

Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Kim Walesh
Margaret McCahan

SUBJECT: SEE BELOW

DATE: January 22, 2018

Approved

D. DSYL

Date

2/2/18

SUBJECT: DIRIDON PLANNING RESERVE AND SERVICE REIMBURSEMENT AGREEMENT

RECOMMENDATION

- 1) Adopt a resolution authorizing the City Manager to negotiate and execute a Service Reimbursement Agreement with Google to pay for certain services associated with planning for development in the Diridon Station Area in the amount of \$1.33 million, subject to full appropriation.
- 2) Adopt the following 2017-2018 Appropriation Ordinance amendments in the General Fund:
 - a) Establish a new City-Wide appropriation to the Office of Economic Development for Diridon Station Area Development Planning in the amount of \$415,000; and
 - b) Decrease the Diridon Planning Reserve in the amount of \$415,000.

OUTCOME

Approval provides funding to support planning and civic engagement in the Diridon Station Area and development of a Memorandum of Understanding (MOU) and Purchase and Sale Agreement (PSA) with Google, and enables the City to receive financial support from Google to support planning activities through FY 2018-2019.

BACKGROUND

On October 17, 2017, the City Council approved the establishment of the Diridon Planning Earmarked Reserve as part of the 2016-2017 Annual Report actions, in the amount of \$415,000. Because it was uncertain at that time that support for negotiations with Google for the sale and

development of properties in the Diridon Station Area was needed immediately, staff was directed to return with a specific plan for use of the reserve funds. The City and County have reached agreement on the price of properties in the Diridon Area to be transferred from the Successor Agency to the City. The City will start the community engagement process and start negotiating the MOU and PSA with Google for City Council consideration later this year. Therefore, it is appropriate to budget these funds now.

ANALYSIS

Allocation of the Diridon Planning Reserve

A variety of planning activity and resources will be required in the coming years to ensure that the properties surrounding the Diridon Station area are developed in ways that best benefit the City. The following immediate tasks have been identified to move forward with as soon as possible:

- **Community engagement.** The City issued a Request for Qualifications/Proposals for community engagement support. However, staff believes the cost of this service, based on the proposals received, will be approximately \$150,000 through the MOU-negotiation period.
- **Land use planning.** Due to the magnitude, complexity, and timing of development envisioned by transportation agencies, Google and other development entities within the Diridon Station Area, it is critical to dedicate a land use planner to these projects with the skills and experience of a Planner IV. Staff recommends allocating \$165,000 for temporary land use planning resources.
- **Legal counsel.** The City Attorney's Office requires outside legal counsel assistance during the MOU negotiations period at an estimated cost of \$50,000 for adequate time and material support through this fiscal year.
- **Development Advisor.** HR&A was previously selected as Development Advisor to the City for development in Diridon Station Area. Their scope of assistance is early review of MOU proposals by Google and the City and on-call fiscal analysis of issues such as community benefits and economic impact. The estimated cost is \$50,000 through this fiscal year.

Service Reimbursement Agreement

Discussions with Google are in process regarding a Service Reimbursement Agreement to help fund City work related to development of the MOU/PSA and to Diridon Area Development Planning. Financial support from Google will help ensure that the City has sufficient staff and consultant support to advance important planning efforts in the Diridon Area while not detracting from other City priorities. Google has accepted the City's proposal to provide \$1.33 million in Service Reimbursement contributions, distributed as follows:

Contributions to Support City Capacity-Building

1. Staff Support: Diridon Area Project Manager, Station Area Land Use Planner, Project Manager/Civic Engagement Manager, Development Review	\$605,000
2. Consultant Support: Civic Engagement, Legal, Development Advisor, Land Use, Airport/OEI	725,000
Total	\$1,330,000

The Service Reimbursement Agreement will be for a term of two years with the ability of the City Manager to extend for an additional year. Through the Service Reimbursement Agreement, provided that the City tracks all relevant expenditures and performs the services identified, Google will supply payments to offset City costs. However, it is important to note that the agreement does not obligate the City to provide a set level of funding or obligate specific tasks. Rather, the agreement allows for the City to be partially reimbursed for certain types of activities that may be undertaken during the MOU development.

The final costs for the City to provide planning, outreach, and development oversight in the Diridon Station Area are still in development and will be considered as part of the Administration's 2018-2019 Proposed Budget.

The action today will reallocate the Diridon Planning Reserve to the Diridon Station Area Planning City-Wide appropriation. Subsequent to its execution, the Administration will bring forward additional budget adjustments to recognize the offsetting reimbursements from Google and replenish the reserve with funds that will be allocated again in 2018-2019. Costs in 2017-2018 that would be reimbursable under the draft agreement include 100% of the cost for the Civic Engagement Consultant (\$150,000) and 50% of the cost of the legal and development advisor services (\$50,000).

EVALUATION AND FOLLOW-UP

Information on planning and development activities in the Diridon Station Area and the Google development project will be provided through the community outreach process and through ongoing communication with City Council.

PUBLIC OUTREACH

This memorandum will be posted on the City's Council Agenda website for the February 13, 2018 Council Meeting.

COORDINATION

This report was coordinated with the Planning, Building and Code Enforcement department and the City Attorney's Office.

COMMISSION RECOMMENDATION/INPUT

No commission recommendation or input is associated with this action.

FISCAL/POLICY ALIGNMENT

Expenditure of these funds enables the City to effectively negotiate agreements with Google for the sale and development of public properties within the Diridon Area. Bringing jobs, housing, and amenities to this urban transit area is a key City economic goal. Outreach and engagement with the community is critical to achieving General Plan goals for building a city of great places.

COST SUMMARY/IMPLICATIONS

The recommended appropriation actions would reallocate funding from the Diridon Planning Earmarked Reserve established as part of the 2016-2017 Annual Report actions approved October 17, 2017 into a new City-Wide appropriation to pay for the identified expenses above. Staff anticipates returning to the City Council at a later time to bring forward any offsetting reimbursements through appropriation of Google funds. Additional costs to support the Diridon Station Area Development – as well as the potential for additional outside funding from grants and transportation agencies – will be considered during the 2018-2019 budget development process.

January 22, 2018

Subject: Diridon Planning Reserve and Service Reimbursement Agreement

Page 5

BUDGET REFERENCE

The table below identifies the appropriations that will be established or adjusted as a result of the recommendations.

Fund #	Appn #	Appn. Name	Total Appn	Proposed Budget Action	2017-2018 Adopted Operating Budget Page	Last Budget Action (Date, Ord. No.)
001	8518	Diridon Planning Reserve	\$415,000	(\$415,000)	N/A	10/17/2017, 30014
001	NEW	Diridon Station Area Development Planning	\$0	\$415,000	N/A	N/A

CEQA

Exempt, File No. PP17-001, Feasibility and Planning Studies that are statutorily exempt under CEQA Guidelines Section 15262.

/s/
KIM WALESH
Deputy City Manager
Director of Economic Development


MARGARET MCCAHAN
Budget Director

For questions, please contact Bill Ekern, Diridon Project Manager, at (408) 535-7637.