



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



**Date:** July 24, 2013  
**Board Meeting Date:** August 6, 2013  
**Special Notice / Hearing:** None  
**Vote Required:** Majority

**To:** Honorable Board of Supervisors  
**From:** John L. Maltbie, County Manager  
**Subject:** Amendment to Lease of One Circle Star Way, San Carlos (Lease No 5357)

**RECOMMENDATION:**

Adopt a Resolution authorizing:

- A) The County Manager or his designee to execute an amendment to Lease Agreement 5357 with Tenant, Starburst I, Inc.; and
- B) Payment of a Real Estate Broker's Commission

**BACKGROUND:**

In January of 2011 the County acquired One and Two Circle Star Way in San Carlos, commonly known as Circle Star Plaza. On April 1, 2013, the County Manager entered into a lease # 5357 for One Circle Star Way with Starburst I, Inc. That lease included a right of first refusal for Two Circle Star Way. In July of 2013, Starburst I, Inc. exercised its right of first refusal for Two Circle Star Way. On July 23, 2013, this Board approved and entered into a lease with Starburst I, Inc. for Two Circle Star Way.

Starburst I, Inc. has requested that the lease for One Circle Star Way be co-terminus with its lease for Two Circle Star Way with regard to both its initial term and its extension option.

**DISCUSSION:**

The recently executed lease for Two Circle Star Way (Lease #5364) specifies an initial term that expires on May 31, 2020, and a 34 month extension option that would extend the lease to March 31, 2023. To make the lease for One Circle Star Way (Lease #5357) co-terminus with Lease #5364 for Two Circle Star Way, Lease #5357 needs to have its initial term extended by 11 months (i.e., from June 30, 2019 to May 31, 2020) and its option term reduced by two months (i.e., from 36 months to 34 months).

Pursuant to Lease #5357 for One Circle Star Way, Starburst I and its successors had a right of first refusal for any leasing of Two Circle Star Way. Since that right of first refusal has now been exercised, it will be removed from the One Circle Star Way lease through this amendment.

The 11 month extension of the initial term of lease #5357 for One Circle Star Way will result in over \$3 million in additional rent to be paid over the initial term. The County will pay a broker's commission of \$190,571.33 in connection with the extension. .

County Counsel has reviewed and approved the Lease and Resolution as to form.

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

**FISCAL IMPACT:**

The One Circle Star lease extension will generate about \$3 million in additional revenue during the initial term of the lease. Reducing the option period will reduce the total rent during the option term by about \$600,000 for a net gain to the County in rental income of about \$2.4 million.

Since your Board approved the Broker's fee of \$1,420,021 for the Two Circle Star lease on July 23, 2013, our Brokers have reduced their commission by \$86,587. The revised broker's fee is \$1,333,434 for the Two Circle Star lease.