TO:      HONORABLE CITY COUNCIL
FROM:    CITY MANAGER       DEPARTMENT:
DATE:    MAY 5, 2008         CMR: 222:08

SUBJECT: BACKGROUND REPORT ON CURRENT STATUS OF CUBBERLEY COMMUNITY CENTER AND THE PROPOSED FOOTHILL EDUCATION CENTER.

This is an informational report and no Council action is required.

BACKGROUND
On November 1, 1981, the City and Palo Alto Unified School District (PAUSD) entered into a lease/purchase agreement for the former 19.56-acre Terman Middle School site. During the term of the lease purchase, the City subdivided the site into three separate sections: 4.35 acres was used for a low income housing project; 7.93 acres for the Jewish Community Center (JCC); and the remaining 7.28 acres was dedicated as park land in 1985.

On September 1, 1989, the City and the PAUSD entered into a 15-year Lease and Covenant Not to Develop (Lease & Covenant) with the Palo Alto Unified School District (PAUSD). Under the Lease & Covenant, the City provided PAUSD with annual revenue in exchange for the City receiving: 1) a lease on the former 35-acre Cubberley High School site, including 180,000 square feet in improvements to be used for community theater, sport and art groups; 2) a Covenant Not to Develop five neighborhood elementary school sites (Jordan, Jane Lathrop Stanford, Ohlone, Garland and Greendell); and 3) an agreement that PAUSD provide space for extended day care at each of eleven remaining elementary school sites.

On April 18, 1991, Council approved the Cubberley Master Plan to be used as a planning document for guiding use and remodeling of the former Cubberley High School for community center purposes over the life of the lease & covenant. The Master Plan organized the Cubberley site into “neighborhoods” for the various user groups which include the City, Foothill College, child care providers, visual artists, dancers and
nonprofit community groups. It also included an implementation plan for necessary physical changes to be made to the site and a vision for future construction of new facilities.

In July 1998, the Lease & Covenant was amended to provide for the reopening of one of the covenanted sites (the Hoover School) and the substitution of two operating sites, Walter Hays and Juana Briones, for the covenanted site to be reopened. The amendment also provided for the addition of a twelfth extended day care site to be opened at the Hoover School. On December 15, 2003, Council approved a 10-year extension to the Covenant until December 31, 2014.

In 1999, just prior to the City's completion of the purchase of the Terman site, PAUSD notified the City of its intent to reopen Terman Middle School. On September 10, 2001, the Council approved a Four-Party Memorandum of Understanding (MOU) between the City, PAUSD, the JCC and Stanford University to resolve the challenging issues resulting from PAUSD’s need for a third middle school. One of the five inter-related transactions included in the memorandum was the City/PAUSD land swap, which transferred the Terman Community Center portion of the site to PAUSD without creating a financial hardship to either party. Another transaction was providing the JCC interim space and facilities during the time it would take the JCC to raise capital funds for and then design and construct a new community center.

On December 10, 2001, the City Council approved the Terman-Cubberley property exchange agreement with PAUSD. The property exchange agreement provided for the City to swap 7.97 acres of City-owned property at Terman to PAUSD for 7.97 acres of PAUSD-owned property at Cubberley. Its provisions also included the following: 1) a reduction of the City’s lease payments to PAUSD by an amount equivalent to the City’s lost revenues from its lease of the Terman site to the Jewish Community Center ($23,490 per month); 2) joint use of the Terman site fields and special facilities; and 3) reopening of the covenanted Garland School site and the substitution of the Addison and El Carmelo school sites within the Covenant Not to Develop.

The City’s lease payment to the Palo Alto Unified School District in 1989 was established at $2,700,000 with yearly increases to be determined by an average of the Consumer Price Index. In 2007, the City’s lease payment to the Palo Alto Unified School District was $4,136,317.

Since PAUSD took over the Terman site in the fall of 2003, the JCC has been subleasing interim space at Cubberley and the adjacent Greendell School for its programs. It is now in the process of constructing its new community center on an 8.5-acre site located at Charleston and San Antonio Road in Palo Alto.
Currently, Foothill College is the major tenant at Cubberley on a year-to-year lease for 40,000 square feet of space which generates approximately $800,000 per year in revenue for the City. Foothill has proposed to construct a two-story 98,000 square foot state-of-the-art Education Center on the City’s 7.97 acres at Cubberley. The proposed Educational Center would include some joint-use facilities (e.g., meeting rooms, art space, child development area, dance studio). Curriculum would be focused on college skill, career pathways, and life-long learning.

On January 22, 2008 and February 19, 2008, Council held a study session to discuss the Foothill College proposal and to provide staff with direction regarding property negotiations with Foothill/DeAnza Community College District regarding its proposal.

DISCUSSION
In response to Council’s direction at its February 19, 2008 study session, staff has contracted for an appraisal of the City-owned portion of the Cubberley site for purposes of negotiating a lease with Foothill College. The appraisal will include both market value (highest and best use) and a value based on public education use of the site. Negotiations will reflect the interests of both Foothill College and the City. Foothill’s interests include a lease structure that permits Foothill to use capital funds for lease payments; City interests include replacing dilapidated buildings, preserving community fields, generating additional revenue for other City facilities, reducing City maintenance, operation and capital expenses at Cubberley and no requirement for major investment by the City.

Issues to be addressed in the negotiations include maintaining community uses including a transition plan for the current long-term tenants. The proposed Foothill Educational Center includes some joint use facilities for community use. Also, the JCC has offered to the City the use of its gym and a classroom at its new facility at times when the space is not being used by the JCC. While this space can be programmed for community uses, it would not meet the needs of the long-term tenants at Cubberley.

In addition, the City has contracted with Group 4 Architecture, Research + Planning, Inc. to analyze:

- the current Foothill proposal with the possible elimination of 39,000 square feet of building space,
- the 20,000 square feet of building space that may be vacated by Foothill Community College,
- the possible community uses that may be integrated into the new Foothill Educational Center
- the possible transition of existing tenants and/or types of uses occupied by tenants into Foothill’s vacated space and/or other possible spaces at or around the Cubberley facility
Group 4’s transition plan will include space allocation, parking analysis and site options for existing buildings. The target date for the completion of transition plan is late June.

**RESOURCE IMPACT**
It is anticipated that the proposed lease with Foothill will support City interests including replacing dilapidated buildings, preserving community fields, generating additional revenue for the City, reducing City maintenance, operation and capital expenses at Cubberley and will involve no requirement for major investment by the City.

**POLICY IMPLICATIONS**
The lease will implement Council direction concerning Foothill’s proposed Education Center and Comprehensive Plan goals and policies including working with nonprofits to promote adequate schools and community services.

**ENVIRONMENTAL REVIEW**
Once Foothill develops a specific design for the proposed Education Center, the City approval process will include conducting an environmental review and developing a mitigation program for any impacts, as required under the California Environmental Quality Act (CEQA).

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