



Authority Meeting: August 11, 2009

SUBJECT: ONIZUKA AIR FORCE STATION STATUS REPORT

On December 9, 2008 the LRA adopted the Onizuka AFS Final Redevelopment Plan which specified a landmark-quality Auto Center as the preferred reuse and recommended an economic development conveyance (EDC) of the property from the Air Force to the City. Base Realignment and Closure (BRAC) regulations require the LRA to submit an EDC application and a business-operational plan demonstrating the Auto Center's feasibility and sufficient cash flow for needed economic development activity to clear VA and homeless housing claims.

Since the LRA's last meeting on December 9, 2008 the DOD awarded the City \$652,579 to further assess the feasibility of the Auto Center, provide the LRA with critical data to assess the project's economic and fiscal impacts on the community, and fulfill EDC application requirements. The following summarizes the status of Onizuka activities since the LRA December 9 meeting, and no action is required.

1. The LRA Closes Out Its 2008/09 Grant

The LRA prepared and submitted the Final Redevelopment Plan and Homeless Assistance Submission under a prior OEA grant of \$546,425. OEA extended the grant for additional consultant analysis and public review and funded the LRA \$180,654 through March 31, 2009. During the 15-month grant period, OEA compensated the LRA \$672,016 in planning expenses and the grant has been successfully closed out.

2. OEA Awards the LRA \$652,578 to Prepare an Application for EDC

On June 25, 2009 OEA approved new LRA funding for \$652,579 for the period April 1, 2009 to March 31, 2010. The work program is summarized below:

- Staff plans to issue the RFP in August 2009 and recruit a consultant team that will further assess the financial feasibility of the concept with additional outreach to auto dealerships and potential developers.
- City staff and consultants will refine the Auto Center concept and if approved by the LRA, proceed to finalize VA agreements and the business-operational plan.

- Staff expects to bring any proposed VA agreement and EDC application before the LRA for review and approval prior to submission to the Air Force in 2010.

3. LRA Recruits Consultants to Refine Concept, Prepare EDC Plan

The OEA grant includes \$355,000 for the following consultant and legal costs:

- Analyze refinements to improve the feasibility of the adopted Auto Center concept: 1) reconfigure the VA's boundary, 2) increase the number of auto dealers, and 3) compare a multi-story auto facility on Onizuka versus the possible purchase of an adjacent parcel for additional surface parking.
- Prepare refined Auto Center concept designs.
- Analyze the economic/fiscal impacts of two auto dealer concentrations.
- Assess feasible conditions for auto dealer participation.
- Provide refined historic analysis and recommendations.
- Prepare the business-operational plan to validate the EDC application.
- Provide independent legal counsel to prepare related agreements.

Staff has prepared a Request for Proposals (RFP) to issue in August in order to recruit consultants with recognized expertise. The first consultant task is to propose and analyze conceptual refinements that could enhance project feasibility.

If any of the refinements prove more feasible, then consultants will identify its business impacts on El Camino Real and its fiscal impacts on the City. If acceptable to the LRA, then staff would prepare a business plan and EDC application to be approved by the LRA and submitted to the Air Force.

4. Air Force's Draft Environmental Assessment (EA)

The Air Force Center for Environmental Excellence (AFCEE) has completed the Onizuka Draft Environmental Assessment. The Draft may be found on the LRA's Onizuka web site at <http://sunnyvale.ca.gov/NR/rdonlyres/8F5F2AD2-DA9F-4B2E-B9C4-F3B7422476F3/0/051509DAFBACEAWebPart1.pdf> The EA is intended to act as a disclosure document and basis for Air Force land use decisions. When completed in early 2010 the EA brings the conveyance and development process one step closer to completion. On June 19, 2009 staff commented on the Draft Environmental Assessment. The key issue was AFCEE's recommended action, which was "office use" rather than the LRA's preferred Auto Center reuse. AFCEE does not expect to complete the EA until after it has incorporated the Supplemental Historic Evaluation described below.

AFCEE's recommended action – office use – could be amended if the LRA and VA reach an accommodation for VA's withdrawal from the site.

5. Air Force's Supplemental Historic Evaluation for National Register

In response to historic issues raised by the City, AFCEE has initiated a supplemental evaluation of whether Onizuka buildings constructed in the 1960s would qualify for the National Register as historically significant. Staff has contacted local residents who expressed interest in the historic significance of Onizuka and for whom we have email addresses, to ask that they identify any persons who may have worked at Onizuka during 1964 and who may be able to help AFCEE consultants determine building eligibility for historic designation.

6. Air Force's donation of Satellite Antenna

In response to residents' interest in Onizuka's historic significance, LRA and Air Force staff has explored retaining at least one Air Force satellite dish as a stationary historic artifact similar to the Libby water tower. Additionally the LRA has received inquiries about the availability of a working satellite dish for future academic or scientific use and continues to explore this request as a way to maintain an antenna in working condition.

The Air Force has cooperated with the LRA to explore de-commissioning one of the large satellite dish antenna to be left in place as a static display. The antenna's reuse, maintenance cost, and design compatibility are to be more fully explored in the business plan and conceptual design work during 2009.

7. SB 590 Legislation: Mandatory "No Cost" EDCs

In passing the National Defense Authorization Act of 2009 the house proposed to mandate that DOD convey EDC-eligible BRAC properties to LRAs at no cost. The Senate version of the bill does not specifically authorize no-cost EDCs, but Senate approval of the National Defense Authorization Bill sets the stage to reconsider the issue. An amendment could be offered on the Senate floor when the bill is considered, or a House-Senate conference committee could reconcile differences between the two versions. The LRA has received copies of LRA interest letters sent to California's Senate delegation.

The LRA's Final Redevelopment Plan recommends an EDC, but not a "no-cost" EDC. Air Force's remaining parcel is of little value if VA or homeless requests are not withdrawn or obsolete facilities remain. Experienced LRAs indicate the primary benefits of a no-cost conveyance provide the LRA with: a) expedited DOD's conveyance process by eliminating fair market value negotiations which staff understands have caused protracted delay in military property transfers;

b) enhanced local control over development decisions; c) flexibility to structure project proceeds and compensation; and d) flexibility to accommodate the financial limitations of occupants, in this case auto dealers.

8. VA-requests 50-Foot Perimeter Force Security Setback

VA has asked the Air Force to expand VA's Onizuka parcel boundaries using an additional 50 feet of the now-surplus property to provide security setbacks in compliance with post 9-11 security regulations. The VA's request would increase the width of VA's parcel by 100 feet along both Innovation Way and Mathilda Avenue, add two additional acres to the VA parcel (i.e. an increase from 2.4 to 4.4 acres), overlap homeless housing NOI boundaries and increase the complexity of demolition issues.

The City's Final Redevelopment Plan notes that the VA request for excess property at the AFS, *"... creates substantial impacts that affect the feasibility of reuse ...and its location ... essentially cuts Onizuka into two parcels and makes site planning ...much less efficient..."* (Redevelopment Plan, p. 25.) The expansion of security setbacks exacerbates the feasibility of an Auto Center and could possibly force the LRA to reconsider its economic assumptions.

Conversely, VA now has more property flexibility than during the BRAC process due to its successful application for another, larger BRAC site, the Jones Hall Army Reserve Center in Mountain View. For instance, VA considers the Jones Hall site, *"ideally located adjacent to US Highway 101 and provides excellent access for staff because the site is less than 10 minutes from the Palo Alto and Menlo Park Divisions. VA Palo Alto Health Care System would have difficulty identifying and acquiring a similar parcel within the Cities of Palo Alto and Menlo Park,"* (VA Request for Property, GSA Form 1334).

The Air Force has advised VA that any request for additional surplus land would require amending VA's GSA Form 1334 to request the expanded acreage, and updating other VA circumstances, such as VA's BRAC claim to other nearby BRAC sites. Air Force has also notified VA that its request requires that the Onizuka LRA approve any expanded VA site. Air Force anticipates that the LRA would resist the VA request and has suggested that VA and the LRA consider some revised property boundaries that might swap VA's surface parking for parking structures.

9. Legal and Procedural Options for VA Withdrawal from Onizuka

The Air Force's position on VA's boundary expansion encourages a VA-LRA agreement on a path forward for Onizuka's timely conveyance and development. Staff is encouraged that VA has expressed willingness to consider the merit of reconfiguring their parcel to minimize VA's impact on the

LRA's preferred reuse, but the boundary reconfiguration remains the least attractive of several possible back-up options. The most favorable option remains effective congressional support for funding VA's office needs at other VA properties, and VA withdrawal of its Onizuka request. However, the option of a reconfigured VA site would also be explored in combination with the Auto Center concept.

The EDC business-operational plan should clarify the influence of VA boundary changes on Auto Center feasibility, and the Auto Center's potential compensation toward VA's withdrawal of their transfer request under any other option. However, VA has verbally expressed two reservations: 1) the complexity of VA and BRAC authority for any form of transfer or compensation, and 2) whether the transfer/compensation process could ensure compensation to avoid disrupting VA's design, construction and occupancy schedule.

Staff is currently exploring the legality of conveyance and compensation scenarios, how they might work, and their compatibility with VA's design, construction, and occupancy schedules. VA has verbally agreed to consider the scenarios and staff would expect to return to clarify possible scenarios at a future LRA executive session.

10. Homeless Submission and Legally Binding Agreements

HUD has complimented the LRA on the thoroughness of the LRA's homeless assistance submission, but has also requested additional information which staff will be providing.

HUD has made extensive comment on the legally binding agreement and is unlikely to approve the homeless assistance submission until Air Force signals its approval of the EDC and EDC compensation of homeless service providers from the proceeds of the project. Staff believes that the Air Force will consider this option so that the entire facility could be developed on an expedited schedule that would benefit all stakeholders.

PUBLIC CONTACT

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

RECOMMENDATION

No LRA action is necessary. This report is intended as an information only item to summarize the status of activities underway since the LRA approved the Final Redevelopment Plan on December 9, 2008. Further information will be presented to the LRA at future meetings.

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