

Board of Trustees Agenda Item

Board Meeting Date: March 14, 2011

Title of Item: Project #801; Property Acquisition and Development

Background and Analysis:

Key aspects of the planned Education Center Acquisition process were discussed at the January 31, 2011 Board workshop.

Attached is an update on the process and activities to date that includes:

- Outreach activities
 - State Chancellor's Office
 - Neighboring Districts
 - City of Palo Alto
 - Palo Alto Unified School District
 - City of Sunnyvale
 - City of Mountain View
 - Broker/Developer Community
- Process Diagram Update
- Progress on Preparation of Requests for Offers

Recommendation: For information and discussion.

Submitted by:	Charles Allen
Additional contact names:	Kevin McElroy, ext 6201 and Judy Miner, ext 7201
Is backup provided?	Yes



*Public
Private
Ventures*

MEMORANDUM

To: Charles Allen

From: Public Private Ventures ("PPV")

Re: **PHASE 1 UPDATE REPORT** for Education Center Acquisition
Board of Trustees Meeting March 14, 2011

Date: March 4, 2011

This memo addresses our outreach efforts since the last Board study session, provides updates to our Process Diagram, and outlines our progress toward preparation of the Request for Offers ("RFO") for the new Education Center Acquisition.

Over the past month multiple outreach activities have taken place that inform our thinking for the next steps. We met with the State Chancellor's Office, with the West Valley-Mission District, the cities of Palo Alto, Mountain View and Sunnyvale, and the local brokerage and development communities. Our outreach efforts have identified key opportunities that warrant further investigation and due diligence. These include the Middlefield site in Palo Alto plus two city-controlled sites in Sunnyvale that have come to our attention in the past few weeks. In order to move forward with our investigation and due diligence of these opportunities, it is now time to open up the solicitation process to the broader real estate community as we had discussed in our original plan. For this reason, we would like to complete the final Request for Offers ("RFO"), bring it to the Board of Trustees for approval at the April 4th Board meeting, and submit to the broader market (i.e. cities, companies, real estate owners, developers, brokers) on April 5, 2011. Our RFO process and criteria are outlined in section III below.

I. OUTREACH EFFORTS:

A summary of our recent outreach efforts is as follows:

1. **State Chancellor's Office:** On February 9th, Judy Miner, Kevin McElroy, Charles Allen and PPV met with Fred Harris, Assistant Vice Chancellor of College Finance & Facilities Planning in Sacramento to discuss FHDA's need to find a permanent facility for the Education Center. At the center of the discussion was the political issue of retaining Center "status" if we locate the new Education Center too

close to Mission College. Fred emphasized his desire that any changes made to the existing Education Center be done in a collaborative way with surrounding Districts and that there was no set formula for deciding how far a center can move without triggering the need for a new application for Center status. The degree of difficulty in getting approval to make a change to Center programs or a change in a Center's location is directly related to the extent to which surrounding Districts agree or disagree with the proposed change.

2. City of Palo Alto: On February 11th, Linda Thor, Charles Allen, and Kevin McElroy met with Palo Alto city officials James Keene (City Manager), Steve Emslie (Deputy City Manager), Lalo Perez (Administrative Services Director), Curtis Williams (Planning and Community Environment Director), and Martha Miller (Manager of Real Property) to update the City on our site acquisition process and to discuss how best to move forward. Additionally, Linda Thor has scheduled a meeting with Jim Keene and Kevin Skelly for March 17th to continue the discussion.

Assuming that the City wishes to pursue sale of a portion of the Cubberley site and that the School District will not oppose such a purchase, we would propose engaging City and School District staff and advisors to prepare an updated facility plan, including possible shared uses and joint occupancy uses with the School District and other Middlefield users. This process would be intended to yield the following products:

- A. Site layout options incorporating the 8-acre FHDA site and all required parking.
- B. Shared parking with other Middlefield users and a site access plan.
- C. Transition and staging plans.
- D. Letter of Intent from the City of Palo Alto, Palo Alto Unified School District and other non profit organizations occupying existing Middlefield facilities.

3. City of Sunnyvale: On February 16th, Linda, Kevin, Charles, and PPV met with Gary Luebbers (City Manager), Robert Walker (Assistant City Manager), Hanson Hom (Community Development Director), and Connie Verceles (Economic Development Director) at Sunnyvale City Hall to discuss opportunities in Sunnyvale for the Education Center relocation.

Sunnyvale Staff was very enthusiastic about FHDA's interest in Sunnyvale and was encouraged by the public benefit the Education Center could bring to their community. They asked that FHDA consider two possible site opportunities in Sunnyvale:

- **ONIZUKA AIR FORCE STATION ("Onizuka"):** This 18-acre site, owned by the Air Force and controlled by the Sunnyvale Local Redevelopment Agency ("LRA"), meets many of FHDA's criteria for the new Education Center:
 - Located near the greatest number of potential students and population growth
 - Excellent location for "Regional Hub" and collaboration with neighboring districts

- Easy Access at the 101/237 interchange and on the light rail
- Highly Visible at the gateway to Moffett Technology Park
- Well integrated in the community next to major employers Juniper Networks, and the Moffett Towers office development
- Large enough for a “campus environment” and lower cost surface parking with the potential of 8-13 acres
- Very low land cost with zero transfer cost (caveat: approximately \$4 million in demo / environmental costs)

History:

The 18-acre site, at the NWC of Highway 237 and Mathilda interchange, is owned by the Air Force and will close on September 1, 2011. As part of the Base Realignment And Closure process, a “Notice of Interest” was published and four agencies made claim to approximately 9 of the 18 acres (the Veterans Administration (“VA”) laid claim to roughly 4 acres plus an existing 50,000 square foot building, two local homeless shelters laid claim to 4 acres, and the fire department laid claim to 1 acre), leaving roughly 9 acres unclaimed. The Notice Of Intent process expired and the Local Redevelopment Agency (“LRA”) commissioned a Redevelopment Plan (dated Dec 2008) that studied numerous potential income-generating uses for the remainder of the site including hotel, office, homeless housing, and auto retailing uses. The Local Redevelopment Agency originally selected the auto retailing use as the preferred use but was unable to attract enough market attention to make it happen. As a fall-back, Council and Staff decided to investigate a potential park use (provided it would be “cost neutral”) and, on March 1, 2011, received approval from the City Council/Local Redevelopment Agency to further the study the site for a sports park use and for an education center with income generating concessions and fields. The Local Redevelopment Authority also decided to relocate the homeless shelters to an alternate site in Sunnyvale, thereby opening up 13 acres for the discussion. To make this transfer feasible (at zero cost to the Local Redevelopment Agency) the National Parks Service will process a Public Benefit Conveyance (“PBC”) directly with the Air Force. They intend to apply for the PBC within approximately 60-90 days and concurrently amend the 2008 Redevelopment Plan to include the park use. While City Council has endorsed this potential use, the anticipated cost of the project (at approximately \$17 million) would be paid with Park Fees and may not be feasible as it is not “cost neutral” by Staff’s analysis.

Potential for Educational Use:

Staff supports the educational use and is willing to study and make recommendations to the Local Redevelopment Agency. At the March 1 City Council/LRA meeting, Charles Allen addressed the Sunnyvale City Council and advised the Council that the site may be suitable to meet Foothill-De Anza Community College District’s need for a permanent home for the Education

Center. Several Council members liked the idea of the Education Center and encouraged FHDA and Staff to start the process of studying the site for an education use in parallel with their study as a sports park. The goal would be to seek a Public Benefit Conveyance ("PBC") through the Department of Education ("DOE") and the Air Force and concurrently study and amend the 2008 Redevelopment Plan to include both "park" and "educational" uses. We would also study possibilities for shared facilities with the Veteran's Administration as they already have claim to 4 of the 18 acres. The process should take 90-120 days. Conveyance of the site can happen any time after September 2011.

Next steps:

- Sunnyvale will receive our Request for Offer in April and will formally respond
 - Meet with Dept. of Education to discuss Public Benefit Conveyance process
 - Meet with Veteran's Administration to discuss possible shared use
 - Meet with Air Force to discuss timing and details
 - Concurrently perform feasibility, site investigation and due diligence
-
- **Sunnyvale Civic Center site.** The City is considering preparation of a new master plan for their 26-acre Civic Center campus, at the corner of El Camino Real and Mathilda, that would include the realignment of several streets, demolition of obsolete facilities, and replacement of the City Hall, Public Library, and other aging facilities currently housed on the site. They would like FHDA to consider being a part of the first phase of this redevelopment with the caveat that planning and approval would be a cumbersome process could take several years before FHDA receives a formal commitment.

Aside from the timing, this opportunity appears to be ideal in many ways. An 8-acre site within the Civic Center could accommodate the long-term needs of FHDA. The location is excellent at the heart of the city, adjacent to City Hall, a new library (potentially shared with the Education Center), NOVA, and a short walk to the new Sunnyvale downtown, with its high-density residential, office and commercial uses as well as a light rail station.

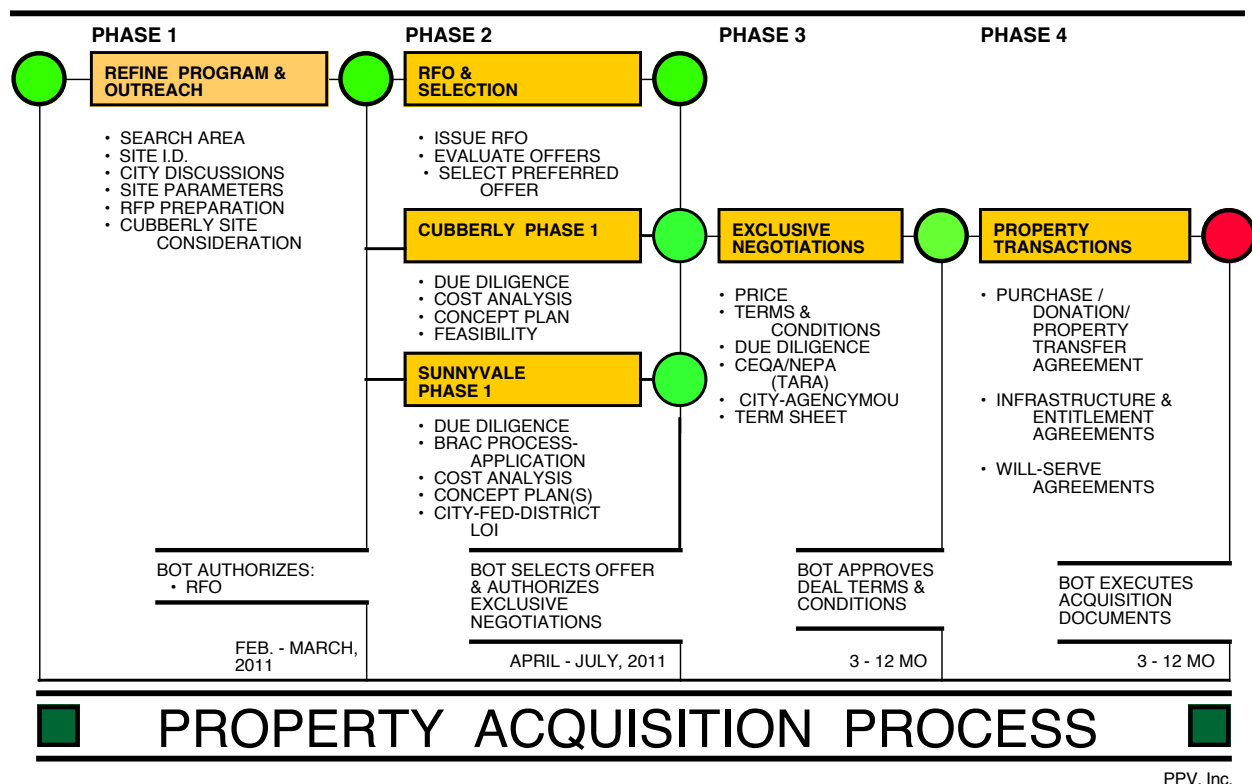
4. City of Mountain View: On February 16th, Charles and PPV met with Ellis Berns (Assistant Community Development Director / Economic Development Manager) to discuss opportunities within the city of Mountain View. Mr. Berns was not aware of any possible sites within the City of Mountain View that could accommodate the new Education Center. Mr. Berns was also skeptical about the interests of key technology companies like Google entering into partnership with the new Education Center.

5. Broker / Developer Community: On February 24th, PPV met with the Executive Director of the Silicon Valley Economic Development Alliance (Kara Gross) to discuss

FHDA's vision and search criteria for the new Education Center. Kara will assist with introductions to key leaders in the Silicon Valley brokerage and development communities over the next few weeks. We are reaching out to each of the board members of the Association of Silicon Valley Brokers ("ASVB") in preparation for issuing the RFO. This is a very good representation of the leaders in the brokerage community in Silicon Valley. On the development side we are reaching out to TMG, Sobrato and Jay Paul among others. We plan to fine tune our list prior to the issuance of the Request for Offers.

II. PROCESS DIAGRAM

The Process Diagram has been updated as follows:



III. REQUEST FOR OFFERS ("RFO") – process

1. **General solicitation** - A Request For Offers ("RFO") would be sent to all possible interested parties.

- **Cities**
 - Palo Alto
 - Mountain View
 - Sunnyvale
- **Regional real estate interests**
 - Brokers (Directors of ASVB)

- Developers (TMG, Sobrato, Jay Paul)
- Land owners
- **Major companies**
 - Google
 - Juniper Networks
 - Yahoo
 - Apple
 - AMD
- 2. **Timing:**
 - Complete RFO for Staff review by March 22, 2011
 - Present to BOT for approval on April 4, 2011
 - Issue RFO on April 5, 2011
- 3. **Request for Offer contents**
 - Search area
 - Project description
 - Ed Center Educational Master Plan
 - Facility Program requirements
 - Core facility phase 1 of 50,000 square feet
 - Phase 2 expandable to 100,000 square feet
 - Parking for phase 1 for 700 cars (surface parked)
 - Future phase parking either surface or structured
 - Campus related development
- 4. **Proposal Requirements**
 - Ownership information
 - Project description and contingencies
 - Property plans and context
 - Environmental conditions
 - Governmental jurisdiction and process
 - Economic terms and conditions
 - Disposition process
- 5. **Evaluation Criteria (to be refined)**
 - Campus mission and program “fit”
 - Accessibility (transportation, access, etc.)
 - Identity
 - Community integration, support and acceptance
 - Feasibility and “do-ability”
 - Environmental quality
 - Financial profile
 - Risk-reward assessment

6. Typical process

- Issue Request for Offer
- Information meeting 2 weeks after distribution
- Web based Q&A process
- Work with Palo Alto, Sunnyvale and others to develop viable options

7. Evaluation Criteria for choosing preferred offer

The criteria against which to evaluate alternative offers will ultimately derive from the goals established for the program. These goals will continue to evolve as offers are considered. The following criteria will no doubt form the basis of any evaluation of property and facility offers.

- Campus “fit” (meet FHDA’s long term needs?)
- Accessibility
- Accessible to greatest number of students
- Site served by public transportation
- Will future traffic congestion compromise accessibility?
- Identity (community integration?)
- Environmental Quality
- Attractive site?
- Does area support the vision?
- Connections to the community?
- Can negative characteristics be mitigated?
- Financial profile
- Cost of land, infrastructure, and initial facility
- What offsets / discounts are offered to lower cost to FHDA?
- Revenue enhancement potential (i.e. joint ventures, partnerships, disposition & development)
- Community Acceptance
- Broad support from immediate neighborhoods
- Broad support from broader community
- Agreements with the host City and agencies serving the Center.
- Feasibility
- Is the offer straightforward with few, if any contingencies?
- Can the District act independent of 3rd party performance to develop its facilities

These are a basis for beginning the discussion. The final criteria, and relative weighting of those criteria will emerge as the process evolves.