



COUNCIL REPORT

DATE: December 12, 2023
CATEGORY: Consent
DEPT.: Public Works
TITLE: **Property Management Services—
Professional Services Agreement**

RECOMMENDATION

Authorize the City Manager or designee to amend the existing professional services agreement with Embarcadero Realty Services, Limited Partnership, for an additional \$202,000 to provide property management services for 909 San Rafael Avenue in a not-to-exceed amount of \$300,000.

BACKGROUND AND ANALYSIS

On [September 13, 2022](#), the City Council authorized the acquisition of 909 San Rafael Avenue for a future park site in the Terra Bella neighborhood located in the Stierlin Park and Open Space area. The 0.87-acre parcel is improved with a 13,800 square foot, single-story office/R&D building. The property was acquired with a tenant in place, Dusty Robotics, Inc. (Dusty Robotics), paying an annual lease of \$480,000. The lease expired in September 2023. On [June 27, 2023](#), Council authorized the City Manager or designee to execute a new lease with Dusty Robotics for a one-year term at a rental rate of \$521,640 beginning October 1, 2023, with a one-year renewal option. Since the Park Land Dedication Fund from the Stierlin Park and Open Space area was used to acquire the site, the rent revenue is being deposited into the Park Land Dedication Fund for this park area to be used to help fund the design and construction of the new park.

When the City acquired the property in 2022, the seller was using Embarcadero Realty Service (ERS) to manage the property. Because ERS had knowledge of the building and Dusty Robotics was satisfied with the services they provided, the City entered into an agreement with ERS in the amount of \$98,000 for property management services and routine maintenance. Approximately one-half of the contract amount was for property management services with the remaining earmarked to be used as needed for owner responsibilities such as heating, ventilation, and air conditioning (HVAC) maintenance/repairs, roof maintenance/repairs, and ground maintenance (parking lot sweeping and tree trimming).

The funding in the agreement with ERS is expected to be fully expended in January 2024. Staff

recommends increasing the ERS contract by \$202,000 for a total not-to-exceed amount of \$300,000. This funding amount will be sufficient to continue to retain the property management firm through the current lease term plus the one-year option if it is exercised. Under the extended agreement, ERS will continue to oversee tenant communications, respond to emergency repairs, and perform routine maintenance and operations until either the City is ready to begin park construction or the lease expires, whichever comes first.

FISCAL IMPACT

In addition to funding the acquisition of the park land and remedial work on the land to prepare it for the upcoming park construction, Acquisition of 909-917 San Rafael, Project 23-47, is funding the costs of the property management services. Project 23-47 is funded with \$20.4 million from the Park Land Dedication Fund, and there is a sufficient budget balance remaining for the recommended increase of \$202,000 to the ERS agreement for a not-to-exceed amount of \$300,000. As noted above, rental income from the property, estimated to be over \$1.5 million for up to three years of the lease, is being returned to the Park Land Dedication Fund.

ALTERNATIVES

1. Do not authorize the agreement amendment for property management of 909 San Rafael Avenue and direct staff to assume the property management responsibilities or to issue a Request for Proposals for a new property management company.
2. Provide other direction.

PUBLIC NOTICING—Agenda posting.

Prepared by:

Angela LaMonica
Real Property Program Administrator

Reviewed by:

Damian Skinner
Assistant Public Works Director

Approved by:

Dawn S. Cameron
Public Works Director

Audrey Seymour Ramberg
Assistant City Manager

ALM/LL/1/CAM/930-12-12-23CR
203656