



Midpeninsula Regional
Open Space District

R-17-08
Meeting 17-02
January 25, 2017

SPECIAL MEETING AGENDA ITEM 1

AGENDA ITEM

Selection of Preferred Option for the New Administrative Main Office Project

GENERAL MANAGER'S RECOMMENDATION

Select one of the Facilities Ad Hoc Committee's recommendations regarding proposed options for a new Administrative Office:

1. Majority recommendation: Construct a new, three-story office building at the existing location with a rooftop common area.
2. Minority recommendation: Construct a new, two-and-a-half story office building, with half of the third floor to be used as non-office/common area, e.g. meeting room, kitchen, cafeteria, and the other half as an open rooftop common area.

SUMMARY

The Midpeninsula Regional Open Space District (District) executed a contract with a futurist / architectural strategist, MKThink, to help determine the optimal Administration Office (AO) option to solve short- and long-term space needs. MKThink worked with a staff project team, the General Manager's Office (GMO), and the Facilities Ad Hoc Committee (Committee) to assess the operational culture of the District, evaluate forces that influence how the District delivers its mission in the future, consider various future scenarios that the District may face, and propose solutions that address those futures. MKThink conducted a charrette with the GMO and presented the products of the charrette and the concluding GMO's recommendation for a three-story building to the Committee on December 13, 2016. The Committee's opinions were divided, resulting in two Committee recommendations for Board consideration: (1) a majority recommendation for a new, three-story building and (2) a minority recommendation for a new, two-and-a-half-story building.

MEASURE AA

This is not Measure AA project.

DISCUSSION

On November 18, 2015, District staff presented a Staff Facilities Opportunities and Constraints Analysis Report describing the existing conditions of the District's four main staff facilities and recommended actions (R-15-157). The report confirmed the Administrative Office (AO) lacked capacity to accommodate additional staff growth and ran the risk of inhibiting the District's

ability to ramp up its project delivery capacity to fulfill Measure AA commitments. Following the November meeting, staff conducted a site feasibility of the existing AO site and a surrounding real estate market study, and hired a futurist / architectural strategist, MKThink. The Board of Directors approved the formation of a Facilities Ad Hoc Committee (Committee) (R-16-102), which has met four times over the last five months to review MKThink's work and arrived at recommendations for full Board consideration.

The attached Board FYIs (see Attachments 6 – 9) provide details on the materials prepared to date and Committee discussions. The FYIs and other supporting materials were issued to the full Board after each Committee meeting to ensure that the full Board remained up to date with Committee work and with project progress (if hard copies of the supporting materials are desired, please contact District Clerk Jennifer Woodworth).

At the Committee's most recent meeting of December 13, 2016, MKThink presented the following three refined real estate solutions for the AO (see Attachments 1, 2 and 3).

1. **One-story option** – very dense work station layout, relies on satellite offices to accommodate future growth, infeasible to meet parking requirements. (Note: the site already lacks sufficient parking for the current number of employee and fleet vehicles.)
2. **Two-story option** – accommodates current staffing and future projected staff growth, but constrains the room and flexibility to accommodate unanticipated future growth and to creatively plan and design. Eliminates the need for satellite offices; requires underground parking.
3. **Three-story option** – like two-story option; also includes space for revenue generation to substantially offset construction costs; allows room and flexibility to creatively plan and design; provides greatest assurance to accommodate 40+ years of future growth; maximizes site development potential for El Camino Real corridor; provides opportunities for partner and/or community space; offers opportunity to increase internship and volunteer programs accommodates space to hold employee and volunteer trainings, District events, all-staff meetings onsite.

As part of the presentation, the GMO discussed its recommendation for a third-story option given its many long-term benefits and opportunities for the District and the community at large (see Attachment 9). The GMO also highlighted its support for a rooftop common area that could accommodate outdoor meeting areas, picnic spaces, and/or demonstration gardens. Staff is confirmed with the City of Los Altos the ability to access the rooftop on a three-story building under current height limits set by zoning code. In addition, staff presented the findings of a cost analysis (see Attachment 4) that looks at potential rough order-of-magnitude costs for the various options, including renting temporary space while a new AO building is under construction.

The Committee discussed in detail the three options and did not support the one-story option due to its density and reliance on satellites. In addition, the highly likely inability to meet Town of Los Altos parking requirements essentially eliminated this option from further consideration.

Committee Recommendations

In the end, the Committee voted to forward two recommendations for Board consideration:

Majority recommendation: Construct a three-story option with a rooftop common space on top of the third floor.

Minority recommendation: Construct a two-and-a-half story option with two floors of dedicated office space and, above that, half of the third floor for use as a common area that may include a kitchen, cafeteria, and/or meeting rooms. The second half of the third floor would be open rooftop common space.

Looking Forward

MKThink developed a process flowchart (see Attachment 5) that describes the anticipated steps and timeline to implement the project. The flowchart identifies key “jump points” in the process that would allow the Board to change the direction of the project in the event that a suitable office building becomes available for purchase.

This is the first of many decisions that the Board will need to make for the new building. This first decision will define the scale of the project to continue early consultations with the City of Los Altos and to help set the basic program parameters that will be included in a Request for Qualifications and Proposals for architectural design services. Other upcoming decisions will focus on the quality and range of desired amenities, the desired character and aesthetic of the building, as well as conceptual and schematic designs.

FISCAL IMPACT

The FY2016-17 budget includes \$120,000 for the Administrative Office Project (Project #31202). Remaining funds are sufficient to begin implementation of the design phase if a Board decision is reached.

	FY2016-17
Project #31202 Budget	\$120,000
Spent to Date (as of 11/22/16):	\$40,017
MKThink Contract Balance:	\$9,983
MKThink Amended Contract Amount:	\$19,000
Budget Remaining (Proposed):	\$51,000

BOARD COMMITTEE REVIEW

The Committee met on August 29, September 12, October 17, and December 13, 2016 (see attached Board FYIs), asked clarifying questions, provided direction and input, and arrived at recommendations for full Board consideration.

PUBLIC NOTICE

Public notice was provided as required by the Brown Act.

CEQA COMPLIANCE

This item is not a project subject to the California Environmental Quality Act (CEQA). CEQA review is required and will be completed prior to awarding a construction contract.

NEXT STEPS

Following Board approval, the General Manager will direct staff to begin drafting a Request for Qualifications/Proposals (RFQP) for architectural design services. The conceptual program and other elements will be presented to the full Board for review and approval prior to issuance of the RFQP.

Attachments:

1. January 25, 2017 Future of the AO Scenarios & Conceptual Solutions
2. January 25, 2017 Solutions Options Detailed
3. January 25, 2017 Evaluation Summary
4. January 25, 2017 Cost Analysis – Rebuild, Temporary Rental, and Rental Offset
5. January 25, 2017 New AO Development Process Flowchart
6. September 14, 2016 Board FYI August 29, 2016 Committee meeting – Initial Findings
7. September 14, 2016 Board FYI September 12, 2016 Committee meeting – Real Estate Market Analysis and Site Benchmark Feasibility Study
8. November 9, 2016 Board FYI October 17, 2016 Committee meeting – Partnership Potential, Staff Survey Results, Future Scenarios, Draft Evaluation Criteria
9. January 11, 2017 Board FYI December 13, 2016 Committee meeting – Development Options, Process Flowchart, General Manager’s Office Recommendation, Committee Discussion on Recommendation, Next Steps for AO, Discussion about South Area Office Feasibility Study, Next Steps for South Area Office

Responsible Department Head:

Jane Mark, AICP, Planning Department

Prepared by:

Tina Hugg, Senior Planner, Planning Department



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.	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> 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) 	<ul style="list-style-type: none"> 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.	<ul style="list-style-type: none"> SPACE QUANTITY: High density space for MROSD staff without extra for partnering 	<ul style="list-style-type: none"> SPACE QUANTITY: 1/2 - 1 floor of partnering space available 	<ul style="list-style-type: none"> 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.	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> 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
<p>DESCRIPTION</p> <p>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.</p>	<p>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.</p>	<p>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.</p>
<p>FUTURE SCENARIOS RATIONALE</p> <ul style="list-style-type: none"> 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 QUANTITY: High density space for MROSD staff without extra for partner 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 development elsewhere 	<ul style="list-style-type: none"> 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 QUANTITY: 1/2 - 1 floor of partnering space available 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 	<ul style="list-style-type: none"> 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 QUANTITY: 1 - 1-1/2 floor(s) of partnering space available 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 development elsewhere
<p>OTHER RATIONALE</p> <ul style="list-style-type: none"> EXPEDITE SATELLITES: Savings on space could expedite use of satellites through pressure on space needs COMMUNITY 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 building COST/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 satellites COMMUNITY 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 instead WORK CONTINUITY: Disruption is basically the same as S3 with some difference in duration of time relocated COST/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 satellites COMMUNITY 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 MROSD WORK 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 future COST/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

ATTACHMENT 2

Attachment 3

Evaluation Summary

Terminology

Term	Definition
Commute duration	Duration of employees' commutes including those using transit
Work flexibility	Flexible work practices such as telecommuting or flexible hours that help relieve commute stress and space needs
Space quantity (growth/partner)	Amount of space left for future growth or shared space
Embodied energy	Energy used to produce and embodied in, materials used in new construction / renovation
Operational energy	Daily energy use from building systems (lights, heating, plug loads, etc.) generally associated with "energy efficiency" improvements
Site use	Development potential of the AO site
Work continuity	Disruption to the agency during construction
Present value "today's dollar"	Value of current funds
Development opportunity	Opportunity to secure the greatest stability and flexibility for the District's future (50+ years)
Growth flexibility	Ability to accommodate unanticipated long term growth or operational changes in the organization
Community engagement / land stewardship	Opportunities to engage community and encourage land stewardship
Revenue potential	Revenue generating by leasing some or all of one floor
Partnership	Opportunities to partner with like-minded organizations and provide shared community space
Responsible infill density	Achieving the most sustainable solution that maximizes the zoning potential of this transit corridor that eases commutes and helps prevent future sprawl
Buffer space for city review	Ability to accommodate design changes or requirements without losing critical office space

FULL EVALUATION CRITERIA

COMBINING ALL OF THE CRITERIA DISCUSSED INTO A SINGLE EVALUATION

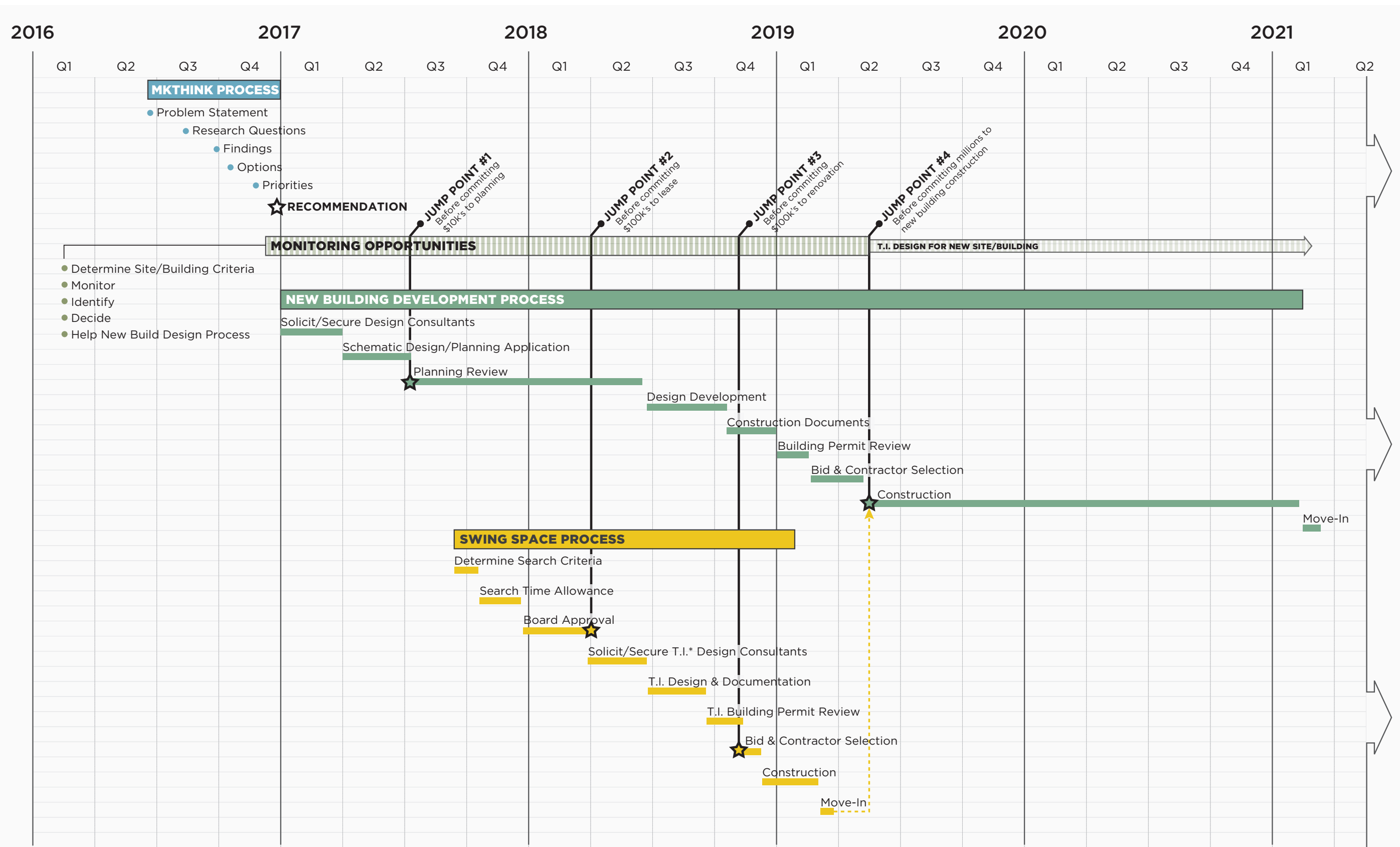
Evaluation Criteria	SOLUTION OPTIONS		
	S1: 1-Story 12,500GSF	S2: 2-Story 30,800GSF	S3: 3-Story 46,200GSF
SPACE QUALITY	●	◐	◐
COMMUTE DURATION	◐	◐	◐
WORK FLEXIBILITY	●	◐	◐
SPACE QUANTITY (GROWTH/PARTNER)	○	◐	●
EMBODIED ENERGY	●	◐	○
OPERATIONAL ENERGY	◐	●	●
SITE USE	○	◐	●
WORK CONTINUITY	◐	○	○
PRESENT VALUE "TODAY'S DOLLAR"	○	◐	●
DEVELOPMENT OPPORTUNITY	○	●	●
GROWTH AND OPERATIONAL FLEXIBILITY	○	◐	●
COMMUNITY ENGAGEMENT / LAND STEWARDSHIP	○	◐	●
REVENUE POTENTIAL	○	◐	●
PARTNERSHIP	○	○	●
RESPONSIBLE INFILL DENSITY	○	●	●
BUFFER SPACE FOR CITY REVIEW	○	◐	●
OVERALL SCORE	◐	◑	◑

○ Not Good ◐ Good ● Excellent ◑ GMO Preferred Option



MIDPENINSULA REGIONAL OPEN SPACE DISTRICT: NEW AO DEVELOPMENT PROCESS FLOWCHART

ATTACHMENT 4



★ 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

Board Meeting January 25, 2017

Abbreviations

RWC = Redwood City
 LG = Los Gatos

ROI = Return on investment
 SQ FT = Square Feet

Yrs = Years
 TI = Tenant improvements

IT = Information technology

MKThink Solution Options							
Solutions	AO Remodel or Rebuild Hard Costs	Soft and Other Costs (30%)	Cost for Temp Rental for 3 yrs	AO2 - AO4 Rental Savings over 30 yrs	AO Rental Offset	Net Building Cost	Comments
2-story AO	\$24,205,000	\$7,261,500	\$3,560,717	(\$9,548,100)	\$0	\$25,479,117	No rental offset w/2-story AO
3-story AO	\$35,844,000	\$10,753,200	\$3,560,717	(\$9,548,100)	\$ (19,057,500)	\$21,552,317	ROI for extra floor in 21 yrs. AO rental offset breakdown: - 20 years 15,400 s.f. (1 floor), 10 years 7,700 s.f. (1/2 floor) - \$5.50/ s.f., no escalation - 2016 dollars, over 30 yrs

Temporary Rental During Construction					
Year	SQ FT	SQ FT Rate (with 3% Escalation)	Per Year Sum	Running Sum	Comments
1	12,000	\$8.00	\$1,152,000	\$1,152,000	Includes minor TI, no moving costs or IT relocation
2	12,000	\$8.24	\$1,186,560	\$2,338,560	Same as above
3	12,000	\$8.49	\$1,222,157	\$3,560,717	Same as above
			Total	\$7,051,277	

AO2 - AO4 during Construction	
Year	Per Year Cost for AO2 - AO4
1	\$300,000
2	\$309,000
3	\$318,270
Total	\$927,270

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	Satellite 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	\$ (19,057,500)	\$6,205,046	AO rental offset - 15,400 s.f. (1 floor) - \$5.50/ s.f., no escalation - 2016 dollars, over 30 yrs

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)	Remodel Cost (30% soft and other costs)	Existing AO Sale Price (\$7.3 low, \$8.3M high)	Total Cost Purchase and Remodel	Comments
Non-Transit Oriented Development	\$966	30,000	\$28,984,200	\$200	\$7,800,000	\$8,300,000	\$28,484,200	Purchase cost based on 02/2016 Colliers real estate market study with 3% escalation; remodel cost from MKThink; sale cost for existing AO from Colliers 01/2017
Non-Transit Oriented Development	\$966	45,000	\$43,476,300	\$200	\$11,700,000	\$8,300,000	\$46,876,300	Same as above
Transit Oriented Development	\$1,476	30,000	\$44,279,700	\$200	\$7,800,000	\$8,300,000	\$43,779,700	Same as above
Transit Oriented Development	\$1,476	45,000	\$66,419,550	\$200	\$11,700,000	\$8,300,000	\$69,819,550	Same as above



Midpeninsula Regional
Open Space District

Memorandum

DATE: September 14, 2016

MEMO TO: MROSD Board of Directors

FROM: Stephen E. Abbors, General Manager

SUBJECT: Summary from August 29, 2016 Facilities Ad Hoc Committee Meeting

At its August 24, 2016 meeting, the Board of Directors approved the formation of the Facilities Ad Hoc Committee (Committee) (R-16-102). The charge of the Committee is to (1) identify any potential gaps in the Administrative Office (AO) site benchmark feasibility study, real estate market analysis, and futurist/architectural strategist report, and (2) arrive at a recommended preferred option, possible alternatives, and next steps to forward to the full Board at a later date for its consideration and decision.

The Committee has met twice since formation. Below is a summary of the August 29, 2016 meeting. Materials given to the Committee have been provided to the Board for more detail. The Committee selected Director Kishimoto as Chair, discussed its purpose, and the purpose of the futurist/architectural strategist, MKthink. The Committee discussed how and when to bring items to the full Board for consideration during the process. The project team was introduced and the process and schedule discussed. The status of the Palo Alto Medical Foundation (PAMF) building across from the AO was reviewed. Please see to details provided below.

Committee Purpose

The Committee's overarching purpose is to provide policy level guidance on staff facilities. For this current effort, the Committee felt that they should focused immediately on the AO and that the recommendations prepared for the AO need to consider and relate to other District staff facilities, including field offices or potential new satellites, and whether AO staff can deploy out of those locations.

The Committee discussed their goal, which includes bringing forth to the full Board a recommendation for the AO to move forward with and also to act as a strike force by which to consider new opportunities to allow staff to act quickly if necessary.

Futurist Purpose

Because of the substantial investment anticipated to address the District's long-term administrative office needs, the purpose of MKThink's work is to test staff's assumptions with regard to viable solutions for a new AO and to unearth potential options that staff did not consider. They are exploring external factors or forces that may influence the way the District conducts its work in the future and where a new AO might best be located to effectively and efficiently deliver the District's services.

Unlike the futurist used for the Packard Foundation, this scope of work is less about work space planning within the building and more about determining the type, size, and location of the

building. MKThink will touch upon conceptual space planning insofar as it affects the building the District might seek.

Process and Schedule

Board FYIs will be provided to keep the full Board apprised of the project's progress. The Committee will meet at each milestone to provide policy guidance. The Committee will also determine which items should be brought to the full Board for their input, e.g. decision-making criteria.

The initial schedule was to have a preferred recommended option by the end of the calendar year. The schedule will need to be adjusted to accommodate Board meetings when the Committee feels items should be brought to the full Board.

MKThink Draft Initial Findings

MKThink is currently in their Research and Findings stages. To learn more about the District, they have been provided background material and reports such as the Vision Plan and the Financial and Organizational Sustainability Model (FOSM). MKThink will move on to assessing the District's current and future operational needs and weighing those with external factors that will either be challenges to overcome or opportunities to take advantage of, as they develop options for a new AO.

MKThink presented their proposed process and draft initial research findings centered around six study areas. The Committee was asked if there were any questions or gaps in the analysis. They were also asked if any study area seemed more important than the others, and what other information might be needed to inform a recommended preferred option and a decision.

The Committee posed the following questions:

- What's the future of the cubicle?
- What's the future of the work week?
- How do we share desks?
- Can District staff share space?
- What is the future of El Camino Real?
- Which cities will expand or build along El Camino Real?
- Can we partner with other like-minded organizations, e.g. Peninsula Conservation Center?
- How will we use space? How much storage will we need? Are we heading towards a paperless office?
- Diversity – how do we ensure our office is accessible?
- Childcare – how do we retain talented women and support families?
- Environmental sustainability – how do we minimize our environmental footprint?
- Symbolism of the building – is it a statement? Is it more low key?

The Committee expressed interest in monitoring the real estate market more actively.

Status of PAMF Building

An update on the PAMF building located across from the AO was provided by Real Property. A proposal to purchase the building was sent and no response had yet been received. PAMF is not interested in swapping properties with the District. PAMF seems amenable to leasing half the building to the District, but only for two years. If the decision is made to build on site, design and

permitting are anticipated to take two years with construction taking another two years. Timing of a temporary lease will be critical.

The Committee asked Real Property to update them at the next meeting regarding PAMF and asked for an update on the Real Estate Market Study and the AO Site Benchmark Feasibility Study.

Prepared by: Tina Hugg, Senior Planner

Project Team Staff

1. General Manager's Office – General Manager Stephen E. Abbors, Assistant General Manager Ana Ruiz, Assistant General Manager Kevin Woodhouse, Chief Financial Officer/Administrative Services Director Stefan Jaskulak, and District Clerk Jennifer Woodworth
2. Department Managers – Jane Mark (Planning), Jason Lin (Engineering & Construction), and Mike Williams (Real Property)
3. Staff – Tina Hugg (Planning, day-to-day contact), Aaron Hebert (formerly Engineering & Construction, now Natural Resources – will be replaced with an Engineering and Construction representative at the end of the strategist report), Allen Ishibashi (Real Property)

Attachments:

1. August 29, 2016 Facilities Ad Hoc Committee Presentation
2. MROSD AO Future Study by MKThink

The attachments for this documents are extensive. If you would like a paper copy, please contact Jennifer Woodworth, District Clerk, or they are accessible on the District's website or the Board's Dropbox account.



Midpeninsula Regional
Open Space District

Memorandum

DATE: September 14, 2016

MEMO TO: MROSD Board of Directors

FROM: Stephen E. Abbors, General Manager

SUBJECT: Summary from September 12, 2016 Facilities Ad Hoc Committee (Committee) Meeting

This FYI Memorandum summarizes the Committee's discussions at their September 12, 2016 meeting, where staff presented the findings of the Real Estate Market Analysis and Administrative Office Site Benchmark Feasibility Study. The Committee also clarified and reconfirmed their purpose, the purpose of the futurist, and the process and expected milestones. The General Manager emphasized that this investment would be the single biggest purchase ever made by the District, and hiring a futurist/ architectural strategist, MKThink, for their recommendations helps ensure the best decision can be made.

The Committee discussed key factors to consider in the facilities evaluation that the District and futurist/architectural strategist are conducting. These factors include: (a) feasibility of retaining AO as a centralized office or developing a separate satellite office; (b) minimizing new office construction costs with consolidated underground parking; (c) opportunity to build additional office space in the new AO in order to lease out to a partner entity or other; (d) prioritizing the search of office properties within close proximity to public transit; (e) initial Committee preference for a two to two-and-a-half story building even though the site development potential could be as large as a four-story option; and (f) what how the AO may be staffed in the future.

Process and Milestones

MKThink is developing options to solve the AO space needs by considering the District's current and future operational needs and external challenges or opportunities that may influence the way the District conducts its work in the future. Certain options may be ruled out by constraints that make them infeasible, e.g. extremely cost prohibitive. The remaining options will be evaluated through a value system that MKThink will develop with the Committee and Board. Each option will have pros and cons or tradeoffs, values which the Committee and Board will consider when weighing the options, e.g. smaller individual work areas to achieve higher quality, larger common areas. How the Committee and Board prioritizes these values will influence which options perform better than others. A decision-making matrix will be developed that shows how each option performs for each value. The goal is to arrive at a preferred recommended option to present to the full Board. Staff expects this scope of work to continue through the end of the calendar year with a recommended option potentially in December/January.

Real Estate Market Analysis

Colliers International prepared a Real Estate Market Analysis last December (see attachment for more detail), and updated their data on September 1, 2016 (see attachment). Little has changed. The analysis looked at the office lease and sale market from San Carlos to Los Gatos for buildings between 20,000 to 40,000 square feet. It also compared the cost differential between transit-oriented buildings (located along Caltrain) versus non-transit-oriented buildings.

The key takeaways are that the commercial real estate market is highly opportunistic and competitive, and there is little to no availability in the 20,000 to 40,000 square foot size range. This is true along the entire Peninsula and south. Property located near Caltrain stops are significantly higher in cost. Finally, leasing is not a recommended long-term solution, as lease rates continue to rise and the District would be paying property taxes folded into the lease rates.

The challenges in purchasing a new building include the uncertainty of where and when an opportunity might arise. In addition, there is no way of knowing what type of building may become available and whether it would need significant remodeling to create a work environment needed by the District, e.g. a Board room.

When the Committee inquired about the status of the office across the street, staff reported that the Palo Alto Medical Foundation (PAMF) is not interested in selling. They may still be interested in short-term leasing to the District for only two years. However, the District would need to carefully determine when to start this two-year lease. It will likely take two years to design and permit a new building, and two years for construction. Thus, entering into a lease at this point in time is premature, and there is no guarantee that the building will be available later.

Administrative Office Site Benchmark Feasibility Study

Tannerhecht Architecture completed the Administrative Office Site Benchmark Feasibility Study earlier this year (see attachment for more detail) under the General Manager's authority. The firm was selected to perform this straightforward site development analysis for expediency and efficiency, given the firm's knowledge of the AO building, the property, the City of Los Altos' (City's) planning and building processes, and the current design and construction environment.

The firm assessed the site's development potential and provided ballpark conceptual costs for a series of different sized buildings. Simple building shapes were used. No detailed design work was required for this level of assessment. The site's development potential is affected by many factors, which include but are not necessarily limited to the City's planning and building code requirements, property size and configuration, and the site's proximity to residential community. The firm was asked to push the envelope, which means that for one or more options, some negotiation with the City might be necessary if or when the project moved into a design phase.

The key takeaway is that the site has can support a two- to three-story building, ranging from 30,800 square feet to 46,000 square feet. A larger building will allow flexibility to house the District over the next 30 years if growth follows the projections of the Financial and Operational Sustainability Model (FOSM). Unused space could potentially be leased out until needed. Pending negotiations with the City and a change in materials that allow for shorter floor-to-floor heights, four stories may be possible. All options require underground parking, currently two to four levels.

Committee Comments

The Committee expressed concerns about the process and schedule to arrive at a recommended AO building option for the Board to consider. The current schedule looks at December/January for a final recommendation, anticipating several key milestone meetings for Committee and Board review and action. The next Committee meeting is being scheduled for early October at which time MKThink and staff will present a series of options as well as a preview of decision-making work products.

There was discussion around searching for a new building in the real estate market. However, currently there are no defined parameters around size, locations, etc., pending work by the futurist that may outline the characteristics needed in a new building, whether purchased or built on site. The Committee confirmed that an aggressive search of the real estate market can wait until MKThink completes their work, so that their recommendations can be folded into parameters that Real Property needs. Real Property will continue to stay abreast of real estate opportunities that may arise in the meantime.

The Committee discussed whether the AO should be split into two, as that could lessen costs. It was pointed out that although cost is a significant factor, functionality and operational efficiency are other factors that MKThink will bring forward for consideration. Staff at the AO may work more efficiently if housed in one location. Toward the end of the meeting, the Committee expressed concerns with multiple AO offices, e.g. two AOs or one main AO and smaller satellites. Some of the Committee members observed that District staff rely heavily on collaboration and communication. It was noted that there have been challenges with the current separate lease spaces, which are just next door.

The Committee discussed the geographic location that would be most central for the AO. They concurred that the current site is well located, with easy access to highways and to the Preserves, unlike downtown Palo Alto.

The Committee discussed the future growth of AO staff and whether growth would continue more in the field and if AO staffing would contract. It was pointed out that, per FOSM, growth in the AO may plateau but the need for administrative staff will be ongoing to support long term administrative and operational functions, and complete life cycle facility repairs. The Committee acknowledged infrastructure life cycles and the need for ongoing planning, design and engineering/construction positions to complete this work.

The Committee directed staff to remove the four-story option for the current AO building from further consideration. The Committee supports two to two-and-a-half stories and is willing to consider three stories particularly if a partner is willing to help offset the cost. Three stories may allow flexibility to design a building that allows for more natural light like the Packard Foundation building. Interest was expressed in limiting underground parking to one level, which would require purchasing the Carl's Jr. property and extending underground parking below that footprint. Real Property will look into the property ownership and status of the adjacent Carl's Jr. property to determine if this is a possible option. MKThink will look into the feasibility of this option.

The Committee discussed the justification for the investment in a new AO office building. Delivery of Measure AA projects is a priority and this requires more staff and the space for staff

to deliver the projects and the services to the public. It was also noted that General Funds, not Measure AA, will be used for the new building.

The Committee discussed what elements they would like to see in a new building if this option is ultimately selected: rooftop garden with cafeteria seating, solar panels, waterless urinals. Staff confirmed that stormwater runoff in excess of what currently exits the site would need to be retained on site. Staying within a mile of the Caltrain corridor is desirable to keep transit options open.

Next Steps

At the next Committee meeting, scheduled for October 17, 2016, MKThink will bring options that respond to the District's present and future operational needs and consider external forces that affect how the work environment may change in the future. Selection of prioritization criteria to inform decision-making will follow at a subsequent meeting. Finally, using the criteria, the goal is to narrow down the options to a preferred recommended option with potential alternatives. Real Property will look into who owns the Carl Jr.'s property and its status, and report back.

Prepared by: Tina Hugg, Senior Planner

Attachments:

1. September 12, 2016 Facilities Ad Hoc Committee Presentation
2. December 10, 2015 Real Estate Market Study by Collier's International with Updates from September 1, 2016
3. February 1, 2016 Site Development Concept Feasibility Study by TannerHecht Architecture

The attachments for this documents are extensive. If you would like a paper copy, please contact Jennifer Woodworth, District Clerk, or they are accessible on the District's website or the Board's Dropbox account.



Midpeninsula Regional
Open Space District

Memorandum

DATE: November 9, 2016

MEMO TO: MROSD Board of Directors

FROM: Stephen E. Abbors, General Manager

SUBJECT: Summary of the October 17, 2016 Facilities Ad Hoc Committee Meeting

This FYI Memorandum summarizes the discussion and comments at the October 17, 2016 Facilities Ad Hoc Committee (Committee) meeting, where staff presented information on the adjacent Carl's Jr. property and MKThink presented potential options to meet the long-term Administrative Office needs and a draft set of evaluation criteria for narrowing down and selecting a preferred final option. This FYI also includes input from Director Hassett who was absent for the Committee meeting, but attended a separate meeting with the District project team on October 24.

Partnership Potential

Jerry Hearn, Chair of the Peninsula Center Trust Fund (Trust), addressed the Committee to speak about a possible partnership arrangement for a future Administrative Office (AO) building. He had previously spoken to General Manager Abbors and staff about the partnership idea. The Trust owns the Peninsula Conservation Center building, which it leases out to the Peninsula Center Management Council, who then subleases the building to eight non-profit organizations (Committee for Green Foothills, Loma Prieta Chapter of the Sierra Club, Acterra, Grassroots Ecology, Canopy, California Native Plant Society, the Trail Center, and the League of Women Voters). The Peninsula Center Management Council includes a representative of each member organization.

While the current Peninsula Conservation Center building meets each organization's needs in general, its location on the east side of Highway 101 is not transit friendly and is perceived to be challenging to access. Mr. Hearn indicated that the Trust might be interested in a potential partnership if the opportunity was feasible. The Trust has no timeline and is not aggressively looking for a new space, but Mr. Hearn felt they would be able to accommodate the District's schedule, which targets the beginning of 2017 for a decision on the AO.

The Committee discussed the partnership potential and concluded it would be a very complicated process. It would also require a large building, at least three stories, to accommodate both the District and a partner organization or group of organizations. Director Hassett concurred with the Committee. The idea of a partnership may be revisited as a preferred option for the AO is selected, to determine if such an arrangement is feasible and beneficial.

Parking Potential at the Carl's Jr. Site

Staff was asked to look at the feasibility of building one level of underground parking on the Carl's Jr. site to avoid the cost of building two stories of underground parking under a new two-story AO on the current AO site (Attachment 2). The Committee discussed the cost and implications of purchasing the Carl's Jr. site and building surface or underground parking on it. Conservatively using the 2006 purchase price (\$1.65M) for the Carl's Jr. property, one level of underground parking under that site and one level under the AO site would cost \$4.3M. In contrast, two levels of parking on the existing AO site would cost \$2.7M. Thus, the Carl's Jr. underground parking option would increase the underground parking cost by over \$1.5M compared to constructing two levels of underground parking under the AO site. Additional related costs and issues include the true cost of the property itself (anticipated to be higher than the 2006 purchase price of \$1.65M), the challenges and cost of buying out the Carl's Jr. lease and relocating the business, the political implications of lost jobs when the business either relocates or closes, and the planning and permitting effort for combining and developing the lots, particularly if our intended use does not meet the City of Los Altos' desire for high density development.

The Committee members in attendance were not comfortable with taking on the role of a developer and felt the process would be too costly and complex, with far too many unknowns. Committee consensus at the meeting was to take this option off the table. However, Director Hassett felt \$1.5M was not a large enough cost difference to warrant removing this option particularly if the District were considering an alternate site near transit, which would in comparison result in even greater total project costs. However, it was noted that MKThink's futures and solution alternatives do not currently include seeking another property for the main AO, as the current AO site functions well given its proximity to District lands, services, mass transit, and major thoroughfares. Satellite office space in other cities is an option.

MKThink Presentation

MKThink presented three items: (1) AO staff survey results, (2) six potential options for the AO (described below as future scenarios), and (3) draft value criteria. A summary follows below, but more information is contained in the attached presentation document.

Staff Survey

A survey was sent to AO staff and the Area Superintendents and Managers who interface regularly with the AO to assess the existing work environment and conditions. Topic areas included information about staff, commuting (modes, motivation, barriers, distance and duration), field offices, current workplace environment, remote work, and satellite offices. The survey also asked staff about their thoughts of the future, including suggested improvements, future challenges, and future opportunities.

The Committee discussed incentivizing the use of mass transit. Although it was noted that staff who drive often do so because they need their vehicles for activities outside work, such as daycare drop off and pick up, personal errands, and evening meetings or commitments. The City of Los Altos' (City) current parking requirements were also discussed, including whether the City would consider reducing their parking requirements. District staff's recent conversations with City staff and attendance at two City Council meetings regarding zoning regulations appear to indicate that parking requirements will likely remain unchanged for the foreseeable future.

The Committee asked how these findings compared with MKThink's other clients. MKThink explained they see the same results in other organizations, which are facing similar external trends. Although MKThink recommends a proactive approach to change, they have observed that a radical change to work culture can be challenging without external or internal pressures that motivate or prompt the need for change, e.g. lease rate increases, retention issues caused by lengthening commute times, or lack of sufficient workspace.

Future Scenarios

MKThink then presented six future scenarios, based on their research and assessment of the District staff and work culture, that respond to the District's present and future operational needs and consider external forces that affect how the work environment may change in the future. Each scenario envisions a specific future with a particular focus that influences how the District would need to position itself and the new AO to address a particular future work environment and AO building. For example, a Talent Future scenario that focuses on attracting and retaining top talent in an increasingly competitive market may offer more attractive amenities and higher quality equipment in the new AO and allow more flexible work hours or telecommuting opportunities. MKThink noted scenarios are not mutually exclusive, and elements can overlap. For example, the Talent Future scenario that focuses on talent recruitment and retention can also incorporate environmental design elements that would be part of the Environmental Future scenario.

For the purpose of this discussion, MKThink also prepared one potential real estate solution for each future scenario with the understanding that these would be expanded, refined and vetted following the Committee's discussion. All solutions for all future scenarios utilize the existing AO location in some form (a complete rebuild with additional floors or retaining and renovating the existing footprint). None envision the main AO relocating to a new site although some of the solutions also envision separate satellite office(s) to address the need for additional work space and to alleviate long (3+ hour) daily commutes. Three potential real estate solutions are provided below:

1. Keep the existing AO and renovate it – requires an extensive renovation as well as highly dense work spaces. The feasibility of this option is still being explored and it could require satellite offices to distribute and accommodate the projected number of staff. It is also unclear how parking requirements may be affected by an increase in use and this may affect the feasibility of this solution.
2. Rebuild on-site with a two- or three-story building – requires demolition of the existing building. Because of the resources needed to build new, this option would be less green than renovating the existing building, but allow the District to meet its long term needs in one centralized location. Satellite offices could still be employed to better handle community engagement and alleviate long commutes.
3. Utilize satellite offices, e.g. Los Gatos, Redwood City – these could be leased at least initially to allow the District to pilot how a satellite scenario would work logistically.

MKThink envisions that satellite office(s) would work with a central AO. Satellite office(s) could either become the main reporting site for select employees and/or act as remote work locations for drop-in work similar to how the District's existing field offices function for AO staff. In either configuration, space in the AO would be denser and more efficient, with greater

focus on collaborative work areas and meeting space. A comment was raised from a Committee member who expressed an interest in utilizing field offices as these satellite work stations. Concerns about the field offices include their remote location which would not solve commute issues and their lack of space to accommodate more staff.

Satellite offices that are located near or in urban areas could help with community engagement by providing a meeting location closer to the north and/or south areas of the District or a place where visitors could drop by for information or to speak to staff. The Committee members, including Director Hassett, were divided on support for a satellite option.

Although the Palo Alto Medical Foundation (PAMF) has indicated it is not currently willing to sell its building across from the AO, Director Hassett wished to keep it as an option even if the decision is made to build on the existing AO site and while design is under way. The PAMF building could be ideal given that the building and site are larger than the AO.

For further refinement of real estate solutions, all Committee member selected 1: Talent Future, 2a: Partner Future A, and 3: Environmental Future as their top three future scenarios.

Draft Evaluation Criteria

Based on prior Board goals, MKThink developed a matrix of draft evaluation criteria to measure how a potential real estate solution for a future scenario would perform and alleviate the issues the District will be facing. The criteria will assist in future decision making. The Committee decided against prioritizing the criteria or placing them in weighted tiers. However, the Committee made the following changes to the criteria:

1. Added *Community Engagement* – to address how well the District would interact with the communities it serves;
2. Combined *Staff Retention (Retention) and Staff Diversity* – these are very similar; and
3. Removed *Staff Survey Feedback*.

Next Steps

The next Committee meeting is currently targeted for December. The goal is to develop more refined real estate solutions that address the top three future scenarios. Using the criteria, the next goal would be to narrow down the options to a preferred recommended option with potential alternatives. These deliverables would be presented to the full Board next January or February.

Prepared by: Tina Hugg, Senior Planner

Attachments:

1. October 17, 2016 Facilities Ad Hoc Committee Presentation (This attachment is large. If you would like a paper copy, please contact Jennifer Woodworth, District Clerk, or they are accessible on the District's website or the Board's Dropbox account.)
2. Memo to Facilities ad hoc committee Re: High level assessment of Carl's Jr. property



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