



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Katy Allen
Albert Balagso
Larry D. Lisenbee

SUBJECT: BOYS AND GIRLS CLUB
OF SILICON VALLEY
LAND ACQUISITION

DATE: 09-20-06

Approved

Date

9-20-06

COUNCIL DISTRICT: 5

REASON FOR REPLACEMENT MEMO

To provide clarification on the workplan review and next steps.

RECOMMENDATION

- a. Adopt a resolution:
 - 1. Approving the Purchase and Sale Agreement in an amount not to exceed \$1,000,000 with the Boys and Girls Club of Silicon Valley (BGC) for the purchase of a sports field and easements appurtenant to the Smythe Clubhouse located at 2195 and 2293 Cunningham Avenue, San José, California (APN No. 491-35-017);The Director of Public Works to expend up to \$50,000 for closing costs and to execute all other documents necessary to complete the transaction; and
 - 2. Authorizing the Director of Public Works to expend up to \$50,000 for closing costs and to execute all other documents necessary to complete the transaction; and
 - 3. Accepting an easement for ingress and egress over the adjacent property of the Boys and Girls Club.

- b. Adopt the following Appropriation Ordinance Amendments in the Park Trust Fund:
 - 1. Establish a Boys and Girls Club Sports Field Acquisition appropriation to the Department of Parks, Recreation and Neighborhood Services in the amount of \$482,000.
 - 2. Decrease the Reserve: Evergreen Valley Sports Fields appropriation by \$251,000
 - 3. Decrease the Reserve: Joseph George Park Land Acquisition appropriation by \$231,000.

- c. Adopt the following Appropriation Ordinance Amendments in the Council District 5 Construction and Conveyance Tax Fund:
 1. Establish a Boys and Girls Club Sports Field Acquisition appropriation to the Department of Parks, Recreation and Neighborhood Services in the amount of \$284,000.
 2. Decrease the Ending Fund Balance by \$284,000.

- d. Adopt the following Appropriation Ordinance Amendments in the Council District 8 Construction and Conveyance Tax Fund:
 1. Establish a Boys and Girls Club Sports Field Acquisition appropriation to the Department of Parks, Recreation and Neighborhood Services in the amount of \$284,000.
 2. Decrease the Ending Fund Balance by \$284,000.

OUTCOME

Execution of the recommended purchase agreement and acceptance of the easement would support the long-term public availability of needed youth services and sports facilities.

BACKGROUND

On June 6, 2006, the City Council adopted a resolution authorizing the City Manager to negotiate an agreement with the Boys and Girls Club of Silicon Valley (BGC) that would result in the acquisition of the BGC's sports field property adjacent to the Smythe Clubhouse for an amount not to exceed \$1 million and enter into a joint use agreement with BGC for the use of the sports field. In addition, staff was directed to work with BGC and third party non-profit organizations to develop operations and fund development work plan that would assist BGC in stabilizing their financial condition. Finally, staff was directed to work with BGC to explore the opportunities for BGC to assume operations of after school and summer programming at Empire Gardens Elementary School or other appropriate locations in the greater downtown area.

The purpose of this memorandum is to recommend approval of the land acquisition, while providing the Council with an update on BGC's work plan, joint use agreement, and operations in the greater Downtown area.

ANALYSIS

Property Acquisition

There is a tremendous need for sports fields throughout the City of San José. The demand for quality fields exceeds the City's current inventory of fields. As such, there would be significant public benefit for the City as a result of the acquisition of the BGC's sports field.

In October 2003 the City entered into an agreement with the BGC to renovate an empty field and asphalt area into a multi-use artificial turf surface for outdoor activities using Community Development Block Grant (CDBG) funds. The grant agreement includes provisions that specify that the field serve members of the BGC, community organizations, local schools and neighborhood residents within a target service area bounded by Highway 101, Tully Road, Capital Expressway, and Story Road. Under CDBG regulations, the terms of a grant agreement with a community-based organization remain in effect for five years following completion of the project; however under the City policy that term has been extended to 15 years. Should the City take over ownership of a CDBG funded project, the terms would remain in effect until five years after the last award to the City of its CDBG entitlements, unless the City repays the CDBG funds based on current market value of the CDBG improved property. As a practical matter, since the City intends to continue receiving CDBG funds, the terms would remain in perpetuity.

While the Boys and Girls Club remains interested in the use of a sports field, their current financial condition requires that they explore revenue opportunities to eliminate their long-standing debt as well as to provide cash reserves for future programming. As such, BGC has expressed a willingness to sell the sports field to the City for the sum of \$1,000,000.

Since the Council's actions in June 2006, staff has proceeded with negotiations with the Executive Director of the BGC. In addition, staff has evaluated encumbrances on the property and held meetings with sports groups in the surrounding area to determine potential demand for field use.

This analysis indicates the following:

- There would be significant public benefit to the City and its residents as a result of the land acquisition.
- The purchase of the property would allow BGC to stabilize its operations and provide much-needed influx of cash to create program reserves.
- If the City were to acquire the property, it would be subject to current CDBG restrictions that limit target users to residents of the area bounded by Highway 101, Tully Road, Capital Expressway, and Story Road. HUD staff has indicated that the City has the prerogative to expand this primary service area to other qualified users, as described below.
- The majority of potential users of the field extend beyond the current restricted CDBG target service area. Groups invited to attend the focus group meeting included: BGC, MACSA, Boys Scouts, South Bay Adults Soccer, PAL, KONA SNI, Sloanaker Elementary School, Meyer Elementary School, K.R. Smith Elementary, Alum Rock Youth Soccer, Alum Rock Youth Center, Capitol/Goss Soccer League, Dorsa Soccer League, National Hispanic University, Academy for Soccer Excellence, and Council

Districts 5 and 8. The groups expressed strong interest in using the field and cautioned the City to balance the need for youth programming with adult programming—particularly in light of the fact that the field would become the City’s first artificial surface and as such, a premier location. The group also recommended that, to the extent possible, the City should seek to promote organized use rather than drop-in programs in order to limit potential damage to the facility.

- It will be necessary for the City to secure an easement over the remaining adjacent property from BGC in order to ensure pedestrian/vehicular/bike access from Cunningham Avenue to the sports field area. Such access is needed not only for sports participants, but also to provide for maintenance and emergency response.
- Reservation of an easement over the property to be transferred to the City for BGC would allow youth who attend Meyer School (adjacent to the field) to continue to have pedestrian access to the BGC Clubhouse.

To address the issue of service area restrictions, staff contacted HUD (the federal agency responsible for the oversight of CDBG funds) to determine the feasibility of expanding the service area to include the three Strong Neighborhood Initiative areas that surround the BGC location: KONA, East Valley/680 and West Evergreen. Each of these areas is located within Council Districts 5 and 8 and also meets the eligibility requirements of CDBG. Staff was advised that the service restriction was a local decision and that as long as the expanded service area qualified in terms of CDBG eligibility, then an expansion was feasible. However, HUD did recommend that the City solicit public input on its intent to expand the area. As a result, it is recommended that if the acquisition is approved, additional community outreach be conducted and that the CDBG committee be advised of the desired expansion in order to better serve the needs of the community.

Joint Use Agreement

The parties agree that a joint use agreement can be a valuable means to address issues of maintenance and daily operations. At the time of this report, however, the terms of the joint use agreement have not been finalized. BGC has requested that they be allowed regular use of the field; however, as a City facility intended to serve the public, it is important that all community groups be allowed access. In order to address BGC’s request, the parties are currently discussing potential mutually beneficial terms such as increasing community access to BGC’s clubhouse gymnasium in exchange for limited preferential access to the field. A joint use agreement will be forwarded to the City Council separately for consideration.

Work plan

In accordance with Council’s direction, PRNS staff requested that BGC submit an operations and fund development plan. This plan was reviewed and evaluated by a team of outside funding agencies, including United Way, First Five and Community Foundation. Feedback on the work

plan was then provided to BGC. The reviewers made several recommendations, including the following:

- The plan should demonstrate a sustainable balance between revenues and expenditures, with specific revenue goals and strategies for donor categories such as individuals, corporations, and foundations. Specifically, the plan should demonstrate how the proceeds from sale of the field would be used to stabilize finances beyond two years into the future.
- The plan should include a cost management strategy that identifies how future budget deficits will be handled, including priorities and criteria for making service reductions.
- The plan should clarify the role of the Board, as well as BGC's strategy for filling vacant Board positions.
- Expectations of return from fundraising efforts need to reflect the current economic climate and the organization's prior experience.
- The plan should reconcile BG's intent to operate additional sites for afterschool programs with the operating and overhead resources that will be required for these programs.

BGC's Executive Director has received the comments and noted that some of the items will be addressed in the BGC's ongoing strategic planning effort, and the work plan can be revised accordingly. Other items are under way or can be responded to directly. In order to allow the outstanding issues to be resolved in parallel with the real estate transaction, the recommended purchase and sale agreement specifies that completion of the work plan to the satisfaction of the Director of Parks, Recreation and Neighborhood Services will be a condition of sale. Close of escrow will therefore be contingent on completion of the required work plan.

BGC Operation in the greater Downtown area

The BGC currently operates a Downtown area program on City-owned property at 110 E. Jackson Street. In conjunction with reducing BGC operating expenses while maintaining a Downtown area presence, prior City Council action directed staff to work with BGC to examine options for relocating BGC's after-school and summer programming to other nearby facilities.

As the Council is aware, the passage of Proposition 49 will shift responsibility for management and oversight of after-school programs at school sites from the City to School Districts. As such, the decision as to who will operate these programs is a decision outside of the purview of the City. At this point, San José Unified has indicated that it would like the City to continue operations at Anne Darling Elementary School, Empire Gardens, and Olinder. San José Unified is contracting with San José All-Stars for Grant, Bachrodt, Gardner, and Horace Mann Elementary Schools as well Hoover, Burnett and Willow Glen Middle Schools.

As an alternative to relocating its Downtown area program, BGC is currently considering partnership with other Japantown community-based organizations. Specifically, BGC is discussing with senior services provider Yu-Ai Kai the potential for Yu-Ai Kai to share use of the facility at 110 E. Jackson Street, thereby reducing BGC's operating expenses for the facility.

BGC and Yu-Ai Kai have commissioned an architectural review of the existing building in order to estimate costs to renovate the building for shared use.

POLICY ALTERNATIVES

Staff explored alternatives in both funding options as well as site acquisition.

Funding options

Staff explored whether all Council District Construction and Conveyance (C&C) Tax Funds and/or City-wide C & C Tax Funds could be used to purchase the BGC property. The District C & C Funds can be used from those Districts that benefit from the defined service area. This includes Districts 5 and 8. By policy, the Citywide C & C Tax Fund has been limited to regional facilities, which does not include this site. Staff also reviewed the Park Trust (PDO/PIO) Fund to determine if any of the funds met the nexus requirements for this project. Staff identified eligible funding from this source.

On June 20, 2006, City Council approved the allocation of \$3.3 million in excess administrative fees to be redistributed back to the Council Districts based on the percentage of all fees collected from each Council District between FY 1995-96 through FY 2004-05. Staff recommended these funds to be used for priority neighborhood and community parks or the neighborhood and community serving elements of regional parks. This included \$231,908 for Joseph George Acquisition and \$251,034 for Sports Fields Development Reserve (Evergreen Sports Fields). As part of this memorandum, staff is recommending re-allocating these funds to the Boys and Girls Club Soccer Field Acquisition. Since the BGC is on the border of Council Districts 5 and 8, the soccer field will benefit residents of both Council Districts.

The Evergreen Valley Sports Fields has not yet been identified so this use of funds is consistent with the intent of the reserve which is to increase the sports fields capacity in Council District 8. The second reserve is for Joseph George Park Land Acquisition. This project is not fully funded and is on hold. In order to proceed immediately with the purchase of the BGC soccer field, staff is recommending to decrease this reserve by \$231,000. If appropriate, staff will recommend additional funding for Joseph George Park Land Acquisition during the FY 07-08 CIP Budget process.

Site Acquisition

Staff evaluated four options: 1) leasing the site, 2) acquisition of the entire site; 3) acquisition of the sports field only and 4) retention of the property by BGC and consequently, no acquisition by the City.

- a) *Leasing of the site.* This option is not recommended as the City would not maintain a long-term interest in the property and as such, access to the site would be at the discretion of BGC.

- b) *Acquisition of the entire site.* This option is not recommended as it would require the City to assume operation and maintenance responsibilities of the Smythe Clubhouse. As the Council is aware, PRNS does not have adequate resources to operate its existing inventory of facilities and acquisition of the entire site would only add to the burden. Furthermore, it would not assure BGC long-term access to the facility as the City would be obligated to provide access to outside groups as well as a public facility.
- c) *Acquisition of the sports field.* This is the recommended option.
- The amount required to complete the acquisition is slightly higher than the original \$1 million approved by Council (\$1,050,000). The additional amount is needed to cover closing costs.
- d) *No acquisition.* This option is not recommended as it does not address the financial difficulties of the BGC nor does it secure long-term access to the sports fields. While the CDBG grant does require BGC to provide community access, the level of access is not guaranteed and the requirement exists for only a limited period.

PUBLIC OUTREACH/INTEREST

- ✓ **Criteria 1:** Requires Council action on the use of public funds equal to \$1 million or greater; **(Required: Website Posting)**
- Criteria 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. **(Required: E-mail and Website Posting)**
- Criteria 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. **(Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)**

This item meets Criteria 1. This memorandum will be on the City's website for the October 3, 2006 Council agenda.

A focus group meeting regarding the proposed acquisition of the sports field and potential users was held on August 22 at the BGC Smythe Clubhouse. In addition, an outside panel reviewed the workplan submitted by BGC with respect to long-term viability of the organization and numerous meetings were held with BGC to discuss the terms of the proposed acquisition and intended collaboration.

COORDINATION

Preparation of this memorandum has been coordinated with the Planning, Building and Code Enforcement Department, Strong Neighborhoods, and the City’s Attorney’s Office.

FISCAL/POLICY ALIGNMENT

The actions recommended in this report aligned to the City’s Greenprint that speaks to the need for additional sports fields as well as Item #3 of the KONA SNI plan that calls for coordination with BGC to make improvements to outdoor recreational facilities. It should be noted that while Item #3 in the West Evergreen SNI plan relates to the expansion of Meadowfair Park, it also speaks to the desire for additional sports facilities including outdoor fields for activities such as soccer.

COST SUMMARY/IMPLICATIONS

1. AMOUNT OF RECOMMENDATION/COST OF PROJECT

Land Acquisition	\$1,000,000
Closing Costs	<u>50,000</u>
TOTAL COST	\$1,050,000

2. SOURCE OF FUNDING:

- Fund 375: Subdivision Park Trust Fund
- Fund 382: Council District 5 Construction and Conveyance Tax Fund
- Fund 386: Council District 8 Construction and Conveyance Tax Fund

3. FISCAL IMPACT: Maintenance costs for this facility are estimated at \$26,000 annually, with an additional operating cost of approximately \$10,000 annually but largely offset with additional revenues. On going funding will be requested as part of the 2007-2008 Operating Budget process. Costs incurred in the current year will be requested as part of the year end clean up if needed.

BUDGET REFERENCE

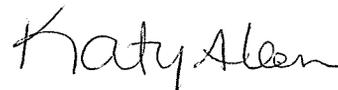
Fund #	Appn. #	Appn. Name	Total Appn.	Amt. for Property Acquisition	2006-2007 Adopted Capital Budget (Page)	Last Budget Action (Date, Ord. No.)
375	7211	Reserve: Evergreen Valley Sports Fields	\$917,000	\$251,000	V-727	
375	7106	Reserve: Joseph George Park Land Acquisition	\$1,317,000	\$231,000	V-739	
382	7999	CD 5 Ending Fund Balance	\$3,153,955	\$284,000	V-402	
386	7999	CD 8 Ending Fund Balance	\$1,942,176	\$284,000	V-462	

CEQA

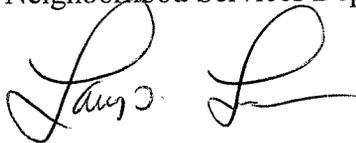
CEQA: Exempt, File No. PP06-071.



ALBERT BALAGSO
 Acting Director, Parks, Recreation and
 Neighborhood Services Department



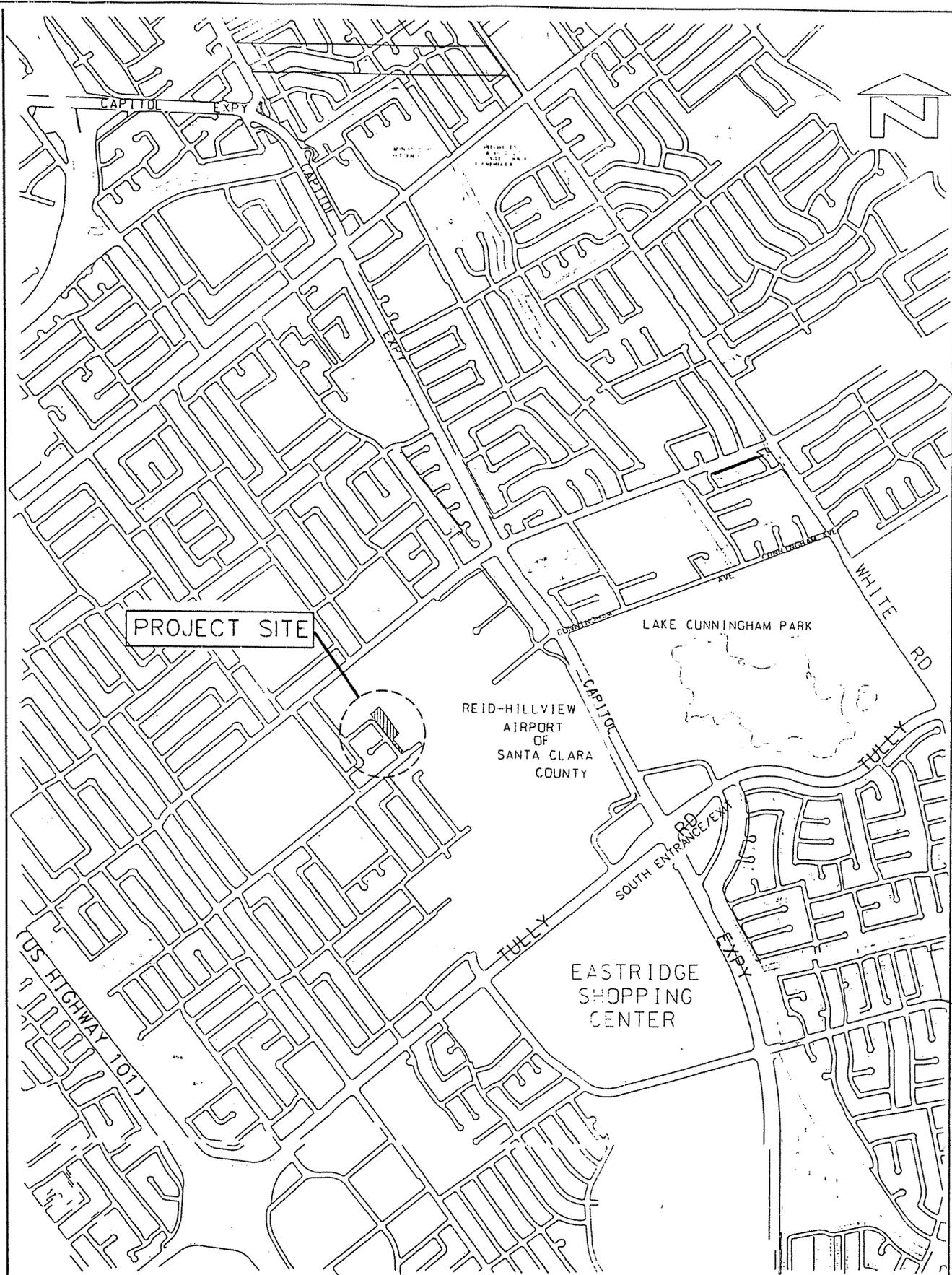
KATY ALLEN
 Director, Public Works Department



LARRY D. LISENBEE
 Budget Director

For questions please contact DAVID SYKES, ASSISTANT DIRECTOR, at 408-535-8300.

Attachment



PROPERTY AQUISITION
LOCATION MAP
NOT TO SCALE