



COUNTY OF SAN MATEO
Inter-Departmental Correspondence
County Manager



Date: April 3, 2013
Board Meeting Date: April 9, 2013
Special Notice / Hearing: None
Vote Required: Majority

To: Honorable Board of Supervisors

From: John L. Maltbie, County Manager

Subject: ATR for a Tenant improvement Allowance and a Broker's Commission related to a lease of One Circle Star Way, San Carlos (Lease No. 5357)

RECOMMENDATION:

Adopt a Resolution authorizing an Appropriation Transfer Request (ATR) in the amount of \$3,889,050 from Non-departmental ERAF reserves to Circle Star Plaza.

BACKGROUND:

On February 26, 2013, the Board adopted resolution 72388 authorizing the County Manager to execute a lease agreement with Starburst 1, Inc. for One Circle Star Way, a County owned office building in San Carlos. Pursuant the lease, the County will provide a tenant improvement allowance of \$25 per square foot or \$2,589,700.

The broker agreement between the County and Cornish & Carey Commercial Newmark Knight Frank (C&CNKF) C&CNKF, approved by the Board on June 5, 2012 and amended on December 11, 2012, states that upon execution of the lease the County will pay a broker's commission of \$1,299,350. Within 30 days of the lease signing, 50% of the commission will be due and then within 30 days after tenant move-in, the remaining 50% will be paid.

The County and Starburst 1 entered into the lease with Starburst on April 4, 2013.

DISCUSSION:

An ATR of \$3,889,050 will be necessary to meet County's obligations associated with the lease and broker agreement.

This action promotes the County's vision of a Livable Community by providing temporary office space for businesses in San Mateo County and generating revenue for the County General Fund.

FISCAL IMPACT:

The \$2,589,700 for the tenant improvement allowance and the \$1,299,350 for the broker's commission will be covered by the ATR and will come from non-departmental ERAF reserves. It will take about 18 months to recoup the tenant improvement allowance and broker fees. Once these costs are re-paid, the lease will provide a rental income stream averaging approximately \$250,000 per month or \$3,000,000 per year.