2008 LRA Report 08-001, *Update and Proposed Path Forward for Onizuka AFS: Balancing the Needs of Veterans Affairs, Homeless and the Community* -- The LRA authorized staff to explore the feasibility of using Onizuka's value to accommodate stakeholder objectives by relocating

development impediments to alternative sites and to explore alternative projects, options and sites with housing agencies.

March 24, 2008 BAE's *Technical Report: Analysis and Feasibility of Conceptual Reuse Options* was presented to the CAC, and distributed to the LRA, for review; BAE provided written responses to LRA and CAC member questions.

June 24, 2008 LRA Report 08-002, *Proposed Terms of Agreement with Homeless Service Providers that have Submitted Notices of Interest in Surplus Property at Onizuka AFS* -- The LRA approved a proposed Term Sheet as the basic terms of LRA commitment to the housing agencies, and authorized preparation for the HUD-required legally binding agreements for housing agency signatures.

July 16, 2008 Report to the CAC, *Request for Recommendation of Land Re-Use for Onizuka Air Force Station* -- The CAC recommendation to the LRA ranked three LRA-approved conceptual land uses as follows: #1: auto mall; #2: hotel/office; and #3: corporate office.

July 24, 2008 The Planning Commission reviewed the CAC land use recommendation. Planning Commission comments were supportive of the CAC recommendation and subsequently forwarded to the LRA.

August 6, 2008 Report to the Heritage Preservation Commission, *Preliminary Assessment of the Local Historic Significance of Onizuka AFS* -- The Commission provided the following recommendation to the LRA:

The Heritage Preservation Commission recommends to the LRA to acknowledge that the Onizuka AFS site is eligible for potential designation as a local Heritage Resource under the Sunnyvale Municipal Code. The LRA's Reuse Plan to the DOD should include a recommendation to further evaluate the historic significance of the buildings, artifacts, and site and possible preservation of a building, artifact, or other appropriate measure to commemorate the site's heritage significance.

November 18, 2008 LRA Study Session on Onizuka AFS Draft Redevelopment (Land Use) Plan and Draft Homeless Assistance Plan.

The activities summarized above reflect the two-year study and review process leading to this report, which incorporates the activities to date, and presents a draft Onizuka reuse application for the LRA's consideration. As required by BRAC regulation, the Onizuka reuse application includes 1) a land

redevelopment plan (including a recommendation to the Air Force regarding the LRA's preferred method for the military's "disposal" of the property), and 2) a homeless assistance plan. Each component is discussed in detail under the Discussion section of this report.

Future Dates

At the time this report was developed, the LRA had scheduled the following dates for completion of the Onizuka AFS redevelopment planning process:

December 2, 2008	LRA Public Hearing on Onizuka AFS Reuse Application
December 9, 2008	LRA Adoption of Onizuka AFS Reuse Application
December 15, 2008	Deadline for submission of Reuse Application to AF and HUD

EXISTING POLICY

➤ **Legislative Management Sub-Element**

Goal 7.3C: Participate in intergovernmental activities, including national, state and regional groups, as a means to represent the City's interests, influence policy and legislation, and enhance awareness.

City Policy: The City of Sunnyvale has existing policy governing all elements of the Onizuka Final Reuse Application. In preparing this application, the LRA relied upon a consensus of community interests that have been recorded over time to balance a variety of housing and development values. These values are documented in the City of Sunnyvale General Plan, the April 2004 Moffett Park Specific Plan and the May 2005, City of Sunnyvale's 2005-2010 Consolidated Plan which identifies homeless housing needs and City objectives to address them.

Federal Policy: The Base Realignment and Closure (BRAC) process is governed by the *Defense Base Closure and Realignment Act of 1990, as amended by the Base Closure Community Redevelopment and Homeless Assistance Act of 1994*. The U.S. Department of Housing and Urban Development (HUD) guidelines also govern many aspects of the process. HUD guidelines provide direction to LRAs on the solicitation of NOIs, how to formulate homeless accommodations, and prepare the homeless agency submission and any legally binding agreements. Other regulations govern DOD's past planning grants and future grant assistance for implementation.

DISCUSSION

Land use decisions are influenced by a broad variety of factors, and are made in accordance with a city's overarching planning goals and policies. Other contributing factors to land use decisions include neighboring uses and compatibility, environmental impacts including traffic and visual impacts, land value, market conditions and demand, and fiscal and economic impacts. In Sunnyvale, land use goals and policies are articulated in Sunnyvale's General Plan, particularly the Land Use and Transportation Element and, regarding Onizuka AFS and surrounding properties, the Moffett Park Specific Plan.

Planning for Onizuka has taken into consideration all relevant policy documents, as well as the one-time opportunities afforded by the BRAC process to consider other community needs that may be addressed by this property. As a result of preliminary deliberations, in March 2007 the LRA approved five conceptual reuse options for further consideration. These options emerged from a process in which the LRA considered: 1) the City's existing plans, policies and zoning; 2) the property's past uses, current conditions and environmental issues; 3) site specific characteristics, goals and objectives; 4) the Federal mandate to balance needs for homeless housing with other community needs; and 5) the BRAC objective to mitigate the economic and fiscal impacts of Onizuka's closure. The conceptual reuse options, in no priority order, were: 1) VA/Low density offices, 2) Corporate offices, 3) Hotel conference center (later amended to include offices, 4) Automotive retail center, and 5) Homeless housing (responding to Federal outreach mandates and two homeless proposals received by the LRA).

In deciding the preferred land use for Onizuka it is appropriate for the LRA to evaluate and balance various factors to reach a successful land use decision that will create the greatest benefit for the Sunnyvale community. The decision process is made more challenging by VA's approved request for a fed-to-fed transfer of 2.4 acres, and the homeless agencies' interest in six (total) acres. These conditions create significant complexity for reuse of the remainder parcel(s).

To address this complexity, in January 2008 the LRA retained specialized planning services of the consulting firm Bay Area Economics (BAE) to provide technical and financial analysis to address the following specific questions:

- Did the existing site conditions, especially environmental, structural, historic or infrastructure create any extraordinary development costs that would affect the feasibility of any reuse options?
- Did the VA offices, surface parking or boundary configuration influence the feasibility of any reuse options?
- Did preliminary market analysis indicate that any reuse options were unrealistic?

- Did the economic or fiscal benefits of any reuse option provide the City an incentive to participate in any extraordinary development costs?
- What value could the City bring to the site through zoning or density entitlements, redevelopment and disposal, given the complexities of the above scenarios?

In March 2008 BAE submitted a Technical Report to the LRA and CAC, and subsequently responded in writing to LRA and CAC questions. In preparing the Redevelopment Plan (Attachment A), BAE further refined its technical analysis which is summarized in the Plan.

1. General Land Reuse Issues: This section summarizes the overall consultant findings that affect all reuse options and that staff considered in recommending the preferred reuse option.

The Influence of Unique Site Characteristics: Among the many factors considered in land use planning for the Onizuka site were how unique site characteristics might favor one reuse option over another:

- Size – At the full 18.86 acres, the size of the entire site is unique, whereas the size of the two fragment parcels created by the VA’s fed-to-fed transfer are more typical of parcel sizes available throughout Moffett Park. For this reason, staff believes highest and best use results from planning reuse of the entire Onizuka parcel. This concept fundamentally influenced the LRA to consider reuse options for the entire site as well as for the remainder parcels. Hence, the LRA analysis considered whether reuse options for the entire site could generate proceeds to relocate VA and homeless housing and generate extraordinary land clearance costs.
- Public Transit – The Onizuka site is within walking distance of a light rail station. The number of transit and auto users will vary by option. The Moffett Park Specific Plan (MPSP) requires developments exceeding the 35% FAR base development levels, such as corporate office, to reduce vehicle trips to the site (both total trips and peak hour trips). The MPSP mandates higher trip reduction for higher FARs, but leaves the specific employee motivations to the property owner/tenants. This transit policy does not apply below 35% FAR land use options.
- Light Rail Impacts -- Onizuka is bordered on all sides except Innovation Way by light rail transit tracks, power poles and wiring, fencing, and a high security wall abutting the transit right of way. These features restrict street-level visibility, pedestrian and auto access, and the street level “presence” usually associated with an otherwise outstanding location as an entryway to the business park and the City. This could

favor a reuse that benefits from restricted pedestrian access, restricted street level visibility, or a security wall.

- Freeway Visibility -- The site has excellent visibility from Highway 237, a major freeway connecting the East Bay to Silicon Valley. For this reason, the plan could support a reuse option that benefits from or even requires freeway visibility. Alternatively, the plan could support a reuse that includes a landmark quality structure signaling the entryway to the Sunnyvale community and/or Moffett Business Park.

The features above could benefit all of the commercial reuse options. Freeway visibility has been identified as critical only to the Auto Center option, and to the needs of existing auto dealerships along El Camino Real. A freeway location is, according to dealerships, the critical factor required to retain, expand or attract firms in the auto sector.

Public Uses/Public Benefit: BRAC regulations required that public agencies identify public uses during the federal and local outreach processes. After the federal and local outreach and solicitation processes that generated VA and homeless housing proposals were closed, no other public uses were proposed or recommended to the LRA for further consideration. To revisit other *alternative* public uses at this time would disadvantage current NOIs, reopen the local outreach and solicitation process, and delay the planning process, possibly at City cost. Staff will continue to explore ways to leverage or enhance the public benefit consistent with the preferred reuse of this important public facility.

Implications of the Moffett Park Specific Plan (MPSP): The MPSP governs the conversion of Onizuka to civilian reuse upon its closure in 2011. The Plan did not anticipate *any* change of use or intensification in Onizuka's 35% FAR intensity and did not include the parcel for participation in use of any "development reserves" that would allow for greater density. Any of the conceptual reuse options except the office option at 35% FAR would require a subsequent environmental analysis prior to General Plan, Specific Plan and/or zoning amendments. Modifications to the MPSP would be necessary to accommodate all options except for 35% FAR Office; and applications for specific development proposals would need to be submitted to the City for review and approval.

Historic Preservation/Facility Reuse: The Heritage Preservation Commission (HPC) noted that the Onizuka AFS site may be eligible for designation as a local Heritage Resource under the Sunnyvale Municipal Code, and recommended to the LRA "that the Reuse Plan to the AF should include a recommendation to further evaluate the historic significance of the buildings, artifacts, and site

and possible preservation of a building, artifact, or other appropriate measure to commemorate the site's heritage significance.”

In anticipation of heritage preservation interests, LRA staff and consultants considered creative ways to reuse the 33 existing single-purpose buildings to retain them for conversion to civilian reuse. However, structural analysis determined that the cost to correct seismic and code deficiencies for reuse of these buildings could be so significant, and the resulting facility so inefficient in supporting reuse options, as to justify new construction. Preservation of the buildings for historic reasons could further impact the reuse value of the property.

Staff has met with community members who had long-term professional association with Onizuka AFS. These community members encourage that reuse acknowledge the significant role Onizuka played in Sunnyvale and in the world. Staff is recommending that this role be acknowledged appropriately in the final site design and project development.

Because of the obstacles to structural preservation, the Redevelopment Plan responds to Heritage Preservation Commission concerns in the Personal Property section by identifying items of historic interest or reuse potential. LRA interest in the personal property is contingent upon:

- On-site personal inspection and approval
- Analysis of their historic or operational significance
- Assessment of public cost and benefit in their retention/reuse
- Public/private interest in ongoing operation and maintenance.

The Plan expresses the LRA's possible interest in:

- a. Air Force personal property in working order that could qualify as a historically significant artifact related to any of the cold war, space, satellite, or science programs in which Onizuka AFS was a participant
- b. Headquarters office furnishings and equipment that are suitable for reuse or historic preservation, and other personal property of a general office nature that is in working order
- c. Challenger memorial on site, if it is not presumed to be part of the real property. The LRA wishes to ensure its preservation as a memorial to the lost astronauts, including Ellison Onizuka in whose memory the Air Force Station was named, and would expect any ultimate owner of the site to prepare appropriate design plans to accommodate its preservation
- d. Possible preservation of main reception area's murals and furnishings

- e. Subject to their availability, working order, and/or suitability all satellite antennae and all related equipment for maintenance, operation, and public, academic and other uses and possible public-benefit alternatives to the antenna's dismantling and relocation.

Demolition Costs: Due to the unique construction of Onizuka's structures, land clearance cost is extraordinarily high for all options. The demolition costs are estimated at \$9-\$10 million more than typical demolition costs, largely due to the extensive use of steel throughout several structures to ensure security for satellite communications. This cost reduces the site's land value.

Demolition may present some opportunity for Federal funding which has been made available to LRAs at other BRAC sites. Federal funds for site preparation may be a precondition of feasibility for any reuse option at 35 FAR, and may further support the need for an economic development conveyance and ongoing predevelopment role for the LRA. While demolition costs have been estimated by BAE in the technical report, they would be further defined during preparation of a business plan.

Infrastructure Costs: There are no extraordinary utility, traffic, or other infrastructure costs triggered by Onizuka's reuse that could not be addressed by the developer or during City review for entitlement and permit hearings.

Environmental Contamination: While modest data gaps remain, LRA consultants generally confirmed Air Force's findings that there is no known environmental contamination at Onizuka which would influence the Air Force's ability to dispose of the property -- except for residential use. The Air Force records indicate that the "unknowables" are limited to a) what might have been disposed of through an existing grease trap, and b) the effect of re-opening on-site incidents (previously closed by regulatory agencies) if homeless NOIs for housing remain. Given this information, there are no obstacles to sale, civilian reuse, or environmental insurance. If contamination is discovered during Air Force reopening of on-site incidents, the Air Force remains responsible for remediation.

VA Impact and Cost Recovery: The VA has an Air Force-approved claim on 2+ acres of offices and parking that may not be voluntarily withdrawn until VA is assured of "like kind" office elsewhere. The VA fed-to-fed transfer divides Onizuka's remainder parcel into two separate and undistinguished "scrap" parcels. Unless the LRA reaches agreement to reconfigure or relocate VA, any reuse would occur only on these two remainder parcels. The original goals of the BAE financial analysis were to consider objectively whether: 1) the VA claim threatened the feasibility of any reuse option; 2) the LRA's conceptual reuse options or entitlement decisions could create the value to financially relocate

VA; or 3) the new tax revenues created any incentive for City participation in the site's extraordinary development costs.

The consultant analysis also explored whether the VA claim threatens the feasibility of any reuse option. VA's occupancy of the headquarters offices in itself does not threaten the *feasibility* of any conceptual reuse option. However, the *configuration* of parking and parcel boundaries preempts the optimum layout and success of *any* reuse. The surface parking area's 66 spaces deficiency will impact reuse options and create the need to reconsider how VA meets its parking requirements if it remains on site. BAE analysis demonstrates that VA's use of new or rehabilitated garage space offers the best opportunity to mitigate parking and configuration impacts associated with VA.

In summary, the consultant analysis demonstrates that costs for VA's "like kind" office space would be an unreasonable burden on the land under any of the LRA's conceptual reuse scenarios, given the cost of demolition and disposal, and the cost to withdraw homeless NOIs from the remainder parcels. The value of the remainder parcels will not support a land swap for VA to acquire "like kind" space.

City/LRA Role in Reuse Development: The LRA will need to decide what role it wishes to play in site redevelopment, and whether it wishes to take title to the property, as is required if the LRA recommends an economic development conveyance (EDC). By BRAC regulation, the LRA may make a conveyance recommendation to the AF as part of its redevelopment plan. "Conveyance" refers to how the military property is disposed of, or transitioned to civilian use by the Air Force. As indicated in Attachment E, *Federal Property Conveyance*, there are a variety of conveyance options available for BRAC properties. The two most likely conveyance alternatives for the Onizuka property are a competitive advertised sale (or public auction), or an economic development conveyance (to the LRA). Competitive advertised public sales result in the surplus property being sold to the party that submits the highest responsible bid (provided the bid is equal to or greater than the military's estimate of fair market value). The land then becomes subject to all local zoning and land use codes and controls.

In the case of an economic development conveyance to the LRA, the LRA would be required to take an active role. This option gives the LRA greater control over redevelopment of the property. It transfers the property to the LRA in order to support economic development and the creation of new jobs to replace those lost through base closure. Except with specific regulatory exceptions, the military department is required to seek to obtain fair market value consideration for conveyances of property on installations that were approved for closure after January 1, 2005.

In order to acquire the AFS property by means of an EDC, the existing “Planning LRA” must first be recognized as an “Implementing LRA” under law. Accordingly, any decision to proceed with an EDC application would require the LRA to: (1) prepare an OEA grant application for the cost of the EDC application and “Business Plan”; (2) prepare a petition for OEA recognition as an Implementation LRA; (3) prepare the application in accordance with the DOD Base Redevelopment and Realignment Manual; and (4) conclude any arrangements with VA that would influence the business plan.

2. Conceptual Reuse Options

The conceptual reuse options were analyzed in detail during the early Onizuka AFS reuse planning process. This report identifies the unique or significant advantages and disadvantages of each option, provides a brief staff analysis, and identifies conveyance implications.

OPTION 1: VA AND LOW DENSITY OFFICES

This “base line” option considered VA occupancy of the Onizuka headquarters offices and similar low density two-story office development (at the current 35% floor area ratio) for the 16.59-acre remainder parcel. This allows comparison of this base line option with other reuse options.

Advantages are:

- In lieu of an expensive relocation of VA, or a VA subdivision and purchase of the fed-to-fed transfer, this option could envision VA becoming a tenant with favorable leaseback arrangements, and still compensating VA when it relocates elsewhere to more appropriate offices.
- VA’s presence upon public (LRA) property could create opportunities to access federal funds for site clearance, public improvements, parking facilities, etc.

Disadvantages are:

- Low-density offices can be accommodated elsewhere in Moffett Park given its 35 year build out.
- Low density offices least mitigate the fiscal impacts of base closure on Sunnyvale.
- VA occupancy transfers responsibility for structural demolition and disposal costs – approximately \$10.5 million – onto the Air Force’s remainder parcel and creates a negative value for the Air Force remainder parcel.
- The VA-proposed surface parking results in a 66 space parking deficiency and exacerbates the impact of parking on new development.

Staff Analysis: Low density office uses at 35% FAR do not create a land value that will achieve the “cost recovery threshold” needed to remove development impediments and also reimburse VA office costs at another location.

Without reconfiguration, the VA use subdivides Onizuka into three parcels and includes an inefficient surface parking lot that reduces Onizuka’s density and unique value. To achieve viable office development, the reconfiguration of VA parking and boundaries should be agreed upon during negotiations with Air Force for disposal. The recommended disposal should seek the entire parcel with a favorable VA leaseback to VA of the offices, rather than the remainder parcel. Parking must comprehensively address VA and other reuse options.

VA Status Update: The VA is moving forward to plan improvements with the expectation that it will complete acquisition of the Onizuka headquarters. VA may consider other parcel boundary configurations, but VA’s land and building purchase options are constrained by a national budget that restricts it to BRAC-linked acquisitions. VA may negotiate for other facilities – existing or new – on other City, developer, or VA-owned properties as long as the arrangement is BRAC-linked.

Conveyance Implications: Based on consultant analysis, Air Force conveyance by public sale would likely be unsuccessful in achieving 35% FAR office reuse. To achieve 35% FAR staff would recommend an Implementation LRA, an economic development conveyance and/or federal participation in land clearance.

OPTION 2: CORPORATE OFFICE DEVELOPMENT

An LRA conceptual option which envisioned new mid-rise, “landmark quality” corporate or headquarters offices at densities higher than 35% FAR was evaluated by the LRA consultants but not included due to the 35% FAR density limitations that the Moffett Park Specific Plan would impose upon the property upon its conversion to civilian use. Additionally, there were a number of specific disadvantages to the higher density options:

- Offices above 35% FAR create peak traffic congestion impacts on the adjacent Mathilda Avenue intersections and entryways.
- Corporate offices can be accommodated within the existing 35-year holding capacity of Moffett Park.
- Office jobs do not diversify or expand the economic, employment and fiscal opportunities available at other locations within Moffett Park.
- Additional offices follow the same cyclical economic conditions as already experienced at Moffett Business Park.

The higher density corporate office land use resulting from City entitlements to create value would need to approach 50% FAR in order to relocate VA and homeless NOIs, and cover the extraordinary cost of land clearance. The LRA may revisit this office reuse option if the EDC business plan demonstrates that proceeds from the preferred reuse cannot bridge the financial gap created by Federal outreach mandates and the extraordinary land clearance costs.

OPTION 3: *HOTEL/CONFERENCE CENTER/OFFICES*

This option originally consisted of an upscale five-star hotel, restaurant/bar and conference center facilities to provide diversified support services to Moffett Park's existing business community. As the attached Redevelopment Plan indicates, the consultant analysis did not find a five-star hotel and conference center feasible from a market perspective, and refined the concept to include a mid-rise office building as a complement to a 250-room, four-star hotel and 500-person conference center.

Advantages are:

- Hotel commercial architecture presents a design opportunity to create a "landmark class" facility at a City and business park entryway.
- This option diversifies tax benefit to the City due to hotel tax, sales tax, etc.

Disadvantages are:

- This use creates the greatest peak traffic congestion of all options considered, more than the historic peak use of Onizuka AFS.
- Market analysis demonstrates inadequate immediate market demand or Moffett Park business need, to warrant additional hotels or conference services beyond existing and currently planned facilities.
- Hotel and conference uses are susceptible to cyclical market downturns and regional market conditions.
- If the hotel and conference center market is saturated, a new hotel could draw clientele from existing and proposed Sunnyvale hotels.
- This use cannot feasibly relocate VA offices, homeless housing, or fund land clearance, demolition and disposal from proceeds of the property.
- Hotel/Conference/Office use will likely require a significant City role in predevelopment planning, and an economic development conveyance of the property to the LRA. The extent of the City's role would be identified by the development of a business plan, which the federal regulation requires before granting an EDC. The business plan would include analysis to determine costs and benefits to the City, financing strategies that might leverage grant funding and public financing for land clearance and/or capital construction, etc.

Staff Analysis: The LRA's consultant analysis indicates this use does not create a land value that will achieve the "cost recovery threshold" needed to reimburse VA's cost to relocate off-site.

The assumed advantages that led to consideration of this option (specifically that Moffett Park businesses would drive demand for new, high-end hotel and conferencing facilities) were not substantiated by the preliminary market/feasibility analysis.

Conveyance Implication: Given the necessity for public/private partnership to create a feasible hotel/conference center, an economic development conveyance to the LRA would be needed for this option. The City would need to play a significant role in the pre-development process and would most likely need to take the lead to convince the VA to relocate to other facilities.

OPTION 4: RETAIL AUTO CENTER

This option envisions an automotive retail sales center consisting of 3-4 new or relocated/expanded auto dealerships, with the possibility to expand to a larger center.

Advantages are:

- The auto center option responds to trends in the auto industry to relocate dealerships along freeways; Onizuka is one of the only remaining freeway parcels in Sunnyvale that could provide a suitable auto center site.
- Relocating land intensive auto retailers to Onizuka would create redevelopment opportunities on El Camino Real consistent with the Grand Boulevard Initiative and help to achieve the goals of the Precise Plan for El Camino Real and enhance the unique image of this important transportation corridor.
- Unlike other reuse options, an auto center could retain and expand an industry and jobs that are "at-risk" due to conditions unique to the sector.
- Auto center use has the least traffic impact of any reuse option.

Disadvantages are:

- An auto center poses a design challenge to create an attractive "landmark quality" facility.
- Neighboring developments may oppose an Auto Center pending an attractive conceptual design or other arrangements to buffer existing offices.
- The Onizuka remainder parcel is too small for *optimum* auto center development without: a) assembly of an additional 20 acres of adjacent property, and/or b) construction of vertical, architecturally attractive vehicle service/storage facilities to achieve optimum site design.

- An Auto Center would likely require a significant City role in predevelopment planning, and an economic development conveyance of the property to the LRA. The extent of the City's role would be identified by the development of a business plan, which the federal regulation requires before granting an EDC. The business plan would include analysis to determine costs and benefits to the City, financing strategies that might leverage grant funding and public financing for land clearance and/or capital construction, etc.

Staff Analysis: LRA consultant analysis indicates an auto center does not create a land value that will achieve the "cost recovery threshold" needed to reimburse VA's cost to relocate off-site. However, the auto center reuse option creates a unique, one time opportunity to provide a realistic first step to retain and expand Sunnyvale's existing businesses while diversifying Sunnyvale's economic base.

This option would minimize traffic congestion, maximize annually recurring City revenues benefiting all Sunnyvale residents, expand existing firms and jobs, and diversify the economic profile of Moffett Business Park. The City has received a significant expression of dealership interest in partnering to achieve this concept. Likewise, the LRA's willingness to provide leadership in the establishment of a freeway-oriented Auto Center project may help to retain dealerships at risk of losing franchises or relocating to other areas.

There are a number of preconditions for the success of an Auto Center that the City would need to explore during 2009-2011. These include: 1) A needs survey of interested auto dealerships; 2) a market and financial feasibility analysis; 3) An auto center project design concept; 4) A business plan as required for an Economic Development Conveyance of the Onizuka property to the LRA from the Air Force; 5) Impact analysis for remaining El Camino dealerships; (6) Successful negotiation of an EDC with the Air Force; 7) Agreement by the VA to relocate to a more appropriate location, and 8) Removal of the NOI development impediments pursuant to the Legally Binding Agreement.

Conveyance Implications: An Implementation LRA and economic development conveyance are prerequisites for a successful auto center. The auto option is best served by a conveyance of the entire site, if necessary with interim leaseback arrangements to accommodate VA offices, pending an acceptable arrangement to accommodate their office space needs elsewhere.

Staff expects that Onizuka's redevelopment, specifically land clearance, building demolition and essential facilities would be funded by a combination of federal grants, local bond financing, and public/private proceeds generated by the redevelopment project itself. An economic development conveyance

would be required for this option and would grant the LRA the necessary resources and authority to identify and finance these costs, resolve the withdrawal of VA and homeless agency NOIs, and bring value to the property. Some of the costs to implement the Auto Center are identified by BAE in the attached Redevelopment Plan, and other costs would be identified during the preparation of a business plan during 2009.

OPTION 5: HOMELESS HOUSING/SERVICES

The homeless housing option reflects the two Notices of Interest (NOIs) submitted by local, non-profit housing development agencies that propose to construct housing and respond to the needs of Sunnyvale's homeless residents as identified in the 2005-2010 Consolidated Plan. The final NOIs request a total of six acres to construct 91 units of homeless housing and two management units. The two NOIs may be summarized as follows:

1. Mid Peninsula Housing Coalition (MPHC)/Shelter Network (SN) NOI: MPHC proposes to create a 62 unit "permanent" supportive housing facility, including the manager's unit, which will not limit the length of stay but will provide housing for 40 individuals and 21 families with a history of homelessness and disability. One unit will be used by an onsite manager. The facility will provide intensive support services to homeless residents on a voluntary basis. The project will serve chronically homeless residents earning no more than 30 percent area median income. The facility will feature substantial community space, a computer center, a laundry area, and an exercise room in a two-story facility with surface parking and surrounding open space. The entire project will be fenced, access will be controlled by card-keys, access to the site will be monitored by security cameras and a security desk staffed 24 hours a day.

2. Onizuka Partnership NOI: The Onizuka Partnership NOI proposes 30 units of permanent housing for single individuals and two-person households, plus approximately 3,800 square feet of administrative, service delivery, common areas for tenant use and one on-site manager's unit. The units would be designed to facilitate independent living and self-sufficiency. Targeted groups include homeless individuals transitioning into permanent housing from transitional housing, veterans enrolled in supportive service programs, and adults who receive services from the County's Mental Health Department.

The Homeless Assistance Submission (HAS), Attachment B, describes the LRA's accommodation of the homeless. The accommodation permits the NOIs to be withdrawn in return for up to \$8.2 million to acquire land for an alternative site.

This reuse option was included in recognition of an extraordinary, one-time opportunity for the LRA to help facilitate land acquisition to ensure that

homeless needs were balanced with economic development needs. Advantages and disadvantages of homeless housing – factors weighed by the LRA during the balancing process – are described more fully in the attached Homeless Assistance Submission, and are summarized below.

3. Homeless Assistance Submission (HAS)

BRAC regulations charge the LRA with balancing homeless needs with community needs for economic and other development. Statutes do not define “balance” but assign responsibility for the balancing judgment to the LRA rather than to HUD or AF.

The attached proposed HAS (Attachment B, *Homeless Assistance Submission*) describes the two NOIs above and the projects they propose in more detail. The HAS identifies Sunnyvale’s homeless housing needs, and explains the factors weighed in balancing homeless needs with other community development needs. The HAS also describes the proposed homeless accommodation to balance the homeless needs for housing which is memorialized in the proposed legally binding agreement (LBA).

The two NOIs received in December have been modified by the agencies to comply with BRAC, HUD and local regulations, and to enable the projects to be located at Onizuka or at alternative locations. Modifications include:

- Reducing the requested acreage from eight acres to six acres to provide for a coterminous boundary between the Onizuka Partnership NOI and the Department of Veteran Affairs’ parcel.
- Reducing the number of housing units from 245 to 93 (including two management units) to house only currently homeless (families and/or individuals) as required for compliance with Federal BRAC regulations which state that only those organizations that propose to serve homeless persons meeting the McKinney-Vento Act definition are eligible to receive a no-cost transfer. However, according to the terms of the proposed LBA, in an offsite scenario the number of units may be expanded to include both homeless and very low-income rental units.
- Adjusting density to more closely approximate Sunnyvale’s residential density maximum in the eventuality that the NOIs are withdrawn and the projects accommodated elsewhere.

The HAS finds both the identified homeless needs and proposed homeless housing projects eligible and appropriate for no-cost homeless conveyances of Onizuka property. The LRA and homeless service providers agree that they could withdraw the NOIs at Onizuka and, in lieu thereof, expedite homeless housing objectives on parcels located at other, more appropriate locations.

Agreement terms are described in the legally binding agreements summarized below.

4. The Legally Binding Agreement (LBA)

On June 24 the LRA approved the basic terms of the proposed LBA. The proposed LBA was prepared pursuant to LRA direction and signed by both homeless service providers. The LBA approves the two NOIs to acquire a no cost conveyance of two parcels totaling six acres on Onizuka. The LRA may withdraw the NOI upon conclusion of satisfactory Air Force arrangements for the site's reuse. The terms advance City objectives to mitigate the economic impacts of base closure without further impacts on the City.

Compensation: To facilitate the LRA's vision for reuse of the entire site, and to expedite homeless housing construction elsewhere at current construction costs, the LRA proposes to advance or bridge finance, each homeless service provider for its option, predevelopment and purchase of an alternative location(s) before the Onizuka AFS closure in 2011. The LRA will have up to 90 days following the final disposal Record of Decision to select an implementation option regarding the homeless agency NOIs. In arriving at a maximum dollar compensation for withdrawal of the two NOI parcels, the HAS describes the factors considered in balancing the likely value of Onizuka parcels with the likely value of off-site parcels. The final number of units, and reimbursable costs, will vary depending upon the size and zoning of the alternative parcels.

Eligible land costs for each agency are capped at \$4.1M: \$3.85M for land acquisition, \$200,000 for land option/predevelopment costs, and \$50,000 to reimburse administrative costs. Compensatory dollar amounts were determined in accordance with federal mandates to address homeless housing needs, residential zoning and density guidelines, successful residential project outcomes, and land acquisition costs in Sunnyvale's residential areas.

Bridge Loan: A "bridge loan" can help each agency to initiate a housing project without awaiting Onizuka's 2011 closure. The LRA proposes to expedite homeless housing by using an advance in the form of bridge financing to each agency to acquire an alternative parcel if the LRA withdraws the Onizuka NOIs. According to the terms of the legally binding agreement, the LRA's "bridge loan" is triggered by Air Force and LRA approval of arrangements for Onizuka's disposition including reuse and pay down of the NOI "bridge loan". The NOIs remain on the Onizuka AFS property until the LRA withdraws them. The fiscal impact of the legally binding agreement is discussed in the next section of this report.

FISCAL IMPACT

While there is no direct or immediate fiscal impact from the alternatives presented in this report, selection of reuse and conveyance options will start the LRA on a development path for Onizuka.

If a competitive sale of the property is recommended and approved by AF, the City’s role will be more limited and the approved land use will unfold according to market feasibility. If an economic development conveyance (EDC) option is selected, a more active City role will be required, following approval of a business plan by the LRA, and approval of the EDC by AF; and would result in conveyance of the property to the LRA in 2011.

Regarding the fiscal impact of each option, both the economic and fiscal impacts of the conceptual reuse options were significant components of the consultant analysis. The following section discusses the estimated fiscal impacts that were identified.

1. Reuse Fiscal Impacts: Fiscal impacts are increases or decreases in local tax revenues. The consultants identified both “one-time, non-recurring” fiscal impacts such as construction/building fees, and recurring tax revenues. The fiscal impact of each option is summarized below:

Summary Fiscal Impact Comparison

<u>Reuse Option</u>	<u>One-time Revenues*</u>	<u>Net New Recurring **</u>
Auto Center (blend of new/existing dealers)	\$1,165,400	\$2,088,000
Hotel/Conf/Office	6,456,590	1,357,050
Office @ 35 FAR	2,898,205	145,000
VA/Office	2,467,485	122,000

* Land acquisition and impacts

** “Net New Recurring” includes net new revenues (sales and property taxes, and TOT) over current revenues derived from one existing El Camino dealership plus the commercial reuse of the El Camino site. These revenue projections are based upon two of the three dealerships being new to Sunnyvale.

Fiscal impacts affect residents of the Sunnyvale community by increasing the tax revenues that are used to support their public services. The Auto Center provides the highest new recurring fiscal impacts of over \$2 million annually, almost \$700,000 more than the next highest land use.

A comparison of the net present value of fiscal impacts for each option is provided in the table that follows.

Net Present Value Comparison of Fiscal Returns Over 20 Years

Auto Center	\$29,853,477
Hotel/Conf/Office	24,466,249
Office @ 35 FAR	4,576,270
VA/Office	3,876,141

Assumptions:

- 1) Year 1 is FY 2009/2010 and is discounted to put all cash flows into 08/09 dollars
- 2) Base will close in FY 10/11. One-time revenues will be received in FY 2012/2013 and recurring revenues will begin in FY 2013/2014
- 3) Recurring revenues inflated 3% annually.

2. Legally Binding Agreement Impacts: The proposed legally binding agreement between the LRA and the two homeless service providers approves the two NOIs for property at Onizuka and effectively creates a lien against the Onizuka AFS for payment of \$8.2 million to withdraw the NOIs. This fulfills the LRA's fiscal objective to ensure that the fiscal impact of federal mandates are borne by the appropriate federal agencies.

A favorable Air Force Record of Decision or LRA withdrawal of NOIs would trigger the LBA's first fiscal impact, which would accrue to the City's Housing Mitigation Fund. The Housing Mitigation Fund has the reserves needed to cover this potential obligation. The City Budget's Long Term Financial Plan for the Housing Mitigation Fund shows a final Reserve Fund Balance for FY2007/2008 of \$14,943,968. Year to date this fund has received a total of \$344,834 in housing mitigation fee revenues (with \$1,308,000 budgeted), and the current FY08/09 expenditure obligation is approximately \$7,078,802. This leaves sufficient funds for an \$8.2M loan to bridge finance the two agencies for site option and acquisition elsewhere. Costs to clear site development impediments are eligible for reimbursement using the project proceeds of an economic development conveyance. If the land value is able to reimburse the alternative parcel costs, the City's Housing Mitigation fund would be replenished, the bridge financing would be forgiven, and there would be no fiscal impact.

However, should LRA negotiations with other parties defer repayment from project proceeds, the fiscal impact to the City is no more than had the Housing Mitigation fund been used for its originally intended purposes.

3. Economic Development Conveyance (EDC) Impacts: Detailed fiscal impacts of an Economic Development Conveyance to the LRA would be identified in the mandatory business plan, to be developed among other required submissions in 2009 should the LRA recommend an EDC.

A. Administration/Pre-development Costs (2009-2010) Support for local planning and administrative costs for BRAC base conversion is a discretionary determination of DOD's Office of Economic Adjustment (OEA). If the LRA recommends an economic development conveyance, staff will prepare an OEA funding request that would extend the current OEA grant beyond March 2009 to 1) prepare a business plan, and 2) prepare the required petitions for an economic development conveyance and an Implementation LRA.

B. Other Fiscal Impacts to be Identified in the Business Plan

The primary purpose of a business plan would be to detail the fiscal and economic impacts associated with the proposed land use. For example, a business plan for an auto center might include:

- Impacts on El Camino Real dealerships
- Onizuka Site Preparation Costs -- Site preparation costs for demolition and disposal are currently estimated at \$10.5 million. Consistent with BRAC objectives to mitigate the economic impacts of Onizuka's closure, staff does not propose that the City pledge future tax or other City revenues for demolition and disposal costs. During preparation of the business plan LRA staff would seek funding commitments for activities such as structural demolition and disposal, reconfiguration of utilities, or construction of appropriate public facilities. If these costs can be addressed with federal funding, then EDC proceeds could be used to relocate NOIs or to help VA pay for offices at another VA site.
- Revenue sources that that may be available to offset costs.

Additional site clearance costs may depend upon Air Force's "Record of Decision" or await Onizuka's closure in 2011. Examples may include site exploration and analysis of environmental information gaps, utility reconfiguration, public infrastructure/facility design and construction.

C. Department of Veterans Affairs Fiscal Impacts Due to the high cost of relocating VA to "like kind" offices it is unrealistic to think that such cost will be paid by the City. While it is unlikely that the value of relocating the VA will be fully compensated from the proceeds of Onizuka sale, the business plan will more precisely address the possible use of EDC proceeds to pay some portion of relocation costs short of "like kind" offices.

In the event that the business plan, market feasibility analysis, or lack of federal subsidy, indicate the recommended land use is not feasible for the City, the LRA may choose not to submit the petition for economic development conveyance or Implementation LRA. DOD's Office of Economic Adjustment has indicated that the Air Force could then request that the LRA select an alternate use, or the AF could dispose of the property through public auction, which could include a condition requiring the buyer's development agreement with

the City to remove the homeless NOI, and/or requiring the buyer's agreement with VA for any relocation of VA offices. The potential for success of such a public auction without the cooperation of the City is not clear. The City could still exercise some control over the project through negotiation of the NOI withdrawal, and through General Plan and zoning entitlements.

Next Steps

Following LRA submission of this Plan and Homeless Submission, HUD will have 60 days to review and approve or request changes to the Homeless Assistance Submission. The AF has one year to issue its Record of Decision.

If the LRA recommends an economic development conveyance to the Air Force, staff would submit a grant augmentation request to OEA for funding to prepare a business plan. Staff would return to the LRA to adopt the business plan and provide direction on submission of the Plan to OEA. Following Air Force approval of a business plan and successful application for an EDC and Implementation LRA, the LRA would expect to finalize predevelopment in 2010/2011, coinciding with Onizuka's scheduled closure in 2011.

PUBLIC CONTACT

The Onizuka Local Redevelopment Authority (LRA) initiated consensus building strategies to encourage broad community and stakeholder participation in LRA planning decisions for the reuse of the Onizuka Air Force Station. The cornerstone of the LRA's community participation strategy was the establishment of the Onizuka AFS Citizen's Advisory Committee (CAC) in April 2006. The CAC is an advisory body to the LRA that consisted of 14 persons representing public agencies and private sector interests.

In April 2006, the LRA formulated the Onizuka BRAC Communication Plan, a comprehensive multi-channel informational program to provide technical reports, staff recommendations and meeting schedules to residents and stakeholders interested in the direction of reuse planning. The plan also initiated a web site and outreach to homeless-assistance providers, public benefit entities and other stakeholders who might wish to participate in the federally mandated Notice of Interest (NOI) process. Individuals and organizations were encouraged to review the web site through regular emails on web site updates, as well as to liaison with both the Onizuka Local Redevelopment Authority (LRA) and the Citizen's Advisory Committee. An objective of these communications was to encourage a community-based consensus on a vision for the civilian reuse of the Onizuka AFS.

Citizens Advisory Committee (CAC) Recommendation: The CAC's ten public meetings and their content are delineated in the attached housing assistance submission as is the Communications Plan. At its July 16, 2008 meeting the

CAC recommended a rank order of options. The CAC recommendation to the LRA ranked three LRA-approved conceptual land uses as follows: #1: auto mall; #2: hotel/office; and #3: corporate office.

CAC meeting minutes are included in Exhibit 6c of Attachment B, *Homeless Assistance Submission*.

Planning Commission Comments: At its meeting on July 24, 2008 the Planning Commission reviewed the CAC land use recommendation report. The Planning Commission comments were supportive of the CAC recommendation and were subsequently forwarded to the LRA.

Planning Commission meeting minutes are included in Exhibit 6c of Attachment B, *Homeless Assistance Submission*.

Heritage Preservation Commission (HPC) Recommendation: At its meeting on August 6, 2008 the HPC reviewed a Report to the Heritage Preservation Commission, *Preliminary Assessment of the Local Historic Significance of Onizuka AFS*. The Commission provided the following recommendation to the LRA:

The Heritage Preservation Commission recommends to the LRA to acknowledge that the Onizuka AFS site is eligible for potential designation as a local Heritage Resource under the Sunnyvale Municipal Code. The LRA's Reuse Plan to the AF should include a recommendation to further evaluate the historic significance of the buildings, artifacts, and site and possible preservation of a building, artifact, or other appropriate measure to commemorate the site's heritage significance.

Public contact was also made by posting the LRA 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; by posting the Notice of Hearing, Agenda, Report and attachments on the City Web site's Onizuka and Council pages; by notifying the Onizuka stakeholder listing by email, and by making the report and public attachments available at the Library and the Office of the City Clerk.

ALTERNATIVES

I. Direct staff to return to Council on December 9 for adoption and submittal to the Department of the Air Force (AF) and the Department of Housing and Urban Development (HUD), an Onizuka AFS redevelopment plan including:

- A. A Preferred Land Use:
 - 1. Auto center (Attachment A)
 - 2. Hotel/conference/office (modified Attachment A)
 - 3. Corporate headquarters/Class A office (modified Attachment A)
 - 4. Other land use as determined by a majority of the LRA.

- B. A Conveyance Recommendation:
 - 1. Economic Development Conveyance of the Onizuka property to the LRA by the AF (Attachment A). Direct staff to prepare a grant request to OEA for funding to develop a business plan and related activities as required to prepare for an Economic Development Conveyance of Onizuka AFS to the LRA

 - 2. Competitive Sale of the Onizuka property by the AF (modified Attachment A).

- II. Direct staff to return to Council on December 9 for adoption and submittal to AF and HUD, a Homeless Assistance Submission (Attachment B) with the legally binding agreement to accommodate the homeless.

- III. Direct staff to return to Council on December 9 for adoption and submittal to AF and HUD, a modified Homeless Assistance Submission (modified Attachment B) with the legally binding agreement to accommodate the homeless.

- IV. Other action as identified by the LRA.

RECOMMENDATION

Staff recommends that the LRA approve Alternative I.A.1, 1.B.1, and II as follows:

- I. Direct staff to return to Council on December 9 for adoption and authorization to submit to the Department of the Air Force (AF) and the Department of Housing and Urban Development (HUD), an Onizuka AFS redevelopment plan including:
 - A. A Preferred Land Use:
 - 1. Auto center (Attachment A)
 - B. A Conveyance Recommendation:
 - 1. Economic Development Conveyance of the Onizuka property to the LRA by the AF (Attachment A). Direct staff to prepare a grant request to OEA for funding to develop a business plan and related activities as required to prepare for an Economic Development Conveyance of Onizuka AFS to the LRA.

II. Direct staff to return to Council on December 9 for adoption and authorization to submit to AF and HUD, a Homeless Assistance Submission (Attachment B) with the legally binding agreement to accommodate the homeless.

Staff is supporting auto center reuse with an Economic Development Conveyance because staff believes the conveyance goes hand in hand with the land use as a way of maintaining optimum local determination over development financing, partnership, tenant and other development decisions. This combination enables Sunnyvale to achieve five unique, one time opportunities:

1. The Onizuka site is an excellent location that provides a realistic first step to retain and expand Sunnyvale's existing auto dealerships, and attract new dealerships to expand this sector. The EDC provides the LRA with the capacity to link the freeway location benefits to Sunnyvale's existing dealerships to the extent feasible.
2. This 18+ acre auto center offers the greatest diversification of the Moffett Park economy. The Moffett Park area has sufficient land to accommodate the build-out of office or industrial uses for the next 35+ years without the availability of the Onizuka parcel.
3. The auto center reuse minimizes, by comparison with other reuse options, the peak traffic congestion at Mathilda Avenue entryways to Moffett Park and the City. The auto center has the least traffic congestion impacts of any reuse option.
4. Preliminary analysis suggests this option may represent the greatest fiscal revenue potential. The recommended EDC and associated business plan will allow the LRA to explore this further. The revenue enhancements provide public services that specifically benefit Sunnyvale businesses and residents.
5. The El Camino Precise Plan could be facilitated by relocating land intensive dealerships from El Camino Real to Onizuka and thereby creating opportunities for new development. This could contribute significantly to realization of the "Grand Boulevard" and revitalize the historic El Camino Real corridor. The impact of the Onizuka development on existing El Camino businesses will be the subject of a separate analysis for which the LRA will request funding from OEA. The economic development conveyance creates the authority for the LRA to exercise some discretion in the selection of candidates for relocation.

Path Forward in the Event of Worst Case Scenario or “Do Nothing” Option

Staff is recommending the Auto Center as a no-subsidy option, i.e., no City contribution. Upon the LRA submission of the Plan the Air Force will give deference to the LRA’s recommended reuse but may select a conveyance option that they consider more advantageous to the military department. In this instance, the path forward includes preparation of a business plan demonstrating the feasibility of the Auto Center/EDC and the City role in implementation.

There are a number of “worst case” scenarios that could prevent implementation of the preferred reuse, or require subsidy. During the preparation of a business plan in 2009, staff will explore these scenarios and identify funding resources. Examples of such scenarios are:

- Air Force chooses a non-EDC conveyance that creates obstacles to the preferred reuse.
- HUD disapproves the proposed homeless conveyance.
- Air Force contests the proposed homeless conveyance.
- No funding can be identified for demolition and disposal on the Air Force parcel.
- VA chooses not to adjust parking or parcel boundaries, or rehabilitate the garage, or to withdraw its expression of interest to accommodate the City’s preferred reuse and/or homeless housing.
- The space costs prove too great for Sunnyvale dealerships to relocate and only new dealers can participate, or none at all.
- Project proceeds are insufficient to accommodate even a deferred reimbursement of NOIs, and they are left on the site or a subsidy is required.
- The relocation of 1-2 dealerships from El Camino is determined to be a potential catalyst for decline.
- The VA elects not to relocate, and neither the City nor the selected developer decide to subsidize the removal of the NOIs, leaving a 9.76 acre remainder parcel.

In the event that the business plan suggests the auto center cannot be implemented the LRA will have exhausted this option and may decline to submit the petition for an economic development conveyance or implementation LRA. The Air Force may then request an alternate land use from the LRA, or may propose a public auction to sell the property to a qualified developer -- who would be required to negotiate with the City to remove the housing agency NOIs, and with VA for any VA relocation. The

proposed reuse for the remaining parcel would be, by default, the current zoning. The potential for success of a public auction is not clear.

Reviewed by:

Mary Bradley
Director of Finance

Reviewed by:

Hanson Hom
Director of Community Development

Approved by:

Robert Walker, Assistant City Manager
Prepared by: Robert A. Switzer, BRAC Project Manager

ATTACHMENTS

- Attachment A, The Redevelopment Plan
- Attachment B, The Homeless Assistance Submission
- Attachment C, Onizuka Fact Sheet
- Attachment D, Federal Property Conveyance