



Midpeninsula Regional  
Open Space District

R-22-04  
Meeting 22-02  
January 12, 2022

## AGENDA ITEM 4

### AGENDA ITEM

Authorization and Delegation to the General Manager for making Property Management Decisions at the new Administrative Office building located at 5050 El Camino Real, Los Altos (Assessor's Parcel Number 170-04-054)

### GENERAL MANAGER'S RECOMMENDATIONS *den*

1. Adopt a Resolution authorizing and delegating authority for property management decisions to the General Manager for the new Administrative Office building at 5050 El Camino Real and authorizing the General Manager to select and hire commercial real estate brokers.
2. Determine that the recommended actions are categorically exempt under the California Environmental Quality Act (CEQA), as set out in the staff report.

### SUMMARY

The General Manager recommends that the Midpeninsula Regional Open Space District (District) Board of Directors (Board) authorize and delegate authority for property management related decisions for the new Administrative Office building to the General Manager. The property management related decisions would include, but are not limited to:

1. Marketing available spaces, selecting tenants, and negotiating and executing office leases consistent with State law and Board policy (as detailed below).
2. Selecting, utilizing and compensating commercial real estate brokers to aid in the marketing and leasing of the available spaces.
3. Making routine property management decisions such as executing future lease renewals, sublease approvals, and evictions.

### DISCUSSION

The District purchased the 39,010 square foot office building (New AO) at 5050 El Camino Real, Los Altos on February 1, 2019 ([R-17-90, minutes](#)). The New AO was purchased to meet current and long-term business needs of the District. As the District does not currently need all of the space within the New AO, there is leasable office space available. Per the current plans approved by the Board on January 20, 2021 ([R-21-09, minutes](#)), the District has the ability to lease up to four suites on the first floor containing approximately 16,421 rentable square feet.

State law provides that District property may be leased for a term of up to 25 years, with an express provision in the lease that should the Board determine to use the property for District purposes, the lease may be terminated. Board Policy 4.02, *Improvements on District Lands*, also provides that the District occasionally utilizes structures as revenue sources. Board policy provides that revenue-generating structures are evaluated on a case-by-case basis by the Board, and generally to be rented out at fair market value.

### Office Leasing Strategy

The office leasing strategy is to maximize lease income to the District by leasing out available space in the New AO to commercial office tenants. It is anticipated that lease terms will vary from two (2) to five (5) years based on market demand and rent will be approximately \$5.00 per square foot with full service (landlord pays all operating expenses, which is estimated to be approximately 20% of gross revenue). The goal is to stagger the lease termination dates so that the District can readily move into one of the suites when additional space is needed in the future. The goal is to begin marketing the available spaces in January 2022 and to execute leases within three (3) to six (6) months.

Real Property staff has consulted with and walked the lease spaces with several commercial real estate brokers that specialize in office space within the Los Altos-Mountain View submarket, and based on the location of the New AO, the build out, and current leasing activity, they feel confident there will be interest in the spaces and that market rent is approximately \$5.00 per square foot. The day-to-day property management duties are expected to be handled by District staff. The table below outlines the expected lease income for the first fully leased year, and an income estimate for the next three fiscal years is provided in the Fiscal Impact section further below.

Suite	Rentable Square Footage	Lease Rate (Full Service)	Annual Gross Rent
141	2,032	\$5.00	\$121,920
143	2,792	\$5.00	\$167,520
144	2,967	\$5.00	\$178,020
East Side	8,630	\$5.25	\$543,690
<b>Totals</b>	<b>16,421</b>		<b>\$1,011,150</b>

As it is difficult to market commercial office space, commercial office brokers are typically utilized. It is anticipated that the District would engage with a commercial broker to aid in the marketing and leasing of the available office space. The standard commission rate involving commercial brokers is 9% of the total lease value (3% to the listing broker and 6% to the tenant's broker).

Authorizing and delegating authority to the General Manager to conduct the property management activities related to the New AO will significantly reduce the administrative burden on District Real Property staff and allow the District to efficiently respond to the market at the "speed of business" in order to maximize lease income. The Board's delegation of this authority is specific to this particular property and is broader than the general authority delegated to the General Manager in Board Policy 4.02 as it pertains to leasing out District property. Under this delegated authority, the General Manager would abide by State law requirements and Board policy regarding the leasing of public agency property.

An annual property management report for the New AO will be provided to the Board that outlines the lease income and other pertinent details starting in January of 2023 to keep the Board apprised of leasing activities and income.

## CEQA COMPLIANCE

### Project Description

The project consists of leasing up to 16,421 square feet of office space in an existing office building.

### 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, Section 15301 as follows:

Section 15301 exempts the operation, repair, maintenance, permitting, leasing, licensing, or minor alteration of existing public or private structures, facilities, or topographical features, involving negligible or no expansion of existing or former use. The project is limited to the leasing of office space in an existing office building.

## FISCAL IMPACT

A projection of the lease income over the next three fiscal years is in the chart below. However, these estimates are subject to market conditions that can be unpredictable.

Fiscal Year	Rentable SF	Lease Rate	Gross Income	Estimated Expenses**	Net Income
21-22*	16,421	\$5.00	\$0	\$0	\$0
22-23	16,421	\$5.15	\$1,014,879	\$202,975	\$811,904
23-24	16,421	\$5.30	\$1,044,439	\$208,887	\$835,552
<b>Totals</b>			<b>\$2,059,318</b>	<b>\$411,862</b>	<b>\$1,647,456</b>

\* No income is anticipated through end of June 2022 given the estimated lease-up time of three (3) to six (6) months.

\*\* Estimated at 20% of gross revenue.

The standard commission rate involving commercial brokers is 9% of the total lease value (3% to the listing broker and 6% to the tenant's broker). These costs are incurred at the time of lease execution and they are negotiable. If the gross income projections are accurate above and the commission rate is 9%, the District would expect to incur approximately \$90,000 in broker commissions in FY22-23 (one-time cost).

## BOARD AND COMMITTEE REVIEW

This item was not presented to the Real Property Committee.

## PUBLIC NOTICE

Property owners located adjacent to or surrounding the subject Property have been mailed or emailed a copy of the agenda for this meeting. Accordingly, all notice required by the Brown Act and District policy has been provided.

## NEXT STEPS

Upon approval by the Board, staff would proceed with marketing the available lease spaces and working to execute leases.

### Attachments:

1. Resolution Authorizing and Delegating Authority to the General Manager or General Manager's Designee to make all property management decisions for the New AO building at 5050 El Camino Real, Los Altos and to hire any needed commercial real estate brokers
2. Location Map

Responsible Department Manager:  
Michael Williams, Real Property Manager

Prepared by:  
Allen Ishibashi, Sr. Real Property Agent

Graphics prepared by:  
Nathan Greig, Data Analyst II

**RESOLUTION 22-\_\_**

**RESOLUTION OF THE BOARD OF DIRECTORS OF MIDPENINSULA REGIONAL OPEN SPACE DISTRICT AUTHORIZING AND DELEGATING AUTHORITY TO THE GENERAL MANAGER OR OTHER APPROPRIATE OFFICER TO MAKE PROPERTY MANAGEMENT DECISIONS RELATED TO THE NEW ADMINISTRATIVE OFFICE BUILDING LOCATED AT 5050 EL CAMINO REAL, LOS ALTOS, AUTHORIZING THE GENERAL MANAGER TO HIRE COMMERCIAL REAL ESTATE BROKERS, AND AUTHORIZING THE GENERAL MANAGER TO EXECUTE LEASES AND OTHER DOCUMENTS NECESSARY OR APPROPRIATE TO LEASE AND MANAGE THE NEW ADMINISTRATIVE OFFICE BUILDING LOCATED AT 5050 EL CAMINO REAL, LOS ALTOS.**

**WHEREAS**, California Public Resources Code section 5540 provides that the District may hold, use, enjoy, and lease or dispose of real and personal property of every kind, and rights in real and personal property, within or without the district, necessary to the full exercise of its powers; and

**WHEREAS**, California Public Resources Code section 5563 provides that District property may be leased for a term not exceeding 25 years with an express provision in the lease that should the board determine to use the lands for park, open-space, or other district purposes, the lease shall thereby be terminated; and

**WHEREAS**, the Board of Directors wishes to authorize the General Manager to conduct property management activities related to commercial space at the New Administrative Office located at 5050 El Camino Real, which delegation will reduce the administrative burden on District staff and the Board, and allow the District to efficiently market this commercial property in order to maximize lease income.

NOW THEREFORE, 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 authorize and delegate authority to the General Manager, or General Manager’s designee, to make property management related decisions for the New Administrative Office Building located at 5050 El Camino Real, Los Altos (“New AO”) and to select, hire and compensate commercial real estate brokers as needed.

**SECTION TWO.** The General Manager or General Manager’s designee is authorized to execute leases and other related documents on behalf of the District for the New AO. The Board expressly waives the provisions of Board Policy 4.02, *Improvements on District Lands*, as they pertain to the New AO, to the extent that they conflict with the authority delegated herein.

\* \* \* \* \*

PASSED AND ADOPTED by the Board of Directors of the Midpeninsula Regional Open Space District on \_\_\_\_\_, 2022, 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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Hilary Stevenson, 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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Jennifer Woodworth, District Clerk



## 5050 El Camino Real, Los Altos

-  New Administrative Office at 5050 El Camino Real
-  Current Administrative Office at 330 Distel Circle

Midpeninsula Regional  
Open Space District  
(Midpen)  
11/4/2021



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