



Midpeninsula Regional
Open Space District

R-19-153
Meeting 19-29
November 20, 2019

AGENDA ITEM 3

AGENDA ITEM

Authorization to categorize property located at 330 Distel Circle, Los Altos (Santa Clara County APN: 170-04-051) as surplus property under the Surplus Land Act, to dispose of the property under the Surplus Land Act or, if applicable, to market 330 Distel Circle for sale.

GENERAL MANAGER'S RECOMMENDATIONS

A handwritten signature in black ink, appearing to read "dew".

1. Determine that the recommended actions are categorically exempt from the California Environmental Quality Act, as set out in the report.
2. Adopt a Resolution declaring 330 Distel Circle, Los Altos to be surplus property, authorizing the General Manager to initiate the process of disposing the property pursuant to the Surplus Land Act, and authorizing the General Manager to initiate marketing of the property if the District does not negotiate a sale to a preferred buyer under the Surplus Land Act.

SUMMARY

The Midpeninsula Regional Open Space District (District) purchased the office building at 5050 El Camino Real, Los Altos on February 1, 2019 as its new administrative office building; therefore, the current administrative office building located at 330 Distel Circle, Los Altos will no longer be needed for District purposes after 5050 El Camino Real is ready for occupancy. Selling the current administrative office building has been anticipated and incorporated into the District's financial model for its facility needs. Proceeds from the sale of 330 Distel Circle are anticipated to offset costs related to the purchase and/or repurposing of the new 5050 El Camino Real office building. In order to proceed with a sale, the District, as a public agency, must first declare the property as surplus property and comply with requirements under the California Surplus Land Act. This item is coming to the full Board of Directors at this time given the interest received by potential buyers for the property and the lead time required to comply with the California Surplus Land Act.

BACKGROUND

The District had been evaluating options to address the lack of sufficient administrative office space to meet ongoing and long-term business needs since 2015, as the organization began to undergo significant internal restructuring to accelerate project delivery, expand public service delivery, and ensure sufficient resources to manage public land and access facilities. The current 12,120 square foot administrative office building located at 330 Distel Circle in Los Altos (Current AO) is no longer sufficient to house the staff needed to expedite these accomplishments.

As an interim measure, the District has been leasing 7,964 square feet of additional office space with an annual cost approaching \$437,000.

In July 2017, the Board adopted a resolution to enter into a purchase and sale agreement for the 39,010 square foot office building located at 5050 El Camino Real, Los Altos CA (R-17-90). Escrow closed on the office property on February 1, 2019 and the District's architect is in the process of developing construction documents for the required renovation (New AO). Based on the current timeframe, the New AO will be ready for occupancy in the spring of 2022. The Current AO will not be needed for District purposes after the New AO is complete.

The District purchased the Current AO in 1990 (R-90-25) for \$1,875,000, or \$155 per square foot. The circumstances of the Current AO purchase in 1990 were very similar to the situation in which the New AO was purchased. While evaluating whether to build a new administrative office on land owned by the City of Mountain View or entering into a long-term lease, the Current AO at 330 Distel Circle became available, and the District was able to purchase the property. In addition, the District was able to initially lease out extra space in the Current AO until the space was needed for District staff. The purchase and ownership of 330 Distel Circle has served the District well over the last 29 years.

California Surplus Land Act

The District will follow the Surplus Land Act (Cal. Gov't Code §§52240-55259) in disposing of this property, as it is no longer needed for District purposes and is not held by the District for the purpose of exchange. The disposal process under the Surplus Land Act requires the District to notify certain entities, including schools and housing agencies ("Preferred Buyers"), of the availability of the surplus property, and wait at least 60 days for a Preferred Buyer to notify the District of an interest to negotiate a purchase of the property. If a Preferred Buyer notifies the District of its intention to purchase, the District is obligated to negotiate with said entity for a minimum of 90 days. If the District does not reach agreement with a Preferred Buyer, the District may sell the property to any other entity (Non-Preferred Buyer). If a sale is made to a Non-Preferred Buyer, the District must ensure that if 10 or more residential units are constructed on the property, at least 15% of the units must be affordable to low-income households (accomplished through deed restriction). This requirement is consistent with the affordable housing requirements established in the City of Los Altos's zoning code.

DISCUSSION

The District's goal is to maximize the sale proceeds from the sale of the Current AO. Despite the Current AO not being on the market, several private developers and one local government agency have expressed interest in purchasing the Current AO. Although the New AO will not be ready until the spring of 2022, it may be to the District's advantage to begin the Surplus Land Act process in order to gauge the interest and the true value of the Current AO. The certainty of knowing the true market value of the Current AO and possibly entering into a sale contract prior to moving into the New AO is valuable for financial planning purposes. In addition, there are indications and feelings that the overall office market may be flattening and slowing.

Under the Surplus Land Act, District staff will notify Preferred Buyers of the Current AO's availability, and if the District receives a response from a Preferred Buyer, the District will

engage in the required 90-days of good faith negotiations with Preferred Buyers. District staff will present offers and negotiated terms from Preferred Buyers to the Board for consideration. If the District does not receive notice from any Preferred Buyers, or cannot reach a deal, then placing the Current AO on the open market would be considered, and any and all offers received would be presented to the Board for review and consideration. If a deal is reached, the close of escrow would not occur until the District has moved into the New AO.

FISCAL IMPACT

In 2017, the District issued Parity Bonds to help offset the acquisition cost and improvement costs for the New AO and the improvement costs for the New South Area Office located at 240 Crisitch Lane in Campbell. After the sale of 330 Distel Circle, the District Controller will evaluate the most beneficial use of the final sales proceeds and make a recommendation to the Board, which may include redeeming a portion or all of the outstanding balance of the 2017 Parity Bonds.

BOARD COMMITTEE REVIEW

This item was not previously reviewed by a Board Committee.

PUBLIC NOTICE

Public notice of this Agenda Item was provided as required by the Brown Act.

CEQA COMPLIANCE

Project Description

The Project consists of designating the office property at 330 Distel Circle in Los Altos as Surplus Property under the California Surplus Land Act and completing the required steps under the Surplus Land Act to sell the property to either a Preferred or Non-Preferred Buyer.

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 15312 Surplus Government Property Sales* as follows: The office property is no longer needed for District administrative purposes, is not located in an area of statewide, regional or area-wide concern as identified in the CEQA Guidelines, and the District will complete the required steps to notify Preferred Buyers under the California Surplus Land Act to sell the property.

NEXT STEPS

The table below identifies the anticipated timeline.

Sale Process	Target Dates
Designate 330 Distel Circle, Los Altos as Surplus Property	November 2019
60-day Notice to Preferred Buyers	December 2019-January 2020
90-day Negotiation with Preferred Buyers (if triggered)	February 2020-April 2020
Place Property on the Open Market (if needed)	May 2020
Close Escrow	Spring 2022

Attachments:

1. Resolution declaring the real property at 330 Distel Circle, Los Altos, California, to be surplus, authorizing the General Manager to initiate the process of disposing of the property pursuant to the Surplus Land Act, and authorizing the General Manager to initiate marketing of the property if the District does not negotiate a sale of the property to a preferred buyer under the Surplus Land Act
2. Map

Responsible Department Head:

Michael Williams, Real Property Department Manager

Prepared by:

Allen Ishibashi, Senior Real Property Agent

RESOLUTION 19-__

RESOLUTION OF THE BOARD OF DIRECTORS OF THE MIDPENINSULA REGIONAL OPEN SPACE DISTRICT DECLARING THE REAL PROPERTY AT 330 DISTEL CIRCLE, LOS ALTOS, CALIFORNIA TO BE SURPLUS, AUTHORIZING THE GENERAL MANAGER TO INITIATE THE PROCESS OF DISPOSING OF THE PROPERTY PURSUANT TO THE SURPLUS LAND ACT, AND AUTHORIZING THE GENERAL MANAGER TO INITIATE MARKETING OF THE PROPERTY IF THE DISTRICT DOES NOT NEGOTIATE A SALE OF THE PROPERTY TO A PREFERRED BUYER UNDER THE SURPLUS LAND ACT

WHEREAS, the Midpeninsula Regional Open Space District (“District”) is a special district organized and operating under California Public Resources Code §5500 *et seq.*; and

WHEREAS, the District owns the real property located at 330 Distel Circle, Los Altos, CA (Santa Clara County Assessor Parcel Number 170-04-051) (“Subject Property” or “Surplus Property”), which was used as the District’s administrative office; and

WHEREAS, on February 1, 2019, the District acquired real property located at 5050 El Camino Real, Los Altos, CA (Santa Clara County Assessor Parcel Number 170-04-054) for future relocation of its administrative office; and

WHEREAS, the Subject Property is no longer necessary for District purposes, and the District desires to initiate the process of disposing of the Subject Property.

WHEREAS, pursuant to California Public Resources Code section 5540, the District may dispose of real property necessary to the full exercise of its powers, provided that such property is not dedicated and used for park or open space purposes; and

WHEREAS, pursuant to California Public Resources Code section 5563, if, in the opinion of the Board, any land or property owned by the District, becomes unnecessary for the purposes of the District, the Board may sell such lands or property, or interest therein; and

WHEREAS, the Surplus Land Act (Cal. Gov’t Code §55240), prescribes a process by which public agencies notify certain Preferred Buyers of the availability of property that is determined to be no longer necessary for the agency’s use, and provides a procedure for negotiations with Preferred Buyers before the property can be sold on the open market; and

WHEREAS, the disposition of the Subject Property as surplus property is exempt from environmental review pursuant to Section 15312 (Class 12 – Surplus Government Property Sales) of the California Environmental Quality Act Guidelines.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of Midpeninsula Regional Open Space District (District) as follows:

1. The property at 330 Distel Circle, Los Altos, California (Santa Clara County Assessor Parcel Number 170-04-051) is declared to be surplus property and should be sold for fair market value, pursuant to state law and in a manner that will yield the highest revenue for the District.
2. The General Manager or designee is authorized to initiate and conduct all noticing and other requirements under the Surplus Land Act.
3. If a Preferred Entity provides the District with notice of interest to negotiate the purchase of the Surplus Property, the General Manager is directed to report back to the Board, with recommendations concerning the appropriate District response.
4. If no agreement is reached with a Preferred Entity for the purchase of the Surplus Property, the General Manager is authorized to undertake all actions necessary for, or incidental to, locating a buyer for the Surplus Property.

* * * * *

PASSED AND ADOPTED by the Board of Directors of the Midpeninsula Regional Open Space District on _____, 2019, at a regular meeting thereof, by the following vote:

AYES:
NOES:
ABSTAIN:
ABSENT:

ATTEST:

APPROVED:

Secretary
Board of Directors

President
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

Path: G:\Projects\A_Districtwide\AO_Building\AO_Offices\AO_Offices_Aerial_20191015.mxd
Created By: flopez



Leases Space
4984 El Camino Real, Los Altos

New Administrative Office
5050 El Camino, Los Altos

Current Administrative Office
330 Distel Circle, Los Altos

Administrative Office Buildings

- District Administrative Office
- Lease Space

Midpeninsula Regional
Open Space District
(Midpen)
10/22/2019



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.