

**COMMUNITY DEVELOPMENT DEPARTMENT
OFFICE MEMORANDUM**

DATE: **July 24, 2008**

TO: **Planning Commission**

FROM: **Trudi Ryan, Planning Officer** *TR*

THROUGH: **Amy Chan, City Manager** *AC*

SUBJECT: **Land Reuse Options for Onizuka Air Force Station**

CC: **Onizuka Local Redevelopment Authority (LRA)**

DISCUSSION

Enclosed is a report to the Onizuka Citizen's Advisory Committee (CAC) on reuse of the Onizuka Air Force Station. There is a defined process for a local community to participate in the analysis and recommendations for the future reuse of a military site that is closing. The process may include a CAC which advises the Local Redevelopment Authority (LRA). For the Onizuka Air Force Station (AFS), the City Council members have been designated as the LRA by the Department of Defense (DOD). The Planning Commission does not have a formal role in this phase of the process; the CAC is the formal advisory body to the LRA on the land use of Onizuka. The LRA will be preparing a Final Redevelopment Plan for submission to the DOD on the reuse of the property.

On July 16, 2008, the CAC reviewed the attached staff report and attachments and recommended to the LRA the following land reuse preferences for the AFS (in ranked order):

1. Auto Center
2. Hotel, Conference Center, and Office
3. Corporate Offices

Should the DOD approve the Plan, at a future date the Planning Commission will provide a formal recommendation to the City Council on general plan land use designation and zoning. The Planning Commission will also review specific development proposals for the property. The land use options that are outlined in the attachments are only conceptual at this time.

RECOMMENDATION

As the City's land use advisory body, staff recommends that the Planning Commission provide early comments to the City Council on the land reuse options for the AFS. The Commission's comments will be forwarded to the City Council in its role as the LRA along with the formal recommendation of the CAC. A motion is not required, although the Commission has the prerogative to forward its collective comments in this manner.

Attachments

- A. Report to Onizuka CAC with Attachments, 7/16/08
- B. BRAC (Base Realignment and Closure) Fact Sheet



Onizuka CAC Meeting: July 16, 2008

SUBJECT: Request for Recommendation of Land Re-Use for Onizuka Air Force Station

REPORT IN BRIEF

The Onizuka Citizen's Advisory Committee (CAC) is requested to recommend a land reuse option for Onizuka Air Force Station (AFS).

At its March 27, 2008 meeting the CAC reviewed a draft technical report, *Onizuka Air Force Station Redevelopment Plan – Technical Report: Analysis and Feasibility of Conceptual Reuse Options* and raised several questions for follow-up. Responses to those questions are included in Attachment A, *Response Report to Questions of the Onizuka Citizens Advisory Committee – Feasibility of Conceptual Reuse Options for Onizuka AFS*.

This recommendation is the last scheduled step in the CAC's advisory role to the Onizuka Local Redevelopment Authority (LRA) in planning for Onizuka's transition to civilian reuse.

Staff recommendation is that the CAC recommend a land reuse option for the entire Onizuka AFS site.

BACKGROUND

At its March 27, 2008 meeting the CAC reviewed and accepted the draft *Onizuka Air Force Station Redevelopment Plan - Technical Report: Analysis and Feasibility of Conceptual Reuse Options*, as prepared by the consulting firm Bay Area Economics, with several follow up questions. That report is an analysis of the feasibility and impacts of the five Onizuka LRA-approved conceptual land reuse options. One purpose of the analysis was to aid the CAC and LRA in evaluating each option. The CAC land use recommendation will be considered by the LRA in making its final land use selection and developing the Onizuka AFS Final Reuse Plan for submittal to the Department of Defense.

Update on Notices of Interest Submitted by Homeless Agencies and VA

The LRA continues to explore relocating stakeholder Notices of Interest (NOIs) to more appropriate sites. At its June 24, 2008 meeting the LRA approved core terms for a potential legally binding agreement with the two homeless service providers that submitted NOIs in Onizuka AFS parcels (see RTC 008-02, *Proposed Terms of Agreement with Homeless Services Providers that have*

Submitted Notices of Interest in Surplus Property at AFS). Both housing agencies have agreed to the proposed terms. Consistent with LRA direction, the proposed terms use Onizuka's value to relocate homeless housing to more appropriate sites.

While the Department of Veteran Affairs (VA) retains its interest in the site, the LRA will work collaboratively with the Air Force and the VA for mutually beneficial terms for the VA's eventual relocation. Should the Air Force not approve a recommended disposal to compensate the LRA for removing the NOIs, the LRA could choose to leave the NOIs on the Onizuka site.

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.

In balancing homeless needs for housing with community needs for economic development Sunnyvale relies upon a consensus of community values that have been codified over time. These codifications are documented in the City of Sunnyvale General Plan, the April 2004 Moffett Park Specific Plan and the May 2005, City of Sunnyvale 2005-2010 Consolidated Plan (which identifies homeless housing needs and City objectives to address them).

DISCUSSION

The CAC is asked to provide a preferred land re-use recommendation for the entire site. To aid the CAC in this deliberation, attached are BAE's responses to CAC questions regarding the draft Technical Report. They are compiled in Attachment A, *Response Report to Questions of the Onizuka Citizens Advisory Committee – Feasibility of Conceptual Reuse Options for Onizuka AFS*. The responses are intended to provide additional information to the CAC regarding selection of the reuse option it recommends to the LRA.

Also attached for CAC review is Attachment B, *Onizuka Air Force Station Sustainable Reuse Options*, BAE's summary of the reuse options. The final version of this document is expected to be included in the final Onizuka reuse plan submission to the Department of Defense.

The consultant-prepared technical reports analyze market, feasibility and fiscal impact issues for each conceptual reuse option, and also identify the entitlement value (referred to as "residual value") that the LRA could add to the property through City entitlements without jeopardizing the economic feasibility of the proposed reuse option. While the analysis provides strategic assistance to the LRA, it also provides valuable detail for CAC deliberations in selecting a recommended reuse option for the entire site. As discussed in

detail in the analysis, the three CAC and LRA-approved reuse options appropriate to the entire Onizuka site are: 1) corporate offices, 2) hotel/conference center, or 3) retail auto center.

The CAC is asked to focus its deliberations on recommending a preferred future land reuse for Onizuka AFS to best meet community needs and objectives. In December 2006 the CAC had identified the following evaluation criteria (excerpted from LRA RTC 07-002, *Onizuka Air Force Station Conceptual Reuse Options for Base Realignment and Closure*):

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 which 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, with an important City entryway, with Onizuka AFS and/or Silicon Valley.

The LRA will address the NOI encumbrances as well as final project densities. The CAC should note that any LRA-approved reuse option is not necessarily a rigid, exclusive or final decision. Final reuse will depend not only upon the DOD-approved method of disposition but also upon the timing and decisions of private sector stakeholders. Final reuse options may be further refined, influenced or even displaced by events or conditions during the pre-development period or modified by future zoning or entitlement processes.

Next Steps

Once the CAC has selected its recommended reuse option, the CAC's recommendation will go to the Planning Commission on July 28, 2008 for comment, and together with staff recommendations will go to the LRA for review, public comment, and adoption in October and November. The Final Redevelopment Plan is scheduled for submission to the DOD in December. Upon favorable review by DOD, the City (LRA) may begin the implementation process, including appropriate General Plan and zone changes if required.

FISCAL IMPACT

There is no fiscal impact created by this report. The analysis of conceptual reuse options identifies the economic and fiscal impacts of each conceptual reuse option as one criterion for the LRA selection of preferred reuse.

PUBLIC CONTACT

Public contact was made by posting the CAC 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 agenda and report on the City's Onizuka web site and notifying the Onizuka stakeholder listing by email, and making the report available at the Library and the Office of the City Clerk.

ALTERNATIVES

1. Recommend a land reuse option for Onizuka AFS.
2. Do not recommend a land reuse option for Onizuka AFS.
3. Other action as identified by the CAC.

RECOMMENDATION

No staff recommendation.

Reviewed by:

Robert Walker, Assistant City Manager

Prepared by: Robert A. Switzer, BRAC Project Manager

Reviewed by:

Amy Chan
City Manager

ATTACHMENTS

Attachment A, Response Report to Questions of the Onizuka Citizens Advisory Committee – Feasibility of Conceptual Reuse Options for Onizuka AFS

Attachment B, Onizuka Air Force Station Sustainable Reuse Options

Attachment A
Response Report to
Questions of the Onizuka Citizens Advisory Committee –
Feasibility of Conceptual Reuse Options for Onizuka AFS

BAE has prepared this Response Report in follow up to questions and conversations with Citizens Advisory Committee (CAC) members at their meeting of March 27, 2008, regarding the conceptual reuse options for Onizuka Air Force Station (Onizuka). This Response Report is presented to provide additional objective information clarifying issues raised during the CAC review of market, environmental, feasibility and economic/fiscal analysis of conceptual reuse options.

Accompanying this Response Report is a draft stand-alone report, *Onizuka Air Force Station Sustainable Reuse Options* (Attachment B) containing revised analysis of the reuse options and site plans, as amended in response to CAC recommendations. A final revised version of Attachment B will be incorporated into the City's Onizuka Redevelopment Plan for submittal to the U.S. Departments of Defense and Housing and Urban Development, as required by the BRAC process.

This Response Report and Attachment B are intended to provide additional information to the CAC for its upcoming meeting. The draft *Onizuka Air Force Station Redevelopment Plan Technical Report: Analysis and Feasibility of Conceptual Reuse Options*, March 20, 2008 (Technical Report), was previously distributed to the CAC for background in its decision making process. The Technical Report contains a comprehensive analysis of the site, infrastructure, environmental, market, financial feasibility, traffic, economic impacts and fiscal benefits.

A PowerPoint presentation summarizing the analysis and findings of the Technical Report was presented to the CAC at its March 27, 2008 meeting. The discussion at that meeting raised the following questions and items for follow up (the responses to each item follow in *italics*):

- 1) At the meeting it was suggested that the office alternative could be developed at 50% FAR and all parking in surface lots, rather than the mix of surface lots and parking structures shown in the draft site plan.

Further analysis confirms that this is doable given City zoning and parking standards. The revised site plan shows 50% FAR office development with all surface parking. This change in the program increases land value by approximately \$12.4 million and economic impacts as well as ongoing fiscal revenues are unchanged.

- 2) Amount of unsecured property tax generated for each alternative (as part of fiscal benefits) – is this particularly significant for auto use?

It would be highly speculative to estimate net change in unsecured property tax for each alternative without additional market research for the auto center alternatives. To prepare a credible estimate, information is required regarding the existing vehicle inventories and values as well as likely changes in dealer mix (e.g., new dealers or relocation of existing dealers) and resulting net increases in vehicle inventories and values. The current scope of work for the analysis does not include this level of detailed research.

- 3) Confirm that assumptions for new parking cost (at \$30,000 space) versus reuse of existing projects (at approximately 50 percent of new for seismic retrofit costs) are accurately reflected in the pro formas.

These are correct -- see answer to #4.

- 4) Option #5 pro forma shows structured parking cost – the 35 percent FAR office in that alternative is all surface parking -- possibly due to inclusion of VA or homeless housing parking costs?

The calculation is correct, but misleadingly labeled. The cost is for renovation of the existing structure that is retained (including demolition of unused third floor office space on top of the structure). The pro formas are being relabeled.

- 5) Confirm what zoning is “as of right”, i.e. what is the existing entitlement that an Onizuka purchaser would receive?

The zoning map shows site as MP-Industrial at 35 percent FAR, as does the Moffett Park Specific Plan. The Specific Plan states that there is no access to the development reserve or transfer of development rights for military parcels, including Onizuka.

- 6) Can IMPLAN break-out the additional sales tax generated by increases in regional income? If so, what is that amount?

IMPLAN is not set up to break-out economic activity for retail sales versus other types of consumer and business economic activity. Even if this was possible, IMPLAN does not provide valid answers for any geography smaller than Santa Clara County as a whole.

- 7) Did analysis of homeless housing include fiscal impact?

No – the analysis considered fiscal benefit (revenues) for market-based uses. Homeless housing is assumed to be property-tax exempt. Fiscal impact (including new service costs) is not included in the scope of the current analysis.

- 8) The public transit map in Fehr & Peers report does not reflect changes in transit service.

Fehr & Peers has provided a corrected map for inclusion in the Technical Report.

- 9) Would residential development at Onizuka, and resulting DTSC 1,000 foot limit on use of hazardous material near residential, affect continuing Lockheed operations? Does this limit apply to hotel?

Since Onizuka is within 2,000 feet of Lockheed Martin, reuse of the site for residential development may limit Lockheed Martin's future operations to the extent that Lockheed Martin needs or requires a portion of their site for hazardous materials disposal. Such a need cannot be ruled out since Lockheed Martin is a user and generator of a number of hazardous materials.

A hotel is not believed to be affected as it does not provide permanent housing.

- 10) What are the school district impacts from homeless housing? There was speculation that it could be 25 – 30 high school students + elementary.

School district impacts do not affect the City of Sunnyvale's fiscal situation. Analysis of these impacts is not in the scope of the current analysis.

- 11) The development risk and potential subsidy needed for an Auto Center should be addressed, as well as strategies to maximize redevelopment potential of former auto dealer sites on El Camino Real.

These are good points that would need to be addressed in preparation of the Redevelopment Plan, if the Auto Center becomes the preferred options. The scope for the current analysis does not include further work on an El Camino Real redevelopment strategy.

- 12) Reconfigure Option 1 “baseline” to show homeless housing, on north side of site, but with VA parking only at amount requested by VA (not the larger amount shown per City's requirements).

- 13) Make Option 5 instead Option 1A as an alternative to baseline, and delete new parking structure.

- 14) For valuation purposes, only show Option 2A, with pro forma showing offsite cost of relocation of VA, value of alternative Armory site to satisfy homeless housing requirement.

- 15) Caveat that Options 2B and 2C may require rezoning. For Option 2B, delete the structured parking and only assume three buildings. For “fiscal pro forma” estimate sales tax that would flow from an economic multiplier. Same comments about VA and Armory in pro forma as #13.

16) Estimates for demolition and parking in Option 4B appear incorrect – the cost should be closer to \$25 million. Same comments about VA and Armory in proforma as #13. Value of existing dealership land should also be considered to support this option.

(#12 - #16) The options analyzed were those as presented by the City per earlier CAC work, with modifications per staff & consultant discussions. The scope of the current analysis does not include assessment of alternative off-site sites/projects for VA or NOI submitters. The suggestions on refining office site plans were considered in formulating refined alternatives. Please refer to the answer to #6 regarding sales tax estimates; refer to the answer to #4 re parking costs. The necessary changes will be made in the final Technical Report.

Historic Preservation Analysis

Analysis of the historic significance of Onizuka's existing improvements was completed by Knapp Architects, specialists in historic architecture, subsequent to the Technical Report presentation. The draft memorandum containing Knapp's analysis is currently being reviewed by City staff, and will be presented at the meeting of the City's Historic Preservation Commission on August 6, 2008.

The Knapp memorandum analyzes the eligibility of Onizuka structures and improvements for listing or findings of significance under the federal National Historic Preservation Act, the California Environmental Quality Act (CEQA), and Sunnyvale's historic preservation ordinance. At the risk of overly simplifying the detailed analysis, Knapp's draft memorandum finds that Onizuka buildings and improvements may only be found significant under the City's historic preservation ordinance.

Additional Analysis and Revised Findings

Please refer to the attachment to this memorandum for a description of the additional market, financial, economic impact, and fiscal benefit analysis that has been conducted. The attachment also contains revised alternatives and site plans based on follow up work since the previous CAC meeting.

Site and Infrastructure Impacts

The analysis of existing improvements, site conditions, on-site and off-site infrastructure, and environmental conditions was set forth in the Technical Report. The modified alternatives as set forth in the attachment do not affect its findings.

Traffic Impacts

The Technical Report analysis indicated that of the five conceptual reuse options, only one, Reuse Option #3-Hotel/Conference Center/Office would generate additional new trips over the historic

full occupancy traffic impact of the Onizuka site and therefore warrant further analysis. Reuse Option #3 would result in significant impacts to the Mathilda Avenue intersections at Moffett Park Drive and State Route 237 Westbound ramps, as well as exacerbate an existing weaving problem on Mathilda Avenue between Ross Drive and Moffett Park Drive. Should this option be chosen as the preferred option, the future development would be required to pay its fair share of funds to improvements identified for these intersections, through payment of the transportation impact fee which is approximately \$1.4 million.

For the financial feasibility analysis, we assumed that all future development would be required to pay the transportation impact fee, per the City's policy on Moffett Park development. This discrepancy between Onizuka Air Force station having already been included in traffic analysis, but new development on it with less impact than the historical use having to pay the impact fee, arises because the Moffett Park Specific Plan assumed Onizuka would continue in operation. This dichotomy has not been resolved.

The refined alternatives do not alter the previous traffic analysis.

Baseline Economic Impact from Closure

Attempting to calculate the economic impact from Onizuka's closure has been challenging because information on which agencies previously occupied the facility, staffing levels, contractor personnel and contractor expenditures, and so on continues to be classified for national security reasons, both in terms of total programs and the amount attributable to Onizuka. There is no practical method for obtaining this information.

As an alternative, maximum employment density was calculated using both the Institute of Transportation Engineering trip generation model as well as the model developed by VTA that calculate trips based on facility size. These two models, using Onizuka's existing built area, indicate that maximum peak employment at Onizuka during full operation may have ranged from approximately 1,900 to 2,300 persons.

These figures were then entered into the economic impact (econometric) model used by BAE to estimate the dollar value of this employment that will be lost as a result of Onizuka's closure. Model assumptions for federal defense employment were used. The model estimated that the maximum potential annual economic impact from Onizuka closure would be \$1.267 billion and a total of nearly 5,100 jobs, including indirect and induced effects (i.e. the combination of jobs at Onizuka as well as the jobs created elsewhere in the local, regional, and national economy as a result of Onizuka employment and related Air Force expenditures):

Estimated Annual Economic Impact of Onizuka AFS at Peak Operation

	\$ in Millions				Jobs			
	<u>Direct</u>	<u>Indirect</u>	<u>Induced</u>	<u>Total</u>	<u>Direct</u>	<u>Indirect</u>	<u>Induced</u>	<u>Total</u>
Low Employment Estimate (a)	\$706.3	\$211.2	\$128.8	\$1,046.3	1,900	1,415	890	4,205
High Employment Estimate (b)	\$855.8	\$256.0	\$156.1	\$1,267.8	2,300	1,715	1,078	5,093

Notes:

- a) Low Employment Estimate assumes 1,900 jobs at Onizuka AFS at period of peak operation.
- b) High Employment Estimate assumes 2,300 jobs at Onizuka AFS at period of peak operation.

Both scenarios assume employment is split evenly between the following categories:

- Federal Military
- Federal Civilian
- Private Sector Contractors, working in professional and technical fields.

Sources: IMPLAN; BAE, 2008.

Attachment B: Onizuka Air Force Station Sustainable Reuse Options

Approach

This section describes the land use options considered for the Onizuka Air Force Station (Onizuka) Redevelopment Plan. The options were selected by the Local Reuse Authority (LRA) for further market, fiscal and feasibility analysis as the basis for comparison and LRA selection of a preferred reuse option for Onizuka upon its conversion to civilian use in 2011. The land use options were evaluated to compare their ability to offset the economic impact associated with closure of Onizuka, justify investment needed to redevelop the site for these uses, and cover future operations costs, including payment of property and other taxes needed to generate new fiscal revenues to offset the City's costs of providing increased public services and public improvements.

The analysis conducted for the land use options includes assessment of site and infrastructure conditions (including potential reuse of existing structures, environmental conditions, geotechnical conditions, and cultural resources); market analysis; preliminary site plans; assessment of financial feasibility (i.e. fair market purchase price that the reuse option would support); projection of economic impacts; and fiscal benefits. The discussion of reuse options summarizes more extensive analysis contained in the document, *Draft Onizuka Air Force Station Redevelopment Plan Technical Report: Analysis and Feasibility of Conceptual Reuse Options*, March 20, 2008 (Technical Report).

Reuse Option with VA and NOI Submittals

The first option addresses reuse of Onizuka AFS by two uses given priority by federal statute. The first use occurs because of the expression of interest by the U.S. Department of Veterans Affairs (VA) for a transfer of property (2.2 acres) to accommodate research and administrative uses pursuant to federal property disposal procedures. The second use arises because of the Notices of Interest (NOIs) from two homeless housing service providers for a transfer of property (7.2 acres total) to accommodate homeless housing pursuant to the McKinney-Vento Homeless Assistance Act. Both options would leave a portion of the site (approximately 10.6 acres, net of the NOI and VA expressions of interest) available for development of office space at the existing 35 percent floor area ratio (FAR) density allowed by Moffett Park Specific Plan and related zoning for the area.

The property requested in VA's expression of interest has not been declared surplus by the Air Force, and thus is not at this time available for other uses. It has been evaluated to provide a baseline for comparison with other, more economically beneficial uses that would utilize the entire property.

The property requested by two homeless housing and service providers is the subject of contemplated legally binding agreements (LBAs) between them and the LRA that could result in the development described in their NOI being provided at another to be determined location elsewhere in the City.

Selection of a reuse option for redevelopment of the entire Onizuka site would assume that VA office and homeless housing development could be accommodated at other more appropriate locations based on mutual agreements between the VA and homeless housing and service providers.

Reuse Option 1: VA Office + Homeless Housing + New Office

Reuse Option 1 reflects the VA's request for Building 1002 office uses, as well as adjacent buildings for support, and parking. It also includes the NOI requests by two separate homeless housing providers for sites to develop a total of 245 dwelling units.

The VA and NOI submittals, however, were made absent any consideration of how to create optimal reuse of the Onizuka site to accommodate these uses along with other development on the portion of the site they do not need. This occurs because of the sequence of actions that are required by the BRAC process and federal property disposition procedures. The result is that the independent VA and NOI submittals significantly limits the amount and types of other development that could be accommodated on the remaining portion of the Onizuka site not included in their submittals (as well as the amount and types of development that could occur if the entire site is available).

VA's request for 100 surface parking spaces, rather than reuse of the existing adjacent parking structure, reduces approximately 14,000 square feet of new office development (at 35 percent FAR) that could otherwise be built. The VA request also provides considerably less parking than the City's parking code indicates is needed (168 spaces), creating the likelihood that VA employees would impact other reuse options or end users.

One of the NOI submittals is located at the southwest corner of the site at the intersection of Innovation Way and West Moffett Park Drive within 300 feet of freeway CA Highway 237. The location potentially exposes residents to significant pollution and noise from the freeway. The location also further subdivides the Onizuka site in an inefficient manner that limits the potential to accommodate other uses.

These factors led to the creation of Reuse Option 1 to include the VA and homeless housing development but in a more efficient manner that maximizes the potential for other development to offset the economic impact of Onizuka's closure. Reuse Option 1 provides the VA with Building 1002 as requested for office use, but shifts VA's parking and support facilities into the existing Building 10031 parking structure. Reuse Option 1 relocates Mid-Peninsula Housing Coalition's site to the north side of Onizuka, adjacent to the site requested by the Onizuka Partnership (led by Charities Housing Development Corporation).

The resulting improved site plan would permit the development, in addition to the VA offices and homeless housing development, of an additional 161,980 square feet of office space and 540 surface parking spaces. This is shown, along with the proposed reconfiguration of the VA and NOI Submittal requests in Figure 5-1 on the next page.

The conceptual site plan in Figure 5-1, as well as the plans for the other reuse options, shows relocation of the existing satellite dishes to the southwest corner of the site to retain a visual connection with Onizuka's historic past. The site plans also show retention of the Challenger memorial in its existing location along the southern edge of the site.

ATTACHMENT B



PROGRAM/USE

VA Requested Area **3.32 AC**

	VA Offices	50,560 SF
	Structured Parking	168 Spaces

Note: VA offices entail existing building 1002 only. Drawing assumes VA provides new utility and HVAC.

Homeless Housing/Services Area **4.92 AC**

	Charities Housing	120 Units
	Mild Peninsula Housing	125 Units
	Residential Parking	245 Spaces

Note: Housing density is 50 du/ac. Residential parking is 1 space per du.

Remainder Development Area **10.62 AC**

	Offices at 35% FAR	161,980 SF
	Landscape Area	
	Surface Parking	540 Spaces
	Street Trees	

Note: Parking areas incorporate 20% landscaping requirement.

TOTAL ACREAGE **18.86 AC**

	Onizuka Site Boundary
	Easements
	Existing Trees
	Existing Satellite Dishes
	Relocated Satellite Dishes

Preferred Land Use Options for Entire Site

This section compares three land use options with the VA and NOI submittals, in terms of market demand, financial feasibility, economic impact, and fiscal benefits (including the potential costs of agreements to relocate VA and NOI Submittals off-site). These three options assume availability of the entire 18.9 acre Onizuka site. This would arise as a result of VA’s withdrawal of its expression of interest in facilities and land at Onizuka pursuant to a future agreement with the City, and the withdrawal of the homeless NOIs pursuant to the pending Legally Binding Agreement between the City and the homeless housing and service providers.

The reuse options span a range of commercial uses – office, auto retail, and conference center hotel – that would be developed by private developers. The conceptual site plans for the associated reuse options are presented in this section, along with a discussion of the local real estate market context.

OFFICE SUMMARY

Key Assumptions:

- 288,000 to 410,000 sf (35% - 50% FAR); 959 to 1,369 surface parking spaces
- Office rents, land values at 1st Qtr. '08 levels
- Existing inventory, planned projects absorbed by time Onizuka office space is developed

Market Assessment:

- Average long-term Sunnyvale office absorption projected to be 215,000 sf / year
- Onizuka site is a superior location within Moffett Park, likely to capture demand sooner
- Onizuka not required to meet near-, medium-term demand for office in Moffett Park

Risk Factors:

- Timing of other Moffett Park property owner decisions to redevelop sites for office

Implementation Recommendations:

- Phase implementation to match market absorption

It should be noted that there is potentially significant time between the submittal of the Base Reuse Plan and the Air Force’s conveyance of the site. The Base Reuse Plan could suggest one or more preferred land use(s). Subsequent predevelopment work by the City could be used to determine the optimal use(s) for final conveyance negotiations with the Air Force, informed by further market research and changes in market conditions.

Reuse Option 2: Corporate Offices

Market Context

The Silicon Valley office market has been uncertain since the Fourth Quarter of 2007 and may be entering a period of flat or declining land values and rental rates. This is evidenced by an increase in vacancies and flattening of the solid rental rate growth for Class A office space, following three years of solid growth that began in 2004. This pattern is consistent with the boom and bust cycles of the Silicon Valley office market

(the Technical Report contains an extended discussion of the Silicon Valley office market from the 1980's to the present).

Sunnyvale Class A office space asking rents at the end of 2007 averaged approximately 10 percent higher than Silicon Valley rents, at \$3.60 per square foot per month. Unlike the rest of the Valley, asking rents in Sunnyvale are higher than they were 10 years ago, reflecting the shift in inventory from Class B to Class A buildings. Despite this difference, Sunnyvale's historic office absorption trends track the overall Valley, and its office market experiences the same pattern of boom and bust cycles. The value of the Onizuka site for office use will depend greatly on what point in the boom and bust cycle the property is conveyed to the private sector for redevelopment.

ABAG's latest forecast projects that through 2035 Sunnyvale will gain an average of approximately 781 office/R&D jobs per year, and at 275 gross square feet per job this translates into support for nearly 215,000 square feet of space per year, or approximately 6.4 million square feet through 2035. This potential long-term demand is less than the nine million square feet of new development permitted by the Moffett Park Specific Plan. Developers indicate that Onizuka offers a superior location in Moffett Park and is likely to capture demand prior to sites elsewhere in the area.

As is the case with most Specific Plans, not all sites in Moffett Park would be expected to be developed to their full level of entitlements since not all owners will be interested in selling and/or redeveloping their properties (and plans typically provide more entitlements than the market will support to ensure market liquidity for development sites). Thus, although other Moffett Park sites offer more than enough capacity to meet near-term development demand, the capacity represented by the Onizuka site may be needed in the longer term. The Onizuka site also presents the potential for a prominent freeway-adjacent location for a headquarters or other large user; users interested in such a site might prefer an alternative prominent freeway-adjacent location in another city over an interior site in Moffett Park.

Conceptual Site Plan for Offices

The Moffett Park Specific Plan and associated zoning provides an existing entitlement of 35 percent FAR for the Onizuka site, and explicitly states that military parcels (including Onizuka) cannot access the development reserve or transfer of development rights that could allow development at a higher density. However this provision could be changed, if the City so desired, through a Specific Plan Amendment.

At 35 percent FAR, the entire Onizuka site could accommodate approximately 288,000 square feet of low- or mid-rise office space with 959 surface parking spaces. In order to model a "best case" for economic and fiscal impacts, the development potential at 50 percent FAR was also

determined: more than 410,000 square feet of mid-rise office space with 1,369 surface parking spaces.

Figure 5-2 on the next page shows development at the 50 percent FAR level in order to illustrate how it might fit on the site, even though this level of development is not allowed by the Specific Plan. Development at the 35 percent FAR level could be similar, with shorter buildings or with smaller footprints and/or more buildings. The scale and configuration of the new office space as shown in Figure 5-2 would be comparable to the Juniper Networks buildings across Innovation Way from the site.

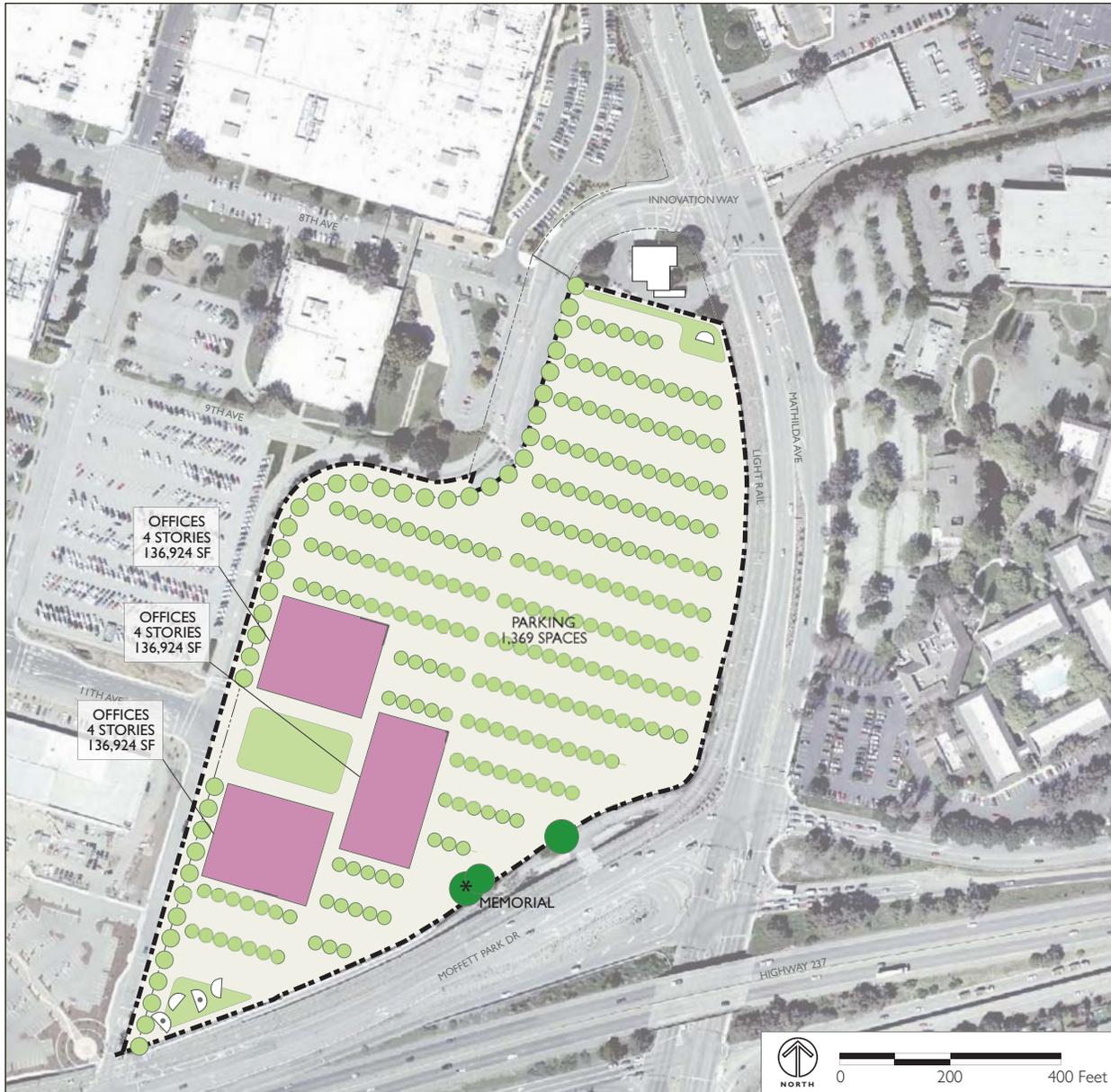
Reuse Options 3A & 3B: Auto Center (3A - Small Auto Center; 3B - Large Auto Center)

Auto retailing as a potential land use arose as an option because of pressure some of Sunnyvale's existing dealers are receiving from their manufacturers to relocate to larger sites; other Sunnyvale dealers who are about to or did previously relocate to other cities and freeway adjacent auto centers; and the lack of other readily available sites for freeway adjacent auto retailing within the City.

Market Context

The 11 "Sunnyvale Auto Row" dealers on El Camino Real generate 15 percent of the City's total sales tax proceeds. These dealers mostly occupy non-adjacent sites along El Camino Real, consisting of small sites of 2.2 acres to 4.5 acres, considerably smaller than many current manufacturer facility requirements. This can affect the number of cars they can keep in inventory and potentially their total sales. Modern auto centers often feature dealer sites from four to seven or more acres. Some of Sunnyvale's dealers are experiencing pressure from manufacturers to move to larger sites or risk potential loss of their franchise, or award of a new franchise to a competing dealer in a nearby area. One upscale dealer, Sunnyvale Acura, is already relocating to the Fremont Auto Mall because of a sale of the dealership. Previously, other dealers have left Sunnyvale for other locations for various reasons.

A current trend in auto retailing is locating stand-alone dealerships or clusters of dealers in auto centers with freeway visibility. Local examples include the Capitol Expressway Auto Mall, the Fremont Auto Mall, and Piercey Toyota's relocation to a site along Interstate-880 in Milpitas. At the same time, there are numerous examples of traditional auto rows along major commercial streets that have continued to thrive, including local ones such as Hayward Auto Row.



PROGRAM/USE

Development Area **18.86 AC**

- Offices at 50% FAR 410,772 SF
- Landscape Area
- Surface Parking 1,369 Spaces
- Street Trees

Note: Parking areas incorporate 20% landscaping requirement.

TOTAL ACREAGE **18.86 AC**

- Onizuka Site Boundary
- Easements
- Existing Trees
- Existing Satellite Dishes
- Relocated Satellite Dishes

The typical market area for manufacturer franchises is a 10-mile radius, however in areas with stronger demographics and greater purchasing power such as Sunnyvale manufacturers will give franchisees smaller market areas. A review of all auto makes sold in the Bay Area indicates that only a limited number of low volume luxury brands are not sold within a 10-mile radius of Sunnyvale. However, interviews with Sunnyvale auto dealers, including those currently seeking new franchises, suggests potential for various new upscale and other brand franchises in Sunnyvale, including Lexus, Subaru, Land Rover, and Volvo.

A survey of Sunnyvale's current auto dealers generated seven responses from dealers who would potentially be interested in relocating to an Onizuka Auto Center. A review of confidential sales tax data indicates that a minority of Sunnyvale's auto dealers exceed the average U.S. auto dealer's sales of \$31.9 million in 2006, suggesting that some of the dealers interested in relocation to an Onizuka site may lack the financial resources to pay fair market value for land and finance the cost of constructing a new dealership.

The number of U.S. auto dealerships continues to decline, particularly for retailers of American makes as the market share of those makes has continued to decline. Based on the review of sales tax data, it appears that several of Sunnyvale's underperforming dealerships may be at risk, either through sale or other changes that could lead to their relocation.

There are various economic development strategies that the City could pursue to retain and strengthen its existing dealer base. Alternatives could include assisting Sunnyvale Auto Row dealers with expansion onto adjacent property or other sites elsewhere on El Camino Real, or through creation of a new Auto Center at the Onizuka site that would accommodate a mix of relocated dealers as well as dealers new to Sunnyvale. While splitting dealers between multiple locations in the City may not be advantageous for marketing purposes, a strategy to retain and enhance El Camino Real auto retailing could also include locating at Onizuka one or two auto existing or new dealers who need a larger site. The formulation of more detailed auto retailing economic development strategies is beyond the scope of this analysis, however it should be addressed in any future work to refine auto retailing concepts for the Onizuka site.

Conceptual Site Plans for Auto Retailing

In order to allow consideration of a range of auto retailing economic development strategies, including those that seek to attract new dealers, two options reuse options were prepared. One reuse option utilizes the 18.9 acres of the Onizuka site, while the second reuse option adds additional property adjacent to Onizuka to accommodate a larger number of existing or new auto dealers. This range of options could also support a phased implementation, with the Onizuka site in either the first or second phase. These options are shown on the next page in Figures 5-3A and 5-3B.



PROGRAM/USE

Development Area **18.86 AC**

- Showroom/Services (60,000 SF Total)
- Dealer Parcels
- Auto Center Signage
- Display Parking and Showroom Entry
- Street Trees

Note: Building footprints for Showroom/Service is conceptual; dealers will determine future programs. Each dealer parcel will include showrooms, service and parts, offices, inventory and parking. 20% landscape requirement will be addressed in future site planning for individual parcels.

TOTAL ACREAGE **18.86 AC**

- Onizuka Site Boundary
- Easements
- Existing Trees
- Existing Satellite Dishes
- Relocated Satellite Dishes



PROGRAM/USE

Development Area 18.86 AC

 Showroom/Services (60,000 SF Total)

 Dealer Parcels

 Additional Land Assembly for Dealer Parcels **16.00 AC**

 Auto Center Signage

 Display Parking and Showroom Entry

 Street Trees

Note: Building footprints for Showroom/Service is conceptual; dealers will determine future programs. Each dealer parcel will include showrooms, service and parts, offices, inventory and parking. 20% landscape requirement will be addressed in future site planning for individual parcels.

TOTAL ACREAGE 34.86 AC

 Onizuka Site Boundary

 Easements

 Existing Trees

 Existing Satellite Dishes

 Relocated Satellite Dishes

Figure 5-3A shows reuse of Onizuka’s 18.9 acres to accommodate up to three dealerships of various sizes, with parcels of four, six, and eight acres. These sizes correspond to site requirements identified in survey responses from Sunnyvale Auto Row dealers.

(Although not shown, under Reuse Option 1 even with VA and NOI submittals reusing a portion of the Onizuka site, there could still be room for one or two dealerships.)

AUTO CENTER SUMMARY

Key Assumptions:

- 19 acres with up to 3 dealerships, or 35 acres with up to 7 dealerships
- Occupancy by a mix of existing and new Sunnyvale dealers
- New medium- or high-volume dealer franchises can be attracted to Sunnyvale
- Auto dealers willing to pay higher land value or rents for a Hwy. 237 / Onizuka location

Market Assessment:

- Attractive location for auto dealers due to freeway visibility and signage
- Some existing Sunnyvale dealers interested, depending on terms; more work needed to identify extent of demand from new dealers

Risk Factors:

- Actual extent of existing, new dealer demand for Onizuka site, willingness to pay high price
- Potential City support needed for site acquisition or facility development costs

Implementation Recommendations:

- More in-depth market research to nail down potential demand, price points, potential need for City support
- Seek dealer commitments in advance of acquiring Onizuka site for this use

Figure 5-3B shows the acquisition of 16 acres across Innovation Way from Onizuka that is currently entitled for office/hotel development and is potentially available. The additional acreage could accommodate up to four additional dealerships of four acres each, for a total of seven dealerships.

It is assumed that the larger Auto Center could accommodate a mix of current Sunnyvale dealers who relocate from El Camino Real, along with new franchises operated by current or new dealers.

While not a typical site planning consideration at this stage of planning, interviews with dealers indicated that the single most important design feature is a large freeway visible sign (for example, the successful Roseville Automall is located a block from Interstate-80 with no freeway visibility, but attracts shoppers because of its large freeway signage).

Additional Considerations

More in-depth market research should be conducted as an implementation action for the Onizuka Redevelopment Plan if the Auto Center is selected as the City’s preferred land use. That study would refine estimates of potential demand from new

dealers, dealer willingness to pay fair market value for land, the actual extent of City support that might be needed, and other factors that would shape development of an Auto Center. Concurrently, the City should formulate an auto retail economic development strategy that addresses the future of El Camino Real auto retailing.

Reuse Option 4: Hotel, Conference Center, and Office***Market Context***

The original concept envisioned the creation of a five-star luxury hotel and a conference center that could satisfy the potential meeting space demands of Moffett Park businesses and provide an amenity to facilitate leasing of space. As explained below, based on current market conditions there appears to be insufficient demand for a new five-star or four-star hotel, and/or a conference center to avoid negative impacts on the occupancy rates and profitability of existing and proposed four- and five-star hospitality facilities in Sunnyvale and the larger market area. Other planned and proposed hotels in Sunnyvale and adjacent areas should be able to meet the near- to medium-term increases in lodging and meeting space demand from future Moffett Park businesses.

The demand for meeting space and lodging rooms varies based on the types of businesses in an area. Businesses expect to have access to appropriate nearby lodging and meeting facilities, however, these do not need to be located within a particular development or business park for the development to successfully lease up. Freeway adjacent sites, while popular with hotel developers and operators because of their visibility and ease of access from a larger trade area, is not a requirement for successful development of a four- or five-star hotel or a conference center.

The Moffett Park area currently has a 173 room Sheraton across from Onizuka that has recently been renovated. The Juniper Networks / Menlo Equities joint venture located across Innovation Way from Onizuka also has entitlements in place to develop a hotel, although there are no current plans to proceed with its development.

Conference-only facilities (those with no lodging rooms) are relatively limited in number compared to hotels that also offer more flexible meeting and event space, due to the challenge they face in keeping such specialized facilities adequately booked. There is one conference facility in the Sunnyvale area, Techmart in Santa Clara, with 35,000 square feet for 14 meeting rooms. Occupancy data was not available from Techmart. The other conference-only facility in the Silicon Valley area is the Seaport Conference Center in Redwood City, with 12,000 square feet for seven meeting rooms. This facility operates at 55 percent occupancy weekdays and 30 percent occupancy on weekends. There are no other data sources for conference-only facilities; the limited number of facilities in the area, the availability of choices at area hotels, and the mediocre performance of the Seaport Conference Center suggest limited potential for such a facility at Onizuka.

The market segment that would be most complementary with the goals of the Moffett Park Specific Plan would be a 4-star full-service business hotel (e.g. Hilton, Marriott, Hyatt, etc.) or 5-star luxury hotel (Ritz-Carlton, St. Regis, etc.) that includes meeting and event space that could accommodate a wide variety of business functions. There are currently 15 such facilities in the greater Silicon Valley area, from Redwood City to Fremont, containing 3,283 rooms and 168,300 square feet of meeting and event space in 107 meeting rooms. Of these hotels, a total of 2,385 rooms (73 percent of the market area total) are located in Sunnyvale or adjacent communities including San Jose, along with 144,200 square feet of meeting space (86 percent of the market area total). The strong local concentration is due in large part to the extensive lodging and meeting facilities adjacent to the San Jose convention center.

HOTEL & CONFERENCE CENTER SUMMARY

Key Assumptions:

- 250 rooms with 10,000 sf conference space
- 325,000 sf office (70% FAR) to maximize site development; 1,269 parking structure spaces, 463 surface parking spaces

Market Assessment:

- Likely insufficient demand for dedicated conference facility
- Significant near-term potential for overbuilding of hotels in the local area
- Longer-term potential as Moffett Park builds out its nine million sf of new development

Risk Factors:

- If economy moves into recession, potential for project to be delayed a number of years
- Negative near-term impacts on other planned Sunnyvale hotels

Implementation Recommendations:

- Track economic conditions, local hotel performance to assess changes in support

A total of 1,068 4- and 5-star hotel rooms are currently planned and proposed for the greater Silicon Valley area. This includes two hotels in Sunnyvale with a total of 463 rooms and up to 20,000 square feet of meeting space (not including the approved hotel for the Juniper Networks / Menlo Equities site across from Onizuka): the Millennium Hotel (including a condo component); and a hotel at the Town Center project in the downtown area (operator unidentified). If all these planned and proposed hotel projects were built, it would increase the Silicon Valley room supply for these segments by 33 percent, significantly decreasing occupancy rates for existing properties. A total of 713 rooms of these planned and proposed projects are in Sunnyvale or adjacent communities, which would represent a 30 percent increase in the local supply.

Data was obtained from Smith Travel Research (STR) for nine of the 15 Silicon Valley 4- and 5-star hotels that submit operating data to it; these hotels represent

84 percent of the room supply in this segment. The occupancy rate for Silicon Valley hotels in this

segment in 2007 was 71 percent, with an Average Daily Rate (ADR) of \$181. STR's report does not address meeting and event business. Compared to 2006, occupancy levels grew 5.6 percent and ADR increased 8.3 percent. Most U.S. hotel forecasts for 2008 project a flattening of increases in occupancy rates and ADR, in line with the general weakening of the U.S. economy.

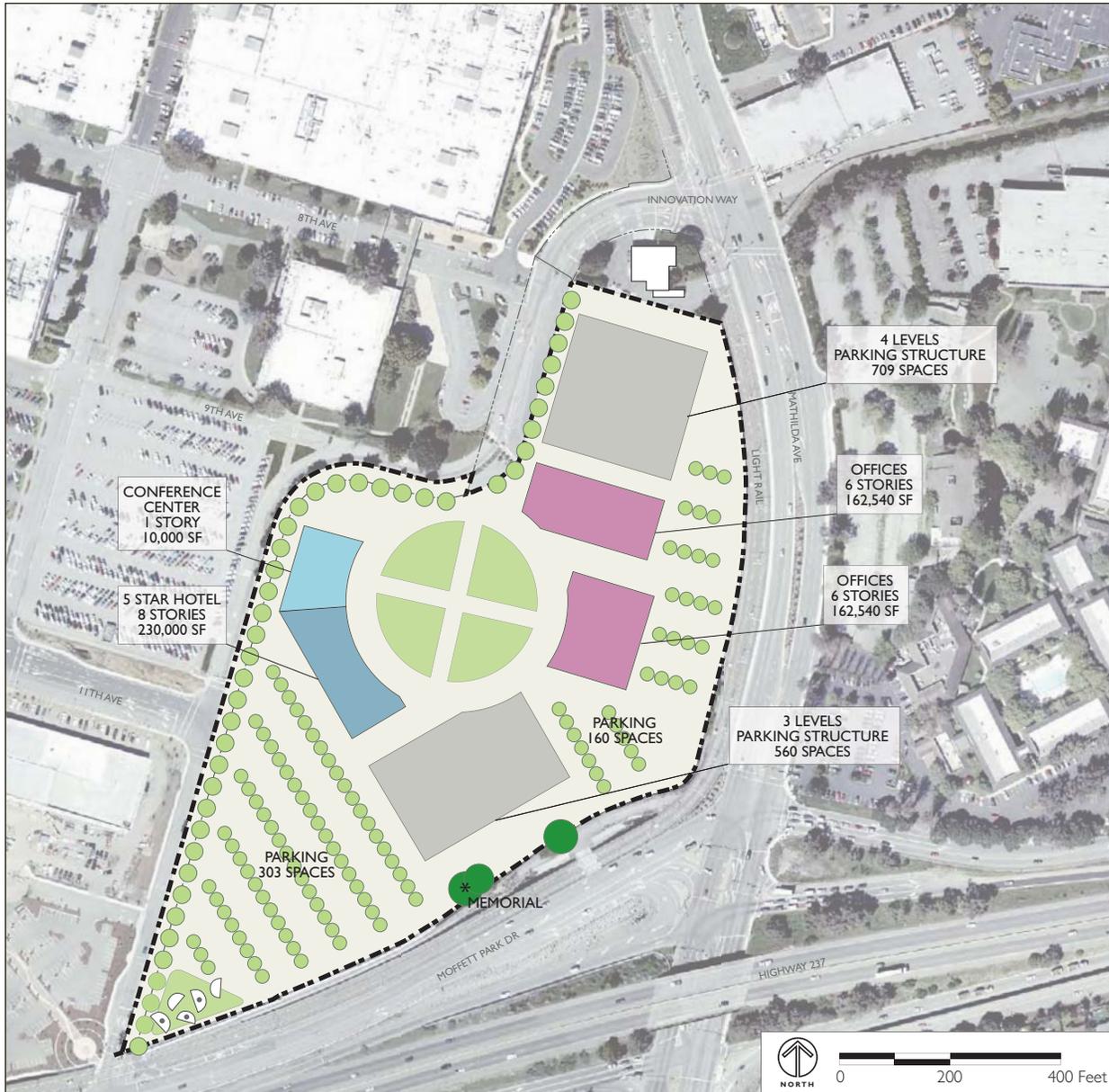
Since the current Silicon Valley recovery began in 2004, the STR data suggests that demand for lodging rooms has increased by 303 rooms in 2005, 328 rooms in 2006, but only 191 rooms in 2007. This represents an average increase in demand of 274 rooms per year. This means that if future demand continues to grow at the 2007 level, planned and proposed projects represent a 5.6 year supply of new rooms. If all the planned and proposed projects were built in the next couple years, it could drive average occupancy rates down to 61 percent, below the 66 percent to 70 percent level typically required for break-even. This points to a significant risk of near-term overbuilding in the Silicon Valley hotel market.

The demand for lodging rooms and meeting facilities in Silicon Valley is highly cyclical because travel and entertainment budgets are some of the first budget cuts in lean times; these expenditures by Valley companies has followed a boom and bust cycle similar to that of the office market. However because hotel development tends to lag office development many planned projects are scrapped when a bust period occurs. This occurred during the 2001 downturn, and if the tech sector moves into recession, many of the currently planned and proposed projects may be delayed.

Development of a hotel or a hotel with a conference center at the Onizuka site would likely decrease occupancy and profitability at the nearby Sheraton hotel, as well as the proposed Millennium Hotel and the hotel proposed at the Town Center. The eventual build-out of Moffett Park's nine million square feet of additional developed space could generate sufficient demand for an additional hotel at Onizuka or elsewhere in Moffett Park as substantial portions of that space are developed.

Conceptual Site Plan

Figure 5-4 on the following page shows reuse of the Onizuka site for a 250-room 4-star hotel that would also include 10,000 square feet of meeting and event space serving local businesses. This represents the largest size hotel a developer would likely build at the Onizuka site, because larger facilities generate considerably more risk of not achieving adequate occupancy levels. The only 4-star hotels in Silicon Valley larger than 250 rooms are the Fairmount and Doubletree that serve the San Jose convention center. A hotel of this size needs considerably less land area than the Onizuka site, therefore 325,000 square feet of office space (70 percent FAR) was added, along with 1,269 structured parking spaces to support the development and 463 surface parking spaces. In concept, scale, and lay-out this site plan is comparable to the Four Seasons mixed-use office and hotel project at University Avenue in East Palo Alto.



PROGRAM/USE

Development Area **18.86 AC**

	Five Star Hotel	250 Rooms
	Conference Center	10,000 SF
	Offices at 70% FAR	325,080 SF
	Landscape Area	
	Parking Structure	1,269 Spaces
	Surface Parking	463 Spaces
	Street Trees	

Note: Parking areas incorporate 20% landscaping requirement.

TOTAL ACREAGE **18.86 AC**

-  Onizuka Site Boundary
-  Easements
-  Existing Trees
-  Existing Satellite Dishes
-  Relocated Satellite Dishes

Comparison of Reuse Options

The following sections present a summary comparison of various factors for analysis of the reuse options. Four factors are addressed: economic impacts; fiscal benefits; financial feasibility; and viability of redevelopment of the site relative to the cost of relocating VA and homeless housing development to other locations. The analysis is based upon the work in the Technical Report, which fully documents all assumptions regarding rental rates, land values, development costs, etc., used in the analysis.

Economic Impact

Comparison to Onizuka Air Force at Peak Operation. In order to highlight the economic tradeoffs of reuse options, the analysis compared options to Onizuka's economic impact at peak operation, rather than current employment or employment at closure after a prolonged decline. The 21st Space Operations Squadron currently hosts Onizuka operations with 9 military, 150 federal civilian and 200 contract employees. This is down from 1995 BRAC round when DOD relocated the 750th Space Group and the Space and Missile Systems Center from Onizuka to Falcon Air Force Base in Colorado, resulting in a workforce reduction of nearly 3,000 jobs according to an Air Force fact sheet (however source data is not available, and not all of these jobs would have been on site, particularly those associated with Air Force contractors).

Using input from Fehr & Peers, BAE prepared a high and low estimate of annual economic impact of Onizuka AFS under peak operation. Actual data is not available from the Air Force due to a number of factors including security considerations arising from the still highly classified work that occurred at Onizuka. In lieu of actual data, Fehr & Peers applied widely used traffic engineering standards to estimate employment density given known building dimensions and historic uses. BAE fed these data into the IMPLAN econometric model to prepare a benchmark estimate of economic impacts shown in Table 5-3.

Peak employment is estimated at 4,200 to almost 5,100 jobs with recurring economic impact of approximately \$1 to \$1.3 billion annually. These figures are for the regional economy, not just those on-site at Onizuka.

Table 5-1: Estimated Annual Economic Impact of Onizuka AFS at Peak Operation

	\$ in Millions				Jobs			
	<u>Direct</u>	<u>Indirect</u>	<u>Induced</u>	<u>Total</u>	<u>Direct</u>	<u>Indirect</u>	<u>Induced</u>	<u>Total</u>
Low Employment Estimate (a)	\$706	\$211	\$129	\$1,046	1,900	1,415	890	4,205
High Employment Estimate (b)	\$856	\$256	\$156	\$1,268	2,300	1,715	1,078	5,093

Notes:

- a) Low Employment Estimate assumes 1,900 jobs at Onizuka AFS at period of peak operation.
- b) High Employment Estimate assumes 2,300 jobs at Onizuka AFS at period of peak operation.

Both scenarios assume employment is split evenly between the following categories:

- Federal Military
- Federal Civilian
- Private Sector Contractors, working in professional and technical fields.

Sources: Fehr & Peers; IMPLAN; BAE, 2008.

Factor 1: Estimated Economic Impacts for Reuse Options. Shown on Table 5-2 are the estimated economic impacts for each of the reuse options, along with how they compare to the high employment annual economic impact figure of \$1.268 billion. As compared with fiscal impacts which are local, economic impacts are regional due to the broadly dispersed employment base and employer and employee expenditures occurring in a much larger geography than just the City. The economic impacts of reuse options are compared with Onizuka’s economic impacts at *peak* military/civilian employment, rather than at *closure*, due to the long term decline of employment since BRAC began.

- Of the reuse options, only offices (Options 2) generates jobs and economic impacts that match or exceed Onizuka under peak operation by the Air Force. The hotel, conference center, and office (Option 4) generates slightly more economic impact, although it does not match the estimated peak Onizuka employment.
- The corporate offices option is associated with the largest annual recurring economic impact at approximately \$1.6 billion dollars. This is driven by an assumption of over 5,100 new high technology jobs associated with this option which includes slightly more than 410,000 square feet of new office/R&D space.
- By contrast, the auto center options (3A and 3B) are associated with a much smaller regional impact because the option assumes the relocation of some auto dealerships already existing within the City. In the case of the larger auto center, the impact is even less since 400,000 square feet of office/R&D space in an adjacent 16-acre property acquired under the option is converted to auto use with significantly lower employment density than offices. This means that for the auto center options, economic development benefits are effectively traded for potential increases in fiscal benefits.

Table 5-2: Summary of Economic Impact Analysis for Onizuka AFS Reuse Options

<u>Reuse Options</u>	<u>Non-Recurring / Construction Impacts (a)</u>		<u>Annually Recurring / Operational Impacts (b)</u>		<u>Change from Peak Annual AF Operation (High Employment)</u>	
	<u>\$ in Millions</u>	<u>Jobs</u>	<u>\$ in Millions</u>	<u>Jobs</u>	<u>\$ in Millions</u>	<u>Jobs</u>
1: VA/Housing/Office	\$198	1,360	\$703	2,428	(\$564)	(2,665)
2: Corporate Office/R&D 50% FAR	\$220	1,565	\$1,627	5,112	\$359	19
3A: Small Auto Center Alternative	\$63	449	\$46	400	(\$1,222)	(4,693)
3B: Large Auto Center Alternative	-\$158	(1,126)	-\$1,404	(3,412)	(\$2,672)	(8,505)
4: Hotel, Conference Center & Office	\$329	2,343	\$1,327	4,421	\$59	(672)

Notes:

- (a) Non-recurring economic impacts are impacts associated with the construction period. These include both direct jobs on-site and indirect and induced jobs created elsewhere in the local economy.
- (b) Annually recurring economic impacts are new expenditures and the number of new jobs that would be supported in the local economy as a result of each of the reuse alternatives on an ongoing basis.
- (c) This scenario involves the acquisition of 16 acres of the Juniper Site, resulting in a loss of approximately 400,000 SF of office entitlement. Consequently, it has a negative economic impact as a significant amount of construction activity and permanent jobs cannot be realized.

Sources: IMPLAN, 2008; BAE, 2008.

Fiscal Benefits

Factor 2: New Fiscal Benefits from Reuse Options. An adopted community objective in selecting a preferred redevelopment option is to “create maximum ...direct benefits for area residents” One measure of each option’s public benefit is the option’s implication for City revenues. The reuse options were evaluated regarding the amount of new tax and other fee revenue they are expected to generate in three key revenue sources: property taxes, transient occupancy taxes, and sales and uses taxes. These calculations represent a “best-case” scenario based on the sale prices, rents, and development assumptions set forth in the Technical Report. One-time (i.e. construction period) and recurring annual fiscal impacts were considered and are presented in summary form in Table 5-3.

Key findings for the fiscal benefits analysis include:

- The large auto center (Reuse Option 3B) generates the greatest increase in recurring annual tax revenues, \$2.1 million. However, this high level of recurring fiscal benefit is partially offset by a negative one-time fiscal cost of \$3.2 million; this negative number reflects lower fees and impact charges collected when compared to the 400,000 square feet of office space already entitled on the adjacent property that needs to be acquired to create the large auto center.
- Reuse Option 4 (hotel, conference center, and office) generates the second highest level of recurring fiscal revenue, \$1.5 million, and the largest one-time revenue of \$6.5 million.

Table 5-3: Summary of Fiscal Benefit Analysis for Onizuka AFS Reuse Options

	1	2	3A	3B	4
<u>Fiscal Benefits</u>	<u>VA/Housing/ Office</u>	<u>Corp. Office 50% FAR</u>	<u>Small Auto Center</u>	<u>Larger Auto Center (c)</u>	<u>Hotel, Conf Ctr, Office</u>
Recurring Increase in Tax Revenues (a)	\$90,000	\$240,000	\$1,116,000	\$2,101,000	\$1,460,000
Non-Recurring / One-Time Revenues (b)	\$2,200,000	\$3,180,000	\$1,170,000	(\$3,218,000)	\$6,540,000

Notes:

- (a) Describes the annual increase in property and retail sales tax revenues.
- (b) Includes construction tax, construction mat’ls sales tax, transfer tax, housing mitigation fee, traffic impact fee, utility connection fee.
- (c) Involves the acquisition of 16 acres of the Juniper Site, resulting in a loss of approximately 400,000 SF of office entitlement. Consequently, this scenario results in a negative impact in terms of one-time revenues, as the office development would generate significant impact and other fee revenue.

Sources: City of Sunnyvale FY 2007/08 Budget; Santa Clara County Controller-Treasurer; BAE, 2008.

- Reuse Option 3A indicates a recurring fiscal revenue stream of approximately \$1.1 million and a one-time revenue inflow of \$1.2 million.
- Generally speaking, the unsecured property tax component of fiscal impacts associated with the two auto mall options is highly sensitive to assumptions made regarding mix of existing and new dealers, inventory size, and inventory valuations based on make. Further market research that identifies likely makes and dealership sizes would allow more accurate calculation of this figure.
- Under Reuse Option 3B, a \$16 million investment by the City to expand the auto center site by 16 acres could result in a \$985,000 annual increase in fiscal benefits. This analysis is discussed further in the following section on viability.

Financial Feasibility

Factor 3: Residual Land Value. Residual land value is defined as the maximum payable purchase price for land (i.e. to the Air Force) which still enables a particular reuse option to remain financially feasible for a developer¹. The financial feasibility of a reuse option is measured by its residual land value relative to current market values for land. The values presented in Table 5-4 on the next page represent what the U.S. Air Force could expect to receive from the sale of Onizuka given current market conditions for each reuse option (note that these values do not include cost recovery by the City of its expenses from any potential arrangements to facilitate accommodation of VA or homeless housing development off-site):

¹ Residual land value is calculated by creating development pro formas (projections) and deducting from the value of a completed project all hard and soft development costs, financing costs, and developer profit. These costs are relatively fixed, and therefore land value is the variable that changes in response to shifts in sales prices, rental rates, etc. Calculation of land residual value is the most appropriate method for conducting “highest and best use” analysis comparing alternative land uses for a given site.

Table 5-4: Summary of Residual Land Value for Onizuka Options

Residual Land Value	Option 1 Baseline VA/Office	Option 2 Corp. Office 35% FAR	Option 2 Corp. Office 50% FAR	Option 3A Small Auto Center	Option 3B Large Auto Center	Option 4 Hotel, Conf Ctr, Office
Residual Land Value	\$167,154	\$6,992,044	\$26,358,881	(\$6,496,892)	(\$16,095,658)	\$3,207,991
Residual Land Value per Site Sq. Ft.	\$0.36	\$10	\$32	(\$8)	(\$11)	\$4

Note:

Does not include cost for Onizuka land nor costs of VA, housing, or social service uses. Options 3B involves the acquisition of land off-site and requires public support to be feasible.

Source: BAE 2008.

- The “baseline” Option 1 land residual value, i.e. the fair market value that the Air Force could expect to realize at auction with the VA and NOI encumbrances in place, is estimated to be under \$200,000. This is because of the significant site demolition costs that have to be spread over a relatively small amount of development. It effectively represents zero land value as a result of the encumbrances.
- The corporate office option for the entire Onizuka site generates the highest residual value, ranging from potentially \$7.0 million for the 35 percent FAR development authorized by the Moffett Park Specific Plan, up to potentially \$26.4 million at 50 percent FAR, assuming an amendment by the City of the Specific Plan.
- The auto center options have negative land value, i.e. they are not financially feasible, because it is assumed that the Onizuka site would need to be purchased from the Air Force at the residual land value for 35 percent FAR office (and the increment for the larger auto center in Option 3B would need to be purchased the the fair market value for its 70 percent FAR entitlement). This cost, combined with development costs and the purchase prices that could be realized from dealers – even at a high price of \$50 per square foot – results in negative land value. The negative number represents the amount of financial support that the City would need to provide in order for development to be financially feasible (see discussion in the next section regarding the City’s ability to recoup such costs).
- While the hotel, conference center and office development option has a positive residual land value of \$3.2 million, this value is much lower than the fair market value of the land based on its current entitlements that would allow office development at 35 percent FAR. This means that a subsidy would also be required for this project to proceed.

Factor 4: Viability of relocating VA and NOI housing requests. One objective of the analysis is to identify which options meet a “cost recovery threshold”, i.e. which options generate sufficient land value to recover potential City costs to accommodate / relocate VA and homeless housing development off-site, while still providing the Air Force with greater land value than it would receive if it auctions the site with VA and homeless housing encumbrances in place (the “baseline” value for the Air Force).

An alternative calculation could address a situation where the City cannot recover potential accommodation / relocation costs from the Air Force, and must bear those costs. In such a situation the City could consider the number of years it would take to recoup these costs from the new fiscal revenues to the City generated by Onizuka redevelopment (i.e. property taxes, sales taxes, transit occupancy taxes, and so on).

The potential maximum costs identified for VA off-site accommodation is \$10 million. This is the figure that the VA has identified to the City as its maximum small building rehabilitation budget, and it has indicated that its projected rehabilitation costs for Building 1002 do not exceed this figure. The City has identified in its discussions with homeless housing and service providers a maximum cost of \$8.5 million for relocation of their proposed development off-site.

This means that for a reuse option to be viable it must either: (A) generate considerably more than \$18.5 million in residual land value as the basis for an agreement with the Air Force; or (B) generate sufficient new fiscal revenues for the City to payback those costs in a reasonable timeframe.

Table 5-5 shows for each option how close its residual land value comes to meeting the \$18.5 million off-site accommodation / relocation cost, as well as the number of years it would take to recover that cost from the new annual fiscal revenues the City would receive (using the figures in Table 5-3).

	Option 1 <i>Baseline VA/Office</i>	Option 2 <i>Corp. Office 35% FAR</i>	Option 2 <i>Corp. Office 50% FAR</i>	Option 3A <i>Small Auto Center</i>	Option 3B <i>Large Auto Center</i>	Option 4 <i>Hotel, Conf Ctr, Office</i>
Residual Land Value	\$167,154	\$6,992,044	\$26,358,881	(\$6,496,892)	(\$16,095,658)	\$3,207,991
Residual Land Value After Off-Site Accommodation / Relocation Costs	(\$18,332,846)	(\$11,507,956)	\$7,858,881	(\$24,996,892)	(\$34,595,658)	(\$15,292,009)
Years to Recover Off-Site Accommod'n / Relocation Costs from New Annual Fiscal Revenues	N/A	N/A	80.4	16.6	8.8	12.7
Years to Recover Project Subsidy Due to Low/Negative Residual Value	<u>N/A</u>	<u>N/A</u>	<u>0.0</u>	<u>5.8</u>	<u>7.7</u>	<u>2.6</u>
Total Time Period for Cost Recovery from New Annual Fiscal Revenues	N/A	N/A	80.4	22.4	16.5	15.3

Note:
 Total off-site accommodation / relocation costs estimated at \$18.5 million. See text for details.
 Recovery of cost from new annual fiscal revenues is per figures in Table 5-3.
 Source: BAE 2008.

The findings on the viability of the reuse options and their ability to meet the cost recovery threshold include:

- Only the 50 percent FAR offices (Option 2) generate a high enough residual land value to fund relocation of both the VA and homeless housing NOIs and still remain financially feasible.
- The auto center (Options 3A and 3B) would require the City to provide support to offset the lack of financial feasibility, as well as to accommodate the VA elsewhere and relocate the homeless housing development off-site. It would take the City more than 22 years to recover this support from new property and sales taxes for the smaller auto center (Option 3A) and 16 years from the larger Auto Center (Option 3B).
- A hotel/conference center (Option 4) does not generate sufficient value to cover the cost of relocation of either the VA or NOI housing requests. If the City were to cover these costs, as well as the difference between its residual land value and that for 35 percent FAR offices, it would take the City more than 15 years to recover that investment from new property, transit occupancy, and sales taxes.
- For any of the three commercial land use reuse options, the City could seek to negotiate with the Air Force to take possession of the Onizuka site through a market-rate economic development conveyance (EDC) and re-entitle the site to enhance land values. Proceeds from the sale would be applied to relocate the VA and NOI housing requests and the U.S. Air Force would keep revenues less City's costs. This would require the Air Force's agreement to an EDC structured on such terms.

FACT SHEET



ONIZUKA AIR FORCE STATION – Update 2

Planning for Closure and Transition to Civilian Use

Since 1960, Onizuka Air Force Station has been a military communication station which also supports mission control for NASA missions. In 2005, the Department of Defense (DOD) slated Onizuka for closure when its military mission is transferred to Vandenberg Air Force Base in 2011.

Onizuka Air Force Station Site Summary

- 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.
- In 2006 the 21st Space Operations Squadron hosted Onizuka operations with nine military, 150 federal civilian and 200 contract employees. This is down from 1995 when DOD relocated the 750th Space Group and the Space and Missile Systems Center to Falcon Air Force Base in Colorado, resulting in a workforce reduction of nearly 3,000 jobs.
- Location: Mathilda Avenue just north of SR 237 and U.S. 101 in Sunnyvale.

Background

- The Department of Defense (DOD) purchased 11.4 acres of land from Lockheed for \$1 in 1960 and built the Air Force Satellite Test Center, which later became Sunnyvale Air Force Station and then was renamed Onizuka Air Force Station.
- Most operations at Onizuka are classified, but since the 1960s Onizuka has performed satellite monitoring and communications as well as NASA mission control.
- In 2005, the President's Base Realignment and Closure (BRAC) Commission recommended Onizuka AFS for closure, and the president endorsed the action. Onizuka's Air Force missions will be transferred to Vandenberg Air Force Base in Santa Barbara County.

Steps in the Reuse Planning Process

- In November 2005, the BRAC Commission's closure list became law, and in 2006, DOD designated the City of Sunnyvale as the Local Redevelopment Authority (LRA) for Onizuka. In this role, the City is the primary point of contact

for all matters relating to base closure and is responsible for planning the property's transition from military to civilian use.

- As permitted by law, the Department of Veteran Affairs expressed interest in acquiring Onizuka's headquarters' offices and parking area. DOD declared the remaining Onizuka property as surplus.
- In 2006, Sunnyvale City Council formed a Citizen's Advisory Committee of 12 community stakeholders to advise Council in planning for Onizuka's civilian reuse. In compliance with federal statutes, the City began a local screening process, requesting notices of interest for reuse from public agencies and local nonprofit organizations.
- In December 2006, two nonprofit housing agencies submitted notices of interest in seven-plus acres to construct 245 housing units. These would address the need for housing for the homeless, as set forth in Sunnyvale's 2005/10 Consolidated Plan. BRAC mandates require the LRA to balance community needs for development with homeless needs for housing.
- In spring 2007, the City concluded the first phase of planning by adopting five conceptual reuse options for further analysis: low-density VA-style offices, corporate offices, hotel/conference center, auto-retail and homeless-residential.
- In fall 2007, DOD agreed to fund an independent professional analysis of the reuse options; the City subsequently selected Bay Area Economics to assist Council in choosing the preferred option(s) for the final reuse plan.
- In fall 2008, the City is scheduled to select its preferred land reuse option(s); the City's deadline for submission of the reuse plan to DOD and HUD is December 15, 2008.
- Following submission of the reuse plan, DOD has up to one year to issue a formal Record of Decision describing the process for Onizuka's disposition.
- The statutory deadline to complete Onizuka's realignment and closure is September 15, 2011.

For more information, including reports and meeting schedules, visit the City's Onizuka base transition Web pages at *Onizuka.InSunnyvale.com*, or contact Robert Switzer, the City's Onizuka AFS Project Manager at (408) 730-7512, TDD (408) 730-7501, or by e-mail at *rswitzer@ci.sunnyvale.ca.us*.



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