TO: HONORABLE CITY COUNCIL
FROM: CITY MANAGER DEPARTMENT: PUBLIC WORKS POLICE
DATE: NOVEMBER 21, 2005 CMR:428:05

SUBJECT: RESPONSE TO COUNCIL DIRECTION TO EVALUATE STATEMENTS OF INTEREST FROM DEVELOPERS FOR DEVELOPMENT AND ACQUISITION OF A TURNKEY POLICE BUILDING; APPROVAL TO NEGOTIATE AND BRING BACK TO COUNCIL AN EXCLUSIVE NEGOTIATING RIGHTS AGREEMENT WITH KEENAN LAND COMPANY FOR DEVELOPMENT AND ACQUISITION OF A TURNKEY POLICE BUILDING LOCATED ON PUBLIC AND PRIVATE LAND FrontING GILMAN AND BRYANT STREETS; AND DIRECTION TO STAFF TO BRING BACK TO COUNCIL A PROPOSAL FOR A BLUE RIBBON TASK FORCE TO REVIEW THE SCOPE OF THE PROPOSED POLICE BUILDING PROJECT

RECOMMENDATION
1) Staff recommends that Council direct staff to negotiate and bring back to Council an exclusive negotiating rights agreement with Keenan Land Company with respect to development and acquisition of a turnkey police building located on public and private land fronting Gilman and Bryant Streets; and
2) Direct staff to bring back to Council a proposal for a Blue Ribbon Task Force to review the scope of the proposed police building project.

BACKGROUND
In December 2004 (CMR:498:04), Council directed staff to begin conceptual design to expand and renovate the existing police facility using the space needs analyses and site assessment studies that identified a building size of approximately 50,000 square feet (sf) with an additional 5,000 sf of off-site warehouse space for property and evidence storage. The existing 25,000 sf police facility does not meet current needs, and is not compliant with seismic, accessibility, code and regulatory requirements. This project would address the current space and program needs of the Police Department providing for needs for the next 20 to 30 years, as well as resolving all compliance issues with seismic, accessibility, code and regulatory requirements.

In February and May 2005, two colleagues memos presented to the City Council from Mayor Burch and Council Members Beecham and Cordell suggested that as much as $5-6 million could be saved by considering a turnkey project, allowing the Police Department to remain operational and move into a new facility rather than incurring additional costs associated with the plan to
reconstruct the existing police facility at the Civic Center. Additional construction costs related to reconstruction of the existing police facility include:

- relocation costs and leasing a temporary police facility during the 2-year construction phase, including the need to build a completely redundant 911 Dispatch Center
- complexity of retrofitting the existing facility and minimizing disturbances to the Civic Center including the Council Chambers;
- leasing an off-site property and evidence storage space;
- incurring approximately $5 million in parking in-lieu fees to the University Avenue Parking District as there is no space at the Civic Center site to build additional parking

Because of the additional costs and disruption associated with the renovation and expansion of the existing facility, as well as the concerns raised by the need to exceed the 50 foot height limit in the Downtown, the City Council directed staff to temporarily halt work on the renovation and expansion of the existing police facility and proceed with a preliminary evaluation of a downtown site that included private property and a City-owned parking lot behind the Post Office.

On August 8, 2005 (CMR:349:05), City Council directed staff to issue a Request for Statements of Interest (SOIs) to developers for a turnkey police building, including potential sites, and return with comparisons of the turnkey proposals to the previously approved plan to renovate and expand the existing police facility.

**DISCUSSION**

A Request for SOIs from interested developers was issued on August 31, 2005 with submittals due on October 4, 2005. The SOI required interested developers to provide relevant experience, qualifications, and financial capability related to development of a turnkey police building along with proposed sites suitable for development. Developers submitting SOIs to the City for consideration were Amoroso Construction, Inc., Keenan Land Company, Barry Swenson Builder and Turner Construction. Amoroso Construction, Inc. proposed three sites including two park sites (Heritage and El Camino Parks and 500 Block Waverley); Barry Swenson Builder proposed two sites (Embarcadero/East Bayshore and Grant/Park Blvd); Keenan Land Company proposed one site and Turner Construction did not propose a site for consideration. The two park sites were not considered. Staff did not spend considerable time reviewing the park site proposals because they conflict with previous Council direction regarding dedicated parkland, as well as the Council’s direction not to consider sites in residential areas.

The developer’s proposals were rated based upon the criteria approved by Council in the August 8 staff report (CMR:349:05) and incorporated into the Request for SOIs as follows:

- A statement of interest signed by a principal of the interested developer
- A description of the proposed site including location and identification of the ownership of private land, a combination of public and private land, or suitable public land
- A brief narrative overview describing the vision, development strategy of how the project would be implemented describing proper steps and sequencing involved. Drawings are helpful but not required
- A description of the developer’s proposed development team (developer, architect, construction manager, etc.); management of the development process, and the identification of principals of the developer and each team member
• Evidence of financial capacity to carry out a project of this magnitude identifying proposed project financing terms and willingness to commit to a guaranteed maximum price
• A timeline for proposed construction and police occupancy
• Preliminary estimates of construction, land and total cost to City of the proposed project
• Answers to the Qualification Questionnaire shall include a list of completed projects of relevant size that demonstrate the ability of the developer and each developer team member to work together, meet deadlines, successfully complete projects and references for each project. Include experience with design and construction of “essential service facilities” and use of “green building” elements if available

Four SOIs were submitted for evaluation. Attachment B is a summary of the rating scores for each SOI. The Keenan proposal was rated the highest overall based on the above criteria by the evaluation team consisting of the Police, Public Works, Administrative Services and the Planning and Community Environment Departments. All developers had the qualifications and experience necessary to build a police building and were rated accordingly. The scoring reflects some of the following issues and concerns raised by the evaluation team:

1) While the Waverly site presented by Amoroso Construction is downtown and included a City parking lot, the acquisition of the five proposed private properties and business relocation would be extremely difficult. This proposal is a 50,000 sf building and a three level parking garage with 200 parking spaces, 100 of which would be for Police, and is proposed at $59 million in 2007 dollars.

2) The East Bayshore site presented by Barry Swenson Builder is in a location adjacent to Highway 101 posing difficult access during commute hours, would be isolated during a flood, has Baylands sensitivity concerns and is located in an area identified as having potential for liquefaction in an earthquake and could be severely damaged if not designed correctly. In fact, sites on East Bayshore have not been considered previously due to these fatal flaws. This proposal is a 60,000 sf building and a two to three level garage with 230 parking spaces, 95 of which would be for Police, and is proposed at $36 million in 2005 dollars.

3) While the County parking lots (Grant/Park Blvd) site also presented by Barry Swenson Builder is centrally located, the proposal makes the assumption that a “land swap” would occur between the City and County. In essence, this proposal would cause the City to acquire land to trade with the County, which would become a difficult task as no City site is available at this time. This proposal is a 60,000 sf building and a two to three level garage with 230 parking spaces, 95 of which would be for Police, and is proposed at $42 million in 2005 dollars.

Attachment C shows the proposed sites and cost estimates submitted by the developers.

Comparison of the Preferred Developer’s Proposal to the Renovation and Expansion of the Existing Police Facility
The Keenan Land Company (Keenan) proposal includes an estimated project budget of $48 million in 2007 dollars for acquisition and development of a full turnkey project that includes 64,000 square feet of total occupied building area including the City’s Information Technology
The $48 million project budget also includes a four-level parking structure with total parking in the proposed police building and parking structure of about 240 spaces (Keenan proposal, section B.6. Attachment D). Of these 240 spaces, 75 would be secure parking for police vehicles, 55 spaces would replace parking on the proposed parking district lots that the new building and parking structure would displace, and an additional 110 spaces would be for Keenan’s exclusive use. The Keenan proposal provides for about 10,000 more square feet than the renovation and expansion of the existing police facility and its off-site leased warehouse space would provide (55,000 sf). While the provision of 5,000 sf of IT space in a new police building would free up leased space at 300 Hamilton Avenue plus additional Civic Center space, this space was not included in the original renovation and expansion project for the current police facility. Similarly, the original renovation and expansion project did not include a 240 space four-level parking structure although the cost estimate for the renovation and expansion project includes a parking replacement fee of about $6.4 million in 2005 dollars due to the increased size of the building.

If the 5,000 square feet of IT space and the added parking spaces were removed from the Keenan Land Company project, its proposed building would be more directly comparable to the renovation and expansion of the existing police facility and the total project budget would likely be more in the $40 to $45 million range. For comparison, the current cost estimate for the renovation and expansion of the existing police facility in 2005 dollars is $49 million (Attachment E). This estimate includes 50,000 sf of renovation and expansion of the existing facility plus 5,000 sf of off-site leased warehouse space.

There are many issues related to the Keenan Land Company proposal that would need to be addressed if the Council authorizes staff to proceed with negotiations, including the cost of acquiring Keenan’s land, the size of the proposed parking structure, the number of parking spaces that would need to be replaced, and the total program space that would be included in the new building. Also, if the new police building were to be located at another site, the existing police building space, totaling about 25,000 sf, could be occupied by other City Departments such as the Utilities Engineering Division currently located at Elwell Court and the City’s Development Center currently located on Hamilton Avenue, resulting in significant lease savings.

Size of the Police Building, Code and Regulation Compliance
There have been some questions raised as to the amount of space needed for a new police building. The following space needs, broken down by functional area, were developed based on feasibility studies, projection of space needs for the next 20 to 30 years, law enforcement standards, and State regulations.

**Emergency Operations Center (EOC)**
The needed space for a new EOC is estimated to be about 3,600 sf. The City’s EOC is the focal point of operations during disasters, major special events, and critical incidents. It is imperative to have a dedicated, fully equipped EOC in an essential services building in order to save time and resources during City responses to these situations.
Property and Evidence
An estimated 11,700 sf is required for on-site evidence processing and storage. The importance of property and evidence processing and storage and the critical role evidence plays in successful prosecutions of criminals has gained significant attention over the years. As stated in CMR:390:04 and in the 2004 Santa Clara County Grand Jury Report on property and evidence rooms, Palo Alto scored lowest in space available and the lack of a separate ventilation system for narcotics storage and other evidence items.

Initial processing required for certain types of evidence such as bloody clothing, and other hazardous materials requires specially equipped facilities by State law which current space does not allow for.

The evidence processing of suspect vehicles in major crime scenes is a concern. Currently, vehicles must be parked in the police garage, increasing the likelihood of contamination of evidence as numerous employees have access to the police garage.

Space is required for the storage of bicycles that have been recovered or are being held for evidence. At any given time, up to 200 bikes are held for safekeeping. Bikes are currently stored in the police garage, taking up parking spaces, and at City’s Municipal Service Center, creating inefficiencies for staff and public forced to make repeated trips to view bikes for possible identification.

9-1-1 Emergency Dispatch Center
An estimated 3,500 sf is required for Dispatch Center. The 9-1-1 Emergency Dispatch Center, as is the case for the entire Police Department, does not meet current essential services building requirements. Consequently, the City’s vital communications with its public safety and other personnel could be compromised after a major incident or earthquake. The Center is currently located in basement space without access to natural light.

Prisoner Processing/Temporary Detention Area
An estimated 4,700 sf is required for the prisoner processing and detention area. State law now requires that there not be any contact, even visual, between adult and underage prisoners who are held in temporary custody. In the Police Department’s current building configuration, this separation is extremely difficult, and on rare occasions, is impossible. Additionally, the present configuration consisting of two holding areas located directly adjacent to the property and evidence room raises safety concerns as well as significant inefficiencies. Due to the lack of a truly secured processing area, at least two officers are required to be present in the processing dentition area any time suspects are being processed. Those officers are taken off the street and are not able to respond to emergencies as a result.

Locker Rooms
An estimated 6,700 sf is required for locker room facilities. At the time the current police facility was built, there was only one locker room as there were not any female officers. Since then, up to 35 female officers, parking enforcement officers and community service
officers require locker room facilities. There are now five locker rooms of different sizes and configurations including a co-ed locker room, which still cannot accommodate all uniformed personnel. Employees are forced to travel up and down stairs between locker rooms and shower facilities. There are only two toilet/shower stalls available for female employees.

The amount and type of equipment police officers are issued has changed significantly. Police officers as first responders now are provided with safety suits and masks in addition to radios, flashlights, rifles, helmets, batons, and other crowd control equipment. Additionally, equipment associated with specialized teams such as SWAT, canine, traffic, evidence collection, and accident reconstruction continues to require more and more storage space. Included in the locker room area would be minimal space for sleeping room because over two-thirds of the officers live 25 miles or further from the station. It is imperative to have a sleeping room for those officers working the night shift to take a nap prior to daytime court appearances.

Interview/Meeting Rooms
Sufficient space is not available for interviews with victims and/or witnesses. Only one actual interview room with video/audio capabilities exists. It not uncommon for interviews to be conducted in the public lobby area or in detectives’ offices, resulting in the lack of confidentiality of information received from citizens, and a compromise in employee safety. A dedicated “soft” interview room for juvenile interviews or victims of sexual assault is required and not currently provided. The lack of conference rooms, especially those that would accommodate six people or fewer, results in interrupted counseling sessions and/or divisional/team meetings. Estimated square footage is included in other work group areas.

Records/Lobby
An estimated 3,500 sf is required for the Records Division that includes a lobby. File storage space is inadequate for the mandated five-year storage requirement of most police records. There is a lack of confidentiality for people who self-surrender on warrants so they must currently be processed in the lobby area in front of other members of the public. There is no space to install computers for public access to general records. The increased use of volunteers in the Records Division has created space issues.

Training/Community Room
An estimated 2,000 sf is required for a training/community room. The quantity, methods, and variety of training which are required for police employees have increased substantially over the years. On average, police officers receive 150 hours of training each year. The medium used for training has moved to more individualized interactive/video training. The Department currently rents training space at the Cubberley site that could be made available to other organizations. This room would also be made available as a community room for city organizations. At this time, there is no City space available in the downtown area for this type of use.
Patrol/Traffic
An estimated 8,600 sf is required for the Patrol and Traffic Divisions. The overall layout of the current Police Department is not conducive to efficient operations as evidenced by the property area on the other side of the building from the report writing area and the command staff on separate floors from patrol and traffic operations. Officers use computers on a daily basis to write reports, retrieve booking photos, and access federal, state and local databases. All this new technology has created a shortage of processing and work space in the Patrol Division.

Investigations
An estimated 5,500 sf is required for the Detective Division. As discussed previously, the lack of interview rooms often require detectives to conduct interviews in their offices, comprising officer safety. There is no space available for confidential review by the public of sex registrant information in an appropriately supervised public environment. Storage space for specialized investigative equipment is inadequate, creating the need to store this equipment in individual investigators’ offices. Up to four investigators share one office, which creates distractions, as well as difficulty in conducting telephone and other conversations. Volunteers, who assist detectives in numerous tasks, have no dedicated space in which to work.

Administration/Personnel and Training
An estimated 3,500 sf is required for Administration and Personnel and Training. Due to lack of storage space, Police personnel records are currently kept in file cabinets, which are in unsecured common areas or in staff member’s office. The consequences include compromised integrity of records, as well as numerous interruptions to work.

Including 1,700 sf for facility support such as elevators, heating ventilating and air conditioning equipment, etc., the total space requirements for the above Police Building program elements are approximately 55,000 sf.

Blue Ribbon Task Force
While staff and police building professionals who have assessed the space needs of the Police Department believe strongly that the 55,000 square foot building proposed would ensure a facility that meets the current and long-term needs of the department, staff recognizes that a key element of any successful financing plan will require community understanding and support of those needs. Consequently, staff recommends formation of a Blue Ribbon Task Force (BRTF), which would be advisory to the City Manager, to provide constructive feedback on the police building scope and size, and inform and communicate the ideas, concerns and needs of the community and the Police Department. This type of community-based committee worked successfully with City staff for the passage of the Storm Drainage Fee increase ballot measure. Over the course of several interactive meetings with staff, the Storm Drain BRTF provided valuable, constructive input and enabled staff to modify its initial proposal to better reflect the desires of the community. Furthermore, once the BRTF members were educated as to the City’s storm drainage needs, several members felt compelled to campaign actively in support of the storm drain ballot measure. Since staff was precluded from taking an advocacy role in favor of the measure, the group’s campaign efforts were extremely helpful and were instrumental in the
Policy and Development Issues
The Keenan Land Company proposal raises several policy and development issues that will require further analysis and discussion if preliminary negotiations proceed. These issues include:

- Providing 110 private parking spaces for the developer’s exclusive use
- The size of the parking garage
- Closing Gilman Street to through vehicular traffic
- City staff support and level of involvement in design and construction
- Development of community working groups working with City staff and development team
- Possibility of doing a Planned Community (PC) rezoning since current zoning may not accommodate the height and floor area ratio of the proposed project
- Relocation of the Farmer’s Market
- Requiring an Environmental Impact Report rather than a Mitigated Negative Declaration as proposed by the developer
- The developer’s proposed sub-consultant, RossDrulisCusenbery Architecture, is currently under contract with the City and another consultant would need to be hired for peer review
- Inclusion of other City department functions to gain efficiencies
- Cost sharing of upfront expenditures with the developer

Negotiations and Project Timeline
City Council approval is required to enter into exclusive negotiations between the City and the developer. Staff proposes the negotiations structured in a three-step process, with the following deliverables and timeline:

Step 1 – An Exclusive Negotiating Agreement for a fixed term would establish the procedures and standards for negotiation of an agreement for development and acquisition of the police building and site between the developer and the City.

Step 2 – Detailed negotiations and Council approval of a memorandum of understanding (MOU) or other interim agreement to define in more detail the terms and conditions for development and acquisition of the project. It is anticipated this would address project team, scope, cost, schedule, financing, and environmental review. In addition, staff will need to evaluate the amount of design, environmental assessment and cost estimating necessary for a bond measure or other project financing and finalize a financing plan for acquisition of the turnkey facility.

Step 3 – Detailed negotiations and Council approval of a development and purchase agreement outlining the specifics for completing the final design, construction and purchasing of the project.
After discussion with the developer and as the transaction evolves, the form and type of these agreements brought to Council may change. The negotiation steps and project timeline will be refined based on the outcome of the negotiations, length of environmental review, public outreach and the determination of a bond or other project financing. This is a sampling of what could be expected during the negotiation process. Upon Council direction, staff will begin preliminary negotiations and prepare an ENA between the City and the developer. Staff anticipates the ENA will return to Council for review and authorization to execute the ENA in March 2006.

Project Timeline:
Formation of BRTF to evaluate project scope  
Council review and execute ENA, Step 1  
Complete MOU, Step 2 (Begin design and environmental assessment)  
Bond Election or other project financing approval  
Complete development and purchase contract, Step 3  
Begin construction  
Complete turnkey project

January 2006  
March 2006  
July 2006  
November 2007  
November 2007  
Summer 2008  
Summer 2010

RESOURCE IMPACT
While staff continues to research all possible financing mechanisms, it would appear that General Obligation (GO) bonds may be the only feasible debt financing mechanism for acquisition of the turnkey police building project. GO Bonds are a direct assessment based on assessed property value which is placed on a Palo Alto property owner’s property tax bill. GO Bonds will require two-thirds voter approval. Once the financing mechanism has been determined, staff will return with a Resolution of Intent, which states the City’s desire to issue bonds and allows the City to capture pre-construction cost as part of the debt issuance.

In order to accurately determine the size of any bond measure to be presented to the voters it will be necessary to develop a detailed cost estimate for the project. That will entail the completion of environmental review and preliminary design for the project, at an estimated order of magnitude cost of approximately $2 million dollars. These costs will need to be fronted on an at risk basis, following the precedents of the Library bond measure and the Downtown parking garages projects. The source of funding for these activities will be the subject of future recommendations to Council subsequent to the commencement of negotiations.

It is anticipated that outside legal assistance will be necessary to assist in negotiating and documenting this transaction. A request to add funding to the City Attorney’s budget for outside counsel in an amount up to $100,000 will be included as part of the mid-year budget adjustment.
POLICY IMPLICATIONS
The “Policy and Development Issues” raised in this report summarize the complexities in determining the site’s viability, the size of the building and associated garage and the savings that could be realized with a turnkey facility. Further development of these issues will be presented to Council as noted in the project timeline.

ENVIRONMENTAL REVIEW
The preliminary negotiations and further evaluation of the project is not subject to California Environmental Quality Act (CEQA) requirements and is not a project under CEQA. The future police building project, whether a developer turnkey project or a City-managed renovation and expansion project, will be subject to CEQA requirements. The public review process would include review of land use policies, environmental impacts and design development. An Environmental Impact Report (EIR) is anticipated to be required for this project. The environmental review will address potential impacts including traffic and circulation, significant trees and shadow impacts of the new building. The EIR process will include a public scoping meeting, circulation of the Draft EIR for review and comment, and certification by the City Council. The completed process for an EIR requires approximately 9 to 12 months.

ATTACHMENTS
Attachment A: CMR:348:05 (August 8, 2005)
Attachment B: Consensus Scoring of Statement of Interests and Qualifications for the Police Building
Attachment C: Proposed Sites and Cost Estimates
Attachment D: Excerpt from Keenan’s Turnkey Cost Proposal
Attachment E: Updated Project Costs to Expand and Renovate the Civic Center

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