TO: HONORABLE CITY COUNCIL
FROM: CITY MANAGER DEPARTMENT: ADMINISTRATIVE SERVICES
DATE: MARCH 1, 2004 CMR: 162:04

SUBJECT: LEASE OF SPACE AT THE CUBBERLEY COMMUNITY CENTER TO THE FRIENDS OF THE PALO ALTO LIBRARY

RECOMMENDATION
Staff recommends that Council approve the attached lease with the Friends of the Palo Alto Library (FOPAL) of two rooms, K6 and K7, at the Cubberley Community Center.

BACKGROUND
Since 1938, the Friends of the Palo Alto Library (FOPAL) has been the volunteer and funding support organization for the Palo Alto Library system. One element of FOPAL’s program is a used bookselling and recycling operation that collects and sells used books that come from many sources, including City library discards and donations from other organizations and individuals. Through this operation, FOPAL has been able to contribute substantial funding to the library system.

FOPAL occupied space in the Terman branch library since its opening in 1985. In 1999, two classrooms in the adjacent wing of the Terman site were vacated, and FOPAL expanded its book selling operation into these rooms. In September 2000, three more classrooms were vacated, and FOPAL again expanded its operation into the entire wing of five classrooms. Because the City was in the process of returning the Terman site to the Palo Alto Unified School District (PAUSD), FOPAL was not charged rent. With the additional space, FOPAL was able to expand its program and thus increase its monetary contributions to the library. In 2003, the total amount contributed to the library was $120,000.
When PAUSD took ownership of the Terman site, FOPAL lost the use of the classrooms but remained in the branch library building. The City provided space for the group’s book sale operation at a new re-locatable building located on the Cubberley site. The cost to the City to install the building was approximately $90,000, plus an annual lease payment for the re-locatable building of $26,000. FOPAL reimburses the City a portion or all of the lease payment depending on its total revenue generation each year.

The re-locatable building has provided sufficient room for FOPAL operations when combined with the space it occupied at the Terman Library. As of December 31, 2003, the group lost the use of the Terman Library space and has asked to lease two vacant classrooms on the Cubberley site.

**DISCUSSION**

On December 31, 2003, a non-profit tenant vacated rooms K6/K7, H6 and L1 at Cubberley. Because the mission of the FOPAL book selling operation is to provide funds for Library operational and capital uses, and because the loss of space at Terman has left it without enough appropriate space to conduct business operations, FOPAL has requested that the City grant a year-to-year lease to the organization for rooms K6 and K7, which total 1,700 square feet. Based on its free rent at Terman, FOPAL has also requested that it not be required to pay the same rental as other Cubberley non-profits ($1.00 per square foot minimum) or, preferably, no rent at all. However, unlike the Terman site, which was owned by the City, the Cubberley site is leased. The City is obligated to make its payment to the School District, and any loss in revenue from City subtenants has to be made up from the General Fund. Therefore, staff negotiated with FOPAL a rent for the space starting at $.57 per square foot, the same rent rate applied to Cubberley resident artist studios. Other major terms of the lease include a term up to 6 years, renewable each year at FOPAL’s option conditioned upon the group using the space to provide funds for City libraries. Additional lease terms are summarized in Attachment B.

**RESOURCE IMPACT**

Prior to December 31, 2003, Cubberley rooms K6 and K7 were leased to a previous tenant at a rate of $1.68 per square foot for a total of $34,380 per year. At $0.57 per square foot, FOPAL will be paying $11,628 annually. Consequently, the net loss to Cubberley’s revenue is projected to be approximately $22,752. However, one of FOPAL’s core missions is to be a fundraising arm of the Library program and, as such, has contributed considerable funding to the Library’s operational budget and capital projects over many years.
POLICY IMPLICATIONS
The proposed lease is consistent with City Policies and Procedures 1-11, Leased Use of City Land/Facilities which requires that operation of facilities on city-owned property further a public use or provide a public benefit, that the leased use be compatible with the primary public use of the property, and that opportunities be provided to others to respond to possible use of the space. In accordance with Section C, paragraph 1a, of the policy a notice of intent to award a lease was published in the Palo Alto weekly and mailed to residential property owners in-lieu of a Request for Proposal process to lease space. The notice provided the public 30 days notice that a public hearing on award of the lease would be held before the Council on this date. However, the recommendation is not consistent with the current rental policy at Cubberley which indicates a rate of a minimum of $1.00 per square foot for non-profit groups.

It should be noted that there are currently twelve interested parties, including day-care providers, on a waiting list for space in the K or L wings, and this space could be leased to another group or organization for the same or higher rent as the previous tenant, $1.68 per square foot or $34,380 annually. In addition, FOPAL is the only “friends” group that requires space from the City to function. Over the past five years other groups such as the Art Center Foundation, Friends of the Jr. Museum and Friends of the Children’s Theatre have donated large sums of funding, without the use of City space. (As an example, the Arts Center Foundation has contributed $1.5 million over the past five years.) This recommendation may set a precedent that other similar groups may view as an opportunity to request space for its future operations. Such a situation could be devastating to Cubberley’s financial health, since one of Cubberley’s missions is to cover its direct operating costs through rentals and leases.

ENVIRONMENTAL ASSESSMENT
The project is categorically exempt from the requirements of the California Environmental Quality Act (CEQA) pursuant to Section 15301 (Existing Facilities) of the CEQA guidelines.

ATTACHMENTS
Attachment A: Lease Summary
Attachment B: Lease Agreement