



Midpeninsula Regional
Open Space District

R-20-117
Meeting 20-25
October 28, 2020

SPECIAL MEETING AGENDA ITEM 1

AGENDA ITEM

Proposed Surplus Land Sale of Administrative Office property located at 330 Distel Circle, Los Altos (Santa Clara County Assessor's Parcel Number 170-04-051) to the County of Santa Clara at a cost of \$10,400,000

GENERAL MANAGER'S RECOMMENDATIONS *den*

1. Determine that the recommended actions are categorically exempt from the California Environmental Quality Act, as set out in the staff report.
2. Adopt a Resolution authorizing the General Manager to enter into a purchase and sale agreement with the County of Santa Clara for the 330 Distel Circle, Los Altos property.

SUMMARY

The Board of Directors (Board) of the Midpeninsula Regional Open Space District (District) categorized the property located at 330 Distel Circle, Los Altos (330 Distel Circle) as surplus property under the Surplus Land Act on November 20, 2019, and authorized the General Manager to negotiate a sale under the Surplus Land Act (R-19-153). On January 21, 2020, the County of Santa Clara (County) submitted a letter of interest to negotiate a possible acquisition of the property. The District and County have since negotiated the deal terms and have drafted a purchase and sale agreement. The County's Board of Supervisors approved the deal terms at its public meeting on October 20, 2020. Proceeds from the sale of 330 Distel Circle will offset costs related to the replacement administrative office located at 5050 El Camino Real (R-17-90) that is being repurposed and will be made ready for relocation in March 2022.

BACKGROUND

The District has 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. In the interim, the District has been leasing nearly 8,000 square feet of additional office space with an annual cost approaching \$437,000. After evaluating multiple options, the Board concluded that the most fiscally prudent decision would be to purchase a larger office location and sell the existing site at 330 Distel Circle to offset the costs.

DISCUSSION

The District purchased 330 Distel Circle to serve as its administrative office building in 1990 for \$1,875,000, or \$155 per building square foot (R-90-25). The 330 Distel Circle property is improved with a 12,120 square foot single story office building on a 38,057 square foot lot. The District outgrew the 330 Distel Circle property in early 2013 and now leases an additional 7,964 square feet of office space each year to meet its administrative office space needs. In February 2019, the District purchased a 39,010 square foot office building located at 5050 El Camino Real in Los Altos that will serve as its new administrative office building when the work to repurpose the interior and exterior space is completed in March 2022.

On November 22, 2019, per the guidelines of the Surplus Land Act, the District sent out a Notice of Intention to Sell 330 Distel Circle as Surplus Property to a total of 61 local government agencies and affordable housing developers (Preferred Buyers). Per the notice, the District waited until January 24, 2020 to receive letters of interest. The District received four letters of interest from Preferred Buyers. Three letters were from government organizations, and one was from an affordable housing operator. On January 27, 2020, the District sent letters to each Preferred Buyer and asked for written purchase proposals. Prior to the written proposal due date, one government agency and the affordable housing operator opted to drop out, leaving the County and the City of Los Altos as the remaining Preferred Buyers. The County and the City of Los Altos decided to combine their efforts, with the County taking the lead on negotiating the purchase and holding title.

The County submitted a purchase proposal on March 11, 2020. The County intends to work with the City of Los Altos to utilize the 330 Distel Circle property for an affordable housing development. The County would utilize funds from its 2016 Measure A Affordable Housing Bond to complete the purchase. The District negotiated with the County on a number of deal terms from March 2020 to October 2020 with the goal of maximizing the sale proceeds to maximize the offset for the replacement of the office building and to achieve as many other District goals (Climate Action/reduction of greenhouse gases and employee retention) as possible. The County's Board of Supervisors approved the deal terms on October 20, 2020.

USE AND MANAGEMENT

Not applicable.

CEQA COMPLIANCE

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.

TERMS AND CONDITIONS

<u>Purchase Price:</u>	\$10,400,000 (\$858 per square foot)
<u>Deposit:</u>	\$500,000
<u>Due Diligence:</u>	180 days
<u>Closing Date:</u>	March 30, 2022 (if needed, a 6-month lease-back at market rent would be available to the District)

Covenant of Buyer: If housing is developed on the site, County shall work with District to make at least six (6) units available to District employees who meet low to moderate income limits (80% to 100% of area median income), as set by the U.S. Department of Housing and Urban Development. See additional details on Rental Units below:

Rental Units:

- The District will have the opportunity to review and approve the affordable housing marketing plan for the rental units developed at 330 Distel Circle.
- The rental units will be marketed to people who live or work in Los Altos, which includes any District employee given that the main (headquarters) office is located in Los Altos.
- Among those who live or work in Los Altos to whom the housing units are marketed, qualified District employees will have first priority for 6 units (Administrative and Field Staff). This clause furthers the District's Climate Action Goals to reduce operational greenhouse gas emissions 20% of 2016 baseline levels by 2022, 40% by 2030, and 80% by 2050 (operational emissions includes employee commute emissions) and strengthens employee retention.
- In the event that there is a change in affordable housing law or an issue with project financing that makes it impracticable to provide the marketing plan or District employee preference as described above, the Purchase and Sale Agreement commits the County to work with the District in order to achieve its stated objective of making 6 affordable units available to qualifying District employees.

FISCAL IMPACT

In 2017, the District issued Parity Bonds to help offset acquisition and improvement costs for the new administrative building at 5050 El Camino Real and the new South Area field office at 240 Cristich Lane in Campbell. Net proceeds of the sale of 330 Distel Circle will be used to retire the Parity Bonds, with any remaining funds used to fund the 5050 El Camino Real expenditures.

BOARD COMMITTEE REVIEW

Given full Board interest on this topic, prior related items have come to the full Board for review, discussion, and deliberation.

PUBLIC NOTICE

Public notice was provided as required by the Brown Act.

NEXT STEPS

Upon approval by the Board, staff would proceed with meeting the terms of the Purchase and Sale Agreement.

Attachments

1. Resolution Authorizing Acceptance of Offer and Entry into a Purchase and Sale Agreement, Authorizing General Manager to Execute any and all Other Documents Necessary or Appropriate to Closing of the Transaction and Authorizing the General Manager to Negotiate and Execute a Leaseback if necessary.
2. Location Map

Responsible Department Head:
Michael Williams, Real Property Manager

Prepared by/Contact person:
Allen Ishibashi, Senior Real Property Agent, Real Property Department

Graphics prepared by:
Francisco Lopez, GIS Technician

RESOLUTION 20-__

RESOLUTION OF THE BOARD OF DIRECTORS OF THE MIDPENINSULA REGIONAL OPEN SPACE DISTRICT APPROVING THE PURCHASE AND SALE AGREEMENT FOR THE SURPLUS PROPERTY AT 330 DISTEL CIRCLE, LOS ALTOS, CALIFORNIA, AUTHORIZING THE GENERAL MANAGER TO EXECUTE A LEASEBACK AT MARKET RATE (IF NEEDED), AND AUTHORIZING THE GENERAL MANAGER TO EXECUTE ANY AND ALL OTHER DOCUMENTS NECESSARY OR APPROPRIATE TO CLOSING THE TRANSACTION

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 has been used as the District’s administrative office since 1990; and

WHEREAS, As the District began to undergo significant internal restructuring to accelerate project delivery, expand public service and ensure sufficient resources to manage public land and access facilities, it required additional administrative office space; therefore, 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 dispose of the Subject Property; and

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 Board of Directors formally designated the Subject Property as Surplus Property on November 20, 2019, per Resolution 19-39, and offered the Property for sale in accordance with the Surplus Land Act (Cal. Gov’t Code §55240); and

WHEREAS, the County of Santa Clara made an offer to the District for the purchase of the Surplus Property which the District desires to accept; and

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 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 Board of Directors of Midpeninsula Regional Open Space District (District) does hereby accept the offer contained in that certain Purchase and Sale Agreement between the County of Santa Clara and the Midpeninsula Regional Open Space District, a copy of which purchase agreement is attached hereto and by reference made a part hereof, and authorizes the President of the Board of Directors, General Manager, or other appropriate officer to execute the Agreement and all related transactional documents on behalf of the District to dispose of the real property described therein (“Surplus Property”).
2. The Board authorizes the General Manager to use the proceeds of the sale to call the 2017B Parity Bonds and allocate the remainder of the proceeds to the Committed for Infrastructure Reserve Fund.
3. The General Manager, President of the Board of Directors, or other appropriate officer is authorized to execute the Grant Deed on behalf of the District.
4. The General Manager or the General Manager’s designee (Real Property Manager or Sr. Real Property Agent) is authorized to provide notice of acceptance to the seller, execute all escrow documents and to extend escrow if necessary.
5. The General Manager is authorized to negotiate and execute a leaseback of the Surplus Property at market rate, if needed.
6. The General Manager and General Counsel are further authorized to approve any technical revisions to the attached Agreement and documents, which do not involve any material change to the terms of the Agreement or documents, which are necessary or appropriate to the closing or implementation of this transaction.
7. If the County of Santa Clara does not accept the condition of the Surplus Property after the conclusion of their due diligence period, General Manager may market and negotiate the sale of the Surplus Property to non-preferred buyers on the open market.

* * * * *

PASSED AND ADOPTED by the Board of Directors of the Midpeninsula Regional Open Space District on _____, 2020, at a regular meeting thereof, by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

ATTEST:

APPROVED:

Jed Cyr, Secretary
Board of Directors

Karen Holman, President
Board of Directors

APPROVED AS TO FORM:

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.

Jennifer Woodworth, District Clerk



Administrative Office Buildings

-  District Administrative Office
-  Lease Space

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

