



City of Sunnyvale

Agenda Item-No Attachments (PDF)

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REPORT TO COUNCIL

SUBJECT

Discussion and Possible Action Regarding Funding for the Expansion of the Sunnyvale Heritage Museum

BACKGROUND

The City has been working with the Sunnyvale Historical Society since June 15, 2004, when the City Council approved an agreement (RTC No. 04-227) between the City and the Sunnyvale Historical Society and Museum Association (SHSMA) for the design, development, operation and maintenance of a Heritage Museum at Sunnyvale Heritage Center at the Sunnyvale Community Center. The agreement was subsequently amended five times with the first four amendments as follows:

- A First Amendment (RTC No. 07-340) to the Agreement was entered on October 22, 2007, which modified the Agreement regarding landscaping obligations.
- A Second Amendment (RTC No. 12-021) was entered into on February 15, 2012, regarding the use of the City's multi-purpose building at the Sunnyvale Heritage Center.
- A Third Amendment (RTC No. 15-1097) was entered into on January 5, 2016, that would allow the Society to make improvements, modifications, and additions to the Museum and multipurpose building by installing solar panels.
- A Fourth Amendment (RTC No. 18-0207) established a methodology for billing the SHSMA for City-provided water, wastewater, and solid waste utilities.

In 2019, SHSMA proposed a new 1,600 square-foot, single-story addition to the Sunnyvale Heritage Park Museum. The addition was proposed to house historical items from the closed Onizuka Air Force Base's "Blue Cube," and would also serve as a research library.

On June 12, 2019, the Parks and Recreation Commission considered the expansion (RTC No. 19-0355). The Commission voted at that time to recommend to City Council not to proceed with the museum expansion. They noted that a study issue was underway (DPW 17-05) to analyze and provide options for the long-term operations and maintenance of Orchard Heritage Park and review of the proposed museum expansion.

On July 16, 2019, the City Council reviewed the potential expansion (RTC No. 19-0699) and directed staff to develop modifications to the Orchard Heritage Park Master Plan and associated agreements and documents, including appropriate CEQA review, to include the addition to the Museum at the location preferred by SHSMA, with all costs including CEQA to be fully funded by SHSMA.

On February 4, 2020, the City Council considered funding the CEQA Environmental Review for the Orchard Heritage Park Museum Expansion (RTC 20-0171) but chose not to provide funding for staff to procure a consultant to perform the environmental review maintaining Council's initial direction for SHSMA to provide funding for the environmental review.

Subsequently, SHSMA agreed to fund the environmental review and staff executed a contract with Kimley-Horn & Associates that was fully funded by SHSMA. Staff authorized Kimley-Horn & Associates to move forward with the first stage of performing the technical analyses, which included the Agricultural Resources Memorandum and Cultural Resources Report.

On October 12, 2021 (RTC No. 21-0714) the City Council considered the proposed expansion of the Heritage Museum. The City Council found that the project was exempt from CEQA under CEQA Guidelines Sections 15301(e) and 15303(c) and directed the City Manager to enter into a Fifth Amendment to the SHSMA lease, under which SHSMA would be responsible for all costs associated with the Project with no contribution from the City, including costs for design, construction and environmental clearance. The Fifth Amendment was subsequently executed on December 1, 2022 (Attachment 2).

On October 10, 2023, Council directed staff to award a contract in an amount not-to-exceed \$404,513 to Page & Turnbull, Inc., of San Francisco (RTC 23-0891), to perform an analysis for Study Issue DPW 17-05 for operating and maintaining the Orchard Heritage Park and the Heritage Park Museum. That work is currently underway and anticipated to be completed by March of 2025.

EXISTING POLICY

General Plan, Chapter 3, Land Use and Transportation - Open Space, Goal LT-8

Adequate and Balanced Open Space: Provide and maintain adequate and balanced open space and recreation facilities for the benefit of maintaining a healthy community based on community needs and the ability of the City to finance, construct, maintain and operate these facilities now and in the future.

ENVIRONMENTAL REVIEW

The proposed Project consists of a new 1,600 square-foot, single-story addition to the Sunnyvale Heritage Park Museum, involving removal of three to four existing apricot trees, with the possibility of removing up to six to seven apricot trees, and potentially affecting up to a total of 10 existing apricot trees by removal or trimming within a 10-acre orchard. On October 12, 2021 (RTC No. 21-0714) the City Council found that the Project is exempt from the California Environmental Quality Act (CEQA) under CEQA Guidelines Sections 15301(e) and 15303(c), as it involves construction of a small addition not more than 2,500 floor area in size. The environmental review considered the impacts of the Project on the Heritage Orchard as a cultural and agricultural resource, concluding there will be no significant impacts.

DISCUSSION

On February 26, 2024, the City Council received a request from SHSMA (Attachment 1) for \$1.5 million to support the construction of the expansion. In their request they identified difficulty in raising all the funds needed, however indicated they have obtained an additional \$1 million for exhibit design and installation from outside sources. It is important to note that staff has not reviewed the project, nor estimated the cost of the expansion.

FISCAL IMPACT

In reviewing potential funding sources for a \$1.5 million contribution, there are multiple options available to Council. First, the funding could be appropriated from the General Fund. This would impact the Budget Stabilization Fund and constrain funding for other General Fund priorities, however, would allow the most flexibility to address project costs as these funds are unrestricted.

Funding could also be provided through Park Dedication Funds, as the museum does qualify as a recreational facility. The use of these funds would need to be restricted to construction related costs only and could not be used for materials or supplies related to operations in any way. The current Capital Projects Reserve balance in the Park Dedication Fund as of the end of FY 2022/23 is \$97.3M. It is important to note that this funding is planned for future parks projects, and therefore considering an appropriation from this funding source without the context of all the projects in this fund does present some small risk that future projects could be constrained, especially if revenues slow. In the highly unlikely case revenues were to cease in this fund, the reserves would be depleted within five years by already planned projects.

Finally, the Council could consider a loan of \$1.5 million to SHSMA. This option would provide SHSMA time to raise the funds needed and make amortized payments over a predetermined period. It is important to note that this loan would only be secured through an agreement and not backed by a tangible asset.

Staff is recommending that if Council chooses to move forward, that funding be included in the FY 2024/25 Recommended Budget for consideration within the context of the entire budget.

PUBLIC CONTACT

Public contact was made by posting the Council meeting agenda on the City's official-notice bulletin board at City Hall, at the Sunnyvale Public Library and in the Department of Public Safety Lobby. In addition, the agenda and this report are available at the NOVA Workforce Services reception desk located on the first floor of City Hall at 456 W. Olive Avenue (during normal business hours), and on the City's website.

ALTERNATIVES

1. Direct the City Manager to include a \$1.5 Million contribution to Sunnyvale Historical Society and Museum Association (SHSMA) from the General Fund in the FY 2024/25 Recommended Budget and Authorize the City Manager to negotiate and execute an agreement with SHSMA to fund the construction of the museum addition.
2. Direct the City Manager to include a \$1.5 Million contribution to Sunnyvale Historical Society and Museum Association (SHSMA) from the Park Dedication Fund in the FY 2024/25 Recommended Budget and Authorize the City Manager to negotiate and execute an agreement with SHSMA to fund the construction of the museum addition.

3. Direct the City Manager to negotiate and execute a loan in the amount of \$1.5 million to Sunnyvale Historical Society and Museum Association (SHSMA) to fund the construction of the museum addition.
4. Do not provide funding for the construction of the museum addition.

STAFF RECOMMENDATION

Staff recommends Alternate 2: Direct the City Manager to include a \$1.5 Million contribution to Sunnyvale Historical Society and Museum Association (SHSMA) from the Park Dedication Fund in the FY 2024/25 Recommended Budget and authorize the City Manager to negotiate and execute an agreement with SHSMA to partially fund the construction of the museum addition.

Prepared by: Tim Kirby, Director of Finance

Reviewed by: Chip Taylor, Director of Public Works

Reviewed by: Jaqui Guzmán, Deputy City Manager

Approved by: Kent Steffens, City Manager

ATTACHMENTS

1. SHSMA Letter Requesting Funding
2. Fifth Amendment to Agreement Between City of Sunnyvale and Sunnyvale Historical Society and Museum Association