



Midpeninsula Regional
Open Space District

R-18-151
Meeting 18-42
December 12, 2018

AGENDA ITEM 5

AGENDA ITEM

Office Lease Extensions between Wellington Park Investors and Midpeninsula Regional Open Space District at 4984 El Camino Real, Los Altos, Suites 100 and 115 for Administrative Office Use.

GENERAL MANAGER'S RECOMMENDATIONS *dem*

1. Determine that the recommended actions are categorically exempt from the California Environmental Quality Act (CEQA), as set out in the report.
2. Adopt a Resolution authorizing the General Manager to enter into office lease extensions with Wellington Park Investors.

SUMMARY

The General Manager recommends adopting the attached Resolution (Attachment 1) to enter into new office lease addendums for Suites 100 and 115 at 4984 El Camino Real, Los Altos, extending the lease terms through the spring of 2022. Suite 100 contains 1,564 square feet and the lease would extend three years and two months to March 31, 2022. Suite 115 contains 3,520 square feet and the lease would extend three years and three months to June 30, 2022. The lease extensions are projected to end upon completion of the new Administrative Office remodel project at 5050 El Camino Real, Los Altos, including staff relocation time. The following report presents a description of the proposed lease extensions, background, the environmental review findings, and terms. The current fiscal year budget includes sufficient funds for the rental rate increase through June 30. Future fiscal year budgets would reflect the new annual rates.

DISCUSSION

5050 El Camino Real, Los Altos (New Administration Building)

In July of 2017, the Midpeninsula Regional Open Space District (District) entered into a purchase contract for the 39,010 square foot office building at 5050 El Camino Real, Los Altos to serve as the new administrative office (R-17-90). The property at 5050 El Camino is a multi-tenant office building and requires significant remodel work and layout reconfiguration before District use can begin. The remodel is estimated to be done by March 2022.

Administrative Office (AO) 2 (Suite 115)

In the interim to accommodate staff growth, the District has leased 3,520 square feet of office space at 4984 El Camino Real, suite 115 in Los Altos since February of 2013 (R-13-24). The term of this lease was four years with one, 2-year option to renew. Under the General Manager's authority, the District exercised its 2-year option to renew the lease in July of 2016 for a lease

extension up to March 31, 2019. The current rent paid under the lease is \$13,217 per month (\$3.76 per square foot) or \$158,604 annually.

Administrative Office 3 (Suite 100)

Also in the interim to accommodate staff growth, the District has leased 1,564 square feet of additional office space in the same building, in Suite 100, since January 2015 (R-15-04). The term of this lease was four years with one, 2-year option to renew. Although a 2-year option to renew the existing lease is available, staff negotiated a better arrangement for a three-year plus two-month extension to more closely match the estimated construction timeline for 5050 El Camino Real and the timeline for the lease at Suite 115. The current rent paid under this lease is \$6,010 per month (\$3.84 per square foot) or \$72,120 annually.

Office Space Rental Market

The demand for office space in the area surrounding the District's Administrative Office (330 Distel Circle, Los Altos) continues to be very strong and rental rates are increasing in the Mountain View/Los Altos submarket. According to the 2018 Third Quarter (Q3) San Francisco Peninsula Research and Forecast Report prepared by Colliers International, the total vacancy for class B/C office space within the Mountain View/Los Altos submarket is 3.10%. The average asking rental rate is \$5.69 per square foot on a full service basis (includes all operating expenses). Given the current office space rental market, the negotiated leases remain in the best interest of the District pending the remodel and relocation into the new administrative office building.

TERMS AND CONDITIONS

Administrative Office 2 (Suite 115)

Under the proposed lease extension, the rent would increase from \$13,217 to \$15,840 per month with 3% annual increases thereafter. The term would be three years and three months, ending on June 30, 2022. The District would receive one month of free rent, which drops the effective rent of \$4.50 per square foot to at \$4.12 per square foot for the first year. The final rent year under the lease would be 15 months at \$4.50 per square foot (rent would remain the same for the last 15 months). The District would also have a one-year option to extend the lease. Finally, the number of guaranteed parking spaces would drop from 15 to 6, with the remainder as first-come-first-serve, to match the existing AO3 and AO4 leases, which should not be an issue for the District.

Administrative Office 3 (Suite 100)

Under the proposed lease extension, the rent would increase from \$6,010 to \$7,038 per month with 3% annual increases thereafter. The term would be three years and two months, ending on March 31, 2022. The District would receive one month of free rent, which drops the effective rent from \$4.50 per square foot to at \$4.12 per square foot for the first year. The final rent year under the lease would be 14 months at \$4.50 per square foot (rent would remain the same for the last 14 months). The District would also have a one-year option to extend the lease.

FISCAL IMPACT

The total costs for both lease extensions for the full term is estimated at \$966,278 (includes electricity cost estimates). The current fiscal year budget includes sufficient funds for the

increase in rate through June 30. Future fiscal year budgets would include the yearly rental cost for the lease space. A chart outlining the fiscal year cost breakdown is below:

Fiscal Year	Suite 100 (AO3)*	Suite 115 (AO2)*	Totals
July 1, 2018 to June 30, 2019**	\$74,884	\$161,356	\$236,240
July 1, 2019 to June 30, 2020	\$90,164	\$202,012	\$292,176
July 1, 2020 to June 30, 2021	\$92,870	\$208,032	\$300,902
July 1, 2021 to June 30, 2022	\$72,209	\$212,889	\$285,098
Totals	\$330,127	\$784,289	\$1,114,416

*includes electricity cost estimates (\$0.25 per square foot per month)

** includes current lease term costs

BOARD COMMITTEE REVIEW

This item was not previously reviewed by a Board Committee.

PUBLIC NOTICE

Public notice was provided as required by the Brown Act.

CEQA COMPLIANCE

Project Description

The proposed project consists of renewing existing office space leases with Wellington Park Investors for a total of 5,085 square feet of office space at 4984 El Camino Real, Suites 100 and 115, 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 extensions involve 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, staff would execute the office lease extensions with Wellington Park Investors per the terms and conditions described in this report.

Attachments:

1. Resolution Approving Lease Extensions with Wellington Park Investors for Office Space at 4984 El Camino Real, Suites 100 and 115, Los Altos, Authorizing the General

Manager or other Appropriate Officer to Execute Lease Extensions and any and all other Documents Necessary or Appropriate to complete the Transaction and Authorizing the General Manager to Negotiate and Approve all Subsequent Lease Options

2. Project Location Map

Responsible Department Manager:
Michael Williams, Real Property Manager

Prepared by:
Allen Ishibashi, Sr. Real Property Agent

Graphics prepared by:
Jamie Hawk, GIS Data Analyst

RESOLUTION 18-__

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 LEASE ADDENDA AT 4984 EL CAMINO REAL, LOS ALTOS FOR SUITES 100 AND 115 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

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 addenda with Wellington Park Investors for office space at 4984 El Camino Real, Suites 100 and 115, Los Altos.

SECTION TWO. The General Manager or the General Manger’s designee is hereby authorized to negotiate and approve the exercise of subsequent one-year lease options as set forth in the Lease Addendums for suites 100 and 115. 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 addenda that do not involve any substantial changes to any terms of the agreements, and which are necessary or appropriate to the closing or implementation of these transactions.

* * * * *

PASSED AND ADOPTED by the Board of Directors of the Midpeninsula Regional Open Space District on _____, 2018, at a Regular Meeting thereof, by the following vote:

- AYES:
- NOES:
- ABSTAIN:
- ABSENT:

ATTEST:

APPROVED:

Secretary

President

Board of Directors

Board of Directors

APPROVED AS TO FORM:

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.

District Clerk

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Leased Office Space

- Current main Administrative Building: 330 Distel Circle, Los Altos
- Future Administrative Building: 5050 El Camino Real, Los Altos
- AO2 Lease Space: 4984 El Camino Real, Los Altos
- AO3 Lease Space: 4984 El Camino Real, Los Altos

Midpeninsula Regional
Open Space District
(MROSD)
November 2018



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.