



Midpeninsula Regional
Open Space District

R-13-24
Meeting 13-05
February 13, 2013

AGENDA ITEM 6

AGENDA ITEM

Authorization to Enter into a Lease for Office Space at 4984 El Camino Real, Suite 115, Los Altos, with Wellington Park Investors, and Determination that the Recommended Actions are Categorically Exempt from the California Environmental Quality Act

GENERAL MANAGER'S RECOMMENDATIONS

A handwritten signature in black ink, appearing to be "J. G. G.", is written over the text of the General Manager's Recommendations section.

1. Determine that the recommended actions are categorically exempt from the California Environmental Quality Act (CEQA) as set forth in this report.
2. Adopt the attached Resolution authorizing the General Manager to enter into an Office Lease with Wellington Park Investors.

SUMMARY

Midpeninsula Regional Open Space District (District) proposes to execute a four-year Office Lease with Wellington Park Investors for 3,520 square feet of office space at 4984 El Camino Real, Suite 115, Los Altos with an annual rental rate of \$97,152 and 3% annual increases, for the purpose of obtaining additional administrative office space to address work space needs resulting from the filling of upcoming vacancies and anticipated future staff growth. The following report provides background information for the proposed Office Lease terms, conditions, and financial considerations.

DISCUSSION

Need for Additional Administrative Office Space

Average staff growth for the Administrative Office, including interns, part-time, temporary, contingent, and full-time employees has been approximately two (2) staff positions per year over the last 12 years. At this time, there are 62 authorized positions that are assigned to the Administrative Office, some of which are currently vacant and expected to be filled within the next year (FY2013-14). In addition to the 62 work stations assigned to these positions, the Administrative Office also maintains three (3) additional work stations for volunteers, Area Superintendents (who often work remotely from the Administrative Office), and employees working on light duty. Moreover, included as part of the FY2013-14 budget, staff will be requesting Board approval for two (2) additional positions, one to provide additional New World Systems/Integrated Accounting and Finance System data entry support, and the second

(which was previously approved in concept as part of the Vision Plan Project) to temporarily backfill the District's GIS capacity that has been diverted to support the Vision Plan workload. This brings the total need for available work station areas at the Administrative Office to 67 within FY2013-14. The Administrative Office has 65 available work stations, leaving a net deficiency of two (2). With anticipated future staff growth, this net deficiency is expected to increase with each year.

Aside from the need for additional work stations, the Administrative Office lacks sufficient closed office space to house those positions that require privacy given the confidential nature of the duties they perform and the type of files that are maintained. These positions include: Department Managers, Human Resources personnel, Legal Counsel, Finance experts, and first tier Supervisors. Within the current layout of the Administrative Office, there are insufficient closed offices available to accommodate the existing positions with the incoming Assistant General Manager and allow the Natural Resources Department to be consolidated into one work zone. As a result, the Natural Resources Department remains spread across the entire building, making department coordination and collaboration a challenge. In order to accommodate the current number of staff to date in the Administrative Office, one store room and one meeting space have been converted in to three work station areas, virtually eliminating any on-site storage and reducing the number of much needed meeting rooms.

To address these office space issues, staff has been researching the local office lease space market to identify potential suitable sites located within a very short walking distance that can accommodate current and future staff growth over the next minimally four years. This timeframe would allow the District to meet current and future staff office space needs while providing the necessary time to consider long-term solutions, which could include the purchase of new District office building, rebuilding and expanding the existing office building, or leasing additional office space.

The market search considered the following minimal office space requirements:

- Site within 0.25 miles from the existing Administrative Office
- Minimally 2,500 square feet in size
- Minimally 2 closed offices and one meeting area
- Access to a kitchen or kitchenette

Office Space Rental Market

The demand for office space in the area surrounding the District's Administrative Office (330 Distel Circle, Los Altos) is strong with vacancy levels dropping and rental rates increasing in the Mountain View/Los Altos submarket. According to the 2012 Q4 San Francisco Peninsula Research and Forecast Report prepared by Colliers International, the direct vacancy rate for class B/C office space within the Mountain View/Los Altos submarket is 8.6% and the average asking rental rate is \$3.50 per square foot on a full service basis (includes utilities). The direct vacancy rate in the submarket one year earlier was 13.6% and the average asking rent was \$3.02 per square foot on a full service basis.

Based on the scope requirements listed above, District Real Property staff conducted an office availability survey of the area surrounding the District's Administrative Office building for suitable expansion of office space. The parameters for the survey consisted of locating affordable class B/C office space in the 3,000 square-foot (sf) range within reasonable walking distance of

the Administrative Office building. Four spaces were identified by staff and they are briefly summarized in the table below:

Location	Office Area (Sq. Ft.)	Asking Rental Rate (per Sq. Ft.)	Annual Rent	Utilities
4984 El Camino, Suite 102, 0.1 miles west	3,155 sq. ft.	\$2.45	\$92,757	Plus Utilities
4984 El Camino, Suite 115, 0.1 miles west	3,520 sq. ft.	\$2.45	\$103,488	Plus Utilities
5150 El Camino Real, 0.2 miles east	2,893 sq. ft.	\$3.15	\$109,000	Included
5050 El Camino Real, 0.2 miles east	3,500 sq. ft.	\$3.10	\$130,200	Included

Of the available office spaces located, 4894 El Camino Real, Suite 115, was determined to best meet the District's office space requirements based on its location, layout, size, and price. It is the location closest to the Administrative Office (less than a 3-minute walk) and is within reach of the District's existing Wi-Fi system, minimizing Internet Technology (IT) set up costs. It can accommodate 10 to 15 staff, has ample meeting room and private office space, a server room, and kitchenette area.

The negotiated lease rate and terms are discussed in the Terms and Conditions section below.

CEQA COMPLIANCE

Project Description

The proposed project consists of executing a new four-year Office Lease with Wellington Park Investors for 3,520 square feet of additional office space at 4984 El Camino Real, Los Altos for an existing private structure, which involves no expansion of use.

CEQA Determination

The District concludes that this project will not have a significant effect on the environment. The project is categorically exempt from CEQA under Article 19, Section 15301, of the CEQA Guidelines as follows:

Section 15301 exempts operation, repair, restoration, maintenance, permitting, leasing, licensing or minor alteration of existing public or private structures, facilities, mechanical equipment, or topographical features, involving negligible or no expansion of use beyond that existing at the time of the lead agency's determination. The office lease agreement involves the leasing of existing private facilities and there will be no expansion of use.

The project is also exempt under 15061(b)(3), as there is no possibility the actions can have a significant effect on the environment.

TERMS AND CONDITIONS

Office Lease

Staff recommends a lease with Wellington Park Investors for 3,520 square feet of office space at 4984 El Camino Real, Suite 115. The lease area currently contains five private offices, two conference rooms, a server room, kitchen and 15 unassigned parking spaces. The proposed lease terms are outlined below:

1. The lease term shall be four years from April 1, 2013, to March 31, 2017, with one two-year option to extend the term. The District would be entitled to occupancy 15 days prior to the lease commencement date for the purpose of preparing the space for District Staff.
2. The rental rate was negotiated to \$2.30 per square foot modified full service (does not include utilities) or \$97,152 per year with 3% annual increases. The utility costs are estimated to be \$630 a month or \$7,600 per year. The District would be responsible for its pro-rated share of any increased operating expenses and property taxes over the 2013 base year.
3. The Landlord will be responsible for the following expenses: building maintenance, taxes, property management, landscaping, and janitorial services.
4. The Landlord will provide for the following tenant improvements: replace approximately 800 square feet of linoleum with commercial office carpet, relocate two private office doors, and the removal of one private office to expand the open work station area.
5. The Landlord will be responsible for compensating the listing broker.
6. Upon execution of the lease, the District will pay the first month's rent and a security deposit equivalent to one month's rent.

BOARD COMMITTEE REVIEW

In order to take timely advantage of the office space opportunity, as time is of the essence, this item could not be presented to the Planning and Natural Resources Committee.

FISCAL IMPACT

The estimated total cost of the lease space for the initial four-year term is estimated at \$438,256 (including utilities). The proposed FY2013-14 Budget, which the Board will review in late February, will include the majority of funds to cover the monthly lease costs and utilities, as well as the one-time costs for furnishings and minor improvements. Funds needed to cover any set up expenses between February and end of March during the current Fiscal Year (FY2012-13) will be covered by cost savings in the Operating Budget. Future fiscal year budgets will include the yearly rental cost for the lease space.

PUBLIC NOTICE

Public notice was provided as required by the Brown Act.

NEXT STEPS

Upon approval by the Board of Directors, the General Manager will be authorized to enter into a lease agreement with Wellington Park Investors. District staff will deliver the executed office lease, first month's rent, and security deposit to Wellington Park Investors. District staff will also begin preparing the lease area for occupancy on April 1, 2013 with work station furniture and IT set up.

Attachments:

1. Resolution
2. Map

Responsible Department Managers:

Ana Ruiz, Acting Assistant General Manager
Mike Williams, Real Property Manager

Prepared by:

Allen Ishibashi, Real Property Specialist
Tina Hugg, Acting Planning Manager

Contact person:

Same as above

ATTACHMENT 1

RESOLUTION NO. 13-XX

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE MIDPENINSULA REGIONAL OPEN SPACE DISTRICT APPROVING AN OFFICE LEASE AT 4984 EL CAMINO REAL, LOS ALTOS, SUITE 115 WITH WELLINGTON PARK INVESTORS

The Board of Directors of the Midpeninsula Regional Open Space District does hereby resolve:

Section One. The Board of Directors of the Midpeninsula Regional Open Space District approves the Office Space Lease at 4984 El Camino Real, Los Altos, Suite 115 between Midpeninsula Regional Open Space District and Wellington Park Investors and does hereby authorize the Board President, General Manager or other appropriate officers to execute said Lease on behalf of the District.

Section Two. The General Manager or the General Manager's designee is hereby authorized to negotiate and approve the exercise of the subsequent two-year lease option as set forth in the Office Lease. The General Manager is further authorized to execute any and all other documents necessary or appropriate to the completion of such transactions.

Section Three. The General Manager and General Counsel are further authorized to approve any technical revisions to the attached Agreement and documents which do not involve any material change to any term of the Agreement or documents, which are necessary or appropriate to the closing or implementation of this transaction.

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Attachment A: Administrative Office Lease

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|  MROSD Preserves |  Management Agreement |  Highlighted Property |
|  Other Protected Open Space or Park Lands |  Non MROSD Conservation or Agricultural Easement |  Private Property |
|  Watershed Land |  MROSD Conservation or Agricultural Easement |  Developed Land |

Midpeninsula Regional Open Space District (MROSD)



Attachment B-Suite 115 Floor Plan

