



Midpeninsula Regional  
Open Space District

R-17-38  
Meeting 17-08  
March 22, 2017

## AGENDA ITEM 12

### AGENDA ITEM

Proposed purchase of the West Valley Charter Lines Property as a potential new South Area Field Office, located at 240 Cristich Lane, Campbell, CA, Santa Clara County (Assessor's Parcel Number 412-32-014)

### GENERAL MANAGER'S RECOMMENDATIONS

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 purchase and sale agreement for the West Valley Charter Lines property at a cost of \$3,150,000.
3. Authorize the use of the General Fund Committed Infrastructure Reserve in the amount of \$2,900,000, plus a purchase deposit of \$250,000 covered by the FY2016-17 Real Property General Fund Capital budget.

### SUMMARY

The Midpeninsula Regional Open Space District (District) has a rare opportunity to purchase an industrial property in the City of Campbell that has the capacity to serve as a new South Area Field Office. Board authorization to utilize the General Fund Committed Infrastructure Reserve will provide necessary funding to proceed with the property purchase. Per the District Fund Balance Policy, the General Fund Committed Infrastructure Reserve may be utilized for the expansion of field and office facilities. The following report presents a description of the Property, the District's environmental review, purchase terms, and financial considerations.

### MEASURE AA

This is not a Measure AA project.

### DISCUSSION

Over the last several years, the District has evaluated its two main field offices in response to increasing operational and maintenance needs and challenges. In response to the successful passage of Measure AA in June 2014 and staffing recommendations from the 2015 Financial Operational Sustainability Model (FOSM), the District has seen a considerable increase in staff to accelerate project delivery, expand service delivery, and properly manage new public access facilities and open space preserves. The staff increase and the operational needs resulting from the opening of Mount Umunhum at Sierra Azul Open Space Preserve and the near term opening

of the Bear Creek Redwoods Open Space Preserve have warranted a larger, more functional field office located in the southern area of the District. The property for consideration is improved with a 5,600 square foot metal “butler style” building on a 29,480 square foot lot. The Land and Facilities, Visitor Services, Planning and Real Property Departments have inspected the property and confirmed that the available space, industrial zoning, and strategic location meet District needs. Staff quickly moved on bringing this rare opportunity before the Board for purchase consideration. The property is located just outside the District boundary, as there is no industrial space within the town of Los Gatos (the southernmost city within the District) and this is the next closest industrial area where the zoning can accommodate a field office/maintenance yard.

### **Site Advantages**

1. Central location offers great access and reduced travel time to South Area Preserves: Sierra Azul, El Sereno, St Joseph’s Hill and Bear Creek Redwoods.
2. Close proximity to where many District employees live.
3. Expedites new facility compared to developing on District open space lands.
4. Does not require the development of existing open space.
5. Estimated to be less costly than new development.
6. Municipal utility services and infrastructure are already available at the site.
7. Expansion potential exists, when needed, if adjacent private properties come up for sale.
8. Location can be accessed using multiple modes of transportation.
9. Offers opportunity for satellite office space for administrative staff.

### **Site Disadvantages**

1. Conditional Use Permit is required to use the site as a field office/maintenance yard.
2. Need to adapt to existing footprint.
3. Building interior needs a to be redesigned and reconstructed to meet the District’s planned uses.
4. Lot size may not work for the District’s largest equipment.
5. Unable to hold District public meetings as the site is outside of District boundaries.

### **Background**

Originally, for the South Area Field Office (SAO) Project, Planning had been investigating the feasibility of developing District land at the intersection of Hicks and Pheasant Roads in the Sierra Azul Open Space Preserve. Early investigations identified a number of complications, including: sloping topography; archaeological, drainage and cultural resource constraints; the need for new and expensive utility infrastructure (high-speed fiber internet \$483,873, water, sewer, electricity); zoning limitations; potential neighbor opposition; and extended time and complexity for the environmental review, permitting, and construction. Given the multitude of issues, Planning and Real Property reevaluated the approach and identified a different viable option. As a result, on December 13, 2016, the General Manager recommended to the Facilities Ad Hoc Committee that staff explore opportunities to purchase a suitable developed property for the SAO site. Given the lack of industrial areas in Los Gatos and nearby south area communities within the District, the General Manager recommended that this search extend to the adjacent Cities of Campbell and San Jose, which lie outside the District boundary. The District is empowered under Public Resources Code section 5540 to purchase property “within or without” the District’s boundaries.

After receiving Committee support, Real Property notified the real estate broker Colliers International of our property interest, provided specific parameters, and asked them to notify us

of any new or upcoming opportunities. To date, Colliers has identified three properties. Two of the properties were eliminated from consideration for a number of reasons (zoning, environmental contamination issues, high price, and size). The third property was brought to our attention in early February. After a quick office review, staff jumped on this opportunity before the property was exposed to the open market and was able to tour the site on February 11, 2017. At this tour, staff determined that the site could meet our needs. Staff then proceeded to bring this property back to the Facilities Ad Hoc Committee on February 16, 2017 for consideration. The Facility Ad Hoc Committee recommended forwarding the potential purchase to the full Board to consider its approval.

This property presents a rare opportunity to purchase an industrial building. Only 14 industrial parcels exist within the entire City of Campbell that could meet District requirements. Industrial space in the West Valley is very limited and in Campbell there is only 72,996 square feet of existing industrial space. Industrial buildings do not come up for sale very often. Regarding the market, the current vacancy rate for industrial space in Silicon Valley is 2.8% (4<sup>th</sup> Quarter 2016) and there is very little to no new industrial product being constructed in the West Valley.

#### **Property Description and Regional Context (see attached map)**

The 5,600 square foot building, constructed in 1960, is split at approximately 60% office space and 40% shop space. The office space within the building is in fair to poor condition and should be redesigned and reconstructed to better meet our needs. The lot itself is 29,490 square feet with a near zero setback for the existing building, which makes the open yard area very usable. The shop space is accessed via two 14-foot grade level rolling doors and is in fair condition. Cristich Lane is a private street with nine street parking spaces in front of the property. There is a 10,000 gallon underground diesel tank on the site that was installed in 1998 (this tank replaced an old tank and the owner secured regulatory closure for the old tank). This tank would offer utility to the District for its larger trucks and tractors. The site is improved with a storm water catchment system that was installed in 1992.

The property is located near the terminus of Cristich Lane. The adjacent property uses are industrial. The neighborhood is bounded to the north by Campbell Technology Parkway, to the south by E. McGlincy Lane, to the west by Highway 17, and to the east by Santa Clara Valley Water District (SCVWD) percolation ponds. Edith Morely Park is located northeast of the site and there are trails from this park that allow public access to the SCVWD percolation ponds.

The site has great access to the District's Sierra Azul, St. Joseph's Hill, and El Sereno Open Space Preserves via surface streets. Bear Creek Redwoods Open Space Preserve is easily accessed via Highway 17. The property is located in close proximity to Highway 17 and Highway 85.

#### **Land Use and Improvements**

The property is located within the City of Campbell's light industrial zoning area and zoned M1 (Light Industrial), which is the ideal zoning that the District needs for a field office/maintenance yard use. Uses such as Government offices, maintenance facilities, and equipment and material storage yards are allowable within this designation with a Conditional Use Permit (CUP). Based on preliminary discussions with the City, it appears that the District would need to secure a CUP to establish a maintenance facility with a storage yard. Office, truck terminal and warehouse uses would not require a CUP under this zoning designation. The need for a CUP would be confirmed during the due diligence period.

## USE AND MANAGEMENT

Not applicable

## CEQA COMPLIANCE

### Project Description

The project consists of the purchase of a 29,490 square foot property, located at 240 Cristich Lane in the City of Campbell. The property has a City of Campbell General Plan designation of Light Industrial, with a zoning designation of M-1 (Light Industrial).

The District is considering this purchase to provide the District with the opportunity to address long-term needs for a southerly field office and maintenance yard. For purposes of compliance with the California Environmental Quality Act (CEQA), the project is limited to the transfer of ownership at this time. Any activities such as remodeling or change in use of the property is subject to as-yet unprepared planning and design work. Such work will be evaluated for CEQA as the project description takes shape. This approval to pursue acquisition of the site will result in no direct or indirect changes to the environment triggering CEQA.

### CEQA Determination

The District concludes that this project will not have a significant effect on the environment. It is exempt from the California Environmental Quality Act (CEQA) under Article 19, Sections 15061 as follows:

Section 15061(b)(3) exempts projects where it can be seen with certainty that there is no possibility the activities may have a significant effect on the environment. The project is limited to the transfer of ownership. No plans for the occupancy of the property or redevelopment of this site have been developed. Any future redevelopment of the site would be subject to a separate review for compliance with CEQA and approval by the District and the City of Campbell.

## TERMS AND CONDITIONS

The purchase price and terms are as follows:

- Purchase Price: \$3,150,000
- Deposit: Initial deposit of \$50,000 (tied to 40-day contingency below and becomes non-refundable after first contingency is released) increased by \$200,000 to a total of \$250,000 after first contingency is released (tied to 140-day contingency extension for the CUP and becomes non-refundable after second contingency is released)
- Contingency periods: 40 days (for general conditions, i.e. environmental, title, etc.) plus a 140-day extension for a CUP (if required)
- Closing costs: As customary in Santa Clara County (seller pays but District will cover the costs of an extended ALTA title policy)
- Commission: 5% of purchase price to Colliers International (seller pays)
- Lease back: six months with two (3) month extensions.

The purchase price is regarded as fair market value for the site. This site in particular has a large yard area, which is advantageous to the District and is rare in the market. The purchase price of

this property is \$106 per square foot based on the land. This property falls within the comparable sales range of \$82 to \$112 per square foot of land for like properties in Campbell.

The seller has requested a leaseback provision so that he may remove all personal property from the site. Under the leaseback option, the seller would pay the District \$10,000 a month NNN (tenant pays all expenses) with \$2,500 rent increases if the three-month extensions are needed. The seller would provide a \$20,000 security deposit to the District for compliance with all lease terms, including the removal of all personal property to the District's standards.

### **FISCAL IMPACT**

The total property purchase amount is \$3,150,000. If the purchase of the Subject Property is approved, it is requested that the Board authorize the use of the General Fund Committed Infrastructure Reserve. The fiscal impact to the General Fund Committed Infrastructure Reserve will be \$2,900,000. The total deposits of \$250,000 will be covered by the FY2016-17 Real Property option/deposit capital budget (Fund 40 – General Fund).

West Valley Charter Line Property Purchase Amount	\$3,150,000
Total Land purchases approved to date for FY 2016-2017	\$2,389,000
Total Land Purchases (if approved)	\$5,539,000

It is estimated that approximately \$135,000 in funds will be needed for the due diligence and CUP application associated with this purchase. The cost estimates include the following: Architect for CUP application and basic design drawings, \$50,000; Phase 1 and Phase 2 environmental study, \$30,000; ALTA (American Land Title Association) and topographic survey, \$25,000; extended coverage ALTA title policy, \$10,000; and contingency, \$20,000. There are sufficient funds in the Real Property and Planning budgets to cover these costs.

If purchased, additional funds for site improvements and office redesign will need to be allocated. It is difficult to budget for these costs now but they may exceed \$1,000,000. If we close escrow, the work would include planning, designing and permitting the improvements while the seller is leasing back the site. Under this scenario, work could begin as soon as March 2018 (dependent on the leaseback term), with a proposed budget included in FY2017/18 of the proposed three-year CIP to be considered by the Board in May 2017.

The District Controller has reviewed the financial viability of the proposed purchase, found that it is consistent with the District's long-term financial model and infrastructure reserves, and has approved the purchase.

### **BOARD COMMITTEE REVIEW**

The Facilities Ad Hoc Committee reviewed this item on February 16, 2017.

### **PUBLIC NOTICE**

All notice required by the Brown Act has been provided.

**NEXT STEPS**

Upon approval by the Board of Directors, staff would proceed with due diligence investigations and begin working on site plans for a CUP application (if needed). After the close of escrow, staff would begin planning the site improvements and design plans.

Attachments:

1. Resolution Authorizing Acceptance of Purchase and Sale Agreement, Authorizing use of the General Fund Committed Infrastructure Reserve, Authorizing General Manager or Other Officer to Execute Certificate of Acceptance of Grant to District, Authorizing General Manager to Execute any and all Other Documents Necessary or Appropriate to Closing of the Transaction.
2. Location Maps

Responsible Department Manager:  
Michael Williams, Real Property Manager

Prepared by:  
Allen Ishibashi, Senior Real Property Agent  
Tina Hugg, Senior Planner

Contact person:  
Allen Ishibashi, Senior Real Property Agent

Graphics prepared by:  
Jaime Hawk, GIS Data Analyst I  
Nathan Greig, GIS Technician

**RESOLUTION 17-\_\_**

**RESOLUTION OF THE BOARD OF DIRECTORS OF MIDPENINSULA REGIONAL OPEN SPACE DISTRICT AUTHORIZING ACCEPTANCE OF PURCHASE AND SALE AGREEMENT, AUTHORIZING USE OF THE GENERAL FUND COMMITTED INFRASTRUCTURE RESERVE, AUTHORIZING GENERAL MANAGER OR OTHER APPROPRIATE OFFICER TO EXECUTE CERTIFICATE OF ACCEPTANCE OF GRANT TO DISTRICT, AUTHORIZING GENERAL MANAGER TO EXECUTE ANY AND ALL OTHER DOCUMENTS NECESSARY OR APPROPRIATE TO CLOSING OF THE TRANSACTION (240 CRISTICH LANE, CAMPBELL, CA), AND AMEND THE BUDGET FOR FISCAL YEAR 2016-17.**

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

**SECTION ONE.** The Board of Directors of Midpeninsula Regional Open Space District (District) does hereby accept the offer contained in that certain Purchase and Sale Agreement between West Valley Charter Lines, Incorporated, a California corporation, and the Midpeninsula Regional Open Space District, a copy of which purchase and settlement agreement is attached hereto and by reference made a part hereof, and authorizes the President of the Board of Directors, General Manager, or other appropriate officer to execute the Agreement and all related transactional documents on behalf of the District to acquire the real property described therein (“Subject Property”).

**SECTION TWO.** The Board of Directors of Midpeninsula Regional Open Space District authorizes the expenditure of \$3,150,000.00 covering the purchase of the Subject Property, including a deposit of \$250,000.00.

**SECTION THREE.** The Board of Directors of Midpeninsula Regional Open Space District authorizes the use of the General Fund Committed Infrastructure Reserve in the amount of \$2,900,000.00.

**SECTION FOUR.** The General Manager, President of the Board of Directors, or other appropriate officer is authorized to execute a Certificate of Acceptance for the Grant Deed on behalf of the District.

**SECTION FIVE.** The General Manager or the General Manager’s designee is authorized to provide notice of acceptance to the seller, sign all escrow documents and to extend escrow if necessary.

**SECTION SIX.** The General Manager or the General Manager’s designee is authorized to expend up to \$135,000.00 to cover the cost of title insurance, escrow fees, consultants and other miscellaneous costs related to this transaction.

**SECTION SEVEN.** 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.

\* \* \* \* \*

PASSED AND ADOPTED by the Board of Directors of the Midpeninsula Regional Open Space District on \_\_\_\_\_, 2017, 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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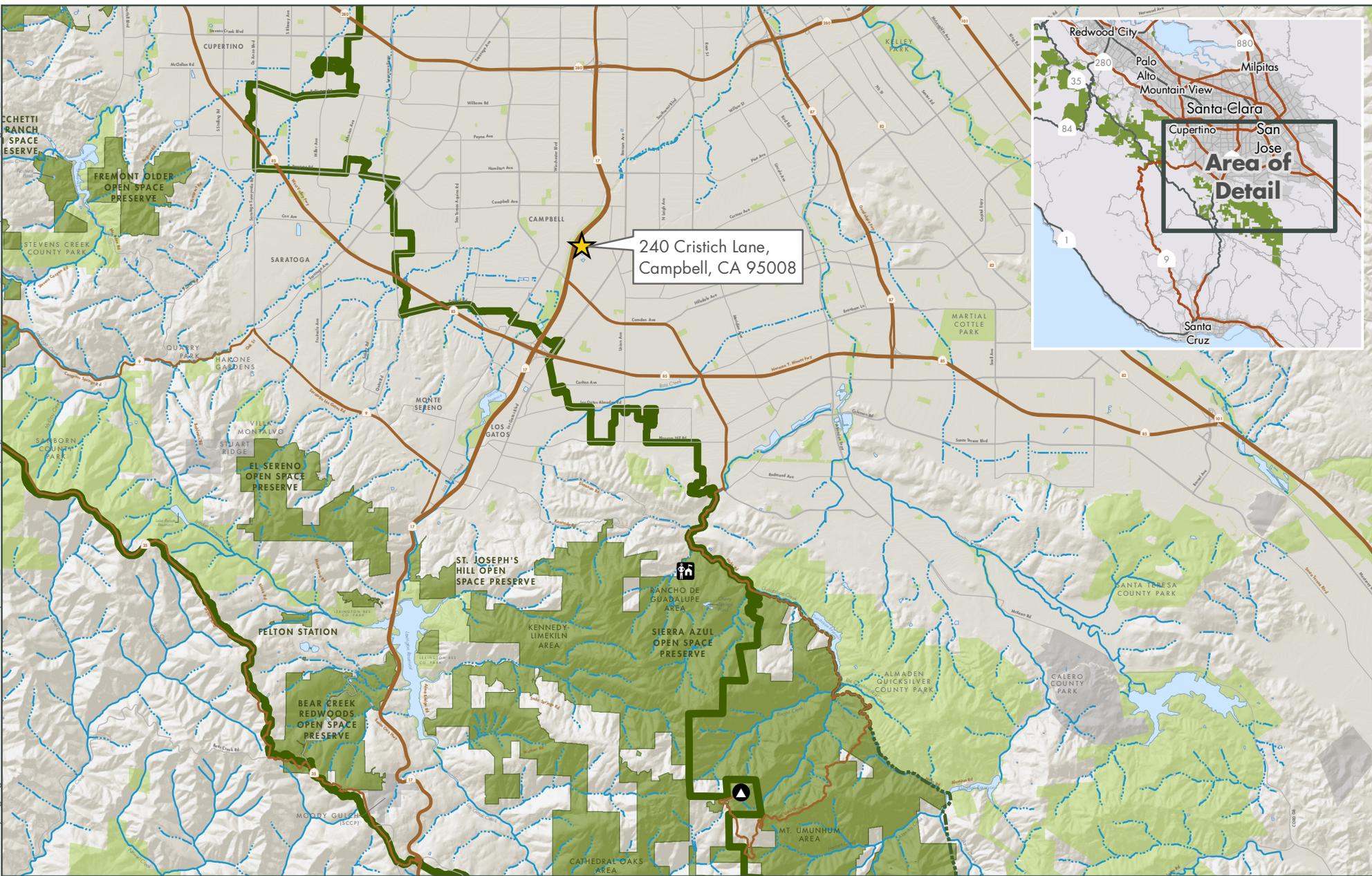
General Counsel

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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### 240 Cristich Lane, Campbell, CA 95008

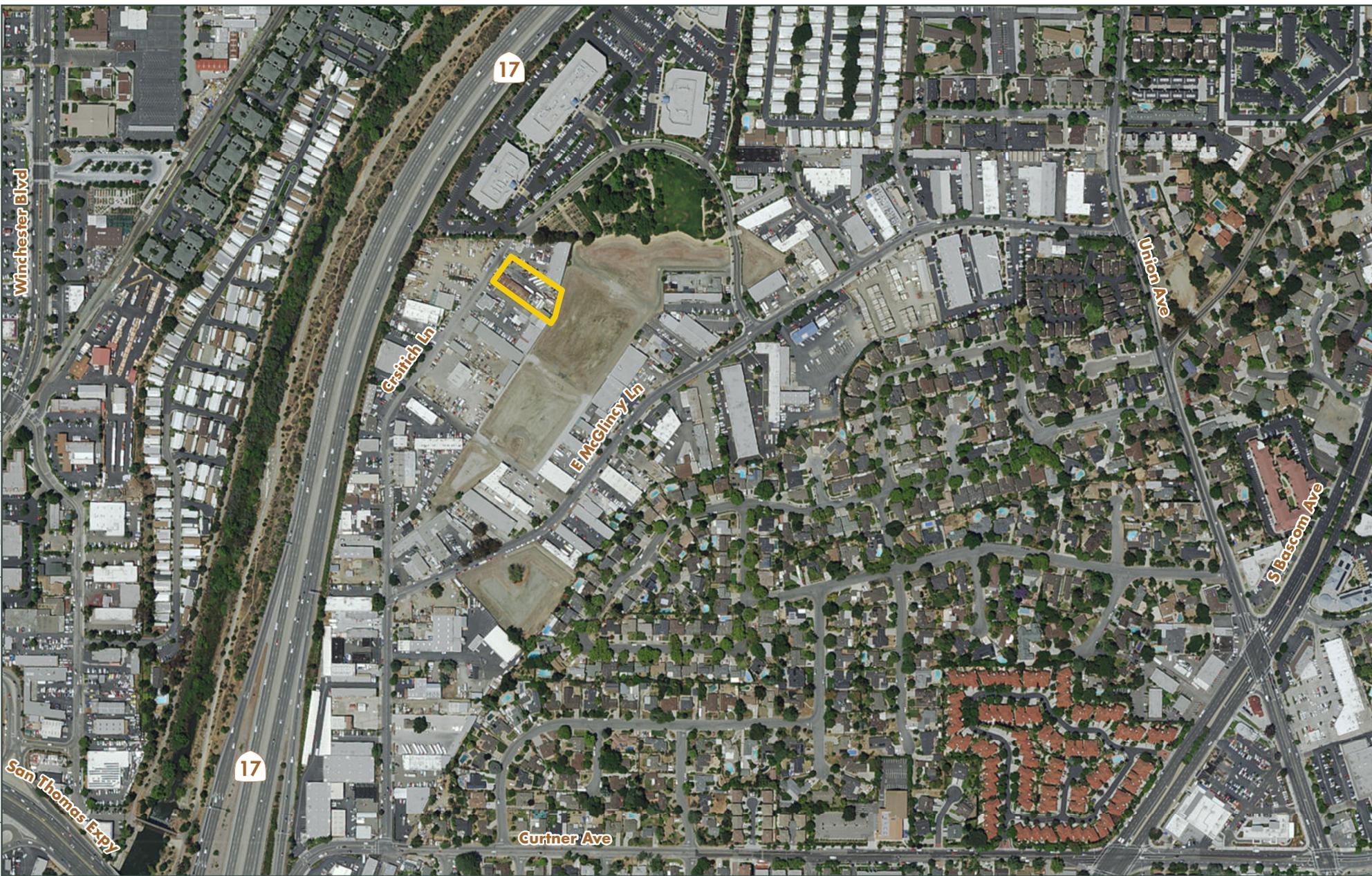
- MROSD Preserves
- Other Protected Lands
- Private Property

Midpeninsula Regional  
Open Space District  
(MROSD)  
March 2017



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

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### 240 Cristich Lane, Campbell, CA 95008

 240 Cristich Lane

Midpeninsula Regional  
Open Space District  
(MROSD)  
March 2017



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