



**DATE:** December 11, 2018

**CATEGORY:** Unfinished Business

**DEPT.:** Community Development

**TITLE:** **Agreement with the Los Altos School District to Partially Fund the Acquisition of Joint-Use Open Space and Recreational Facilities at a Future School Site and a Public Park in Mountain View**

### **RECOMMENDATION**

1. Authorize the City Manager to execute a Funding and Joint Use Agreement between the Los Altos School District (LASD) and the City of Mountain View for the acquisition and maintenance of joint-use open space and recreation facilities of the school site.
2. Appropriate up to \$23.0 million in the Park Land Dedication Fund per the Funding and Joint Use Agreement. (Five votes required)
3. Authorize the City Manager to execute a Land Transfer Agreement with LASD for the acquisition of two acres of land for a City park, adjacent to the new LASD school site.
4. Appropriate \$3.0 million in the Open Space Acquisition Reserve and \$17.0 million in the Park Land Dedication Fund. Funds are to be returned to these sources from the Park In-Lieu Fees to be paid by Greystar for the 2580 California Street project. (Five votes required)

### **BACKGROUND**

The Los Altos School District (LASD) has explored the acquisition of an additional school site for many years. Since adoption of the San Antonio Precise Plan (SAPP) in 2014, the City has supported a new school site in the San Antonio area. The SAPP includes policy language supporting unique partnerships to facilitate development of a public school and the preliminary framework for a transfer of development rights (TDR) program to incentivize creation of a school in the area. While the SAPP does not identify a specific school site, community members and City Councilmembers have voiced support at multiple City meetings for an additional school site in the area to

accommodate student growth. The following is a summary of previous Council meetings relating to LASD acquisition of a new school site.

July 2, 2015

The City Council discussed contributing Park Land Dedication funds towards the development of shared open space and recreation facilities associated with a school site in the SAPP area. Council voted 6-0-1 to support LASD and contribute Park Land Dedication funds, but the specific terms and contribution amount were not determined.

October 3, 2017

The City Council held a Study Session to discuss initial concepts for a TDR process designed to support acquisition of a new public school for LASD in the San Antonio Area, and a Master Agreement for shared open space/recreation facilities associated with the new school (Attachment 1 – October 3, 2017 Report). At this Study Session, a specific school site was not yet determined; however, Council unanimously supported the following components of the TDR framework:

- Development of a Memorandum of Understanding (MOU) between the City and LASD to document the agreed-upon TDR strategy and establish a framework for the TDR process;
- The creation of a program that allows the sale of development rights from the school site (“sending site”) to property owners/developers for use at other properties (“receiving sites”) within the City;
- Property owners/developers may submit applications utilizing TDR square footage for office or residential developments through the Gatekeeper process provided they have a signed Letter of Intent with LASD;
- Projects requesting additional floor area through the TDR process will be exempt from public benefit contribution requirements for TDR square footage as moneys used to purchase the excess square footage would assist with the development of a school site, which is deemed a public benefit; and
- A TDR purchaser may propose an alternative project or sell unutilized square footage to another developer, potentially on a different site, with Council authorization of a new Gatekeeper project (“secondary market”).

At the Study Session, Council also supported contributing \$6 million per acre, up to \$23 million (total) of Park Land Dedication funds for open space/recreation facilities at the new school site, in exchange for allowing the City to have public use of such facilities approximately 50 percent of the time.

January 16, 2018

In December 2017, LASD identified 2580 and 2590 California Street and 201 San Antonio Road (Old Mill/Safeway Site) as the location of the new school in the San Antonio Area (see Figure 1). On January 16, 2018, the City Council approved a TDR program and site acquisition strategy to assist LASD in acquiring the Old Mill/Safeway site (Attachment 2—January 16, 2018 Report). The TDR program included 610,000 square feet of area to be transferred. Specifically, Council took the following actions:

1. Authorized the City Manager to execute an MOU between the City and LASD that establishes a framework for a TDR program, designed to support acquisition of a new public school site in the San Antonio Precise Plan Area;
2. Directed staff to develop a Funding Agreement with LASD specifying the terms and conditions of the City's contribution of \$6 million per acre up to \$23 million (total) of Park Land Dedication funds for public accessibility to open space/recreation facilities associated with the new school site;
3. Directed staff to develop a Master Joint Use Agreement, and supplemental Joint Use Agreement(s) if necessary, with LASD specifying the terms and conditions of ongoing operation and maintenance of the public open space/recreation facilities associated with the new school site;
4. Authorized the assignment of staff resources for consideration of five Gatekeeper applications requesting additional floor area through the TDR program; and
5. Allowed one developer to participate in the TDR program but submit a Gatekeeper request at a later date.

At this City Council meeting, the property owners of the Old Mill/Safeway site and the developer (Greystar) expressed opposition to the acquisition. On May 22, 2018, Council authorized another residential Gatekeeper application requesting additional floor area through the TDR program.

June 26, 2018

After extensive discussions between Federal Realty Investment Trust (Federal), Greystar, and the City, LASD changed course and proposed to acquire a 9.6-acre property owned by Federal at the southwest corner of California Street and Showers Drive (Federal Site—see Figure 1) in place of the Old Mill/Safeway site. In addition, Greystar proposed to purchase approximately two additional acres of property from Federal adjacent to the school site and dedicate this property to the City for a future neighborhood park. The two-acre park would be in addition to the joint City/LASD open space and recreation facilities at the new school, which will be roughly four acres (Attachment 3—June 26, 2018 Report).

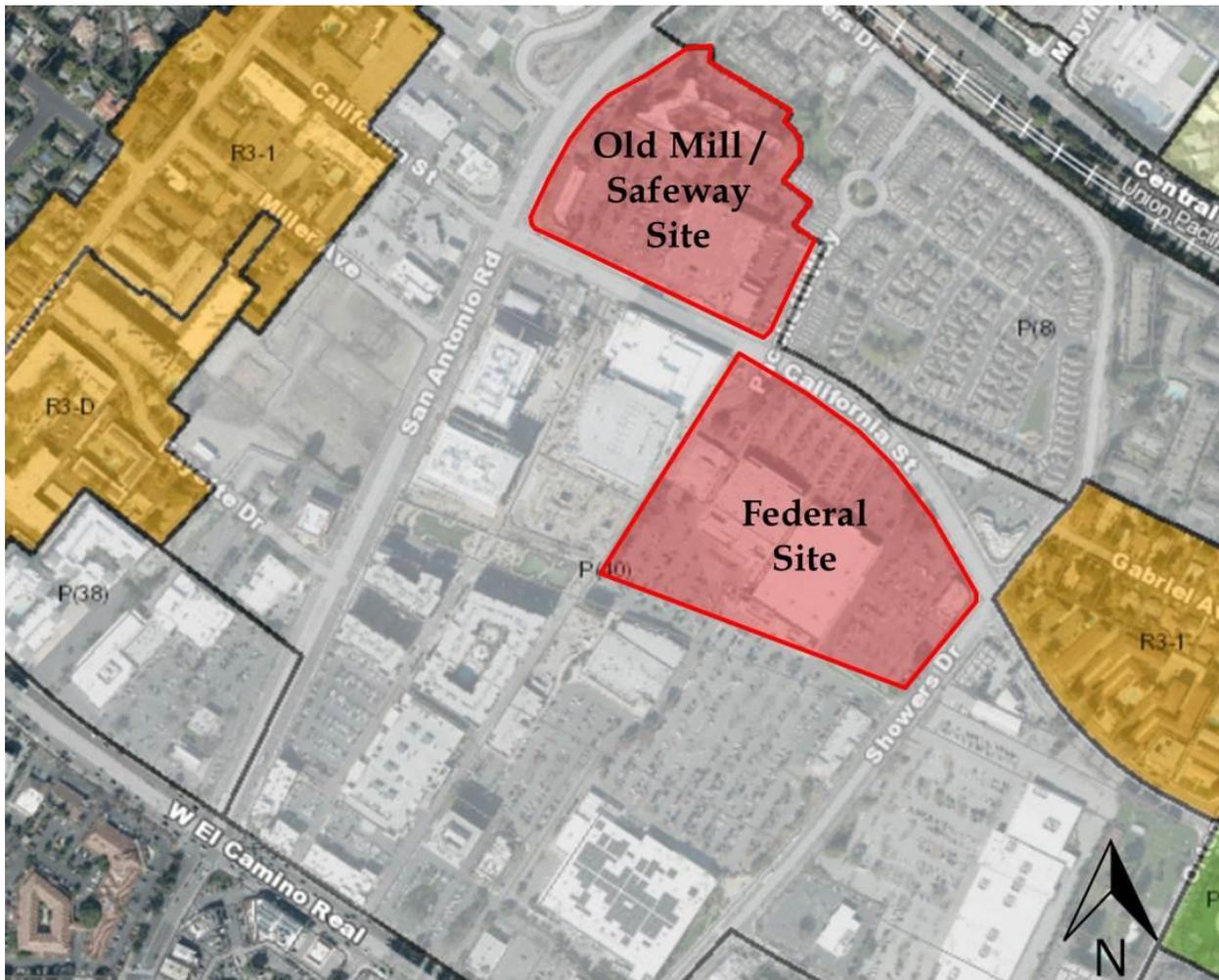


Figure 1

On June 26, 2018, Council voted 4-3 to approve the change in school site for the purposes of the LASD TDR program with the following stipulations:

1. The new school site should include upgraded recreation facilities such as a gym and track;
2. Federal and LASD to initiate discussions with all existing tenants that would be displaced by the future school site and provide an update on the relocation plan when the Joint Use and Funding Agreements are brought to Council for approval;
3. LASD to provide information on a transportation strategy for the new school if it is not a neighborhood school; and
4. LASD to indicate the students who would be served by the school that will be located on the site when the Agreements are brought to Council.

In a separate public hearing on June 26, 2018, the Council also approved Greystar's Master Plan and Planned Community Permit applications on the Old Mill/Safeway site for a mixed-use development consisting of 632 residential units and approximately 20,000 square feet of ground-floor commercial space.

## ANALYSIS

### Federal Realty/LASD Negotiations

Since the June 2018 Council meeting, Federal and LASD have been negotiating the terms of this complex property transfer (Attachment 4 – Letter from Federal and LASD). The two parties have entered into a detailed Letter of Intent for the property acquisition; LASD also recently confirmed they are close to finalizing a purchase agreement and anticipate closing escrow in early-2019.

### Use of School Site

At the June 2018 meeting, the Council expressed a strong preference that the new school site be used for a neighborhood school, but did not mandate such a requirement. However, Council stipulated that the use of the school site be determined before the Funding and Joint Use Agreement returns to Council for authorization. Recently, in a letter dated November 28, 2018, LASD stated that the Federal site will be acquired "to build a school that will serve the neighborhood" (Attachment 5 – Letter from LASD). LASD currently anticipates the school could be completed as early as September 2023.

Should the school construction be significantly later, LASD has indicated it is willing to work with the City to explore construction of the open space prior to the school.

While further discussions are necessary, it is conceivable that the two-acre City park and the shared LASD field space/recreation facilities could be jointly constructed under one project. LASD intends to continue to work closely with City staff on a master planning process to determine the appropriate location for the City's two-acre park site, as well as a separate planning process for the joint-use open space and recreation facilities consisting of a track, playing fields, and a gym.

### Public Park Acquisition

The purchase agreement between LASD and Federal will allow LASD to acquire the entire 11.65-acre Federal site, including both LASD's school and joint-use open space site, as well as the two-acre property to be transferred to the City for a public park. LASD will acquire and convey the two-acre parcel to the City directly, instead of Greystar (as previously discussed). Site acquisition by LASD will allow the property to be transferred to the City with clear title, free of encumbrances such as the Reciprocal Parking Agreement that currently affects the Federal Site.

The City and LASD will enter into a separate agreement for the acquisition of the two-acre public park site for \$10.0 million per acre. Initially, the City will fund this acquisition using \$17.0 million in existing park in-lieu fees collected from development projects in this area and \$3.0 million in Open Space Acquisition funds. It is anticipated Greystar will pull building permits for its project on the Old Mill/Safeway site in spring/summer 2019, and will pay required park in-lieu fees at that time. At the time of the Council hearing, the park in-lieu fee estimated for the entire project was approximately \$38.0 million. The Greystar park in-lieu fee payment will be used to replenish the funds expended for this acquisition. If for some unforeseen reason, the Greystar project does not proceed as planned, the City would have the option to proceed with the transfer of the two-acre park or request LASD to pay the City for the two acres and incorporate it into the school site.

### Upcoming Milestones

As noted earlier, LASD currently anticipates closing escrow on the 11.65-acre property in early-2019. In order to build the school and open space and recreation facilities, LASD will undertake a condemnation process. There are several, overlapping tasks that will occur during and after the condemnation, which will take some time to resolve. LASD estimates for key upcoming milestones are identified below; however,

these timing estimates anticipate closing escrow in a timely manner, and many elements are contingent on processes and agencies outside LASD control such as the legal process for condemnation and permitting through the State Architect.

- Property condemnation and tenant relocation (through September 2020).
- Joint master planning (Q1/Q2 2019) and identification of City's public park location.
- School design (through Q4 2019).
- School CEQA process (Q4 2019 through Q4 2020).
- Public park transfer from LASD to City (Q4 2020).
- School permitting and construction process (Q4 2020 through Q3 2023 at the earliest).
  - State permitting process for the school design.
  - Final design drawings, bidding and construction process.

#### Joint Use and Funding Agreement

Rather than creating separate funding and joint-use agreements as previously anticipated, they will be combined into a single, master agreement. The following are the key deal points of the agreement between LASD and the City:

- City will contribute 50 percent of the purchase price of four acres for the school site up to a maximum of \$23.0 million of Park Land Dedication funds (towards the land acquisition) and provide the money to LASD prior to close of escrow;
- The open space and recreation facilities at the school site will include a field, track, and gym;
- Term of the Agreement is 99 years or as long as the property is used as a school site, whichever is less;

- LASD will make open space and recreation facilities available to the City for public use approximately 50 percent of the time (after school hours, weekends, and summer);
- Identifies the process for scheduling use of the open space and recreation facilities, including dispute resolution;
- City will provide routine maintenance of the field(s) and track;
- LASD and the City will share the costs of maintaining the gym; and
- City has a first right of refusal to purchase the recreation/open space acreage.

### Existing Tenants

At the June 2018 meeting, Council asked Federal and LASD to begin discussions with all existing tenants that would be displaced should LASD move forward with a school on the site and provide an update when the Joint Use/Funding Agreement is reviewed by Council. In late September, Federal informed staff they had made contact with all impacted tenants. In addition to the Federal leasing team, Federal retained four consulting firms to assist in the relocation, appraisal, and valuation process (Attachment 7 – Federal Realty Relocation Status Letters).

Federal proposed a range of options to five of the eight existing tenants, including relocation to another site in the San Antonio Center or accepting a buyout. Although negotiations are ongoing, at this time, it appears that two to three existing tenants may be able to relocate on-site. Federal and the consulting team have also provided existing tenants with site referrals for properties meeting the requirements of their respective businesses, located outside San Antonio Center (in Mountain View or adjacent cities). Given the time involved in the condemnation and design process, Federal offered lease extensions to allow small businesses to remain on-site through September 2020, if desired.

### FISCAL IMPACT

The City would contribute 50 percent of the purchase price of four acres, up to a maximum of \$23.0 million using park in-lieu fees from the San Antonio Area for the shared use of the open space and recreational facilities at the LASD school site. The City will also fund the acquisition of two acres of land for a public park, at a cost of \$20

million from the Open Space Acquisition Reserve (\$3.0 million) and Park Land Dedication Fund (\$17.0 million).

There are currently sufficient existing Park Land Dedication funds from the San Antonio Area to fund both contributions. The \$23.0 million for the joint use of the school site has been committed for this purpose by the Parks and Recreation Committee. For the two-acre park, \$3.0 million is available in the Open Space Acquisition Reserve, and the additional \$17.0 million in Park Land Dedication funds are currently available in uncommitted fees. However, there are several other projects that staff has identified to include as part of the Capital Improvement Program for Fiscal Year 2019-20. It is anticipated Greystar's payment of park in-lieu fees for its nearby project will be used to purchase the two-acre public park land and will replenish the appropriated funds before the end of 2019. These funds could then be programmed for the other staff-identified projects. The City would pay to design and construct the two-acre public park, as with most City parks.

#### **NEXT STEPS**

If the City Council supports the recommended action tonight, staff and LASD will finalize the Funding and Joint Use Agreement as well as the Land Transfer Agreement for execution by the City Manager. The City Manager will also execute the previously authorized Memorandum of Understanding with LASD for the TDR program. LASD will continue the process and take the necessary actions to acquire the Federal site and redevelop the property with a new school and joint use open space and recreation facilities in coordination with the City as noted herein.

#### **CONCLUSION**

In response to the City Council's direction from the June 26, 2018 meeting, LASD recently committed to using the Federal site for a neighborhood-serving school. Council authorization of the Joint Use and Funding Agreement, along with the previously approved TDR program, will fulfill the Council's longstanding goal to support a school site and create significant open space in the San Antonio Area. The revised proposal results in six acres of open space, including a two-acre public park and a school site with open space and recreational facilities to be jointly used by LASD and the City. This would continue the City's efforts over the past three years to increase open space in the San Antonio Planning Area following dedication of land for mini-parks at Mora Drive/Ortega Avenue and Fayette Drive, and one acre of publically accessible open space in the Greystar project.

## **ALTERNATIVES**

1. Do not authorize the City Manager to execute the Joint Use/Funding Agreement or Land Transfer Agreement.
2. Modify the terms of the Joint Use/Funding Agreement.
3. Provide other direction.

## **PUBLIC NOTICING**

Courtesy notices were sent to property owners/tenants within 750' of the original sending site (Old Mill/Safeway Site) and the proposed sending site (Federal Site), the Wagon Wheel Neighborhood Association, and the Greater San Antonio Community Association. The City Council's agenda is advertised on Channel 26, and the agenda and this report are posted on the City's website.

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- Attachments:
1. [October 3, 2017 Study Session Memo](#)
  2. [January 16, 2018 Council Report](#)
  3. [June 26, 2018 Council Report](#)
  4. Letter from Federal Realty and LASD
  5. Letter from LASD
  6. Federal Realty Relocation Status Letters