



COUNTY OF SAN MATEO
Inter-Departmental Correspondence
County Manager



Date: October 25, 2012
Board Meeting Date: November 20, 2012
Special Notice / Hearing: None
Vote Required: Majority

To: Honorable Board of Supervisors

From: John L. Maltbie, County Manager

Subject: Resolution Authorizing the Lease of Real Property located at 555 Marshall Street in Redwood City to San Mateo Credit Union (Lease 5353)

RECOMMENDATION:

Adopt a Resolution authorizing:

- A) The County Manager to declare 555 Marshall Street, Redwood City, as surplus to the needs of the County; and
- B) The County Manager to execute a Lease Agreement pursuant to Section 2.51.080 of the San Mateo County Ordinance code with San Mateo Credit Union, a California Corporation, for 10,369 square feet of office space at 555 Marshall Street, Redwood City, at monthly rents of \$8,295.20 and \$9,332.10 per month in years one and two, with three additional one-year extensions at monthly rents of \$9,612.06, \$10,573.27 and \$11,630.60, respectively; and
- C) The County Manager or his designee to accept or execute on behalf of the County any and all notices, consents, approvals, terminations, and other documents in connection with the Lease Agreement, that further the intent of the Resolution and the Board.

BACKGROUND:

In 2007, the County acquired 555 Marshall Street in Redwood City as part of the site for a future County office building. Plans to construct a County office building on the Marshall Street block were put on hold when Circle Star Plaza was acquired. The site consists of Assessor's Parcel Numbers 052-344-070, 080, 090 and 120, totaling approximately 23,029 square feet. The site is improved with an office building of 18,775 square feet, which includes a mezzanine and basement storage.

DISCUSSION:

The County has been presented with an opportunity to enter into a short term lease of 555 Marshall Street with San Mateo Credit Union. The leased premises consist of 10,360 rentable square feet of office area, together with surface parking for approximately 39 cars. The lease is for a term of two years, commencing on April 1, 2013 and expiring on April 1, 2015. Initial base rents will be \$8,295.20 per month (.80 cents/s.f.) and \$9,332.10 (.90 cents/s.f.) in years one and two. The rent escalates in each of the three additional one-year extension periods to \$9,612.06 per month (\$.93/s.f.), \$15,553.50 per month (\$1.02/s.f.) and \$25,922.50 per month (\$1.12/s.f.), respectively. The lease terms are "triple net", requiring the Tenant to be responsible for possessory interest taxes, insurance, maintenance, utility costs and janitorial services. All building improvements and tenant improvement costs shall be paid by the tenant. Costs for the improvements necessary to occupy the building and make it ADA compliant are estimated to be approximately \$500,000.

Pursuant to the lease, the County will pay a broker's commission from rent proceeds of \$12,692, 6% of the triple net rent during the initial term of two years, to Bill Sawyer of Cassidy Turley BT Commercial. The Tenant will have the right to terminate the lease prior to taking occupancy after payment of a cancellation fee equivalent to four month's rent. The tenant is required to give sixty days written notice to the County for each extension period. The negotiated lease rate compares with comparable facilities. A short term lease of the building is consistent with the County's Facilities Master Plan and meets the requirements of Section 2.51.080 of the San Mateo County Ordinance code.

The Clerk of this Board has published a Notice of Public Hearing of the intent to lease the Property one time.

Pursuant to Government Code Section 25351, Redwood City has been notified of the proposed lease.

County Counsel has reviewed and approved the Lease and Resolution as to form. The Department of Public Works and the ADA Compliance Committee concur in this recommendation.

This action promotes the County's vision of a collaborative community by providing a temporary solution for office space for a business in San Mateo County and by generating revenue for the County General Fund.

FISCAL IMPACT:

The lease will improve the premises for future use and generate rent of approximately \$100,000 in year one, payable at the rate of \$8,295.20 per month.