



# Memorandum

**TO:** HONORABLE MAYOR  
AND CITY COUNCIL

**FROM:** Jim Ortbal

**SUBJECT:** GRANT FOR OUR CITY  
FOREST PROPERTY RENTAL

**DATE:** January 29, 2018

Approved

*D. D. SyL*

Date

*2/2/18*

## RECOMMENDATION

Adopt a resolution authorizing the City Manager or his designee to negotiate and execute a new grant agreement between the City of San José and Our City Forest (OCF) to fund OCF's rental of property located at 646 N King Road, San José, California, 95133 from on or around March 1, 2018 through June 30, 2019 in an amount not to exceed \$175,000.

## OUTCOME

The recommended action will enable the necessary relocation of OCF's administrative, operations, volunteer, and training services division to a privately-owned property since there is no building space available in any City owned property. The relocation of OCF from the City-owned facility at 1600 Las Plumas Ave is necessary due to the poor condition of the building. The new facility will provide adequate space for OCF to continue delivering critical programs and services that contribute to the establishment and care of a healthy community forest.

## BACKGROUND

OCF is a San José-based non-profit organization whose mission is to cultivate a green and healthy Silicon Valley by engaging community members in the appreciation, protection, growth, and maintenance of our urban ecosystem, in particular the City of San José community forest. The City is fortunate to have a longstanding partnership with OCF that dates back to 1994 when OCF was originally established. OCF provides a wide array of services for San José residents which include, but are not limited to, the following:

- Plant, establish and care for trees in City park-strips, medians, neighborhood parks, community centers and libraries.
- Recruit and train AmeriCorps service members as urban forestry and outreach specialists that assist the community with their tree care needs.

- Organize volunteers and conduct over 50 neighborhood tree planting events each year to increase both the public's awareness of the community forest and reinforce a sense of community.
- Provide education and awareness training about the community forest to local schools, community groups, and individual residents.
- Leverage City funding to obtain additional funding from various state and federal grants, and private donors for programs and services that contribute to a healthy community forest.

Currently, the City provides financial support to OCF in multiple ways through the Department of Transportation (DOT). DOT oversees an annual Operating Grant in the amount of \$173,800 for OCF general administrative and operating expenses. DOT also oversees an annual matching grant in the amount of \$120,000 for the Federal AmeriCorps program and an annual fee-for-service contract in the amount of \$100,000 for community forest related projects. Additionally, the City provides funding through DOT and other City departments to OCF to provide services for various programs and projects, such as the BeautifySJ program.

In addition to direct funding, the City has provided two City-owned properties at below market lease rates of \$12 per year in accordance with City Council Policy 7-1. The former housing shelter located at 1590 Las Plumas Avenue currently serves as OCF's main administrative and operations facility. OCF is also using the vacant lot located at 333 McKendrie Street as their community nursery.

However, the building at 1590 Las Plumas Avenue is in poor condition with several areas previously utilized by OCF now closed off or only accessible for pass-through access. The Department of Public Works has identified an extensive list of repairs (roof replacement, mold abatement, asbestos abatement, floor and wall restoration, etc.) that would be required to bring the building up to code and allow for complete occupancy of the building. Given the building's current condition, costs to repair it, and the impact it is having on OCF's operations, the Las Plumas property is no longer a viable location for OCF and they must move to a different facility.

Staff has researched City-owned property in search of a suitable space for OCF and its operation. At this time, there is no City-owned building space available that can accommodate OCF. Therefore, staff is recommending a new grant agreement that would provide OCF with funding to pay for the rental of private space through June 30, 2019 in an amount not to exceed \$175,000.

## **ANALYSIS**

The facilities needed by OCF for administrative and operations staff, AmeriCorps service members, training and community events, equipment storage, and parking needs were evaluated and defined by DOT and the Real Estate section in the Office of Economic Development (OED) in collaboration with OCF. Subsequently, several options and locations were explored to meet OCF's space needs. First, the Office of Economic Development (OED) performed an exhaustive search of City-owned properties in coordination with various City departments to see if there were any compatible locations that could accommodate OCF, but none are available. OCF, DOT, and OED also made a formal request for space to the County of Santa Clara and inquired with the Santa Clara Valley Water District regarding OCF's need for a facility, but neither agency was able to accommodate OCF. The placement of temporary structures or mobile trailers on vacant or open land was also considered, but previous evaluations of this option led staff to conclude that it was not feasible due to the costs associated with utility hookups, site preparation, construction, and ongoing costs.

Finally, with no other realistic options available, OED searched for private properties that were available for lease on the open market and identified a property at 646 N. King Road that meets most of OCF's needs. The King Road facility is 7,394 square feet in size with ample parking. OCF reviewed the facility and concurred that it was suitable for their operations and agreed to enter into negotiations for a lease agreement with the property owner.

OCF has reached a tentative agreement with the property owner for lease of the property. The term of the tentative agreement is from on or around March 1, 2018 through June 30, 2019. The basic terms of the lease agreement are as follows:

1. **LANDLORD:** 650 N King Road, LLC ("Landlord"),
2. **PREMISES:** 646 N King Road, San Jose, California, approximately 7,394 square feet of office space.
3. **USE OF PREMISES:** General office use.
4. **TERM:** Approximately 16 months based on estimated lease commencement date of March 1, 2018 through June 30, 2019. Actual term will be determined once a commencement date is established.
5. **LEASE COMMENCEMENT:** On or around March 1, 2018.
6. **RENEWAL OPTIONS:** OCF has the right to extend the initial lease term for two (2) one-year periods with an annual rent escalation of 3% exercisable in writing no less than 120 calendar days prior to the expiration of the prior term.
7. **RENT:** Starting at \$1.30 per square foot, or \$9,612.20 per month

8. **RENT PAYMENT:** Tenant rent payment shall commence on or around March 1, 2018.
9. **SECURITY DEPOSIT:** \$9,612.20
10. **PARKING SPACE:** Unreserved available open spaces.
11. **DELIVERY DATE:** Landlord shall deliver the Premises for possession to OCF on or around March 1, 2018.
12. **UTILITIES AND SERVICES:** OCF shall make arrangement for, and pay directly all costs of, utility services, such as water, gas, electric, telephone, and sewer.
13. **MAINTENANCE AND REPAIRS:** OCF shall be responsible to perform regular maintenance and keep in good repair all interior and exterior equipment and facilities including, but not limited to heating and air conditioning systems, walls, stairs, floors and floor coverings, doors and doorways, windows, lights, and other parts of the premises.

DOT is recommending authority for the City Manager or designee to negotiate and execute a grant agreement with OCF that will provide up to \$175,000 in funding to reimburse OCF for some of their incurred expenses. The qualifying expenses and the estimated costs are listed in the table below.

<b>Estimated expenses covered by grant</b>	<b>Estimated Cost</b>
Initial 16-month term	\$153,795.20
Utilities and Services	\$16,000.00
Maintenance and Repairs	\$5,000.00
<b>Total</b>	<b>174,795.20</b>

The grant agreement between the City and OCF will only be used for and to cover the actual expenses incurred by OCF. OCF will be financially responsible for items including, but not limited to, the security deposit, insurance, repairs because of damage caused by OCF, facility improvements or modifications, furnishings, and other operating expenses not described in the table above. OCF will pay for all moving expenses associated with vacating the City-owned property on Las Plumas Avenue and occupying the new location on King Road.

#### **EVALUATION AND FOLLOW-UP**

No additional follow up action with the City Council is expected at this time.

### **POLICY ALTERNATIVES**

**Alternative #1:** Do not approve negotiating and executing a grant agreement for OCF rental costs.

**Pros:** No additional City funding obligation beyond the current grant agreements and projects would be required at this time.

**Cons:** OCF would need to fund rental costs for a new facility, reducing their ability to provide their current level of critical community forest services to the City of San José.

### **PUBLIC OUTREACH**

This memorandum will be posted to the City Council's Agenda website for the February 13, 2018 City Council meeting.

### **COORDINATION**

Coordination among DOT, OED and OCF occurred to evaluate space options, identify suitable locations, and assist OCF in establishing a tentative lease agreement for the King Road property. This memorandum was coordinated with OED, the City Manager's Budget Office, and the City Attorney's Office.

### **COMMISSION RECOMMENDATION/INPUT**

No commission or recommendation is associated with this action.

### **FISCAL/POLICY ALIGNMENT**

OCF provides important public services to the City of San José by contributing to the establishment and care of a healthy community forest. By supporting OCF, this action aligns with the Strategic Framework for the San Jose Community Forest Management Plan.

### **COST SUMMARY/IMPLICATIONS**

The recommendation included in this memorandum would commit up to \$175,000 of City funds to assist OCF in securing suitable facilities for their operations through June 30, 2019. Grant funds would be used and applied to their lease for the sole purpose of paying for rent (\$153,795.20), utilities (\$16,000), and maintenance (\$5,000). No additional on-going costs are associated with the initial term of the lease are anticipated at this time.

A budget action to fund the proposed grant is being recommended and incorporated in the 2017-2018 Mid-Year Budget Review that is on the February 13, 2018 City Council Agenda.

Funding options will be considered and funding sources identified at the appropriate time should the renewal option to extend the lease from July 1, 2019 through June 30, 2020 be executed by OCF.

**BUDGET REFERENCE**

Fund #	Appn #	Appn. Name	Total Appn	2017-2018 Adopted Operating Budget	Last Budget Action (Date, Ord. No.)
001	0512	Department of Transportation Non-Personal/Equipment	\$15,599,073 *	P. 858	10/17/2017 30014

\* A 2017-2018 Mid-Year Budget Review action is recommended to add \$175,000 to this appropriation to cover the cost associated with the Our City Forest lease grant.

**CEQA**

Not a Project, File No. PP17-003, Agreements/Contracts (New or Amended) resulting in no physical changes to the environment.

/s/  
JIM ORTBAL  
Director of Transportation

For questions, please contact Russell Hansen, City Arborist, at (408) 794-1914.