



COUNTY OF SAN MATEO
Inter-Departmental Correspondence
County Manager



Date: April 3, 2014
Board Meeting Date: May 6, 2014
Special Notice / Hearing: None
Vote Required: Majority

To: Honorable Board of Supervisors

From: John L Maltbie

Subject: Lease with Butler Realty, LLC at 727 Shasta Street in Redwood City for Behavioral Health and Recovery Services (Lease 1306)

RECOMMENDATION:

Adopt a Resolution authorizing a lease with Butler Realty, LLC, of 7,166 square feet of office space located at 727 Shasta Street in Redwood City, for the use of Behavioral Health and Recovery Services, for a term of ten years, at an initial monthly base rent of \$10,749.

BACKGROUND:

The Behavioral Health and Recovery Services division of the County's Health System (BHRS) leases 802 Brewster Street in Redwood City for the South County Mental Health Clinic, which currently provides services for adults and youth. BHRS desires to relocate the youth team from the Brewster Street location, which will alleviate growing concerns over space.

BHRS also leases space at 900 Veteran's Boulevard in Redwood City for several programs and administrative functions. The lease at Veteran's expired on April 30, 2014 and they are currently utilizing the space on a month-to-month basis pursuant the holdover provision of the lease. The base rent at Veteran's has increased significantly with the Redwood City downtown market and is currently \$4.00 per foot per month. BHRS desires to find more affordable space to provide these services.

BHRS has identified available space at 727 Shasta Street in Redwood City which will accommodate the youth team from Brewster and most of the staff at Veteran's. The space is located convenient to many of their clients and public transportation and provides a quality setting to provide services.

DISCUSSION:

Real Property Services has negotiated a Lease Agreement with Butler Realty, LLC, whereby the County shall lease 7,166 square feet of office space at 727 Shasta Street in Redwood City, for a term of ten years, which is estimated to commence on July 1, 2014 and will expire on June 30, 2024, with two options to extend the term for an additional five years, at an initial monthly Base Rent of \$10,749, which will increase annually by 3%. The Landlord will make improvements to the premises including reconfiguration and construction of several offices, a new public entrance on Shasta Street and an ADA accessible lift in the suite. In addition, the County's Commission on Disabilities performed an ADA assessment and identified certain barriers to accessibility on the property and in the premises. The Landlord has agreed to make necessary modifications to remove the barriers and make the premises accessible to the public. The improvements are estimated to cost approximately \$507,000. The improvement costs will be paid for in part through a \$107,490 allowance from the Landlord and the remainder by the County either through one time funds, as additional rent amortized over the initial term of the lease, or a combination of the two.

County Counsel has reviewed and approved the Lease and Resolution as to form. The Chief of the Health system concurs with this recommendation.

Approval of the Lease contributes to the Shared Vision 2025 outcome of a Healthy Community by establishing an agreement that allows BHRS to provide its important services in Redwood City.

PERFORMANCE MEASURES:

Real Property Services strives to maintain an average cost of leased facilities that compares favorably with the average rate for similar facilities in the County. The initial rental rate for the leased area is approximately \$1.60 per square foot per month, full service equivalent (\$1.50 base rent plus approximately \$0.10 per month for utilities). This is substantially below the Redwood City 1st Quarter 2014 average asking rate of \$3.79 per square foot per month, full service.

Measure	FY 2014-15 Estimated	Avg. Asking Rate Redwood City Q1-2014
Monthly cost per square foot:	\$1.60	\$3.79

FISCAL IMPACT:

The initial monthly Base Rent of \$10,749 as well as the one time and amortized tenant improvement costs are included in the adopted FY 2014-15 budget of the Health System.