



COUNTY OF SAN MATEO
Inter-Departmental Correspondence
County Manager



DATE: April 12, 2012
BOARD MEETING DATE: May 8, 2012
SPECIAL NOTICE/HEARING: None
VOTE REQUIRED: Majority

TO: Honorable Board of Supervisors

FROM: John L. Maltbie, County Manager

SUBJECT: Uncodified Ordinance of the County of San Mateo establishing new requirements for the leasing of the Circle Star Plaza buildings owned by the County without competitive bidding, in compliance with California State law

RECOMMENDATION:

Introduce an uncodified Ordinance setting the requirements for the leasing of the Circle Star Plaza buildings owned by the County without competitive bidding if the lease is limited to an initial rent of no more than \$300,000 per month and a term not to exceed ten years.

BACKGROUND:

Articles 1 and 8 of Title 3 of Division 2 of the California Government Code (i.e., Sections 25350 *et seq.* and Section 25520 *et seq.* provide the general procedures for the sale or lease of County-owned real property. Subject to certain exceptions, those procedures generally call for a public bidding process. Government Code Section 25537 sets forth an alternate procedure that allows counties to lease county-owned real property to other parties without a bid process for a maximum term of ten years and allows counties to determine an appropriate maximum rental amount. Pursuant to the authority contained in Government Code Section 25537, San Mateo County Ordinance Code section 2.51.080 sets limits on the leasing of real property owned by the County to other parties without bidding. The current limits are a maximum term of five (5) years and a maximum monthly rental amount of \$2,000. Ordinance Code Section 2.51.080 also permits such leases to be negotiated and executed by the County Manager or his designee.

Because the County is considering the leasing of one of the Circle Star Plaza buildings at a monthly rental rate that is expected to exceed \$2,000, and for a term that may exceed 5 years, the County cannot utilize the alternative procedures set forth in Section 2.51.080 for such a lease. Therefore, the County can either amend Section 2.51.080 to increase the rental and time limits for all leases, or adopt a separate ordinance specifically for the lease of Circle Star Plaza, that essentially waives the applicability of Section 2.51.080 for this particular property.

DISCUSSION:

With the County's acquisition of Circle Star Plaza in San Carlos, plans are now in place for several County departments to move from County-leased space to County-owned facilities at Circle Star Plaza as these leases are terminated or expire. Due to the timing of the expiration of leases, there is an opportunity to lease one of the Circle Star Plaza buildings for up to 10 years.

The existing bid process limits the ability of County staff to be responsive to prospective tenants, and delays approval of tenant leases, which is a hardship on prospective tenants and reduces the likelihood of successful lease negotiations. In addition, the bid process limits the pool of potential tenants. For example, a firm wishing to relocate to the area must be able to sign a lease immediately and cannot wait for the six months that the bid process would take. Adopting an uncodified ordinance specifically for the purpose of leasing one of the Circle Star Plaza buildings using an alternative to the bidding process will allow the County to more quickly, efficiently and effectively lease the available space.

The proposed ordinance will track Section 2.51.80, except that the limits on monthly rental rates and the length of the lease will be increased to reflect the higher value of Circle Star Plaza. A bid process, plus negotiations can take six months or longer to complete. The process authorized by the proposed ordinance could get a lease in place in a month or two, depending on the market interest. Thus, adoption of the proposed ordinance could shorten the leasing process by up to five months. In addition, the proposed ordinance would better position the County to benefit from current market dynamics.

Adoption of the proposed ordinance gives staff clear authority to enter into lease negotiations for Circle Star Plaza. To establish a starting point for lease negotiations, and to assure a fair process, the County of San Mateo will advertise property for lease at specific market lease rates and terms. The Board will have the opportunity to provide direction to staff and guide staff's responses to lease proposals. The proposed ordinance also requires that the negotiated leases and amendments be brought to the Board for approval prior to their execution. This proposed ordinance will be effective 30 days from the date of final passage.

County Counsel has reviewed and approved the Ordinance as to form.

The proposed ordinance contributes to the Shared Vision 2025 outcome of a Livable Community by promoting affordable, livable, and connected communities.

FISCAL IMPACT:

Potential revenue to the General Fund as a result of future leases.

ORDINANCE NO. _____

BOARD OF SUPERVISORS, COUNTY OF SAN MATEO,

STATE OF CALIFORNIA

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An Ordinance Relating to Requirements for Non-Bid Leases. of Circle Star Plaza

The Board of Supervisors of the County of San Mateo, State of California,
ORDAINS as follows

SECTION 1. Requirements for non-bid leases of Circle Star Plaza

The County Manager or his designee may, without calling for bids, negotiate leases for all or part of Circle Star Plaza, owned by the County, for non-renewable terms not to exceed ten years and actual monthly rentals not to exceed an initial rent of \$300,000, subject to annual increases reflecting cost of living adjustments; provided that notice is given pursuant to Government Code section 6061, posted in the office of the County Clerk, and, if the lease involves residential property, is given to housing sponsors (as defined by sections 50074 and 50074.5 of the California Health and Safety Code). The Board of Supervisors must adopt a resolution authorizing the County Manager or his designee to execute a lease negotiated pursuant to this Ordinance. The notice shall state that, upon approval of the Board of Supervisors, the lease will be executed by the County Manager or his designee on behalf of the County and shall describe the property proposed to be leased, the terms of the lease, and the location where the lease will be executed.

SECTION 2. This Ordinance shall be effective 30 days from the date of final passage.