



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Kim Walesh

SUBJECT: SEE BELOW

DATE: May 9, 2019

Approved

Date

5/10/19

COUNCIL DISTRICT: 3 & 6

SUBJECT: DIRIDON STATION AREA PLANNING FUNDING AND REIMBURSEMENT AGREEMENT

RECOMMENDATION

Adopt a resolution authorizing the City Manager or designee to negotiate and execute the Funding and Service Reimbursement Agreement with Google to pay for certain services associated with planning for development in the Diridon Station Area in the amount of \$4,473,580 and delegating the authority to the City Manager or designee to negotiate and execute amendments to the Funding and Service Reimbursement Agreement for additional funding and reimbursement, all subject to full appropriation by the City Council.

OUTCOME

Approval provides funding to support further planning and civic engagement in the Diridon Station Area--including update of the Diridon Station Area Plan, review of the potential Google mixed-use development project, and negotiation of the Development Agreement and enables the City to receive financial support from Google to support staff and consultant activities.

BACKGROUND

For a development project of large scale, it is appropriate and prudent to request the developer to provide funding upfront to a) ensure that sufficient staff and consulting resources are in place to do work related to the development without detracting from other City priorities, and b) to enable departments to anticipate and plan their work and staffing. Therefore, last year on February 13, 2018, the City Council adopted a resolution authorizing the City Manager to negotiate and execute the first Funding and Reimbursement Agreement to provide \$1.33 million to support activities anticipated during the FY 18-19 period. The main activities included conducting civic

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engagement, and preparing and negotiating the Memorandum of Understanding and Purchase and Sale Agreement. The City contributed an additional \$415,000 toward this effort.

On December 4, 2018, the Council provided direction and approved the Memorandum of Understanding with Google describing the Vision and Shared Goals for a future master-planned, mixed use development at Diridon Station and establishing the basic tenets of a future Development Agreement, including a Community Benefits Plan. The Council also approved Purchase and Sale Agreements with Google for properties formerly owned by the Successor Agency to the Redevelopment Agency and for the City-owned Fire Training property, and an Option/Negotiation Rights Agreement for the property known as Lots A/B/C.

This concluded Phase I: Concept Development and Land Sale (2018). In the memorandum to Council related to the December 4, 2018 actions, staff described the next steps involved in Phase II: Project Planning and Design (2019-2020), anticipated to lead to a set of Council legislative actions related to project approval.

ANALYSIS

A variety of planning activity and resources will be required in Phase II to ensure that the properties surrounding the Diridon Station Area are developed in ways that align with the Diridon Station Area vision and the adopted MOU, and are well integrated with coming transit improvements. The following activities are anticipated:

- **Civic Engagement.** Continuing the civic engagement related to revising the Diridon Station Area Plan, providing input to Google's development project, discussing community benefits, and soliciting input on the Diridon Integrated Station Concept Plan.
- **Land Use Planning.** Updating the Diridon Station Area Plan (e.g., planning private uses, public spaces, utilities, transportation, infrastructure), reviewing the Google development plan, conducting environmental review, and preparing memos and related documents for Planning Commission and Council actions.
- **Development Agreement/Community Benefits Plan.** Negotiating and preparing the Development Agreement, including negotiating the community benefits amount and developing the Community Benefits Plan.
- **Diridon Financing Plan.** Assessing infrastructure and amenities needs, and developing a comprehensive financing plan, as referenced in the adopted MOU and other Council direction.
- **Diridon District Parking Plan.** Developing a District-wide Parking Plan that provides an adequate amount of parking during and after construction of major improvements, ensuring the City meets its commitments to SAP Center.
- **25% Affordable Housing Plan.** Developing an implementation plan to ensure that 25% of housing in aggregate in the Diridon Station Area is affordable housing, and identifying actions to address displacement.

Funding and Service Reimbursement Agreement

Discussions with Google are in process regarding a Funding and Service Reimbursement Agreement (“Agreement”) to fund a portion of the cost of City’s work related to the activities above. Google has accepted the City’s proposal that Google provide \$4.5 million in funding and reimbursement contributions. In addition, the 2019-2020 Proposed Operating Budget allocates \$1.1 million of City funds to appropriately fund activities. The distribution is anticipated to be as follows:

| Contributions to Support City Capacity-Building | Google | City |
|---|----------------------|----------------------|
| 1. <u>Staff Support</u> : Diridon Area Project Manager, Diridon Station Area Land Use Planner, Planners (2.75 FTE) Civic Engagement Manager, Parks Planner, Sustainability and District Utilities Planner, Development Services costs | \$2.2 million | \$.2 million |
| 2. <u>Consultant Support</u> : Civic Engagement, Legal, Fiscal, Planning Affordable Housing, Transportation | \$1.9 million | \$.7 million |
| Contingency | \$.4 million | \$.2 million |
| Total | \$4.5 million | \$1.1 million |

Note that the Staff Support costs above include both \$1.2 million in Google funding for positions, and a \$1 million deposit to charge Development Services costs (Public Works, Transportation, Fire) post-development application.

Through the proposed Agreement, provided that the City tracks all relevant expenditures and performs the services identified, Google will make 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.

Under the proposed Agreement, Google will make a two deposits. Google will make an initial deposit of 50% of the estimated costs immediately following execution of the Agreement and second deposit for the remaining 50% within 180 days of signing the agreement. The Agreement will also allow for additional deposits if necessary following a request by the Director of Economic Development and with mutual agreement for additional scope of services.

The City has the right to determine which staff to hire and consultants will be hired according to City procurement processes. The City will have the flexibility to reallocate funds between items as required, and in coordination with Google.

The proposed Agreement may be terminated by either party with 20-day prior written notice to terminate. If not subject to earlier termination, the proposed agreement will expire upon the last to occur of: (i) withdrawal of all development application by Google; or (ii) a final determination and action by the City on all development application(s).

As part of the proposed resolution, staff is requesting Council authority to negotiate and execute future amendments to the Agreement. Subject to appropriation of funds, the future amendments would cover any additional funding and reimbursement necessary from Google to complete the required tasks during Phase II: Project Planning and Design to bring forward any proposed General Plan Amendment, Diridon Station Area Plan Amendment, rezoning, development agreement, development permits, subdivision map, and/or other City approvals for Planning Commission and City Council consideration.

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, the comprehensive website diridonsj.org, and through ongoing communication with City Council.

Should the City Council approve the recommended action, the Administration will include the additional funding and expense, as described in the Cost Summary/Implications section below, as part of the 2019-2020 Rebudget/Clean-Up Manager's Budget Addendum. scheduled for release later this month, to allow for incorporation into the 2019-2020 Adopted Budget.

PUBLIC OUTREACH

This memorandum will be posted on the City's Council Agenda website for the May 21 meeting.

COORDINATION

This report was coordinated with the City Manager's Budget Office and the City Attorney's Office.

COMMISSION RECOMMENDATION

No commission recommendation or input is associated with this action.

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FISCAL/POLICY ALIGNMENT

Expenditure of these funds enables the City to effectively support further planning and civic engagement in the Diridon Station Area--including update of the Diridon Station Area Plan, review of the potential Google mixed-use development project, and negotiation of the Development Agreement. 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

Approval of the recommended action provides funding of approximately \$4.5 million for pre- and post-development application funding scheduled to be received in 2019-2020 associated with planning and development in the Diridon Station Area. Post-development application funding of \$1 million will be received and spent on development-related services similar to other projects within the development fee program. The remaining funding of \$3.5 million will be received within the General Fund and added to the Diridon Station Area Development Planning City-Wide appropriation. The 2019-2020 Proposed Operating Budget allocates \$1.1 million of the City's contribution to this appropriation and adds 2.0 Planner III positions limit-dated through June 30, 2020 and shifts 0.75 Planner IV position from the General Fund to this City-wide appropriation on a one-time basis in 2019-2020.

With City Council's approval of this item, a recommendation will be included in the 2019-2020 Rebudget/Clean-up Manager's Budget Addendum scheduled for release later this month to recognize the \$3.5 million of reimbursement revenue from Google, and increase the Diridon Station Area Development Planning appropriation from \$1.1 million to \$4.6 million. The \$1 million payment for post-development application work would be received as revenue to the City's various development fee programs to pay for relevant activities.

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

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