



DATE: February 13, 2018

CATEGORY: New Business

DEPT.: Public Works

TITLE: **Acquisition of Real Property for the Plymouth Street Realignment**

RECOMMENDATION

Take the following actions to acquire real property located at 1600 North Shoreline Boulevard, APN 116-10-070 (all); 1616 North Shoreline Boulevard, APN 116-10-086 (all); 1674 North Shoreline Boulevard, APN 116-10-085 (portion); and 1015 Joaquin Road, APN 116-10-097 (portion):

1. Approve the acquisition of the above-identified properties, in whole or in part (as the case may be), from Google LLC.
2. Acting in its capacity as the Board of Directors of the Shoreline Regional Park Community, transfer \$28,500,000 from the Shoreline Regional Park Community Fund to the City for the purchase of the properties (\$28,247,200) and incidental and administrative costs (\$252,800).
3. Acting in its capacity as the City Council, approve a midyear capital improvement project entitled, "Acquisition of Real Property, Plymouth Street Realignment."
4. Acting in its capacity as the City Council, appropriate \$28,500,000 to the new capital project for the purchase of the properties (\$28,247,200) and incidental and administrative costs (\$252,800). (Five votes required)
5. Authorize the City/Community Manager or his designee to execute all documents and take all necessary actions related to the acquisition of the above-identified properties.

BACKGROUND

The recently adopted Amended North Bayshore Precise Plan (NBPP) established a policy for managing vehicle trips in and out of North Bayshore with a vehicle trip cap

based on roadway capacity of the three primary arterials into North Bayshore (North Shoreline Boulevard, Rengstorff Avenue, and San Antonio Road). The NBPP, supported by the 2013 Shoreline Transportation Study, also identified Priority Transportation Improvements that support all modes of transportation, including modest expansion of vehicle capacity at particularly constrained locations. One of the identified locations was the intersection of Plymouth Street and North Shoreline Boulevard, where the queue of vehicles turning left onto Plymouth Street from North Shoreline Boulevard extends into the northbound Shoreline Boulevard through lanes, effectively blocking one of the lanes and creating back-ups through the North Shoreline Boulevard/Pear Avenue intersection. Additional constraints at this location are two side-street intersections, one at Plymouth Street and one at Space Park Way, within 250' of one another. One of the priority transportation improvement projects identified in the NBPP is to realign Plymouth Street to connect directly with Space Park Way. The project will improve traffic flow by eliminating one intersection on North Shoreline Boulevard, extending the left-turn lane to allow additional space for queuing on North Shoreline Boulevard to Plymouth Street, and providing a single four-way signalized intersection for Plymouth Street and Space Park Way to connect to North Shoreline Boulevard. The realigned street is shown on Figure 1.

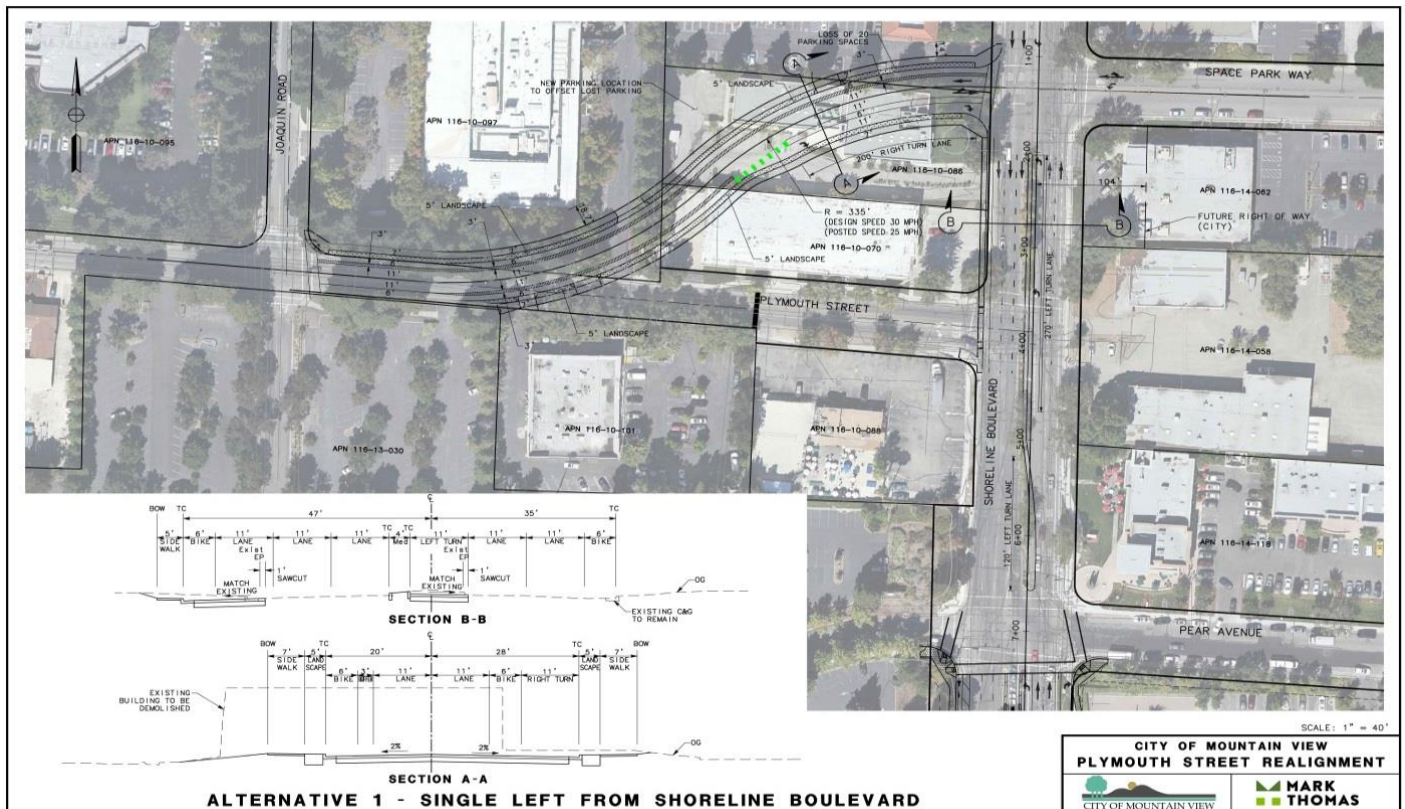


Figure 1

Plymouth Street will be realigned as an S-curve that crosses one corner of the property at 1015 Joaquin Road, through the middle of two improved properties at 1600 and 1616 North Shoreline Boulevard, and across a corner of the property at 1674 North Shoreline Boulevard. The property to be acquired includes the following:

- 1015 Joaquin Road—10,775 square feet of land only from an 186,447 square foot improved site;
- 1600 North Shoreline Boulevard—All of a 24,829 square foot property improved with a 17,100 square foot, one- and partial two-story R&D building constructed circa 1953;
- 1616 North Shoreline Boulevard—All of a 38,130 square foot property improved with a 10,866 square foot single-story building constructed circa 1991; and
- 1674 North Shoreline Boulevard—4,042 square feet of land only from a 33,660 square foot improved site.

These four properties are located in the Core Character Area of the NBPP. The amended NBPP, adopted by Council on December 12, 2017, allows for a range of uses in the Core Character Area, including residential (with a maximum FAR of 4.2), or mixed-use developments with a residential component and a maximum height of 15 stories.

Relationship to Charleston East and Other Developments

As part of the pre-entitlement review of Google's Charleston East development at 2000 North Shoreline Boulevard, an analysis was performed of the gateway capacity impacts of six projects approved or anticipated in North Bayshore (Intuit, Broadreach, Shashi, Charleston East, Microsoft, and Sobrato). The analysis revealed that the Shoreline Boulevard gateway would be over capacity when all six projects are occupied unless the Plymouth Street realignment to Space Park Way and the Highway 101 off-ramp realignment at Shoreline Boulevard were completed. To allow the Charleston East development to proceed while these two priority transportation improvements are designed and constructed, several conditions were included in the project approval for Charleston East, including:

“Prior to the issuance of the core and shell permit required for the development project (i.e., Charleston East), the applicant shall agree to the terms of a Purchase and Sale Agreement with the City for purchase by City, at fair market value, of the

right-of-way necessary on Google-owned properties known as Assessor's Parcel Numbers 116-10-070, 116-10-085, 116-10-086, and 116-10-097 (as identified by the Santa Clara County Assessor's Office for Effective Roll Year 2016-17) for the realignment of Plymouth Street to Space Park Way. The agreed-to terms must include, but not be limited to: how the price will be determined; terms of payment; the area to be conveyed to the City; the timing of the conveyance; the compensation to the applicant. If the City elects to sell any area abandoned or not required for the realignment, then applicant shall have a first right to negotiate to purchase, for fair market value, such residual area. The Purchase and Sale Agreement shall be executed prior to issuance of Certificate of Occupancy and shall provide for transfer of the right-of-way to the City within six months from the date a Certificate of Occupancy is granted for the development project."

Since the approval of entitlements for Charleston East on March 7, 2017, a preliminary design has been prepared and submitted to Caltrans for the off-ramp realignment, and the documents have been prepared to purchase the right-of-way for the Plymouth Street realignment. The Plymouth Street realignment will not be constructed until after Charleston East is occupied as Google needs the space in Charleston East to accommodate the staff in the buildings to be removed.

Google anticipates applying for a core and shell permit for Charleston East in the first quarter of Calendar Year 2018; construction of Charleston East is expected to take 18 to 24 months. If Council approves the recommended actions, the Condition of Approval related to the purchase of right-of-way for the Plymouth Street realignment will be satisfied, allowing issuance of a core and shell permit.

Funding Strategy for Priority Transportation Improvements

The funding strategy for the NBPP Priority Transportation Improvements (such as the Plymouth Street realignment) includes a combination of: (1) transportation development fees from North Bayshore developments; (2) the Shoreline Regional Park Community (Shoreline Community) Fund; (3) completion as a Community Benefit with a development that received a Bonus Floor Area Ratio (FAR); and (4) potential proceeds from debt issued by the Shoreline Community. The Plymouth Street realignment was not offered as a community benefit project during the Bonus FAR process, but the acquisition could be partially funded by the transportation impact fees (\$13.4 million) that have been paid by Google for Charleston East. Staff recommends a combination of impact fees and funding from the Shoreline Community Fund.

ANALYSIS

In addition to the Condition of Approval requiring payment of fair market value, the City, as a public agency, is required by State law (California Government Code Section 7267 *et seq.*) to appraise the fair market value of a property it intends to acquire and to offer no less than the approved fair market value. As stated earlier, the acquisition will include the entirety of two improved properties located at 1600 and 1616 North Shoreline Boulevard and corner portions of land from 1015 Joaquin Road and 1674 North Shoreline Boulevard. The City retained the services of a prominent independent local real estate appraiser to appraise the fair market value. The appraiser estimated the fair market value of the four properties, based on the highest and best use under the NBPP, to be as follows:

• 1015 Joaquin Road (portion of APN 116-10-097)	\$ 3,232,500
• 1600 North Shoreline Boulevard (all of APN 116-10-070)	10,250,000
• 1616 North Shoreline Boulevard (all of APN 116-10-086)	13,350,000
• 1674 North Shoreline Boulevard (portion of APN 116-10-085)	<u>1,414,700</u>
TOTAL	<u>\$28,247,200</u>

On November 1, 2017, the City made a formal offer to Google to acquire the properties at the fair market value, as required by law, and on November 16, 2017, Google advised the City they accepted the offer. The offer and acceptance is subject to Council approval. Staff has since negotiated the terms of a Purchase and Sale Agreement with Google, as well as a "Declaration of Restriction and Grant of Right of First Negotiation" for the sale of any remnant lands the City elects to sell after completion of the realignment of Plymouth Street. The basic business terms are as follows:

- Purchase price of \$28,247,200, fixed for the term of the Agreement (i.e., the price will not be adjusted or indexed for time).
- Google will maintain the buildings at 1600 and 1616 North Shoreline Boulevard in a tenantable condition until the close of escrow.
- In the event of a casualty, including fire, flood or earthquake, resulting in the loss of the structures, Google will reduce the purchase price for 1600 North Shoreline Boulevard by the lesser of the cost to restore the building or the insurable value of

\$1,457,000 and reduce the purchase price of 1616 North Shoreline Boulevard by the lesser of the cost to restore the building or the insurable value of \$1,018,000.

- Google will have the right of first refusal to negotiate the purchase or lease, at fair market value, any remnant lands the City elects to sell or lease them following completion of the realignment of Plymouth Street. The right of first refusal outlines a time and procedure for negotiations to take place.
- The City will reorient and reconstruct the driveways for 1015 Joaquin Road and 1674 North Shoreline Boulevard at its cost and in consultation with Google and provide access for the parcels along Plymouth Street to a realigned Plymouth Street.

The total cost of the acquisition is \$28.5 million, itemized as follows:

Property Acquisition Cost:	\$28,247,200
Title and Escrow Fees:	<u>40,000</u>
Subtotal:	\$28,287,200
City Administration Fee	<u>212,800</u>
TOTAL PROJECT COST	<u>\$28,500,000</u>

The City will not be obligated to fund the escrow for the acquisition of the properties until after Google receives a Certificate of Occupancy for Charleston East, which is expected to occur 18 to 24 months from now, but an appropriation of funds at this time is required for the City to execute the Purchase and Sale Agreement. All demolition and driveway reconstruction costs will be included in the construction costs for the realignment of Plymouth Street. The City has not made any determination at this point whether or not to sell the remnant parcels after the realignment of Plymouth Street, nor has a value of said parcels been agreed to.

FISCAL IMPACT

The property is being purchased at fair market value, as required by law, for the purpose of transportation improvements as outlined in the North Bayshore Precise Plan. The \$28.5 million is to be funded by a combination of impact fees and available balance from the Shoreline Community. There are sufficient funds in the Shoreline Community to fund this property acquisition. Additional funding may be provided with future bond proceeds if approved by the Shoreline Community Board.

ALTERNATIVES

1. Do not approve the acquisition under the price and terms presented.
2. Direct staff to use a different funding strategy other than an appropriation from the Shoreline Community Fund.
3. Provide staff with additional direction on price and terms of the acquisition.

PUBLIC NOTICING

Agenda posting. A notice and copy of the staff report were also provided to Mr. John Igoe, Google LLC.

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