TO:          HONORABLE CITY COUNCIL
FROM:        CITY MANAGER
DEPARTMENT:  PLANNING AND COMMUNITY ENVIRONMENT
DATE:        JULY 24, 2006
SUBJECT:     APPROVAL OF ALMA STREET ELECTRICAL SUBSTATION RELOCATION AGREEMENT WITH PALO ALTO HIGH STREET PARTNERS FOR $1 MILLION IN EXCHANGE FOR SUBSTATION RELOCATION BY JANUARY 1, 2008

RECOMMENDATION
Staff recommends that the City Council authorize the City Manager to approve the Alma Street Electric Substation Relocation Agreement with Palo Alto High Street Partners (PAHSP).

BACKGROUND
PAHSP recently completed a 60-unit condominium project at 800 High Street. The site is adjacent to the City’s Alma Street electrical substation located at 841 Alma Street. The Utilities Department is planning to relocate the substation function to its Quarry Road facility to eliminate redundancy. Since the substation use is incompatible with the new housing development, PAHSP has discussed with the City the schedule for relocating the substation. In order to expedite relocation, PAHSP offered the City $1 million if the substation is relocated by 2008.

DISCUSSION
The Relocation Agreement (Attachment A) specifies the conditions of the $1 million offer by PAHSP to the City for relocating the substation. The major components include:

- All substation equipment and associated high voltage lines would be removed by January 1, 2008
- PAHSP shall make five annual payments of $200,000 to the City.
- The Relocation Payment shall be reduced by $100,000 per month pro-rated daily if the relocation is not completed by February 1, 2008.
- The schedule may be extended by 3 months if the engineering bids for relocation exceed the amount authorized by the City by at least 20% to enable the City to rebid the project.
- The relocation date can be extended without penalty if the schedule cannot be met due to delays beyond the control of the City.
The agreement also requires PAHSP to provide the City with a letter of credit as security for the payments.

**RESOURCE IMPACT**
The $1 million will offset the loss of General Fund revenue currently paid by the Utilities Department to the City for leasing the Alma property.

**ENVIRONMENTAL REVIEW**
A Mitigated Negative Declaration (MND) has been prepared for the lease agreement with Stanford and the relocation of the substation. The MND is included with the lease agreement staff report in the Council packet for the July 24th meeting.

PREPARED BY: _____________________________________________
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Advance Planning Manager

DEPARTMENT HEAD REVIEW: ________________________________________
STEVE EMSLIE
Director of Planning and Community Environment

CITY MANAGER APPROVAL: ____________________________________________
FRANK BENEST
City Manager

**ATTACHMENT:**
Attachment A: Relocation Agreement