



City of Sunnyvale

Agenda Item-No Attachments (PDF)

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REPORT TO COUNCIL

SUBJECT

Next Steps and Possible Options for the Sale of Property Located at 1050 & 1060 Innovation Way (Onizuka) and approval of Budget Modification No. 28

BACKGROUND

The Onizuka Air Force Station was designated by the federal government for closure in 2005, and as part of the Base Realignment and Closure ("BRAC") process, the City Council acted as the Onizuka Local Redevelopment Authority ("LRA") in order to adopt a local redevelopment plan and dispose of the surplus federal property. As part of a February 8, 2011 Study Session, possible public uses for the property surfaced (without any City Council action), including the following:

- Branch Library
- Educational and Medical Facilities
- City Park
- Law Enforcement and Emergency Operations Center
- City Corporation Yard
- Data Center

On March 1, 2011, the City Council acting as the LRA voted 7-0 (LRA 11-001 - Attachment 2) to authorize a number of actions related to the property. On December 13, 2011 the City Council acting as the LRA approved the Onizuka Air Force Station Amended Redevelopment Plan (Attachment 3). The preferred land use for Parcels D and E are uses consistent with the current Moffett Park Industrial (MP-I) zoning, excluding intensive office uses. An alternative was also identified to combine Parcels D and E with the adjacent Foothill-De Anza (FHDA) parcel for a park use if the public benefit conveyance of the FHDA parcel did not occur. Ultimately, FHDA was granted its requested public benefit conveyance, and the City received a quit claim deed for Parcels D and E from the United States Air Force in May 2013. This deed included a restriction to use the property for "homeless purposes" pursuant to the McKinney-Vento Act, but allowed the transfer of this restriction to an off-site location. With approval of the affordable housing projects at 620 Maude Avenue (formerly known as "the Armory site"), the Air Force released the homeless housing restriction on Parcels D and E in August 2013.

The combined City site totals 5.02 acres (approximately 4.60 acres are developable - Attachment 1) and provides redevelopment opportunities that could benefit from its highly visible location at the entrance to Moffett Park, next to State Highway 237 and near light rail. The existing MP-I zoning for the site allows a range of uses consistent with the Moffett Park Specific Plan (MPSP), including office, industrial, commercial, lodging and public facility uses. An appraisal of the site was completed by Valbridge Property Advisors in 2015, noting the value at approximately \$17 million based on the highest and best use for both parcels combined.

On May 16, 2016, Council directed staff to return to Council with a resolution that would declare the Onizuka parcels as surplus (RTC-0077). However, after reviewing the BRAC process and consulting with outside legal counsel that assisted the City with the Onizuka base closure process, staff has determined that the Surplus Lands Act would not apply since the reuse of the federal surplus property was already formally adopted by Council acting as the LRA in the Amended Redevelopment Plan in 2011 and thereafter approved by the Air Force. The Plan contemplated the future sale or lease of the Onizuka parcels consistent with the Moffett Park Specific Plan. This means that the City has already fulfilled requirements that allow the City to freely determine next steps for the disposition of this site.

Civic Center Context

It is important to note that as part of the funding discussions for the Civic Center Modernization Project, the Onizuka, Unilever, and Downtown Charles Street properties were included as potential funding sources for Civic Center improvements. A specific use has only been designated for the downtown Charles Street properties pursuant to Council action in December 2015, which is for an affordable housing project. Onizuka has continued to be included as a potential funding source for the Civic Center consistent with Council direction to pursue the Civic Center Modernization Project using a phased approach. The sale of surplus land comprises a large part of funding available for Phase 1 of the Civic Center Modernization Project. To the extent that the City cannot attain market rate value for the sites, funding from other revenue sources would need to be identified if the City Council desires to proceed with Phase 1.

EXISTING POLICY

Council Policy 1.2.7 Acquisition, Leasing and Disposition of City-Owned Real Property Section 3: Disposing of surplus property shall be done in a manner to maximize the benefit to the community and should be done whenever real estate market conditions are favorable to the City.

Section 3.D: The City may use any of the following methods or combination thereof to maximize the benefit to the community. Methods of disposition should be determined on a case-by-case basis and may include:

- Auction
- Negotiated Sale
- Exchange
- Lease
- Request for Proposal

Discounts will not be negotiated unless an extraordinary need or circumstance is recognized by the City Council prior to negotiation, setting forth the amount of the discount and the justification for it. The purpose of this requirement is to demonstrate to the community that the City is not making a gift of public assets.

Section 3.E: Costs associated with the disposition of property shall come from proceeds of the sale or charged to the fund which owns the property. Unless otherwise directed by the City Council, net proceeds from disposition of surplus property owned by the General Fund shall be placed into the General Fund Reserve for Capital Improvements. Proceeds from the sale of land or facilities originally purchased with monies from a specific fund shall be returned to that fund, except when a fund no longer exists, it will be at the direction of City Council.

Moffett Park Specific Plan (MPSP)

Moffett Park General Industrial MP-I: The MP-I sub-district is intended for general industrial development at moderate Floor Area Ratio (FAR) due to its proximity to regional transportation facilities and transit services. The MPSP contemplated the long-term use of the Onizuka property as a military parcel. In the event the site was no longer used for military purposes the plan allows for redevelopment as a research and development or office facility. Other public or educational uses of the property would also be allowed under the MPSP.

Onizuka Local Redevelopment Authority (LRA) Amended Redevelopment Plan

Citizen Advisory Committee (CAC) Reuse Objectives

- Seek development options which maximize “highest and best use” and the highest fair market value.
- 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.

ENVIRONMENTAL REVIEW

Declaring City-owned real property as property for sale does not constitute a “project” within the meaning of the California Environmental Quality Act (“CEQA”) pursuant to CEQA Guidelines section 15378(a) as it has no potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment. Any future development shall be subject to the CEQA requirements.

DISCUSSION

As discussed in the background section of this report, the formal surplus process for Onizuka has already been completed. With that taken into consideration, staff has reviewed the possible next steps and has developed three alternatives:

Selling in the Open Market

The City could move forward and market the property to determine what its best and highest value is in the open market per the MPSP, MP-I zoning, and LRA Amended Redevelopment Plan. The property is located within the Moffett Specific Plan Area, which is a highly desirable location, and has seen significant development over the last few years. If this is the desired approach, staff would contract with a real estate broker through a Request for Proposals (RFP) process to help assist with marketing Onizuka and obtaining all necessary reports and appraisals. This cost can be negotiated as a fixed amount for their services or a percentage of the sale price, which will be taken out of the proceeds. Once offers are received they would be brought back to Council for consideration.

The Onizuka parcel is within the Moffett Park Specific Plan in a prominent location that should be highly desirable. In an effort to ensure that the property is used to its maximum value and takes advantage of its visibility the Council can also consider increasing the amount of development beyond the currently allowed 35% FAR. This would require that Council initiate an amendment to the Moffett Park Specific Plan before staff would conduct the analysis and environmental review. The amendment could look at removing the restriction on the use of the development reserve with the current zoning of Moffett Park Industrial zoning district (MP-I) and could also examine amending the zoning to Moffett Park-Transit Oriented Development zoning district (MP-TOD). MP-I has a base zoning of 35% FAR with potential for 50% and 60% FAR based on green building achievements. MP-TOD has a base zoning of 50% FAR with potential for 70% and 80% FAR based on green building

levels. If Council desires to explore amending the MPSP the development potential could be within the existing development reserve and capacity for the MPSP area. There are a number of key considerations as to why increasing the FAR should be considered:

- The property is located at a prime location within MPSP, and additional FAR would give more flexibility and opportunities
- The property is within walking distance to Light Rail
- Additional FAR fits within the context of recent land use approvals and new construction in close proximity to the site
- It could increase the value of the property

Consultant assistance would be needed for this process and the specific plan amendment study would take approximately six to nine months. Staff would propose to explore this process and the sale concurrently to determine what would be feasible. This includes a discussion with the selected real estate consultant to help determine the overall land use benefits and value added to the property by including the reserve compared to the existing allowed development.

Negotiate Directly with Foothill-De Anza

As presented to Council by Foothill-De Anza staff on August 23, 2016, Foothill-De Anza has been highly satisfied with their new campus adjacent to the City's Onizuka Parcel. Staff received an updated unsolicited interest letter from Foothill-De Anza Community College District in January 17, 2017 (Attachment 4), for 1060 and 1050 Innovation Way. They are proposing collaboration with Fremont Union High School District and the University of California, Santa Cruz, for the ultimate build out of their current parcel located at 1070 Innovation Way. Council could direct staff to negotiate directly with Foothill-De Anza for purchase of the properties. Prior to starting that process staff would get an updated appraisal, to determine the current value and help staff evaluate the Foothill-De Anza proposal. The estimated cost for the appraisal is approximately \$10,000. If Foothill-De Anza makes a specific proposal, staff would bring it back to Council for consideration to sell the property to Foothill-De Anza or pursue other options.

Other Uses

Staff could prepare a feasibility study to determine if the site would be suitable for other uses. For example, as part of the 2011 Council discussion, the Council considered a potential sports complex/public park and raised other potential uses for the site. However, it is important to note that this was based on the City also obtaining the adjacent property Foothill-De Anza now owns and that no further City Council action was taken on the possibility of pursuing other uses. The combined 14.2-acre site was considered the minimum acreage needed for a sports park that could accommodate multi-use athletic fields and concessions. The LRA Amended Redevelopment Plan did not identify a possible park use on Parcels D and E only given the limited size and triangular configuration of the combined site. However, the MP-I zoning does not preclude recreational uses or public facilities. If the Council would like to pursue a feasibility study for a park, staff would bring back a draft RFP for Council consideration to hire a consultant to complete this process.

Staff would also complete a Phase I environmental assessment for the properties under all alternatives.

FISCAL IMPACT

Proceeds from the sale of the would be reserved in the General Fund Capital Improvement Projects Reserve for use on future capital projects consistent with Council Policy 1.2.7. Completing the sale will reduce operating costs for property management and repairs. Longer-term redevelopment of the property will result in higher property tax revenues to the City. If the Council proceeds with an alternative that requires proceeding with appraisals and Phase 1 environmental assessments, up to \$25,000 will need to be appropriated.

Budget Modification No. 28 appropriates \$25,000 to a new project to fund the Phase 1 environmental assessments and property appraisals.

Budget Modification No. 28
FY 2016/17

	<u>Current</u>	<u>Increase/ (Decrease)</u>	<u>Revised</u>
General Fund			
<u>Expenditures</u>			
New Project - City Owned	\$0	\$20,000	\$20,000
Property Environmental Assessments and Property Appraisals			
<u>Reserves</u>			
Capital Improvement Project Reserve	\$33,082,063	(\$20,000)	\$33,062,063

Funding Source

This project is funded by the General Fund, Capital Improvement Project Reserve.

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 website. No mailed notices to properties within 1000 feet of the property was required under Council Policy 1.2.7 as the Onizuka property is not being declared surplus property pursuant to Government Code section 54220 et seq.

ALTERNATIVES

1. Direct staff to proceed with a Request for Proposal for real estate broker services for the sale of the property on the open market.
2. Direct staff to proceed with the drafting of an amendment to the Moffett Park Specific Plan for Council consideration at a future date to remove the restriction on the use of the development reserve with the current zoning of Moffett Park Industrial zoning district (MP-I) and to allow higher floor area ratio in connection with redevelopment of the Onizuka Parcels as described in the report.
3. Direct staff to negotiate directly with Foothill-De Anza for sale of 1060 and 1050 Innovation Way property and return to Council with a proposal for consideration.
4. Approve Budget Modification No 28 to appropriate \$20,000 for updated appraisals and a Phase I Environmental Assessment.

5. Direct staff to develop an RFP for Council consideration to proceed with a masterplan process for a City park and determine possible capital and operation costs.
6. Direct staff not to proceed with Alternatives 1, 2, 3, 4 or 5 and proceed as otherwise directed by Council.

STAFF RECOMMENDATION

Alternatives 1, 2 and 4: 1) Direct staff to proceed with a Request for Proposal for real estate broker services for the sale of the property on the open market; 2) Direct staff to proceed with the drafting of an amendment to the Moffett Park Specific Plan for City Council consideration at a future date to allow higher floor area ratio in connection with redevelopment of the Onizuka Parcels as described in the report, and 4) Approve Budget Modification No 28 to Appropriate \$20,000 for updated appraisals and a Phase I Environmental Assessment.

This alternative aligns with the Council approved MPSP and LRA Amended Redevelopment Plan for the property. Maximizing the value of the property and using an open and competitive process to sell the property is consistent with existing Council policy to maximize benefits to the community and does not preclude continued participation in the process by Foothill-De Anza.

Assigning the development reserve to the property could allow for construction of a building that better aligns with the properties visibility and prime location and could maximize its value. Staff would consult with the selected real estate consultant to help determine the benefits associated with the reserve and the possible concerns with extending the timeline for sale. It is important to note that the development reserve process will require consultant assistance and a future council action for a budget modification and contract award.

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ATTACHMENTS

1. Vicinity Map
2. Local Redevelopment Authority Report LRA 11-001
3. Amended Redevelopment Plan
4. Foothill De Anza Letter - Onizuka