



**COUNTY OF SAN MATEO**  
Inter-Departmental Correspondence  
County Manager



**Date:** March 28, 2013  
**Board Meeting Date:** May 21, 2013  
**Special Notice / Hearing:** None  
**Vote Required:** Majority

**To:** Honorable Board of Supervisors  
**From:** John L. Maltbie, County Manager  
**Subject:** Second Amendment to Lease Agreement with Davis Associates, of office space at 1 Davis Drive, Belmont, California (Lease No. 1289)

**RECOMMENDATION:**

Adopt a Resolution authorizing a Second Amendment to Lease Agreement with Davis Associates agreeing to a payment to the Landlord of \$232,000 for Leasehold Improvements, and agreeing to the County occupying 26,292 square feet of office space on the second floor at 1 Davis Drive, Belmont, California.

**BACKGROUND:**

The 1 Davis Drive facility is a 69,925 square foot office building located at the southeast corner of Davis Drive and Ralston Avenue, in the City of Belmont, that includes two levels of offices of 30,000 square feet each and a 9,925 square foot basement improved as break room, conference and training space.

In March of 2009, pursuant to Resolution No. 066940, the County leased the entire building for the Department of Human Services (HSA), but occupied and paid for only the basement and ground floor (the "Base Premises"), a total of 39,925 square feet. The 30,000 square foot second floor of the building was held as "Expansion Space", with rent due upon occupancy. The County had the right to occupy the Expansion Space at any time for any period unless the County kept the space for a two year period in which case the County was obligated for the remainder of the existing term.

The Davis Drive facility was leased on a "Plug & Play" basis – which means that the landlord was obligated to complete the design and improvements in the facility and purchase and install the furniture systems throughout the premises, pursuant to plans approved by the County and agreed upon in the lease.

In June of 2012 in order to consolidate HSA's Financial Services staff, and pursuant to Resolution No. 071994, the County entered into a First Amendment to the Lease

Agreement authorizing the Landlord to provide certain additional leasehold improvements on the first floor up to \$65,000, to be reimbursed as additional rent.

**DISCUSSION:**

Real Property Services has negotiated a Second Amendment to Lease Agreement which authorizes the Landlord to purchase and install improvements and furniture systems in most of the remaining Second Floor Expansion Space at a cost that exceeds by \$332,000 the design and plans originally approved in the Lease Agreement and First Amendment. The additional cost is due to a fifty percent increase in occupancy density and to the installation of adjustable height work stations. Landlord has agreed to credit \$100,000 of the \$332,000 that he would be entitled to, in exchange for County's agreement to occupy the 26,292 square feet of the Second Floor Expansion Space through the remainder of the current lease term, or September of 2019. Under the Second Amendment as proposed the County will pay Landlord the \$232,000 and retain the right, but not the obligation, to purchase all furniture systems in the building for an additional \$1.00 at the end of the term. The lease for the Initial Premises and the Second Floor Expansion Space occupied by the County will terminate on the same date.

Rent for the Second Floor Expansion Space is calculated on a "net" basis, plus operating costs of the building, including maintenance, insurance, utilities, and real estate taxes. Pursuant to the schedule agreed to in the original Lease, the initial monthly net rate per square foot for the Second Floor Expansion Space is \$2.10, which escalates bi-annually to \$2.25, \$2.35 and \$2.45. The calculation of \$76,510 as the initial full service equivalent includes the initial rate of \$2.10 per square foot, plus monthly operating expenses estimated at \$0.81 per square foot.

The additional space resolves space requirements created by changes in county-wide space allocation plans and facilitates the consolidation of Human Services Agency staff at various leased facilities, while improving operating efficiency and affording direct construction cost savings.

County Counsel has reviewed and approved the Amendment and Resolution as to form. The Director of the Human Services Agency concurs in this recommendation.

Approval of the Amendment contributes to the Shared Vision 2025 outcome of a Healthy Community by establishing an agreement that allows the Human Services Department to continue to operate as a unit from an accessible and convenient location.

**FISCAL IMPACT:**

The additional rent of \$76,509.72 and payment of \$232,000.00 for furnishing systems is included in the adopted FY 2013-2014 budget of the Human Services Agency.