



# City of Sunnyvale

## Agenda Item-No Attachments (PDF)

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### REPORT TO COUNCIL

#### **SUBJECT**

Authorize the City Manager to Execute an Agreement for Professional Real Estate Broker Services Related to the Sale of Onizuka Parcels at 1050 & 1060 Innovation Way (F17-099) and Approve Budget Modification No. 43

#### **BACKGROUND**

On February 7, 2017 (RTC No. 16-0664), City Council took the following actions regarding the Onizuka Site:

- Directed staff to proceed with a Request for Proposal for real estate broker services for the sale of the property on the open market (this report)
- Directed 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 (Council approved an agreement with Kimley Horn on April 25, 2017)
- Approved Budget Modification No 28 to Appropriate \$20,000 for updated appraisals and a Phase I Environmental Assessment (underway)

#### **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.

Pursuant to Sunnyvale Charter Section 1305, at any meeting after the adoption of the budget, the City Council may amend or supplement the budget by motion adopted by affirmative votes of at least four members to authorize the transfer of unused balances appropriated for one purpose to another, or to appropriate available revenue not included in the budget.

### **ENVIRONMENTAL REVIEW**

The action being considered does not constitute a “project” within the meaning of the California Environmental Quality Act (“CEQA”) pursuant to CEQA Guidelines section 15378(a) in that it has no potential for resulting in either a direct physical change in the environment, or a reasonable foreseeable indirect physical change in the environment.

### **DISCUSSION**

The City of Sunnyvale issued a Request for Proposals (RFP) for real estate broker services related to the sale of City owned properties located at 1050 and 1060 Innovation Way (Onizuka - Parcels D & E).

Two real estate broker companies submitted proposals; Cushman & Wakefield from San Jose, CA and RSG from Santa Ana, Ca. Both proposals were thorough and met the City’s needs as requested, but with Cushman & Wakefield’s expertise and successful track record in the Silicon Valley real estate market, staff recommends to proceed with them as the City’s real estate broker.

The original scope of work submitted by Cushman & Wakefield required additional hours and funding to account for staff meetings, Council meetings, outreach, analyze the benefits of increasing the floor area ratio (FAR), and coordination with interested parties (such as Foothill/DeAnza). Staff has been working on a final scope of work and an updated draft has been provided to the City. The updated draft scope of work submitted by Cushman & Wakefield as summarized below and detailed in Attachment 1 is estimated to cost approximately \$94,800 and take approximately nine to twelve months to complete based on current market conditions. Staff is finalizing the final scope of work and anticipates that the cost will be below \$100,000 plus a contract contingency. Since the scope of work is not final, and could still change in the next few weeks, staff is requesting funds up to \$120,000 to account for the final contract amount. Staff has moved forward with a draft scope of work in parallel of the contract award and budget modification in an effort to facilitate the process and align it with the review of increasing the Floor Area Ratio.

Cushman and Wakefield will develop a strategic plan that will evaluate the parcels relative to highest and best use in the current market and how changing the density could impact the price in the future; determine what comparable properties are selling for and what is the best use for the City; identify the most active and qualified buyers, most compatible to City's goals; initiate and manage a selection process which would have a call for bids; and initiate and manage the escrow process.

### **FISCAL IMPACT**

Budget Modification No. 43 has been prepared to appropriate General Fund funds in the amount of \$120,000 for real estate broker service to Project No. 832550 - Sale of City Property - 1050 & 1060 Innovation Way (Onizuka).

#### **Budget Modification No. 43 FY 2016/17**

	<b>Current</b>	<b>Increase/ (Decrease)</b>	<b>Revised</b>
<b><u>General Fund</u></b>			
<b><u>Reserves</u></b>			
Budget Stabilization Fund	\$48,809,463	(\$120,000)	\$48,689,463
<b><u>Expenditure</u></b>			
Project No. 832550 - Sale of 1050 & 1060 innovation Way	\$20,000	\$120,000	\$140,000

### **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.

### **STAFF RECOMMENDATION**

Authorize the City Manager to execute an Agreement with Cushman & Wakefield for an amount not to exceed \$120,000 to perform professional real estate broker services related to the sale of 1050 & 1060 Innovation Way (Onizuka) and Approve Budget Modification No. 43 in the amount of \$120,000.

Prepared by: Ryan Sandoval, City Property Administrator, Public Works

Reviewed by: Manuel Pineda, Director, Public Works

Reviewed by: Timothy J. Kirby, Director, Finance

Reviewed by: Walter Rossmann, Assistant City Manager

Approved by: Deanna J. Santana, City Manager

### **ATTACHMENT**

1. Draft Scope of Work