



City of Sunnyvale

Agenda Item

16-0072

Agenda Date: 10/25/2016

REPORT TO COUNCIL

SUBJECT

Civic Center Modernization Project: Planning for NOVA Workforce Services and Approval of a Draft Scope of Work for Master Planning Services

REPORT IN BRIEF

Next steps for the Civic Center Modernization Project are to prepare a campus-wide Master Plan that will lead the City into more detailed design of the first phase of Civic Center improvements. Phase 1 of the Civic Center will focus on replacing City Hall, the Sunnyvale Office Center, City Hall Annex, and South Annex modular building. Additional improvements to Public Safety Headquarters will be considered based on available funding for the project as part of the first phase. A long-term master plan will ensure that future phases of the project to expand the Main Library and Public Safety Headquarters can be efficiently integrated with Phase 1 improvements.

Developing a Master Plan will require the expertise of an outside consultant. Staff has developed a draft scope of services (Attachment 2) to identify services needed as part of the Master Plan. The scope of services includes a number of important assumptions based on previous Council direction and staff recommendations. This is Council's opportunity to review the draft scope of services and provide staff direction on any changes it would like to see. A final scope will be incorporated into a request for proposals to solicit interest from qualified consultants.

One of the key issues in finalizing the scope of services is planning facilities for NOVA Workforce Service. NOVA is independently funded through Federal and State grants and currently pays rent to the City for its facilities in the Sunnyvale Office Center. Including NOVA in a new or renovated space at the Civic Center is feasible but if market based rents were charged it would be beyond NOVA's means to pay. Staff evaluated options for NOVA to stay at the Civic Center and identified potential cost savings if NOVA were to lease space offsite. Staff is recommending that NOVA stay at the Civic Center and be included as part of the new City Hall. Staff feels that this along with strategies to limit NOVA's peak parking demand (hosting some NOVA meetings at the City's Community Center) will limit the cost of NOVA facilities, and retain an important City asset for future expansion should facility needs for NOVA change.

BACKGROUND

In December 2015, staff presented to Council the final results of a planning and community outreach process for the Civic Center Modernization Project (RTC No.15-0445). Final work products included series of site planning prototype designs that illustrated how different project alternatives, such as new vs. renovated buildings and underground vs. surface parking would affect the site and project costs. Staff also presented information on potential revenue sources that could be used to fund the project using both existing city assets and revenue from a new general obligation bond.

In April 2015, the City conducted a survey of registered Sunnyvale voters to test the viability of a general obligation bond as a funding mechanism to pay for part of the Civic Center project. Results were presented to Council on May 17, 2016 (RTC No. 16-0077). Although a majority of residents surveyed supported the Civic Center project, there were not sufficient support levels to recommend that Council place the bond measure on the ballot. Without a viable bond measure, Council directed staff to continue planning the Civic Center as a phased project and to develop a campus-wide master plan that would create a long-term plan for all phases of the Civic Center project.

On August 9, 2016, a Council study session was held to discuss what elements of the project should move forward in the first phase and what other assumptions should be made as a starting point for the Master Plan scope of services. Based on Council feedback and staff recommendations a detailed scope of work for master planning has been developed in draft and included as Attachment 2. Another topic discussed at the study session was facilities for NOVA Workforce Services. NOVA is independently funded through Federal and State grants and currently pays rent to the City for its facilities in the Sunnyvale Office Center. Including NOVA in a new or renovated space at the Civic Center is feasible but if market based rents were charged it would be beyond NOVA's means to pay. Staff proposed to provide more details on options for NOVA and return to Council for direction.

EXISTING POLICY

The Council Fiscal Policy contains several policies related to infrastructure in section 7.1C, *Capital Improvement Policies*:

- C.1.3 High priority should be given to replacing capital improvements prior to the time that they have deteriorated to the point where they are hazardous, incur high maintenance costs, negatively affect property values, or no longer serve their intended purposes.
- C.1.5 Priority will be given to the repair and replacement of existing infrastructure as compared to the provision of new or expanded facilities
- C. 1. The decision on whether to repair or to replace an existing capital asset will be based on which alternative is most cost-effective or provides the best value to the City.

ENVIRONMENTAL REVIEW

The approval of the draft scope of work for Civic Center master planning does not constitute a "project" with 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. Environmental review in accordance with the California Environmental Quality Act (CEQA) regarding approval of the Master Plan for the Civic Center is included as part of the master planning process. The draft Master Plan scope of work includes environmental review so that an environmental document can be certified prior to Council action to adopt the Master Plan.

DISCUSSION

NOVA Workforce Services

Sunnyvale has served as the host agency for NOVA Workforce Services since 1982. NOVA started as consortium of six cities in north Santa Clara Valley including: Sunnyvale, Cupertino, Mountain View, Palo Alto, Santa Clara and Los Altos. In 2000, the City of Milpitas joined the consortium and recently in 2015 all of San Mateo County was added. NOVA is governed by a 29 member Board of Directors appointed by the Sunnyvale City Council.

NOVA's mission is to prepare job seekers for the opportunities employers have for skilled workers. It serves both job seekers and area employers by providing specialized training, networking opportunities, and one-on-one counseling, plus a myriad of resources through its website (www.novaworks.org) including postings of current job openings in the region. NOVA also offers specialized services targeted towards disadvantaged populations such as low income adults, disconnected youth, dislocated workers, veterans, individuals with disabilities and mature workers. It serves as a key element of Sunnyvale's workforce ecosystem given the considerable amount of employee turnover in the technology sector. NOVA's services are offered to the public for free and NOVA is recognized nationally as a well-functioning agency.

In Fiscal Year 2015/16 at the Sunnyvale Civic Center NOVA:

- Enrolled 3,368 new adult clients
- Served 4,345 unique adult customers
- Had 41,707 customer visits
- Provided a total of 54,984 services to job seekers

NOVA's budget primarily comes from a Federal appropriation based on an allocation formula that can vary with the adopted Federal budget and local labor market conditions including the unemployment rate and poverty levels. In FY 2015/16 NOVA was allocated \$5,750,495. NOVA has also been very effective in attracting State and local grants through competitive processes. For FY 2016/17, NOVA's adopted budget is \$10,055,000.

As NOVA's local sponsor the City provides a number of administrative support services including finance, human resources, legal, and overall program management. NOVA pays the General Fund for these services through an allocation formula as part of its annual budget. In FY 2015/16 NOVA paid \$445,000 for administrative support. NOVA also pays for its share of information technology services and reimburses the City for the cost of using print shop services and fleet vehicles based on its actual usage. In FY 2015/16 NOVA reimbursed the City \$96,000 for these services.

In addition to paying the City for administrative support NOVA pays rent for its usage of the Sunnyvale Office Center. In FY 2015/16 NOVA occupied 15,560 sq. ft. and paid a total of \$352,800 for the space or \$1.88 per sq. ft. per month, which is consistent with market rents for facilities of similar age and condition. This amount includes utilities, facility repairs and custodial services.

NOVA Facility Needs

In 2015, the City developed facility space needs for all City departments located at the Civic Center including NOVA. The space plan evaluated staffing levels and other service delivery needs such as meeting rooms and classroom space. Parking demand was also estimated for various functions. The conclusion for NOVA services was a need of 19,000 sq. ft. of office space and approximately 270 parking spaces. Based on the number of visitors to NOVA their parking demand is particularly high. Typical parking demand for office space is four spaces per 1,000 sq. ft. For NOVA's 19,000 sq. ft. a typical parking supply 76 spaces would be sufficient.

As part of the community engagement process for the Civic Center, land use scenarios were developed to evaluate how different building locations, parking configurations, and circulation elements would affect the overall layout of the campus. For planning purposes it was assumed that NOVA would remain at the Civic Center. Since it had already been decided by City Council to

demolish the Sunnyvale Office Center complex due to its age and condition, space for NOVA was either included in City Hall or in a renovated Annex Building. Preliminary cost data for these options was included as part of the final project report. A third option would be that NOVA move offsite and rent commercial space to meet its needs at a market rate.

In evaluating NOVA's space needs, staff reviewed the figures developed in 2015 and looked for ways to reduce their space needs to minimize project costs while still meeting all of their program objectives. Part of NOVA's original space need of 19,000 sq. ft. was based on an assumption that office space would also be provided for the State's Employment Development Department. It's common for State and local workforce development services to be colocated since they are trying to serve many of the same clients. The space needs assessment assumed the State would have seven full-time staff members located with NOVA. More recent conversations with State representatives have indicated that between zero and three staff members could be colocated at NOVA. Considering these changes and trying to be somewhat more efficient with the use of space staff estimates that 15,000 sq. ft. would be adequate to meet NOVA's space needs and is essentially the amount of space they currently occupy at the Sunnyvale Office Center. In evaluating alternatives this is the appropriate amount of space to plan for whether NOVA stays at the Civic Center or finds space offsite.

NOVA Space Alternatives

Staff has analyzed three basic alternatives for NOVA facilities:

- A. Renovate the first floor of the Annex building at the Civic Center
- B. Include NOVA in the new City Hall building
- C. Lease commercial space at a new location

Regardless of the alternative selected, the City would continue to serve as the local host agency for NOVA and would continue to provide administrative support services such as human resources, finance and legal support. The issue is whether the City should invest in new or renovated facilities for NOVA programs with the understanding that it may not recover all of its costs.

Advantages and disadvantages of the alternatives above can be placed into two categories - the pros and cons of keeping NOVA at the Civic Center vs. having them move offsite, and the pros and cons of options A and B at the Civic Center. A summary of advantages and disadvantages is provided as Attachment 1. More information on the approximate cost of each alternative is provided below. All of the alternatives use 15,000 sq. ft. as NOVA's facility space need.

- A. Renovate the first floor of the Annex building at the Civic Center
Cost data for this alternative was included with information from the City's 2015 community engagement efforts. Renovating the Annex building was included as space for NOVA in land use scenarios A, B and F (Refer to RTC No. 15-0445 for land use scenarios). The cost data developed for these scenarios assumed the entire 20,900 sq. ft. Annex building would be renovated. In reviewing this assumption further, NOVA's space needs have been reduced as discussed above and the basement level is not suitable for NOVA programs even if it were renovated. Building renovation costs (with soft costs) ranged between \$500 to \$700 per sq. ft. or \$7.5 M to \$10.5 M for building renovations, without parking.

Cost data was also developed for a range of parking types based on estimates for parking demand for each major facility including NOVA. Based on staffing levels and a large number of

visitors NOVA's parking demand was estimated to be 270 spaces. Cost data for parking resulted in a very large range depending on parking type from low cost surface parking to much higher cost underground parking. The overall range for 270 parking spaces was \$3.4 M to \$16.5 M. NOVA's peak parking demand is driven by one of its most popular programs (Pro Match) where all of the participants meet as a group once per week. Staff considered various ways to mitigate peak parking demand as a way to reduce project costs. The most promising idea is to host the weekly Pro Match group (and other NOVA meetings) at the City's Community Center. This would reduce peak parking demand at the Civic Center lowering project costs. The Community Center has sufficient parking and is typically not fully occupied on weekday mornings when the Pro Match currently meets. If this were implemented staff estimates peak parking demand for NOVA at the Civic Center could be reduced to 175 parking spaces. This reduction would adjust parking costs to a range of \$2.2 M to \$10.7 M.

Combining building and parking costs for an updated NOVA facility need of 15,000 sq. ft. of building renovations and 175 parking spaces, results in a total cost range of \$9.7 M to \$21.2 M. Over the course of 30 years, rental income from NOVA (assuming a 2% annual rent increase) would be \$14.3 M.

B. Include NOVA in a new City Hall building at the Civic Center

Including NOVA as part of the new City Hall building would have all of the same advantages of keeping NOVA at the City Center but at a higher project cost. New building costs (with soft costs) ranged between \$750 to \$900 per sq. ft. or \$11.3 M to \$13.5 M for a new building, without parking. The range of parking costs are the same as with Alternative A the Annex renovation.

Combining building and parking costs for an updated NOVA facility need of 15,000 sq. ft. of new building and 175 parking spaces, results in a total cost range of \$13.5 M to \$24.2 M. Over the course of 30 years, rental income from NOVA (assuming a 2% annual rent increase) would be \$14.3 M. It should be noted that NOVA's primary funding source is subject to ongoing Federal appropriations and could be changed or eliminated in the future.

C. NOVA leases commercial space at a new location

Under this alternative project capital costs would be reduced from between \$9.7 M and \$24.2 M. However, the City would also no longer be able to charge NOVA for rent (currently \$352,800 per year). To compare the value of rent to the cost of capital investment, NOVA's rent was assumed to be available for debt service payments over the next 30 years. Assuming NOVA's rent would increase 2% per year and interest rates on a loan were 3%, NOVA's rent could support a loan of approximately \$9.0 M. By the end of 30 years NOVA's rent would increase to \$627,000 per year and the City could continue to charge rent as long as facilities for NOVA were provided.

It's clear that under both alternatives that would keep NOVA at the Civic Center, their current rent would likely not cover the City's capital investment to provide facilities. Under an optimistic scenario where the Annex building was renovated and NOVA's parking demand was met with mostly surface parking, capital costs could be as low as \$9.7 M vs \$9.0 M that could be generated by capitalizing NOVA's rent payments for 30 years. This is close but it should be noted that the City would still be paying for utilities, facility maintenance, and custodial services. Under the most pessimistic cost scenario NOVA would be included with the new City Hall and parking needs would be met with

mostly underground parking resulting in a NOVA project cost of \$24.2 M.

In both scenarios that keep NOVA at the Civic Center, investing in facilities at the Civic Center provides a long-term asset that the City would continue to own. This would meet current service delivery needs could provide flexibility for future service growth. In the near term, NOVA's rent payments would offset a considerable amount of the cost and the City would build equity in the facility over time with a funding source that wouldn't exist if NOVA were to relocate offsite.

The obvious disadvantage of keeping NOVA at the Civic Center is higher project costs that could not be fully recovered by rent. The advantages of keeping NOVA at the Civic Center are numerous and are provided in more detail in Attachment 1. These include:

- Valuable NOVA services remain very accessible to Sunnyvale residents and employers at a convenient central location
- The City would continue to own NOVA's space at the Civic Center and would reserve the right to re-capture this space in the future if needed for core City services
- NOVA's operations remain more efficient by maintaining convenient access to support services provided by the City
- More opportunities exist to share classroom and meeting space with other City departments
- The City is able to maintain a stable environment for NOVA services by keeping its rent stable and predictable

While the advantages are considerable it's not possible to place a dollar amount on them. A judgment must be made about the value of keeping NOVA services at the Civic Center and the City's willingness to charge below market rent. Community benefits may be a longer-term option to cover these costs.

Civic Center Master Plan Scope of Services

A draft scope of services has been prepared for Council approval (Attachment 2) that documents previous Council direction and identifies additional studies required as part of the master planning process. The Master Plan is intended to build on the previous community engagement process by providing more detailed analysis on several key issues including building placement, parking solutions, open space amenities and sustainable design features.

Improvements planned as part of Phase 1 of the Civic Center project will be developed to a greater level of detail so that upon adoption of the Master Plan the City will be ready to start plans and specifications for Phase 1 components. Phase 1 improvements are focused on a new City Hall, renovation of the Annex building for NOVA, and selective improvements to Public Safety Headquarters. Parking and site improvements to support these functions will be included. Part of the Master Plan will also be a construction sequencing plan to evaluate whether new construction can proceed with existing buildings occupied, or whether temporary facilities will be required.

A summary of Master Plan elements is provided below and spelled out in more detail in the draft scope of services (Attachment 2):

A. New City Hall (LEED Platinum)

1. Architectural concepts to develop the height, shape, location and architectural style of a new City Hall building
2. Building floor plans

3. Preliminary landscape plan
4. Sustainable design features
5. Construction sequencing plan

B. Public Safety Headquarters

1. Building addition feasibility study
 - Public Safety building addition and selective renovation option
 - City Hall option with selective DPS renovation
 - Perimeter security improvements
 - Cost estimates for various options

C. Site Master Plan

1. Building location alternatives
2. Circulation study
3. Parking alternatives study
 - Parking quantity
 - Parking type
 - Sustainable design features
4. Open space plan
5. Site sustainable design features
6. Land survey

D. Environmental Review (CEQA)

E. Community Outreach

- Commission reviews
- Council workshops
- Open City Hall surveys
- Project website updates

F. Project Management

1. Civic Center Core Team
2. Project coordination
3. Schedule

G. Master Plan Report

FISCAL IMPACT

Alternatives to include facilities for NOVA at the Civic Center would require the City to offer below-market rent based on preliminary costs estimates. The amount would vary depending on whether renovated or new facilities are provided and how parking is provided.

Additional funding will be needed to proceed with further planning efforts for the Civic Center project. Approval of the draft scope of work will allow the City to issue an open and competitive request for proposal to select a consultant to prepare the Master Plan. Final costs for master planning services will be brought back to Council for approval at time of contract award.

The City's fiscal strategy for funding Phase 1 of the Civic Center project is to utilize current City

assets. A combination of potential sources has been identified including: issuing debt and paying it back over time with existing revenue streams, utilizing capital reserves, selling City-owned properties not used for City services, charging enterprise funds for their fair share of capital costs, and considering funding from public benefit contributions. The Master Plan will provide updated cost estimates for phase 1 project components and identify a menu of possible upgrades to Public Safety Headquarters that can be selected by Council based on priorities and available funding.

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. Meeting notices were also emailed to the Civic Center interested parties list.

ALTERNATIVES

1. Direct staff to include facilities for NOVA at the Civic Center by including space in the new City Hall building and evaluate opportunities for a public benefit contribution to offset a portion of capital costs.
2. Direct staff to include facilities for NOVA at the Civic Center by renovating the first floor of the existing Annex building and evaluate opportunities for a public benefit contribution to offset a portion of capital costs.
3. Direct staff not to include facilities for NOVA as part of the Civic Center Modernization Project and that staff consider NOVA leasing commercial space at a new location within the City of Sunnyvale.
4. Approve the draft scope of services for Civic Center master planning in substantial conformance to Attachment 2 of the report.
5. Approve the draft scope of services for Civic Center master planning with modifications as directed by Council.
6. Other direction as provided by Council.

STAFF RECOMMENDATION

Alternatives 1 and 4: 1) Direct staff to include facilities for NOVA at the Civic Center by including space in the new City Hall building and evaluate opportunities for a public benefit contribution to offset a portion of capital costs; and, 4) Approve the draft scope of services for Civic Center master planning in substantial conformance to Attachment 2 of the report.

NOVA Workforce Services provides valuable training and career counselling service to the region and assists employers to find qualified job applicants. NOVA's operations which are funded from Federal, State, and local grants add approximately \$10 million per year to the local economy. Continuing to offer these valuable services at the Civic Center makes them very convenient to Sunnyvale residents and employers. Including facilities for NOVA at the Civic Center also creates better opportunities to share classroom and meeting spaces with other City departments and the community.

Including NOVA in the new City Hall building provides the City with the greatest flexibility for site layout of its facilities. Having multiple facilities integrated into one new building will help to increase open space and make multiple City services available to customers in one location. It also increases options for sharing classroom and meeting space with other City departments, and for making these spaces available to the public after regular business hours. Although NOVA's projected rent will not

fully cover the cost of new facilities, the City will retain an asset at the Civic Center that provides flexibility for future service growth if required.

Approval of the Master Plan scope of work is the next step to continue site planning, environmental review and preliminary design work for the Civic Center Modernization Project.

Prepared by: Kent Steffens, Assistant City Manager

Reviewed by: Timothy J. Kirby, Director of Finance

Reviewed by: Kris Stadelman, Director, NOVA Workforce Services

Approved by: Deanna J. Santana, City Manager

ATTACHMENTS

1. Advantages and Disadvantages of NOVA Facility Location
2. Draft Scope of Services for Civic Center Master Planning