



CITY OF
**PALO
ALTO**

City Council Staff Report

From: City Manager

Report Type: ACTION ITEMS

Lead Department: Administrative Services

Meeting Date: June 3, 2024

Report #:2405-2978

TITLE

Approval to Operate the City-owned Building at 445 Bryant Street as a Community Center with Part-Time Use by La Comida de California for a Senior Nutrition Program; CEQA Status – Not a Project

RECOMMENDATION

Staff recommends the City Council direct staff to operate the City-owned building at 445 Bryant Street as a community center and also allow part-time use by La Comida de California for a senior nutrition program.

EXECUTIVE SUMMARY

The City-owned building at 445 Bryant Street was vacated by its former tenant in January 2023 and has been marketed for lease since that time. Approximately 30 parties have expressed interest in the building and four submitted proposals. Alternatively, the City's Community Services Department (CSD) can operate the entire building and make a portion of the building available for shared use with third party compatible users. The Council held a closed session conference with real property negotiators, on March 11, 2024, to discuss lease price and terms of payment¹. Staff has evaluated the proposed uses for the building and recommends activating the building as a City operated community center and authorizing La Comida de California (La Comida) to operate a senior nutrition program in a portion of the ground floor on the weekdays from 10:00 A.M. to 2:00 P.M.

¹ City Council, March 11, 2024, Item #3:

<https://cityofpaloalto.primegov.com/meetings/ItemWithTemplateType?id=4467&meetingTemplateType=2&compiledMeetingDocumentId=9319>

BACKGROUND

The City-owned building at 445 Bryant Street is approximately 7,410 square feet with two-stories, including an elevator. The building was constructed in 2002 and financed through \$3.6 million in 2002B Downtown Parking Improvement Project Certificates of Participation (COPs) as part of the Bryant/Lytton garage project. The amount attributable to the building was paid off in November 2022 and there is no longer any outstanding debt through a refinancing completed in 2018. The building is a second-generation retail space that was previously used as a health and fitness center from 2005 until January 2023 (CMR 411:04²).

The space is built out with two sets of locker rooms, a few small private rooms on the ground level, and larger rooms on the upper level. The building is currently in overall good condition with a few deferred maintenance items, most notably the HVAC system which is estimated to cost \$375,000 to replace with electrical systems. Both HVAC and electrical systems projects are included in the FY 2025 Capital Improvement Program budget and repairs can be addressed, subject to ability to use restricted funding, before facility reactivation and reoccupancy. Any renovation or tenant improvements completed to the property is expected to comply with all applicable laws, including The Americans with Disabilities Act (ADA).

The property's zoning is Planned Community (PC-4611)³. Permitted uses include ground floor retail or other pedestrian-oriented use, a teen center, and office use on the upper floors. The recommendation to operate the building as a City operated community center and the proposed operation of a senior nutrition program is generally consistent with prior uses of the site and the provisions of the planned community zoning ordinance.

ANALYSIS

Staff received approximately 30 inquiries, and four parties submitted proposals expressing interest in the 445 Bryant Street space. This included for-profit and nonprofit organizations.

The for-profit proposals were for fitness center uses. These proposals included rental rates ranging from approximately \$1.75 to \$3.44 per square foot per month, and would require exclusive use of the two-story facility. Staff investigated the potential for shared-use with the proposers, and confirmed that both required exclusive use of the facility.

The nonprofit proposals included rental rates ranging from roughly \$0.03 to \$0.75 per square foot. While the nonprofit organizations expressed willingness to share space with other organizations, staff anticipates that many organizations would be interested in the space if the City were to agree to lease at such a discounted rate. If the City Council wishes to pursue leasing the facility to one or more nonprofits, a nonprofit-focused Request For Proposals should be issued.

²City Council, September 13, 2004, Item #7: <https://portal.laserfiche.com/Portal/DocView.aspx?id=47550&repo=r-704298fc&searchid=b4744cd3-9617-4c61-84a4-b1362d19ba2b>

³City Council, March 20, 2000, Item #10: <https://www.cityofpaloalto.org/files/assets/public/v/1/city-clerk/ordinances/ordinances-1909-to-present/ordinances-by-number/ord-4611.pdf>

Alternatively, the building can be activated as a City community center to be operated by CSD. This location can provide new and expanded popular programs, classes, and summer camps. The building can also be a safe place for teens to gather after school and on weekends, and can be used to host pop up events (such as art events and parents' night out). Additional uses could include room rentals when spaces are not being programmed. When necessary, it may be flexed as a temporary Palo Alto community Overnight Warming Location ("OWL") for community response and support during inclement weather events.

The City Council set facilitating a North Palo Alto location for La Comida as a priority in 2023 and 2024. Established in 1972, La Comida is a 501(c)(3) nonprofit that provides meals, social, and educational programs for seniors. In FY 2022, they served over 88,000 meals at no charge to over 1,500 seniors from northern Santa Clara County. Temporarily meals are provided at the First United Methodist Church (625 Hamilton Avenue).

Staff has been working with La Comida for several months to establish their space needs. Based on these discussions, a portion of the ground floor is recommended to be provided to La Comida to operate a senior nutrition program on the weekdays from 10:00 A.M. to 2:00 P.M. Should Council approve this direction, staff will return for Council approval of a license agreement to authorize La Comida's use of the space.

CSD will coordinate with Public Works (PW) to improve the facility for activation as a community center. Requested improvements include HVAC upgrades, flooring, paint, lighting, renovating or removing the locker rooms, plumbing, installation of acoustics and window coverings, partitioning, and others. PW estimates these improvements to cost approximately \$1,000,000. La Comida has also compiled a list of desired tenant improvements that includes constructing a demising wall, paint, flooring, creating a storage area, and renovations to the locker rooms. Various furniture and equipment will be needed by both users of the building.

FISCAL/RESOURCE IMPACT

The recommendation in this report would result in an ongoing General Fund net cost of approximately \$265,000. Year one General Fund net operating costs of approximately \$63,000 and one-time capital costs of \$930,000 have been programmed in the Operating and Capital FY 2025 Proposed Budgets respectively.

La Comida provided a Letter of Intent offering \$1,000 per month initial rent, triple net, with the first month's rent free and 3% annual increases to use the space over an initial seven-year term with two options to extend for an additional five years during each option period. However, this offer assumed exclusive use of approximately 1,325 square feet of the space as well as some shared or common areas. The current staff proposal reflects usage of the space from 10am to 2pm weekdays; as such final terms would need to be negotiated with the party.

The FY 2025 proposed budget includes CSD programming and Public Works maintenance of the whole facility and shared with La Comida with activation in March 2025 (after capital

improvements are made) prorating the costs/budget proposal for 25% in FY 2025. Prorated year one revenue is estimated at \$55,800 and expenditure at \$118,400, resulting in a projected net cost to the General Fund of \$62,600 in FY 2025. Ongoing program revenue is projected at \$225,000 per year while ongoing program expenses are estimated at \$490,000, resulting in an annual General Fund net expense of \$265,000.

The cost to address the building's deferred maintenance issues and the facility improvements needed for the City to operate the building for community use could be funded entirely or in part by available community center development impact fees. The ending balance of the Community Center Impact Fee Fund, as of June 30, 2023, was \$771,619. The FY 2025 Capital Budget includes funding of \$490,000 for Electrification of City Facilities (PE-24001) and \$440,000 for Facility Interior Finishes Replacement (PF-02022).

Council provided direction in 2001 to allocate 75% of Bryant Street rental revenues to teen programs.⁴ The adopted FY 2024 budget included \$173,000 for teen programming, effectively decoupling these two programs since the period of lower rent payments and vacancy of the space. Staff is assuming that teen programming funding will continue irrespective of decisions on Bryant space lease. In FY 2025, the budget is expected to maintain the funding levels for teen programming and if approved for reappropriation from FY 2024 to FY 2025 the remaining reserved one-time funding of \$216,000 that was generated to support teen services.

STAKEHOLDER ENGAGEMENT

The Administrative Services Department (ASD) has been marketing the space at 445 Bryant Street for lease in accordance with the City's Leased Use of City Land/Facilities Policy (Policy and Procedures, 1-11/ASD) since the prior tenant vacated. Signage is strategically placed along the Bryant Street and Lytton Avenue frontage, brochures have been distributed, and a listing has been placed on <https://www.costar.com/>. Additionally, staff has distributed the listing to a running list of over 60 non-profit organizations. Staff has been meeting with potential tenants since the space has been marketed. The Real Estate Division initially received an offer from La Comida in October 2023 and continued to engage in discussions since that time. PW conducted a condition assessment of the building and is expected to coordinate with CSD to improve the facility for use as a community center and continued maintenance. CSD has been involved in discussions about use of the space with a variety of class and program options. If the City Council desires to proceed with permitting La Comida to use a portion of the building, staff will negotiate an agreement with La Comida for the City Council's approval.

ENVIRONMENTAL REVIEW

Council action on this item is not a project as defined in the California Environmental Quality Act (CEQA) because the lease or City use of an existing City-owned property is an administrative

⁴ City Council, December 10, 2001, Item #2: <https://www.cityofpaloalto.org/files/assets/public/v/1/agendas-minutes-reports/reports/city-manager-reports-cmrs/year-archive/2001/444-01.pdf>

activity that will not result in direct or indirect physical changes to the environment. CEQA Guidelines section 15378(b)(5).

ATTACHMENTS

None.

APPROVED BY:

Lauren Lai, Administrative Services Director