



# COUNCIL REPORT

**DATE:** April 3, 2023  
**CATEGORY:** Consent  
**DEPT.:** Public Works  
**TITLE:** **888 Villa Street Office Lease**

## **RECOMMENDATION**

1. Authorize the City Manager or designee to execute a 64-month lease, with two one-year options to renew, with R & S Mountain Plaza LLC for office space located at 888 Villa Street under the terms and conditions set forth in this Council report.
2. Appropriate \$118,700 from the General Non-Operating Fund for the security deposit and first-month rent (actual fifth month of lease). (Five votes required)

## **BACKGROUND**

City Hall was constructed a little over 30 years ago and houses the following departments: City Manager, City Attorney, City Clerk, Human Resources, Information Technology, Finance and Administrative Services, Community Development, Public Works, and the Fire Department's Fire and Environmental Protection Division. Over the past several years, the number of employees working in City Hall has increased beyond the capacity of the building. There have been numerous remodels to accommodate more staff, including converting conference rooms and storage rooms to offices, reducing cubicle sizes, sharing cubicles, and use of open-area workstations. The City Hall architecture, with the central four-story atrium, angled walls, and support columns in open office areas, limits additional remodeling options.

The new Public Safety Building is planned to include office space for the Fire Department's Fire and Environmental Protection Division, which will help free up some capacity at City Hall. However, the new Public Safety Building is several years away from completion. To help alleviate the overcrowding at City Hall in the meantime, staff has been looking at office space available for lease in the downtown area.

## ANALYSIS

Staff has identified office space at 888 Villa Street (Figures 1 and 2) that meets key criteria in terms of location, size, and amenities.



**Figure 1: 888 Villa Street Location Map**



**Figure 2: 888 Villa Street**

This office building is conveniently located within walking distance of both City Hall and the Police/Fire Administration Building. The area available for lease is the entire third floor, which allows for exclusive use by the City. The space is 6,179 square feet and includes up to seven private offices, a conference room, a large open area for cubicles, two all-gender restrooms (part of the leased space and not available to other tenants), a breakroom with kitchenette, and a server room. The space can accommodate between 25 and 30 employees depending on how the cubicles are configured.

Staff recommends that Council authorize the City Manager or designee to execute a lease for the third floor of 888 Villa Street under the following terms and conditions:

- Lease commences on May 1, 2023, or as soon as possible thereafter, for a term of 64 months.

- Monthly rent per square foot as follows:

<b>Month</b>	<b>Rent/Sq. Ft.</b>
1-4	No Rent
5-12	\$6.25
13-24	\$6.44
25-36	\$6.63
37-48	\$6.83
49-60	\$7.03
61-64	\$7.25

- Full-service lease with the following operating expenses included in the monthly base rent for 2023: property taxes, utilities, insurance, janitorial, and maintenance. The City shall pay a prorated share of any operating cost increases in excess of the 2023 base year operating expenses.
- The City is responsible for internet and phone service.
- The City will have two one-year options to renew the lease at fair market value for similar office space in downtown Mountain View.
- Security deposit and first-month rent due upon lease execution.

With Council approval of lease terms, staff will proceed to execute a lease. Over the next few months, the City Manager will determine which department divisions or sections would be moved to Villa Street and how best to redistribute the vacated space within City Hall. The Villa Street office space is generally move-in ready with the City just needing to furnish it and set up communications and internet service.

### **FISCAL IMPACT**

An appropriation of \$118,700 is requested for the security deposit and one month of rent (actual fifth month of lease) to be paid at time of lease execution. There is sufficient funding available in the General Non-Operating Fund for this appropriation.

The annual base rent by fiscal year for the 64-month term of the recommended lease agreement would be as follows:

<b>Fiscal Year</b>	<b>Rent</b>
2023-24	\$428,328
2024-25	\$481,035
2025-26	\$495,309
2026-27	\$510,138
2027-28	\$525,339
2028-29 (1 month)	\$44,798

The prorated share of the increase in operating expenses over the 2023 base year would be added to the annual base rents listed above and is anticipated to be a relatively small annual increase per year. The appropriation for Fiscal Year 2023-24 rent will be requested in the Fiscal Year 2023-24 Budget that is scheduled for Council consideration and approval in June 2023.

All expenses related to furnishing and improving the Villa Street offices will be funded out of City Buildings Workspace Study and Modifications, Project 21-50. Funding sources for Project 21-50 include the Capital Improvement Program (CIP) Reserve, Construction/Conveyance Tax Fund, and Development Services Fund. The project has a current balance of approximately \$919,000, which is sufficient for preparing the Villa Street offices for occupancy, and no additional appropriation for Project 21-50 is requested at this time.

### **ALTERNATIVES**

1. Direct staff to seek revised terms and conditions for the lease of office space at 888 Villa Street.
2. Do not lease the office space at 888 Villa Street.
3. Provide other direction.

**PUBLIC NOTICING**—Agenda posting and a copy to the 888 Villa Street property owner.

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