



Midpeninsula Regional  
Open Space District

R-15-155  
Meeting 15-27  
October 28, 2015

## AGENDA ITEM 5

### AGENDA ITEM

Office Space Lease at 4984 El Camino Real, Suite 110, Los Altos

### GENERAL MANAGER'S RECOMMENDATIONS

A handwritten signature in black ink, appearing to be "J. G. ...".

1. Determine that the recommended actions are categorically exempt from the California Environmental Quality Act (CEQA), as set out in the staff report.
2. Adopt a 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 2,880 square feet of office space at 4984 El Camino Real, Suite 110, Los Altos, with an annual rental rate of \$126,000 and 3% annual increases. The proposed lease would provide additional administrative office space to address work space needs resulting from the filling of upcoming vacancies and future staff growth to ramp up project delivery and enhance service delivery, consistent with the District's Strategic Plan and the supporting Financial and Operational Sustainability Model (FOSM). The following report provides background information for the proposed Office Lease terms, conditions, and financial considerations.

### DISCUSSION

Staff growth at the Administrative Office complex (AO, AO2, and AO3) has continued in order to support the District's Strategic Plan goals and meet the obligations under Measure AA. This growth is consistent with the FOSM recommendations, which identified the need for additional capacity, organizational restructuring, and improved business processes and systems to appropriately adjust the District's current business model to meet ongoing and future needs. As part of the FY2014-15 Midyear Budget, five new positions were added and filled, and an additional nine positions were proposed for FY2015-16. The District is on track to fill those positions. However, AO2 and AO3 are now at capacity, and after accommodating all the approved FY2015-16 positions, only five open work stations remain in the main AO. Organizational restructuring and FOSM implementation are still in early stages, and additional staff growth across various departments is expected. Additional work station space is needed to accommodate the additional staff growth expected from further implementation of the FOSM recommendations, including development of the future Visitor Services and Land and Facility Departments, and to provide the time necessary for the District to select and implement a long-term solution for the AO, which is anticipated to take three to four years. It is important to note

that at this time, the General Manager anticipates recommending an additional 5 to 10 new positions as part of the FY2015-16 Midyear Review.

The District is currently leasing two other spaces in this same building location: 3,520 square feet in Suite 115 (R-13-24) and 1,560 square feet in Suite 100 (R-15-04). The Real Property and Natural Resources Departments are currently housed in the leased office space commonly referred to as AO2 and the Operations Department is housed in the office space commonly referred to as AO3. In September 2015, an opportunity to lease additional space at 4984 El Camino Real became available. With the near-term anticipated growth of administrative staff at the District and recognizing that a long-term staff facility solution will take another 3-4 years to complete, the General Manager felt an urgency to move on the current opportunity to lease one additional space in the same building as AO2 and AO3 and immediately adjacent to AO2.

The current leased office space at AO2 and AO3 has served the District well. The available Suite 110 space would satisfy the District's current and future requirements based on its location, layout, size, and price. Suite 110 is the same distance to the Administrative Office as AO2 and AO3 (less than a 3-minute walk). The new space can accommodate approximately 12 staff, and has sufficient meeting and private office space. Assuming that a long-term facility solution is implemented within 4 years, this should be the last additional lease space needed in the interim to house the growing administrative staff.

#### Office Space Rental Market

The demand for office space in the area surrounding the District's Administrative Office (330 Distel Circle, Los Altos) is very strong and rental rates are increasing in the Mountain View/Los Altos submarket. The market has continued to tighten since the Board's approval of the AO3 lease in early 2015. According to the 2015 Second Quarter (Q2) San Francisco Peninsula Research and Forecast Report prepared by Colliers International, the total vacancy rate for class B/C office space within the Mountain View/Los Altos submarket is 3.0% and the average asking rental rate is \$4.54 per square foot (\$0.18 increase from 4<sup>th</sup> quarter of 2014) on a full service basis (includes utilities).

#### **TERMS AND CONDITIONS**

The General Manager recommends a lease with Wellington Park Investors for 2,880 square feet of office space at 4984 El Camino Real, Suite 110. The lease area would contain three private offices, two conference rooms, general open office space for approximately 8 to 10 work stations, and first come, first served parking. The proposed lease terms are outlined below:

1. The lease term shall be four years and three months from December 1, 2015 to February 28, 2020, with one two-year option to extend the term.
2. The rental rate was negotiated to \$3.65 per square foot (psf) modified full service (does not include utilities) or \$126,000 per year with 3% annual increases. The utility costs are estimated to be \$700 a month or \$8,400 per year (\$0.24 psf). The security deposit shall be equal to one month's rent or \$10,500. The District would be responsible for its pro-rated share of any increased operating expenses and property taxes over the 2016 base year.
3. The Landlord will be responsible for the following expenses: building maintenance, taxes, property management, parking lot maintenance/repair, landscaping, and janitorial services.

4. The Landlord will provide for the following tenant improvements: removal of one private office to expand the open work station area and if feasible the installation of a door to connect this space with the current AO2. If the doorway is feasible the District would be responsible for reimbursing the landlord up to \$5,000 to remove the doorway when the lease terminates.
5. 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, three month term is estimated at \$610,000 (including utilities and security deposit). A mid-year budget adjustment request of approximately \$115,000 will be made in December to cover lease costs through the end of the current fiscal year along with onetime set-up expenses (equipment and furnishings). Future fiscal year budgets will include the yearly rental cost for the lease space.

<b>Leased Space</b>	<b>Size</b>	<b>Price per SF*</b>	<b>Lease End Date</b>	<b>Annual Cost</b>	<b>Total Cost for Entire Lease Term (4 Yrs)</b>
AO2	3,520 SF	\$2.44	3/31/2017	\$109,564	\$438,256
AO3	1,564 SF	\$3.52	1/31/2019	\$77,824	\$311,295
AO4 (AO2 plus)	2,880 SF	\$3.64	2/28/2020	\$152,500	\$610,000
<b>Totals</b>	<b>7,964 SF</b>			<b>\$339,888</b>	<b>\$1,359,551</b>

\*current price per square foot

Please note that various solutions to resolve the long-term space requirements of the AO are being accelerated and will be presented to the Board at an upcoming meeting.

### **ALTERNATIVES**

The Board can choose to slow the implementation of the Financial and Operational Sustainability Model (FOSM) and the projected pace of project implementation until a new AO can be purchased and remodeled or the current AO is rebuilt.

### **PUBLIC NOTICE**

Public notice was provided as required by the Brown Act.

## **CEQA COMPLIANCE**

### **Project Description**

The proposed project consists of executing a new, four-year three month Office Lease with Wellington Park Investors for 2,880 square feet of additional office space at 4984 El Camino Real Suite 110, Los Altos in 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.

## **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 with work station furniture and IT set up.

### **Attachments**

1. Resolution Approving and Authorizing the General Manager, President of the Board or other appropriate officer to execute a Lease Agreement at 4984 El Camino Real, Suite 110 Los Altos with Wellington Park Investors and Authorizing the General Manager and General Counsel to Execute any and all other documents necessary or appropriate to complete the transaction.
2. Location Map

Responsible Department Head:  
Michael Williams, Real Property Manager  
Ana Ruiz, Assistant General Manager

Contact person:  
Allen Ishibashi, Senior Real Property Agent, Real Property Department  
Tina Hugg, Senior Planner, Planning Department

**RESOLUTION 15-\_\_**

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE MIDPENINSULA REGIONAL OPEN SPACE DISTRICT (DISTRICT) APPROVING AND AUTHORIZING THE GENERAL MANAGER, PRESIDENT OF THE BOARD OR OTHER APPROPRIATE OFFICER TO EXECUTE A LEASE AGREEMENT AT 4984 EL CAMINO REAL, SUITE 110 LOS ALTOS WITH WELLING PARK INVESTORS AND AUTHORIZING THE GENERAL MANAGER AND GENERAL COUNSEL TO EXECUTE ANY AND ALL OTHER DOCUMENTS NECESSARY OR APPROPRIATE TO COMPLETE THE TRANSACTION**

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**THE BOARD OF DIRECTORS OF THE MIDPENINSULA REGIONAL OPEN SPACE DISTRICT DOES RESOLVE AS FOLLOWS:**

**SECTION ONE.** The General Manager, President of the Board or other appropriate officer is authorized to execute the lease agreement with Wellington Park Investors for office space at 4984 El Camino Real, Suite 110, Los Altos.

**SECTION TWO.** The General Manager or the General Manger’s designee is hereby authorized to negotiate and approve the exercise of the subsequent two-year lease option as set forth in the Lease Agreement. 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 authorized to execute any and all other documents necessary or appropriate to the closing of the transactions approved in this Resolution. The General Manager and General Counsel are further authorized to approve minor or technical revisions to the lease agreement that do not involve any substantial changes to any terms of the agreement, and which are necessary or appropriate to the closing or implementation of this transaction.

\* \* \* \* \*

PASSED AND ADOPTED by the Board of Directors of the Midpeninsula Regional Open Space District on \_\_\_\_\_, 2015, at a Regular Meeting thereof, by the following vote:

**AYES:  
NOES:  
ABSTAIN:  
ABSENT:**

**ATTEST:**

**APPROVED:**

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Secretary  
Board of Directors

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President  
Board of Directors

**APPROVED AS TO FORM:**

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General Counsel

I, the District Clerk of the Midpeninsula Regional Open Space District, hereby certify that the above is a true and correct copy of a resolution duly adopted by the Board of Directors of the Midpeninsula Regional Open Space District by the above vote at a meeting thereof duly held and called on the above day.

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District Clerk

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AO2 Plus  
4984 El Camino Real  
Suite 110

Administrative Office

### Administrative Office Lease

- Administrative Office
- AO3 Suite 100 - 4984 El Camino Real
- AO2 Plus Suite 110 - 4984 El Camino Real

Midpeninsula Regional  
Open Space District  
(MROSD)



October, 2015



While the District strives to use the best available digital data, this data does not represent a legal survey and is merely a graphic illustration of geographic features.