



Agenda Report

19-1630

Agenda Date: 3/5/2019

REPORT TO COUNCIL

SUBJECT

Action on Purchase Agreement for Real Property with SummerHill Lawrence Station for the Lawrence Expressway Grade Separation Project and Related Budget Amendment

BACKGROUND

Comprehensive County Expressway Planning Study

In 2003 the County of Santa Clara (County) adopted the Comprehensive County Expressway Planning Study which provided a long-term plan for the improvement and maintenance of the County Expressway System. In March 2009, the County approved the Comprehensive County Expressway Planning Study 2008 Update to the 2003 Study which reaffirmed expressway improvement projects and developed expenditure plan prioritization tiers for high priority improvements. On Lawrence Expressway, the grade separation of Lawrence Expressway from the local streets of Monroe Street/Reed Avenue, Kifer Road, and Arques Avenue was identified as a Tier 1B project (a high priority project, but significant in complexity and funding needs). On December 2, 2008, Council took formal action to endorse the Comprehensive County Expressway Planning Study 2008 Update.

In 2013, staff from the County, City of Santa Clara, and City of Sunnyvale began work on a grade separation concept study for Lawrence Expressway. The study included outreach and solicitation of feedback on various alternatives for the grade separation of Lawrence Expressway from the local streets via public meetings, presentation to advisory and decision making bodies, meetings with stakeholders and elected officials, development of a project website, and various email communications to interested parties. The outcome of this study was the identification of a preferred concept that was subsequently moved forward to preliminary design in order to identify funding and right-of-way requirements.

Expressway Funding

Concurrently, in 2013 the City began collecting funds from developments via fair share traffic fees and regional traffic mitigation fees to address the transportation impacts caused by development projects along this section of Lawrence Expressway which are mitigated through the implementation of the grade separation project.

In 2016, Santa Clara County voters approved Measure B, a 30-year, half-cent countywide sales tax to enhance transit, highways, expressways, and active transportation (bicycles, pedestrians and complete streets) which over the life of the tax is expected to generate \$6.3 billion. Measure B allocates approximately \$750 million towards County Expressway projects, such as the Lawrence Expressway Grade Separation Project, to reduce congestion. A local contribution is necessary to access Measure B funds. Staff from the County, City of Santa Clara, City of Sunnyvale, and the Santa Clara Valley Transportation Authority (VTA) have been working together to enable the

Lawrence Expressway Grade Separation project to move forward.

Summerhill Development

In October 2016, Council took several actions related to the Lawrence Station Area Plan (Plan). In addition to approval of the Plan which set land use, zoning and densities of the Plan Area, SummerHill Lawrence Station (Developer) received Council approval of a development project located on the northeast corner of Lawrence Expressway/Kifer Road. The SummerHill project was approved with 988 dwelling units, 35,225 square feet of retail space and 4,000 square feet of amenity space. Per the development project's Conditions of Approval, the Developer was required to offer to sell land to the City (Attachment 1) necessary to facilitate the construction of the Lawrence Expressway Grade Separation Project per the County's preliminary design.

DISCUSSION

Purchase Agreement

The Developer, with input from the City and County, hired Smith and Associates to prepare an appraisal of 0.72 acres of land needed from the SummerHill project site for right of way. The land appraisal concluded that the market value of the 0.72 acres to be acquired was valued at \$130.00 per square foot for a total value of \$4,077,200. The County and City have concurred with the appraised price.

The proposed Purchase Agreement (Attachment 2) provides for the following:

Property: 0.72 acres located at the northeast corner of Kifer Road and Lawrence Expressway

Purchase Price: \$4,077,200

Deposit: \$203,860, payable within 7 days of the Effective Date of the Agreement. \$40,800 of the Deposit will be non-refundable.

Due Diligence: A Phase 1 Environmental Site Assessment (report on current and historical uses of a property to identify if uses have impacted the soil or groundwater beneath the property and could pose a threat to the environment or human health) was prepared in December 2018. The property had previously identified hazardous materials but has since been remediated and received a no further action letter from the Regional Water Quality Control Board. The report did not conclude that no further investigation was necessary.

Closing: 14 days after the Effective Date of the Agreement

Options to

Extend Closing: Two extensions of up to 30 days each with additional deposits of \$81,500 (first extension) and \$122,300 (second extension).

The Agreement acknowledges two easements that will encumber the Property at the time of conveyance. The first easement, a temporary construction easement on the Property will allow for construction staging and the construction of the adjacent residential building. The second easement,

a Landscape and Maintenance Easement, will allow SummerHill to install and maintain landscaping on the Property until such time as it is needed for the Lawrence Expressway Grade Separation Project.

Funding

Per the program requirements of Measure B, projects utilizing Measure B funds are required to provide a 10% non-Measure B fund match. Staff has been working with County and VTA staff to ensure that land purchases necessary for the construction of the grade separation project qualify as part of the 10% local match required. At this time, detailed estimates are not available, but the County is conceptually estimating that the cost to design and construct the project will be \$450 million. The resulting 10% local match as required by Measure B would be \$45 million which will need to be provided by the project proponents. Staff from Santa Clara, Sunnyvale and the County will need to coordinate and jointly determine shares of each jurisdiction to fund the project. A future funding agreement will be presented to City Council for consideration as the Grade Separation Project is further developed.

Approval of the recommended action would authorize the use of funds being held by the City for fair share transportation environmental mitigation and Regional Traffic Mitigation Fees to purchase the property from SummerHill Lawrence Station LLC and help support the County’s grade separation project.

ENVIRONMENTAL REVIEW

Approving a Purchase and Sale Agreement for acquisition of real property does not constitute a “project” within the meaning of the California Environmental Quality Act (“CEQA”) pursuant to CEQA Guidelines section 15378(a) as it has no potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment. At the time the County moves forward with the Lawrence Expressway Grade Separation Project, the County as lead agency will prepare the appropriate CEQA documentation.

FISCAL IMPACT

The purchase price for the property from SummerHill Lawrence Station LLC is \$4,077,200 plus associated closing costs. A combination of Fair Share Transportation Environmental Mitigation funds from development projects and Regional Traffic Mitigation Fee funds can be utilized for the purchase of the property. These funds are currently in a separate Deposit Fund and are recommended to be transferred to the Streets and Highways Fund to fund the purchase of the property.

**Budget Amendment
FY 2018/19**

	Current	Increase/ (Decrease)	Revised
Fund 071 - Deposit Funds			
<u>Beginning Fund Balance</u>			
Transportation Environmental Mitigation and Regional Traffic Mitigation Fee Deposits	\$13,267,971	(\$4,092,200)	\$9,175,771

Transfers Out

Transfer to the Streets and Highways Fund	\$0	\$4,092,200	\$4,092,200
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Fund 533 - Streets and Highways FundTransfer In

Transfer from the Transportation Environmental Mitigation and Regional Traffic Mitigation Fee Deposit Funds	\$0	\$4,092,200	\$4,092,200
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Expenditures

Lawrence Grade Separation (New Project)	\$0	\$4,092,200	\$4,092,200
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COORDINATION

This report has been coordinated with the Finance Department and the City Attorney's Office.

PUBLIC CONTACT

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall Council Chambers. A complete agenda packet is available on the City's website and in the City Clerk's Office at least 72 hours prior to a Regular Meeting and 24 hours prior to a Special Meeting. A hard copy of any agenda report may be requested by contacting the City Clerk's Office at (408) 615-2220, email clerk@santaclaraca.gov <<mailto:clerk@santaclaraca.gov>> or at the public information desk at any City of Santa Clara public library.

RECOMMENDATION

1. Approve and authorize the City Manager to execute the Purchase Agreement for Real Property with SummerHill Lawrence Station, LLC and all documents necessary to implement the terms of the Agreement and close escrow for the purchase of approximately 0.72 acres at a purchase price of \$4,092,200; and
2. Approve the Related Budget Amendment to transfer existing funds from the Transportation Environmental Mitigation and Regional Traffic Mitigation Fee Deposit Funds to the Streets and Highways Fund for the Lawrence Grade Separation Project.

Reviewed by: Craig Mobeck, Director of Public Works

Approved by: Deanna J. Santana, City Manager

ATTACHMENTS

1. Land to be Purchased from Summerhill Location Map
2. Purchase Agreement for Real Property from SummerHill Lawrence Station LLC