



COUNTY OF SAN MATEO
Inter-Departmental Correspondence
County Manager



Date: February 14, 2013
Board Meeting Date: February 26, 2013
Special Notice / Hearing: None
Vote Required: Majority

To: Honorable Board of Supervisors

From: John L. Maltbie, County Manager

Subject: Amendment to Property Management Agreement with Orchard Commercial, Inc.

RECOMMENDATION:

A) Adopt a Resolution authorizing the County Manager or his designee to:

- 1) Execute an amendment to the Property Management Agreement with Orchard Commercial, Inc, for Circle Star Plaza increasing the not to exceed amount by \$350,000 to a total of \$530,000; and
- 2) Accept or execute on behalf of the County any and all notices, consents, approvals, terminations, and other documents in connection with the Amendment and Agreement, that further the intent of the Resolution and the Board.

B) Approve a Resolution authorizing an Appropriation Transfer Request (ATR) in the amount of \$350,000 from Non-departmental ERAF reserves to Non-departmental Management Services.

BACKGROUND:

On September 11, 2012, the Board authorized the County Manager to enter into a Property Management Agreement (Agreement) with Orchard Commercial, Inc ("Orchard") to manage and maintain the County owned Circle Star Plaza property (the "Property") in San Carlos. The Agreement is for 1 year, from September 11, 2012 through September 10, 2013, and is renewable on a yearly basis for up to 10 years. The Agreement authorizes Orchard to provide management services at the Property including maintenance and operations, fiscal reporting, landlord-tenant relations and lease enforcement. While a building is vacant the County pays Orchard a flat monthly fee of \$1225 for management services. The County also reimburses Orchard for utilities, landscaping and other expenses.

The original contract had a not-to-exceed amount of \$180,000 per year based on a monthly budget of \$15,000 which included limited maintenance and minimal system operation. The management fee was included in the monthly amount.

DISCUSSION:

The County recently reviewed both the grounds and the building systems at Circle Star to determine major maintenance needs and ongoing operating costs. The review determined that work needs to be done on the HVAC systems, elevators, exterior lighting systems, back-up generators, parking lots, irrigation system, landscaping and other items to properly maintain the building and prepare for potential occupancy. The one-time cost of this major maintenance is \$200,000.

After the one-time work is complete, to maintain the building in good repair, operating costs are expected to increase to \$40,000 a month for both buildings while they are unoccupied. The additional \$25,000 per month will cover more frequent operating of all mechanical and plumbing systems which will increase electrical and water costs and roving security patrols and daily site monitoring for trash pick-up and lighting review to deter vandalism. In addition, contingency funds for future elevator, phone, HVAC and electrical system repairs will be started. The operating expense increase will cost \$150,000 for the six months remaining on the current contract.

When Circle Star is occupied, the property management and other fees will increase, and the tenants will reimburse the County for operating costs associated with the space they are leasing and a proportionate share of the common area maintenance. Thus, when the buildings are occupied, operation costs will change again and will require another amendment to the Orchard contract, which we will bring to your Board after any leases are signed.

An ATR of \$350,000 will be necessary to meet County's obligations of the amended Agreement during this year, and is attached hereto.

CountyCounsel has reviewed and approved the Amendment and Resolution as to form.

This action promotes the County's vision of a Prosperous Community by providing office space for businesses to expand in San Mateo County while generating revenue for the County General Fund.

FISCAL IMPACT:

The \$200,000 for one-time improvements and repairs as well as the \$150,000 for ongoing operating expenses will be covered by the ATR, which will come from non-departmental ERAF reserves. After the property is occupied, rents and operating expense reimbursements will cover the ongoing operating costs.