



Midpeninsula Regional
Open Space District

Memorandum

DATE: January 11, 2017

MEMO TO: MROSD Board of Directors

FROM: Stephen E. Abbors, General Manager

SUBJECT: Summary of the December 13, 2016 Facilities Ad Hoc Committee Meeting

This FYI Memorandum presents the discussion and comments at the December 13, 2016 Facilities Ad Hoc Committee (Committee) meeting, where MKThink presented three development options to address long-term Administrative Office needs (see Attachment 5). These were refined during a four-hour long charrette with the General Manager's Office on November 29, 2016. In summary, the Committee arrived at a split recommendation: a majority recommendation to build a new, onsite, three-story office building, and a minority recommendation to build a two-and-a-half story office building (half of the third floor being non-office/common area space and the other being outdoor rooftop common area space).

Future Scenarios and Development Options

MKThink presented one-story, two-story, or three-story development options. In all options, the Administrative Office (AO) remains in its current location. As part of the presentation, MKThink explained how well each option responded to key success attributes of the three future scenarios (Talent Future, Partner Future, and Environmental Future) deemed of most importance to the Committee (see Attachments 1 and 2). For example, in the Talent Future, the attributes that help attract and retain talent would be quality and quantity of space (to attract staff), lowered commute time (to retain staff by addressing commute stress), and work flexibility (also to retain staff by addressing commute stress).

One-Story Option

This option relies on gutting the existing AO and creating highly dense work areas to fit into the existing footprint and walls of the building. It also relies on locating some staff permanently into satellite offices. This option leaves no extra space for potential tenants. Ultimately, the one-story option was deemed infeasible given the lack of available parking on site to accommodate more employees, which would likely raise a permitting issue by the City of Los Altos.

Two-Story Option

The two-story option requires two levels of underground parking. Any initial extra space could be leased.

Director Hassett asked whether there had been any thought on a creative use for the roof top. Director Kishimoto followed with a question about putting solar panels or a garden on the roof to enhance the quality of the work environment. Solar panels and a garden would be desirable and can be included as part of the subsequent building design process.

Three-Story Option

The three-story option requires three levels of underground parking. With the greatest square footage of the three, this option offers the greatest opportunity for lease space with the District initially occupying the majority of the building. Renting the lease space would help offset some of the overall construction cost and provide for more expansion space to ensure that office space needs are met over a much longer timeframe.

Director Hassett inquired whether the City of Los Altos' current height limit of 45 feet includes the elevator shaft, which MKThink is researching. Staff indicated that the City of Los Altos appears to support height limits above 45 feet for housing.

The Committee revisited the feasibility of purchasing and developing the Carl's Jr. property to avoid two levels of parking. After discussion, the Committee concluded that the challenges and complexity of pursuing this option, rather than the cost, made it undesirable.

Director Siemens stated a preference for a two and a half story option where common space, such as a kitchen and cafeteria, would take up half the third (top) floor with an outdoor rooftop garden or other common space encompassing the other half. The two floors below would be office space. Director Siemens felt that there would be greater public support for two versus three full floors of office space.

Satellite Office Space

The discussion of office space options raised an interest in the potential for satellite office space to relieve the increasing commute strain that has affected District staff over recent years. Although satellite office space is not a requirement of either the two-story or three-story options, the General Manager will separately explore satellite office space needs and opportunities, particularly during the design of new field offices. The new AO must therefore be large enough to house all future staff for the foreseeable future. Commute stress would remain as is without the use of satellite offices, which is reflected in both two- and three-floor options.

New AO Development Process Flowchart

The flowchart (see Attachment 3) outlines the tasks and rough timeline for implementing any one of the three options. Acknowledging that it is in the District's best interest to remain ready and nimble to jump on an opportunity to purchase a new building while design of a new building is underway, the flowchart shows four "jump points". These jump points are where the Board may decide to pivot and instead pursue a new property. The last jump point shown would be just before groundbreaking occurs on the AO site after which point the District would be far too committed to building a new AO on site.

At each jump point, there would be costs involved depending how far along the process the project is. Note that to rebuild onsite, costs will include the design and construction of tenant improvements for a temporary leased "swing" space to house staff while a new building is under construction. In addition, the choice to pursue a new property at any jump point would also restart the design, permitting, and construction timeline, as a new property would require tenant improvement work. Director Hassett pointed out that lease spaces would likely not have Board meeting room space, so during this time, Board meetings could be conducted in a shared space, e.g. City of Los Altos council chambers. Staff concurred that these options would be evaluated.

Director Siemens asked if base criteria would be developed before a design consultant is hired. Staff concurred that a scope of work describing desired or required elements would need to be developed. This would occur in early 2017 and may take longer than what is currently shown on the flowchart's timeline.

Director Siemens asked if an Environmental Impact Report would be required. Environmental review per the California Environmental Quality Act (CEQA) would be required, but staff has not yet determined which type of document would need to be prepared. The City of Los Altos is expected to rely on this document as part of the permit review process.

General Manager Abbors suggested that the Board consider meeting with City of Los Altos elected officials to discuss the project. Staff indicated that the City Council has expressed support for higher density on El Camino Real, as it would allow the downtown to maintain lower building heights.

Cost Analysis

Staff prepared a rough order of magnitude cost analysis (see Attachment 4) of the two- versus three-story options with moderate, mid-grade finishes. Costs will be revisited in the early design phase. The rental offset for leasing one floor of the three-story option would pay for the third additional story in roughly 15 years using escalated dollars. The offset could conversely be seen as paying for future satellite office space if desired.

Director Siemens asked if the current leased spaces (AO2, AO3, and AO4) were maxed out. Staff responded that those spaces are close to full.

The cost analysis also looked at purchasing a new building elsewhere, both inside and outside of transit-oriented areas. Transit-oriented areas command a premium. Director Hassett pointed out that the sale of the existing AO could offset the purchase of a new building somewhere else. There was discussion as to the value of the existing AO, and Director Kishimoto requested that information be added to the analysis.

General Manager's Office (GMO's) Recommendation

Assistant General Manager Ruiz provided the Committee with the GMO's rationale on its recommendation to pursue the three-story option. The GMO discussed the two- and three-story options at length and overall the GMO leaned toward three stories for the following reasons:

1. Today's dollar will go further now than in the future, making it more cost effective to build larger now in one fell swoop, than to incrementally build additional space over time.
2. This is likely the one time within our working lifetimes that the District will rebuild its site.
3. The additional space provides the greatest flexibility to adapt to operational changes in the coming decades (over the very long term).
4. The extra space would allow the District to consider significantly growing its internship program and volunteer programs, and encourage land stewardship and greater public engagement.
5. Leasing out office space can generate substantial revenues to pay for a portion or most of the investment (note: this was the approach used when the current AO building was purchased, with the District incrementally occupying previous leased space).
6. Three stories provide the capacity to include a partnership element, whether the space is leased out to partners or is a shared space for partners to use.

7. A larger building also allows the capacity to provide communal space for the community at large.
8. Three stories maximize the building's density, thus promoting infill development along the El Camino corridor, which is a planned high transit corridor.
9. As a planning strategy, by designing for a larger facility, the District is better poised to negotiate a scaling down of the building envelope and mass during the City of Los Alto's planning review.

Committee Discussion on Recommendation

Director Hassett said that he came to the meeting leaning towards two stories, but after hearing the discussions, prefers 3 or 3+ stories. With regard to leasing to partner organizations, he has concerns with subsidizing rent to partners since the public's tax dollars would be used on something not approved by the public. Director Hassett said that he could support building housing above the AO, as there is always a need for it and he felt he could defend a project that has a housing element.

Director Siemens said that he initially supported 3+ stories, but since developed reservations about using a third of the space as rental space. He did not know how he would explain why the District was building more than currently needed. He prefers two and a half stories, which would include two stories or 30,000 square feet of office space with half of the third floor space allocated as common, meeting, or cafeteria space and the other half to outdoor rooftop common space. Director Siemens felt that going higher to three full stories could cause issues and increase the project timeline. He felt that the District would only need to grow larger in the field offices.

Director Kishimoto was open to a three-story building due to its location on El Camino Real and the additional flexibility and revenue potential. She felt that the one-story option has less environmental impact and leaves more resources for potential future satellite office space. Satellites would allow for shorter commutes, but could negatively affect the current collaborative work environment. However, based on Assistant General Manager Ruiz' comments on today's dollars having more value now, Director Kishimoto felt that if she voted today, she would support the 3+ stories as long as it incorporates an element like a light well for quality of space and does not just maximize square footage.

General Manager Abbors felt that having dedicated gathering or meeting space for the community would be a public benefit and help to better integrate the District into the community. District Clerk Woodworth added that the need for community space exists.

General Counsel Schaffner suggested, because of the split in the Committee members' opinions, that the Committee's recommendation to the full Board could include a majority recommendation and a minority recommendation. MKThink indicated that the design team hired for the next phase of work could prepare early concept designs to determine how much space is desired. Based on a preferred concept, the design team could then prepare a fee proposal to move from concept design to design development (i.e. construction plans).

On a separate topic, Director Siemens asked why the District would lease satellite space. He was unsure whether providing Board meeting space in satellites was necessary or whether satellites would have a significant impact on employee commutes. Perhaps a better option would be to provide transit subsidies and provide transportation between transit stations and the AO. Results from MKThink's earlier staff survey indicate, however, that staff need their cars for a variety of

reasons cannot easily be accommodated by transit, e.g. child care drop off and pick up, personal errands, or off-site commitments. MKThink suggested that working out of a satellite or increasing the number of days employees may telecommute would help reduce commute stress. A satellite office also has the benefit of facilitating face-to-face collaboration.

Next Steps for the AO

Director Hassett requested that MKThink show what a rooftop space could look like to help illustrate its use and benefit. Director Kishimoto asked about quality of light and how it might be brought into the building, such as through a light well or similar architectural element. Staff will request images from MKThink to give the Board a sense as to how a space or building might be designed.

The Committee's recommendation (a majority recommendation to support three stories and a minority recommendation to support two stories) will be presented to the full Board at a Study Session on January 25, 2017. The desired outcome is for the Board to reach a decision and direct staff to proceed with implementation of one approved option.

Discussion about South Area Office Feasibility Study

Real Property staff requested guidance from the Committee on whether to pursue properties in urban areas outside the District jurisdictional boundary.

The South Area Office Feasibility Study is currently on the Fiscal Year 2016-17 Action Plan and initial research indicates major challenges and costs to develop a field office onsite at Sierra Azul Open Space Preserve. In addition to cultural resources on site, there is no utility infrastructure (electrical, sewer, water, internet connection). Particularly challenging would be internet connectivity, given that none exists and it could cost the District \$2M to bring high speed fiberoptic cable to the site.

Because of these challenges, Real Property staff looked in nearby urban areas for suitable industrial sites that already have services. General Counsel has confirmed that the District is legally allowed to purchase real property outside its boundaries. Campbell and San Jose (near Camden) are potential locations, close to the current South Area Outpost. The Committee unanimously supported the recommendation to include areas outside the District's jurisdiction as staff looks at potential developed sites to purchase for use as a South Area Office.

Next Steps for the South Area Office

Staff will continue to seek opportunities in urban areas, particularly Campbell and San Jose, and keep the Committee apprised if a property comes up.

Prepared by: Tina Hugg, Senior Planner































Attachments:

1. December 7, 2016 Future of the AO Scenarios & Conceptual Solutions
2. December 7, 2016 Solutions Options Detailed
3. December 7, 2016 New AO Development Process Flowchart
4. December 13, 2016 Cost Analysis – Rebuild, Temporary Rental, and Rental Offset
5. December 13, 2016 MKThink Presentation





MIDPENINSULA REGIONAL OPEN SPACE DISTRICT: FUTURE OF THE AO SCENARIOS & CONCEPTUAL SOLUTIONS


Preface: In all Solution Options *the AO remains in its current location* given that MROSD owns the property (tax benefits), that its geographically centered to both open spaces and employee housing, and has zoning to allow expansion as needed. Also, *Satellite offices have been removed* from this discussion and will be evaluated in parallel, separately, but are considered highly important to the Talent Future and will be crucial to long-term talent stability given increasing commute times.


Future Scenario	Solution Options		
	S1: 1-Story 12,500GSF	S2: 2-Story 30,800GSF	S3: 3-Story 46,200GSF
1: TALENT FUTURE Increased pressure on non-profits hiring top talent In the future, the marketplace becomes increasingly competitive due to demand for talent and increased costs of living that have driven up salaries. In this scenario, Midpen focuses its resources on talent attraction and retention, investing in high quality spaces, amenities, competitive salaries, benefits, and professional development and satellite locations/remote work policies to ease commute stress.	  SPACE QUALITY: Higher space quality - build less, build better  COMMUTE DURATION: Commute duration stays the same  WORK FLEXIBILITY: Work flexibility (remote/flex hours/etc.) increases to accommodate smaller space	  SPACE QUALITY: Space quality balanced with space quantity  COMMUTE DURATION: Commute duration stays the same  WORK FLEXIBILITY: Work flexibility (remote/flex hours/etc.) stays the same unless satellites are used (being considered separately)	  SPACE QUALITY: Space quality balanced with space quantity  COMMUTE DURATION: Commute duration stays the same  WORK FLEXIBILITY: Work flexibility (remote/flex hours/etc.) stays the same unless satellites are used (being considered separately)
2A: PARTNER FUTURE A Opportunities to consolidate/coordinate efforts In the future, greater coordination between government and non-profit organizations working to preserve open spaces is required to manage and execute initiatives. Midpen sees an opportunity to accelerate the fulfillment of its vision through strong collaborations with partner organizations by maximizing the development potential of its land and building a multi-story new office building, creating suites for partner orgs and shared spaces to host meetings or joint events.	  SPACE QUANTITY: High density space for MROSD staff without extra for partnering	  SPACE QUANTITY: 1/2 - 1 floor of partnering space available	  SPACE QUANTITY: 1 - 1-1/2 floor(s) of partnering space available
5: ENVIRONMENTAL FUTURE Resources scarce, gov. entities forced to cut, “greening” In the future, increased scarcity of land, water, and other resources force greater pressure on organizations to ration their resource use. Midpen emphasizes strong environmental values in its AO with a renovation that brings the existing building up to the Living Building Challenge standards and provides more flexibility for staff to reduce emissions and commute times; Midpen also subsidizes technology for home offices and transit costs.	  EMBODIED ENERGY: Reuse existing space avoiding large-scale new construction  OPERATIONAL ENERGY: Selected system retrofits for increased efficiency  SITE USE: Low development of the site, reducing site density pushing dev elsewhere	  EMBODIED ENERGY: Medium-level of construction using new materials  OPERATIONAL ENERGY: Full envelope and system redesigns for maximum efficiency  SITE USE: Medium development of the site	  EMBODIED ENERGY: High-level of construction using new materials  OPERATIONAL ENERGY: Full envelope and system redesigns for maximum efficiency  SITE USE: High development of the site, optimizing site density avoid dev elsewhere


NOTES:
Future Scenarios reduced from 6 to 3 during 10/16 Facilities Ad-Hoc Committee meeting; removed Partner Future B, Value Future & Expansion Future
Solution S1 was removed during the 11/29 GMO meeting because parking requirements due to increased people on site would make the option infeasible
Scoring is qualitative based on MKThink opinion of each solution’s strength of response to the future scenario described
Growth Projections for AO only: 2015: 70, 2016: 99, 2020: 104, 2045: 119 (based on FOSM projections for AO)
Current Density of AO (Gross Square Feet (GSF) / Person): 190 GSF / Person (based on 63 Persons in 12,000 GSF from Opps/Constraints, Oct 20, 2015)

 Not Good

 Good

 Excellent

 Option Removed during 11/29 GMO meeting

 GMO Preferred Option




MIDPENINSULA REGIONAL OPEN SPACE DISTRICT: SOLUTION OPTIONS DETAILED

Preface: In all Solution Options *the AO remains in its current location* given that MROSD owns the property (tax benefits), that its geographically centered to both open spaces and employee housing, and has zoning to allow expansion as needed. Also, *Satellite offices have been removed* from this discussion and will be evaluated in parallel, separately, but are considered highly important to the Talent Future and will be crucial to long-term talent stability given increasing commute times.

Solution Options		
S1: 1-Story 12,500GSF	S2: 2-Story 30,800GSF	S3: 3-Story 46,200GSF
DESCRIPTION The AO retains its building shell and is renovated to accommodate from 70-100% of administrative personnel in office at any given time. The remaining personnel would schedule individual or collaborative work at one of potentially two satellite offices located near centroids of where AO staff live, or they would work remotely from home. During renovation, deferred maintenance in the existing AO would be addressed and money saved from avoiding new construction could be allocated to upgrades in amenities, green features and office space technology to support denser and more dynamic operations.	The AO demolishes its current building and rebuilds onsite to accommodate 100% of administrative personnel in office at any given time. The renovated AO would have an additional floor allowing for more programmed spaces per person or enabling some limited partnerships with other non-profit/governmental organizations or commercial entities. Amenities, green features, and office technology may be more modest than the S1 option to offset costs of construction.	The AO demolishes its current building and rebuilds onsite to accommodate 100% of administrative personnel in office at any given time. The renovated AO would have two additional floors to accommodate more MROSD programmed space and future growth as well as partnerships with non-profits/governmental organizations or commercial entities. Amenities, green features, and office technology may be more modest than the S1 /S2 options to offset costs of constructing additional floors; however, they may also be the same if Type A office buildings are in high demand, affording increased investment in amenities that will be offset by rental income.
FUTURE SCENARIOS RATIONALE <ul style="list-style-type: none">SPACE QUALITY: Higher space quality - build less, build betterCOMMUTE DURATION: Commute duration stays the sameWORK FLEXIBILITY: Work flexibility (remote/flex hours/etc.) increases to accommodate smaller spaceSPACE QUANTITY: High density space for MROSD staff without extra for partnerEMBODIED ENERGY: Reuse existing space avoiding large-scale new constructionOPERATIONAL ENERGY: Selected system retrofits for increased efficiencySITE USE: Low development of the site, reducing site density pushing development elsewhere	<ul style="list-style-type: none">SPACE QUALITY: Space quality balanced with space quantityCOMMUTE DURATION: Commute duration stays the sameWORK FLEXIBILITY: Work flexibility (remote/flex hours/etc.) stays the same unless satellites are used (being considered separately)SPACE QUANTITY: 1/2 - 1 floor of partnering space availableEMBODIED ENERGY: Medium-level of construction using new materialsOPERATIONAL ENERGY: Full envelope and system redesigns for maximum efficiencySITE USE: Medium development of the site	<ul style="list-style-type: none">SPACE QUALITY: Space quality balanced with space quantityCOMMUTE DURATION: Commute duration stays the sameWORK FLEXIBILITY: Work flexibility (remote/flex hours/etc.) stays the same unless satellites are used (being considered separately)SPACE QUANTITY: 1 - 1-1/2 floor(s) of partnering space availableEMBODIED ENERGY: High-level of construction using new materialsOPERATIONAL ENERGY: Full envelope and system redesigns for maximum efficiencySITE USE: High development of the site, optimizing site density avoid development elsewhere
OTHER RATIONALE <ul style="list-style-type: none">EXPEDITE SATELLITES: Savings on space could expedite use of satellites through pressure on space needsCOMMUNITY ENGAGEMENT: Space limits opportunities for community engagement onsite unless satellites are used (being considered separately)WORK CONTINUITY: Disruption is shorter in duration but basically has the same impact as options S2/S3 since there would be a one-time move to another location before moving back in after significant renovations are made to the existing buildingCOST/VALUE: Lesser initial cost (\$3-6mil), but less value over time with no revenue generation from tenants	<ul style="list-style-type: none">EXPEDITE SATELLITES: Less pressure on space needs so limited incentive to invest in satellitesCOMMUNITY ENGAGEMENT: More opportunities for community engagement via dedicated community spaces; at a regional planning level, more opportunities for other organizations to work from the AO reducing office space needed elsewhere that could be used for housing insteadWORK CONTINUITY: Disruption is basically the same as S3 with some difference in duration of time relocatedCOST/VALUE: Greater initial cost (\$25-30mil), but has tenant revenue that creates value over time that would offset the initial investment; comes with some rental risk and additional admin time	<ul style="list-style-type: none">EXPEDITE SATELLITES: Least pressure on space needs and most financial pressure, reducing incentive for satellitesCOMMUNITY ENGAGEMENT: Largest opportunity to provide community engagement areas onsite; in keeping with local/regional direction to focus jobs and housing creation on transit corridors, sees MROSD as a key member of the Plan Bay Area effort to densify in Priority Development Areas, contributing to the overall community by providing maximum office area on-site, reducing the housing sprawl, which benefits the whole community as well MROSDWORK CONTINUITY: Disruption is basically the same as S2 with some difference in duration of time relocated; increased security in growth potential if actual growth exceeds FOSM projections in the futureCOST/VALUE: Greatest initial cost (\$35-45mil), but has maximum tenant revenue that creates large value over time to payback initial investments

NOTES:
MKThink Strategy Model includes 4 primary dimensions: Space Quantity, Space Operations (including location(s), work processes (remote, tech use, etc.)), Space Density & Space Quality. The combination of options within and across dimensions yields a total number of Solution Options available. Then, based on constraints certain options are filtered out and based on organizational goals/priorities/values certain options are prioritized. The options above represent 3 of 12 considered (Large/Med/Small, Stay/Go, Satellites/No Sat) exploring the Space Quantity option of Large/Medium/Small across different evaluation criteria.

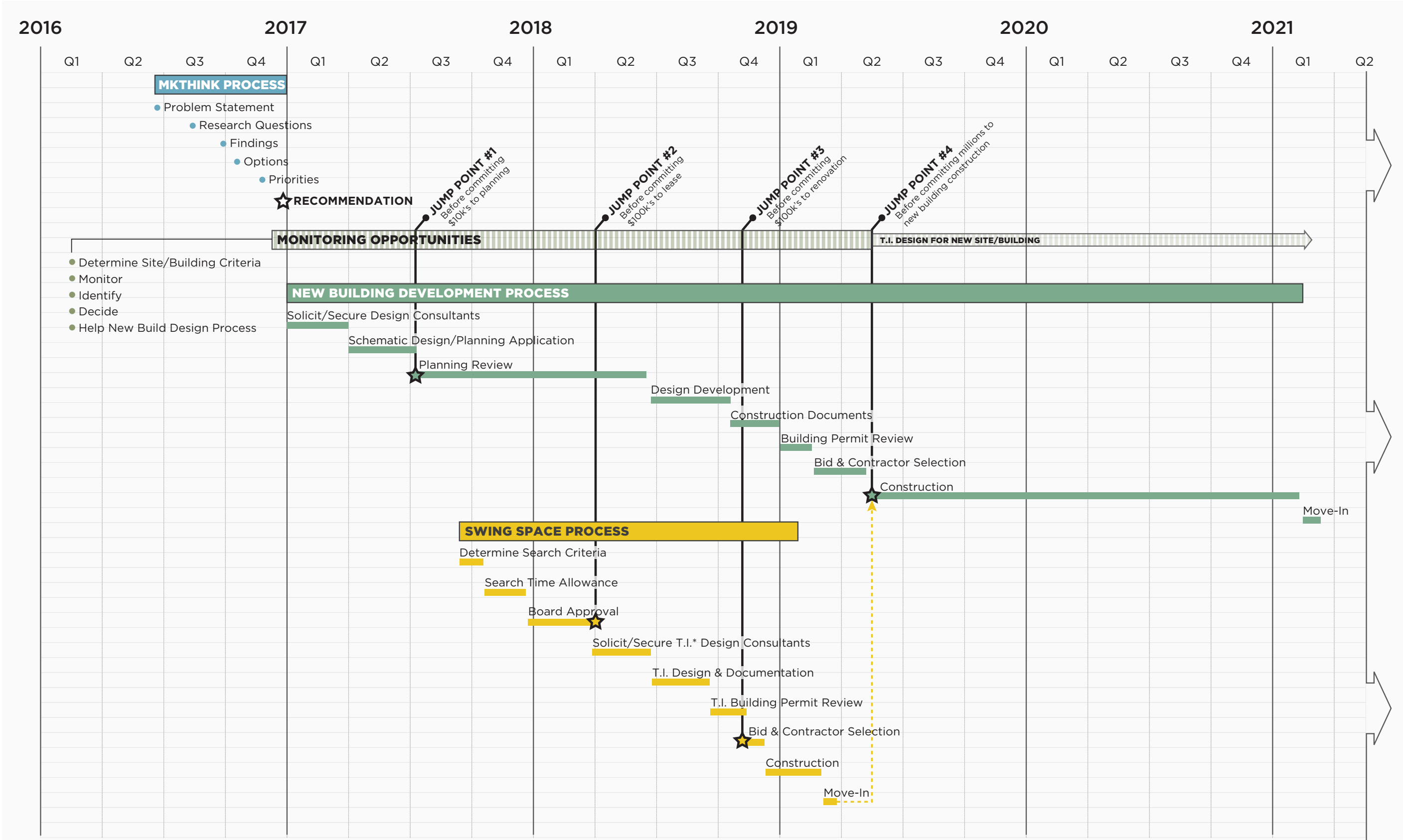
 Option Removed during 11/29 GMO meeting

 GMO Preferred Option



MIDPENINSULA REGIONAL OPEN SPACE DISTRICT: NEW AO DEVELOPMENT PROCESS FLOWCHART

Attachment 3



☆ JUMP POINT = POINT AT WHICH DECISION TO CONTINUE TO SEARCH FOR A BUILDING TO PURCHASE BECOMES EXPONENTIALLY MORE COSTLY

*T.I. = Tenant Improvements

Cost Analysis - Rebuild, Temporary Rental, and Rental Offset

12/13/2016 Revision 1

Abbreviations

RWC = Redwood City
LG = Los Gatos
ROI = Return on investment
SQ FT = Square Feet

MKThink Solution Options					
Solutions	AO Remodel or Rebuild Hard Costs	Soft and Other Costs (25%)	Cost for Temp Rental for 3 yrs	Total Cost	AO Rent Offset (1 Floor) over 30 yrs
2-story AO	\$24,205,000	\$6,051,250	\$4,487,987	\$34,744,237	\$0
3-story AO	\$35,844,000	\$8,961,000	\$4,487,987	\$49,292,987	\$36,266,739

Potential Satellite Costs and Offset					
Satellite Lease 5K SF in RWC for 30 yrs	Satellite Lease 5K SF in LG for 30 yrs	Total Satellite Cost	AO Rent Offset (1 Floor) over 30 yrs	Cost After Rent Offset	Comments
\$14,272,625	\$10,989,921	\$25,262,546	\$0	\$25,262,546	No rental offset w/2-story AO
\$14,272,625	\$10,989,921	\$25,262,546	\$36,266,739	(\$11,004,194)	3-story AO - ROI for extra floor achieved in 15 years (in today's dollars)

Temporary Rental during Construction						
Year	SQ FT	SQ FT Rate %3 Escalation	1-Year Sum	1- Year Cost for AO2 - AO4	Running Sum	Comments
1	12,000	\$8.00	\$1,152,000	\$300,000	\$1,452,000	Incl. minor T.I., doesn't include move cost, IT relo
2	12,000	\$8.24	\$1,186,560	\$309,000	\$2,947,560	
3	12,000	\$8.49	\$1,222,157	\$318,270	\$4,487,987	

Purchase and Remodel Elsewhere							
Location (Downtown Mountainview)	Cost per SQ FT	Desired SQ FT	Cost for Purchase	Cost to Remodel per SQ FT (higher end)	Cost for Remodel (w/30% soft and other costs)	Total Cost Purchase and Remodel	Comments
Non-Transit Oriented Development	\$966	30,000	\$28,984,200	\$200	\$7,800,000	\$36,784,200	Purchase cost based on real estate market study with 3% escalation; remodel cost from MKThink
Non-Transit Oriented Development	\$966	45,000	\$43,476,300	\$200	\$11,700,000	\$55,176,300	"
Transit Oriented Development	\$1,476	30,000	\$44,279,700	\$200	\$7,800,000	\$52,079,700	"
Transit Oriented Development	\$1,476	45,000	\$66,419,550	\$200	\$11,700,000	\$78,119,550	"



AD-HOC BOARD COMMITTEE MEETING #4

PREPARED FOR:

PREPARED BY:

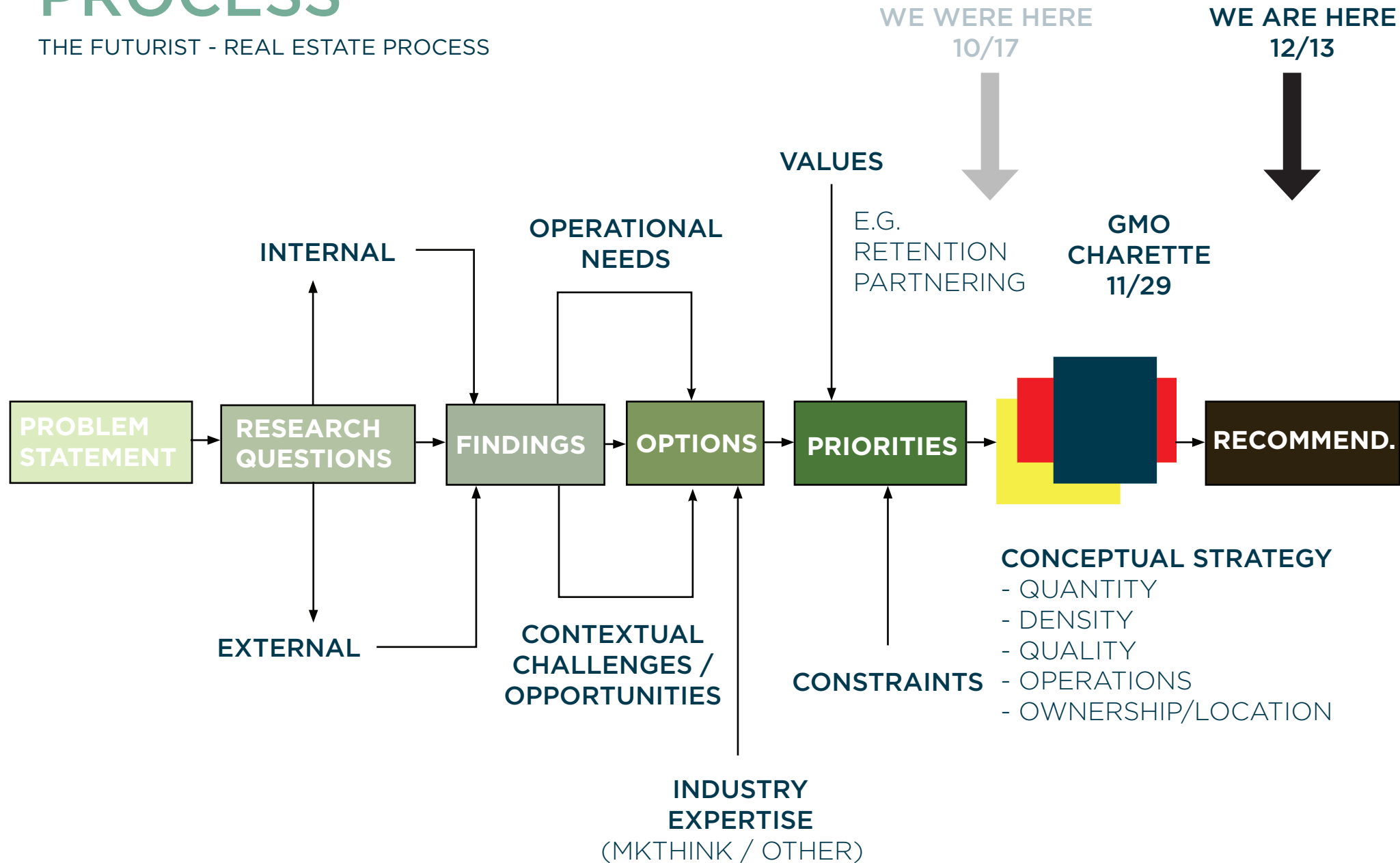


13 DECEMBER 2016

THiNK^{MK}

PROCESS

THE FUTURIST - REAL ESTATE PROCESS



MATRIX FROM 10/17



MIDPENINSULA REGIONAL OPEN SPACE DISTRICT: FUTURE OF THE AO SCENARIOS

NOTES:

In no scenario do we see a reason to sell the current AO property.
In all scenarios the AO needs to be renovated to operating needs.

○ Not Good ◐ Good ● Excellent

	Priorities	Project Delivery	Green	Flexibility	Staff Retention	Staff Diversity	Staff Feedback	Initial Cost	Value	Disruption	Total
Future Scenario	Rank	1	5	4	3	6	9	8	2	7	
1: TALENT FUTURE - MidPen attracts/retains top talent in competitive market <i>Quantity:</i> AO size stays the same; increase in collaborative over individual space <i>Quality:</i> Provide competitive amenities, higher quality furniture/finishes/equip. <i>Density:</i> Increase overall density per person <i>Operations:</i> Allow flexible hours (core hours), remote & satellite work by appt. <i>Ownership and Location:</i> Retain Los Altos AO; lease distributed satellite offices	2	◐	◐	◐	●	●	●	◐	◐	◐	15
2a: PARTNER FUTURE A - MidPen leverages partner orgs to expand impact <i>Quantity:</i> Add space for partners to lease/reserve (3-4 stories) <i>Quality:</i> Invest in high-quality shared, flexible spaces <i>Density:</i> Increase overall density per person <i>Operations:</i> Encourage staff to work from AO and collaborate with partners <i>Ownership and Location:</i> Retain Los Altos AO	1	●	○	◐	●	◐	◐	○	●	○	13
2b: PARTNER FUTURE B - MidPen relies on partner properties to stay lean <i>Quantity:</i> AO size stays the same <i>Quality:</i> Invest in core space types and high-quality tech/communications <i>Density:</i> Increase overall density per person <i>Operations:</i> Distribute staff according to function and partner alignment <i>Ownership and Location:</i> Retain Los Altos AO; lease space from partners	-	◐	●	●	◐	◐	◐	◐	◐	◐	14
3: ENVIRONMENTAL FUTURE - MidPen emphasizes "green" values <i>Quantity:</i> AO size stays the same <i>Quality:</i> Invest in renovations to meet Living Building (or other) standard <i>Density:</i> Increase overall density per person <i>Operations:</i> Reduce commutes, lower emissions through remote work/satellites <i>Ownership and Location:</i> Retain Los Altos AO; lease distributed satellite offices	1	◐	●	◐	◐	◐	●	◐	◐	◐	14
4: VALUE FUTURE - Fiscally conservative route retains funds for the unknown <i>Quantity:</i> Add additional space by rebuilding/addition on site (2 stories) <i>Quality:</i> Retain existing level of quality <i>Density:</i> Retain existing density <i>Operations:</i> Status quo <i>Ownership and Location:</i> Retain Los Altos AO	-	●	◐	◐	○	◐	◐	●	○	◐	12
5: EXPANSION FUTURE - District adds land in new county <i>Quantity:</i> AO size stays the same <i>Quality:</i> Retain existing level of quality <i>Density:</i> Increase overall density per person <i>Operations:</i> Move a portion of staff to second AO near newly acquired land <i>Ownership and Location:</i> Retain Los Altos AO, lease satellite offices to manage growth, and purchase/lease new AO in new location	-	◐	○	◐	◐	◐	◐	◐	◐	●	11

NOTES:

Rankings based on interpretation of director feedback (n=2)

'Total' calculation based on yellow criteria only. All criteria scores conceptual and predictive.

SCENARIOS FROM 10/17

BASED ON TRENDS RESEARCH, EMERGING ISSUES & DISCUSSION

Future Scenario		Priorities	Project Delivery	Green	Flexibility	Staff Retention	Staff Diversity	Staff Feedback	Initial Cost	Value	Disruption	Total
Rank		1	5	4	3	6	9	8	2	7		
1: TALENT FUTURE - MidPen attracts/retains top talent in competitive market <i>Quantity:</i> AO size stays the same; increase in collaborative over individual space <i>Quality:</i> Provide competitively amenities, higher quality furniture/finishes/equip. <i>Density:</i> increase overall density per person <i>Operations:</i> Allow flexible hours (core hours), remote & satellite work by appt. <i>Ownership and Location:</i> Retain Los Altos AO; lease distributed satellite offices		2										15
2a: PARTNER FUTURE A - MidPen leverages partner orgs to expand impact <i>Quantity:</i> Add space for partner to lease/serve (3-4 stories) <i>Quality:</i> Invest in high-quality shared, flexible spaces <i>Density:</i> Increase overall density per person <i>Operations:</i> Encourage staff to work from AO and collaborate with partners <i>Ownership and Location:</i> Retain Los Altos AO		1										13
2b: PARTNER FUTURE B - MidPen relies on partner properties to stay lean <i>Quantity:</i> AO size stays the same <i>Quality:</i> Invest in high-quality shared, flexible spaces <i>Density:</i> Increase overall density per person <i>Operations:</i> Distribute staff according to function and partner alignment <i>Ownership and Location:</i> Retain Los Altos AO; lease space from partners		-										14
3: ENVIRONMENTAL FUTURE - MidPen emphasizes "green" values <i>Quantity:</i> AO size stays the same <i>Quality:</i> Invest in renovations to meet LEED Building (or other) standard <i>Density:</i> increase overall density per person <i>Operations:</i> Reduce commutes, lower emissions through remote work/satellites <i>Ownership and Location:</i> Retain Los Altos AO; lease distributed satellite offices		1										14
4: VALUE FUTURE - Fiscally conservative route retains funds for the unknown <i>Quantity:</i> Add additional space by rebuilding/addition on site (2 stories) <i>Density:</i> Retain existing density <i>Operations:</i> Status quo <i>Ownership and Location:</i> Retain Los Altos AO		-										12
5: EXPANSION FUTURE - District adds land in new county <i>Quantity:</i> AO size stays the same <i>Quality:</i> Retain existing level of quality <i>Operations:</i> Move a portion of staff to second AO near newly acquired land <i>Ownership and Location:</i> Retain Los Altos AO; lease satellite offices to manage		-										11

PRIORITIES FROM 10/17

BASED ON INTERNAL MROSD DISCUSSIONS

In no scenario do we see a reason to sell the current AO property.
In all scenarios the AO needs to be renovated to operating needs.

Future Scenario

1: TALENT FUTURE - MidPen attracts/retains top talent in competitive market
Quantity: AO size stays the same; no real increase in collaborative over individual space
Quality: Provide competitive amenities, higher quality furniture/finishes/equip.
Density: Increase overall density per person
Operations: Allow flexible hours (core hours), remote & satellite work by appt.
Ownership and Location: Retain Los Altos AO; lease distributed satellite offices

MISSION/DELIVER

GREEN

FLEXIBILITY

STAFF (INCL. DIVERSITY)

STAFF FEEDBACK

STAFF DIVERSITY

INITIAL COST

LONG TERM VALUE

DISRUPTION

Priorities	Delivery	Green	Flexibility	Retention	Diversity	Feedback	Cost	Value	Disruption	Total
Rank	1	5	4	3	6	9	8	2	7	
2										
1										13
-										14
1										14
-										12
-										11

SCENARIOS & AO SOLUTIONS

A DRAFT FRAMEWORK FOR EVALUATING SOLUTIONS USING FUTURE SCENARIOS



MIDPENINSULA REGIONAL OPEN SPACE DISTRICT: FUTURE OF THE AO SCENARIOS & CONCEPTUAL SOLUTIONS

Preface: In all Solution Options *the AO remains in its current location* given that MROSD owns the property (tax benefits), that its geographically centered to both open spaces and employee housing, and has zoning to allow expansion as needed. Also, *Satellite offices have been removed* from this discussion and will be evaluated in parallel, separately, but are considered highly important to the Talent Future and will be crucial to long-term talent stability given increasing commute times.

Future Scenario	Solution Options		
	S1: 1-Story 12,500GSF	S2: 2-Story 30,800GSF	S3: 3-Story 46,200GSF
1: TALENT FUTURE Increased pressure on non-profits hiring top talent <p>In the future, the marketplace becomes increasingly competitive due to demand for talent and increased costs of living that have driven up salaries. In this scenario, Midpen focuses its resources on talent attraction and retention, investing in high quality spaces, amenities, competitive salaries, benefits, and professional development and satellite locations/remote work policies to ease commute stress.</p>	<p>SPACE QUALITY: Higher space quality - build less, build better</p> <p>COMMUTE DURATION: Commute duration stays the same</p> <p>WORK FLEXIBILITY: Work flexibility (remote/flex hours/etc.) increases to accommodate smaller space</p>	<p>SPACE QUALITY: Space quality balanced with space quantity</p> <p>COMMUTE DURATION: Commute duration stays the same</p> <p>WORK FLEXIBILITY: Work flexibility (remote/flex hours/etc.) stays the same unless satellites are used (being considered separately)</p>	<p>SPACE QUALITY: Space quality balanced with space quantity</p> <p>COMMUTE DURATION: Commute duration stays the same</p> <p>WORK FLEXIBILITY: Work flexibility (remote/flex hours/etc.) stays the same unless satellites are used (being considered separately)</p>
2A: PARTNER FUTURE A Opportunities to consolidate/coordinate efforts <p>In the future, greater coordination between government and non-profit organizations working to preserve open spaces is required to manage and execute initiatives. Midpen sees an opportunity to accelerate the fulfillment of its vision through strong collaborations with partner organizations by maximizing the development potential of its land and building a multi-story new office building, creating suites for partner orgs and shared spaces to host meetings or joint events.</p>	<p>SPACE QUANTITY: High density space for MROSD staff without extra for partnering</p>	<p>SPACE QUANTITY: 1/2 - 1 floor of partnering space available</p>	<p>SPACE QUANTITY: 1 - 1-1/2 floor(s) of partnering space available</p>
5: ENVIRONMENTAL FUTURE Resources scarce, gov. entities forced to cut, "greening" <p>In the future, increased scarcity of land, water, and other resources force greater pressure on organizations to ration their resource use. Midpen emphasizes strong environmental values in its AO with a renovation that brings the existing building up to the Living Building Challenge standards and provides more flexibility for staff to reduce emissions and commute times; Midpen also subsidizes technology for home offices and transit costs.</p>	<p>EMBODIED ENERGY: Reuse existing space avoiding large-scale new construction</p> <p>OPERATIONAL ENERGY: Selected system retrofits for increased efficiency</p> <p>SITE USE: Low development of the site, reducing site density pushing dev elsewhere</p>	<p>EMBODIED ENERGY: Medium-level of construction using new materials</p> <p>OPERATIONAL ENERGY: Full envelope and system redesigns for maximum efficiency</p> <p>SITE USE: Medium development of the site</p>	<p>EMBODIED ENERGY: High-level of construction using new materials</p> <p>OPERATIONAL ENERGY: Full envelope and system redesigns for maximum efficiency</p> <p>SITE USE: High development of the site, optimizing site density avoid dev elsewhere</p>

NOTES:

Future Scenarios reduced from 6 to 3 during 10/16 Facilities Ad-Hoc Committee meeting; removed Partner Future B, Value Future & Expansion Future
 Solution S1 was removed during the 11/29 GMO meeting because parking requirements due to increased people on site would make the option infeasible
 Scoring is qualitative based on MKThink opinion of each solution's strength of response to the future scenario described
 Growth Projections for AO only: 2015: 70, 2016: 99, 2020: 104, 2045: 119 (based on FOSM projections for AO)
 Current Density of AO (Gross Square Feet (GSF) / Person): 190 GSF / Person (based on 63 Persons in 12,000 GSF from Opps/Constraints, Oct 20, 2015)



AO SOLUTION DESCRIPTIONS

DESCRIBED USING MKTHINK CONCEPTUAL REAL ESTATE STRATEGY LANGUAGE



MIDPENINSULA REGIONAL OPEN SPACE DISTRICT: SOLUTION OPTIONS DETAILED

Preface: In all Solution Options *the AO remains in its current location* given that MROSD owns the property (tax benefits), that its geographically centered to both open spaces and employee housing, and has zoning to allow expansion as needed. Also, *Satellite offices have been removed* from this discussion and will be evaluated in parallel, separately, but are considered highly important to the Talent Future and will be crucial to long-term talent stability given increasing commute times.

Solution Options		
S1: 1-Story 12,500GSF	S2: 2-Story 30,800GSF	S3: 3-Story 46,200GSF
DESCRIPTION The AO retains its building shell and is renovated to accommodate from 70-100% of administrative personnel in office at any given time. The remaining personnel would schedule individual or collaborative work at one of potentially two satellite offices located near centroids of where AO staff live, or they would work remotely from home. During renovation, deferred maintenance in the existing AO would be addressed and money saved from avoiding new construction could be allocated to upgrades in amenities, green features and office space technology to support denser and more dynamic operations.	The AO demolishes its current building and rebuilds onsite to accommodate 100% of administrative personnel in office at any given time. The renovated AO would have an additional floor allowing for more programmed spaces per person or enabling some limited partnerships with other non-profit/governmental organizations or commercial entities. Amenities, green features, and office technology may be more modest than the S1 option to offset costs of construction.	The AO demolishes its current building and rebuilds onsite to accommodate 100% of administrative personnel in office at any given time. The renovated AO would have two additional floors to accommodate more MROSD programmed space and future growth as well as partnerships with non-profits/governmental organizations or commercial entities. Amenities, green features, and office technology may be more modest than the S1/S2 options to offset costs of constructing additional floors; however, they may also be the same if Type A office buildings are in high demand, affording increased investment in amenities that will be offset by rental income.
FUTURE SCENARIOS RATIONALE <ul style="list-style-type: none">SPACE QUALITY: Higher space quality - build less, build betterCOMMUTE DURATION: Commute duration stays the sameWORK FLEXIBILITY: Work flexibility (remote/flex hours/etc.) increases to accommodate smaller spaceSPACE QUANTITY: High density space for MROSD staff without extra for partnerEMBODIED ENERGY: Reuse existing space avoiding large-scale new constructionOPERATIONAL ENERGY: Selected system retrofits for increased efficiencySITE USE: Low development of the site, reducing site density pushing development elsewhere	<ul style="list-style-type: none">SPACE QUALITY: Space quality balanced with space quantityCOMMUTE DURATION: Commute duration stays the sameWORK FLEXIBILITY: Work flexibility (remote/flex hours/etc.) stays the same unless satellites are used (being considered separately)SPACE QUANTITY: 1/2 - 1 floor of partnering space availableEMBODIED ENERGY: Medium-level of construction using new materialsOPERATIONAL ENERGY: Full envelope and system redesigns for maximum efficiencySITE USE: Medium development of the site	<ul style="list-style-type: none">SPACE QUALITY: Space quality balanced with space quantityCOMMUTE DURATION: Commute duration stays the sameWORK FLEXIBILITY: Work flexibility (remote/flex hours/etc.) stays the same unless satellites are used (being considered separately)SPACE QUANTITY: 1 - 1-1/2 floor(s) of partnering space availableEMBODIED ENERGY: High-level of construction using new materialsOPERATIONAL ENERGY: Full envelope and system redesigns for maximum efficiencySITE USE: High development of the site, optimizing site density avoid development elsewhere
OTHER RATIONALE <ul style="list-style-type: none">EXPEDITE SATELLITES: Savings on space could expedite use of satellites through pressure on space needsCOMMUNITY ENGAGEMENT: Space limits opportunities for community engagement onsite unless satellites are used (being considered separately)WORK CONTINUITY: Disruption is shorter in duration but basically has the same impact as options S2/S3 since there would be a one-time move to another location before moving back in after significant renovations are made to the existing buildingCOST/VALUE: Lesser initial cost (\$3-6mil), but less value over time with no revenue generation from tenants	<ul style="list-style-type: none">EXPEDITE SATELLITES: Less pressure on space needs so limited incentive to invest in satellitesCOMMUNITY ENGAGEMENT: More opportunities for community engagement via dedicated community spaces; at a regional planning level, more opportunities for other organizations to work from the AO reducing office space needed elsewhere that could be used for housing insteadWORK CONTINUITY: Disruption is basically the same as S3 with some difference in duration of time relocatedCOST/VALUE: Greater initial cost (\$25-30mil), but has tenant revenue that creates value over time that would offset the initial investment; comes with some rental risk and additional admin time	<ul style="list-style-type: none">EXPEDITE SATELLITES: Least pressure on space needs and most financial pressure, reducing incentive for satellitesCOMMUNITY ENGAGEMENT: Largest opportunity to provide community engagement areas onsite; in keeping with local/regional direction to focus jobs and housing creation on transit corridors, sees MROSD as a key member of the Plan Bay Area effort to densify in Priority Development Areas, contributing to the overall community by providing maximum office area on-site, reducing the housing sprawl, which benefits the whole community as well MROSDWORK CONTINUITY: Disruption is basically the same as S2 with some difference in duration of time relocated; increased security in growth potential if actual growth exceeds FOSM projections in the futureCOST/VALUE: Greatest initial cost (\$35-45mil), but has maximum tenant revenue that creates large value over time to payback initial investments

NOTES:
MKThink Strategy Model includes 4 primary dimensions: Space Quantity, Space Operations (including location(s), work processes (remote, tech use, etc.)), Space Density & Space Quality. The combination of options within and across dimensions yields a total number of Solution Options available. Then, based on constraints certain options are filtered out and based on organizational goals/priorities/values certain options are prioritized. The options above represent 3 of 12 considered (Large/Med/Small, Stay/Go, Satellites/No Sat) exploring the Space Quantity option of Large/Medium/Small across different evaluation criteria.

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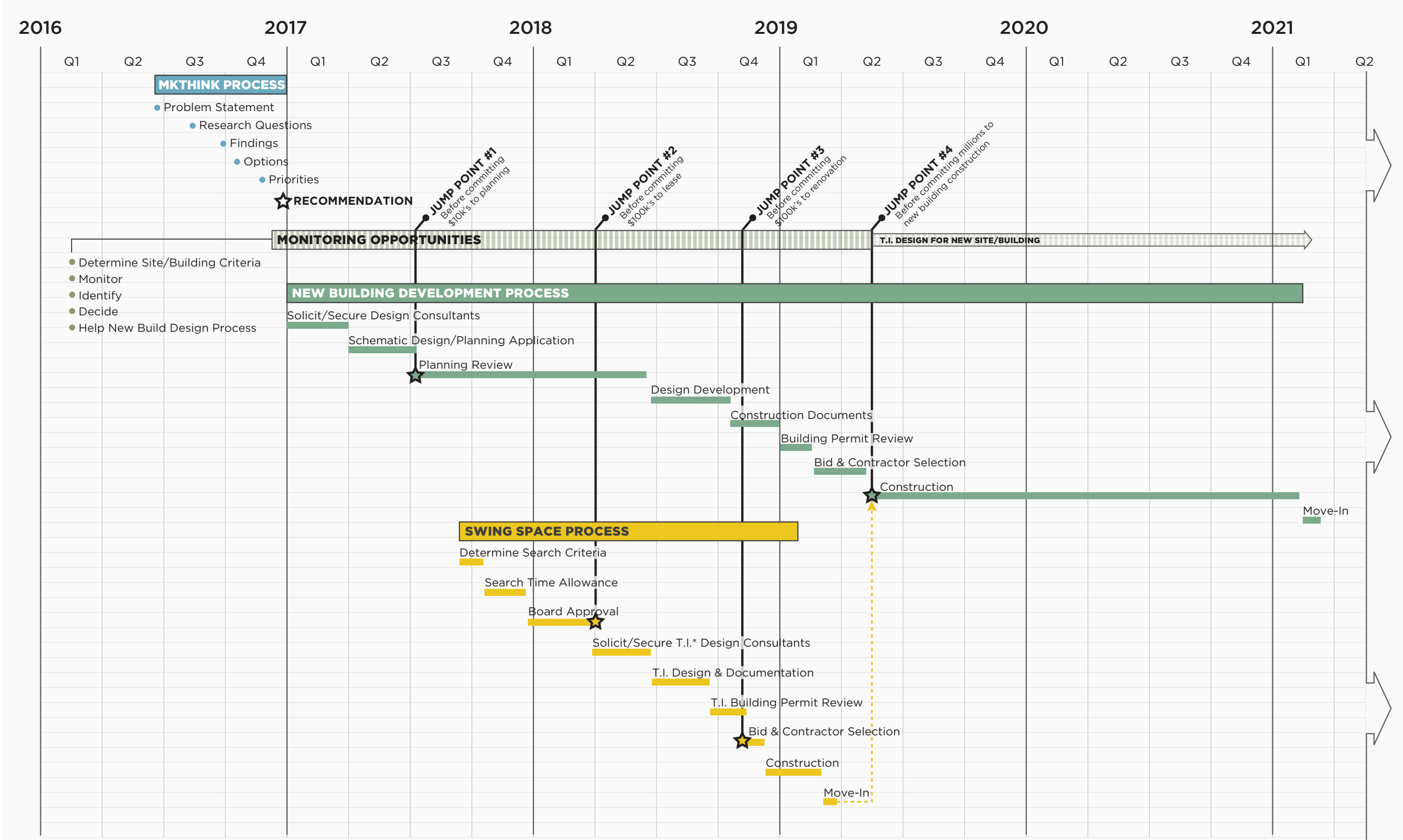
- Option Removed during 11/29 GMO meeting
- GMO Preferred Option

Updated: 11.22.16



MIDPENINSULA REGIONAL OPEN SPACE DISTRICT: NEW AO DEVELOPMENT PROCESS FLOWCHART

Attachment 5



Cost Analysis - Rebuild, Temporary Rental, and Rental Offset

12/13/2016 Revision 1

Abbreviations

RWC = Redwood City
LG = Los Gatos
ROI = Return on investment
SQ FT = Square Feet

MKThink Solution Options					
Solutions	AO Remodel or Rebuild Hard Costs	Soft and Other Costs (25%)	Cost for Temp Rental for 3 yrs	Total Cost	AO Rent Offset (1 Floor) over 30 yrs
2-story AO	\$24,205,000	\$6,051,250	\$4,487,987	\$34,744,237	\$0
3-story AO	\$35,844,000	\$8,961,000	\$4,487,987	\$49,292,987	\$36,266,739

Potential Satellite Costs and Offset					
Satellite Lease 5K SF in RWC for 30 yrs	Satellite Lease 5K SF in LG for 30 yrs	Total Satellite Cost	AO Rent Offset (1 Floor) over 30 yrs	Cost After Rent Offset	Comments
\$14,272,625	\$10,989,921	\$25,262,546	\$0	\$25,262,546	No rental offset w/2-story AO
\$14,272,625	\$10,989,921	\$25,262,546	\$36,266,739	(\$11,004,194)	3-story AO - ROI for extra floor achieved in 15 years (in today's dollars)

Temporary Rental during Construction						
Year	SQ FT	SQ FT Rate %3 Escalation	1-Year Sum	1- Year Cost for AO2 - AO4	Running Sum	Comments
1	12,000	\$8.00	\$1,152,000	\$300,000	\$1,452,000	Incl. minor T.I., doesn't include move cost, IT relo
2	12,000	\$8.24	\$1,186,560	\$309,000	\$2,947,560	
3	12,000	\$8.49	\$1,222,157	\$318,270	\$4,487,987	

Purchase and Remodel Elsewhere							
Location (Downtown Mountainview)	Cost per SQ FT	Desired SQ FT	Cost for Purchase	Cost to Remodel per SQ FT (higher end)	Cost for Remodel (w/30% soft and other costs)	Total Cost Purchase and Remodel	Comments
Non-Transit Oriented Development	\$966	30,000	\$28,984,200	\$200	\$7,800,000	\$36,784,200	Purchase cost based on real estate market study with 3% escalation; remodel cost from MKThink
Non-Transit Oriented Development	\$966	45,000	\$43,476,300	\$200	\$11,700,000	\$55,176,300	"
Transit Oriented Development	\$1,476	30,000	\$44,279,700	\$200	\$7,800,000	\$52,079,700	"
Transit Oriented Development	\$1,476	45,000	\$66,419,550	\$200	\$11,700,000	\$78,119,550	"