



260 HOMER AVENUE

**PALO ALTO PLANNING
COMMISSION MEETING**

Summary

- 260 Homer is a mixed-use building, which was built in 2009, and is made up of 5 office condominiums and 2 residential condominiums.
- The Development Agreement signed with the City of Palo Alto, dated 4/10/2000, mandates that **“There shall be no single tenant that occupies more than one-third of the net usable office space”**.
- Since inception, there have been multiple instances where the occupancy restriction provision has hindered the City of Palo Alto and ownership.
- There are no scenarios in which the restriction has benefited the City.
- We are proposing an amendment to remove the occupancy restriction.

Direct Impacts

- **Ernst & Young Leasing** – EY, an international accounting firm, sought to expand their footprint at the property when another suite became vacant, but could not due to the occupancy restriction.
- **Downtime** – Being unable to accommodate EY's expansion request, the building experienced downtime of 16 months in Suite 202 (~26% of the property), a loss of \$225,000 in potential retail foot traffic revenue^[1].
- **Duane Morris Leasing Provision** – DM, an international law firm, has expressed interest in future expansion options at the property. We risk losing DM as a tenant if we are unable to accommodate their expansion needs.
- **Future Leasing** – Recurring question from our prospective tenants – *“What is our ability to expand our footprint at this property?”* The occupancy restriction arbitrarily impairs our ability to attract tenants seeking future expansion opportunities.
- **There are no scenarios in which this restriction has benefited the City.**

[1] Assumes 200 sqft/person, 70% office utilization, \$30.00 average daily retail spending, and a 65% conversion rate.

City Benefits

- Retail Foot Traffic –
 - Approximately 36,500 sqft building @ 200 sqft/person = approximately 183 people supporting additional retail foot traffic.
 - This translates into approximately **\$648,000 of annual retail commerce^[1]**.
- Other Benefits –
 - A more activated and vibrant downtown office environment.
 - Local economic multiplier effects from local office occupancy. (Conferences, hotel occupancy, retail spending, volunteer work, catering, etc.)
 - Sales taxes earned on retail transactions (1% of every purchase).
 - Higher office occupancy leads to higher utility revenues, which are the largest single source of revenue for the City of Palo Alto (commercial rate payers account for 54% of City utility revenues).

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City Benefits [Continued]

- Tax Considerations – 55%+ of RE Tax Revenue Goes to City
 - City of Palo Alto – 9.42%
 - Palo Alto Unified School District – 45.61%
 - Palo Alto City / PA Unified School District Bonds – 0.09%
- Although we have not sought a sale of the property to date, it is in the best interest of the City to maximize office property values and occupancy due to tax revenue implications.
 - Estimate up to **\$53,500 per year** in increased tax benefit to the City of Palo Alto upon sale.
 - Current occupancy restriction doesn't just hinder leasing, but also negatively impacts a hypothetical future buyers' perception of leaseability and property value.



THANK YOU