



COUNTY OF SAN MATEO
Inter-Departmental Correspondence
County Manager



Date: April 4, 2014
Board Meeting Date: April 22, 2014
Special Notice / Hearing: None
Vote Required: 4/5ths

To: Honorable Board of Supervisors
From: Freda Manuel, Real Property Services Manager
Subject: Resolution of Intent to Sell Circle Star Plaza

RECOMMENDATION:

Adopt a Resolution:

- A) Declaring intention to sell Circle Star Plaza and setting the terms and conditions of the sale; setting the date, time and place for opening proposals; and directing the posting and publishing of the notice of sale. Determine that the proposed sale is exempt from review under the California Environmental Quality Act pursuant to section 15312 of the California Environmental Quality Act Guidelines relating to sales of surplus government property.
- B) Authorizing the County Manager or his designee to execute notices, consents, escrow instructions, approvals, amendments, terminations and other documents in connection with the Purchase and Sale Agreement.

BACKGROUND:

In 2011, the County purchased One and Two Circle Star Way, collectively known as Circle Star Plaza (the "Property"), consisting of two Class A office buildings totaling 207,896 SF, with garaged and surface parking. Currently, the Property is fully leased to a single Tenant for a period of less than 10 years.

The recent upward commercial market trends make this an advantageous time to sell the Property. Staff anticipates that the sale price will significantly exceed the County's purchase price of \$39,950,000 and additional lease-up costs.

On November 5, 2013, the Board granted the County Manager the authority to execute a Broker Services Agreement with CBRE, Inc. Investment Properties ("CBRE") in connection with the potential sale of Circle Star Plaza. CBRE's commission under the agreement is 0.5% of the gross purchase price. In addition, the County will reimburse

CBRE for due diligence costs associated with the sale of the Property in an amount not to exceed \$250,000.

DISCUSSION:

The County has spent approximately \$47M on the Property's acquisition, tenant improvement, property management and lease-up costs. Additional expenditures include \$2,078,080 in tenant improvements for Circle Star Way 2 and broker commissions due as a function of the sale price.

Current rental income on the Property is \$241,159 per month, which will increase to \$480,138 per month in June 2014, as the rent abatement period for Circle Star Way 2 expires. Annual rental income will increase an average of 3.5% per year over the term of the existing lease, from \$5.7M to \$7M.

The sale of the Property will be conducted through an auction process, which includes a sealed bid and oral bid component as prescribed in the Government Code. In keeping with those Government Code requirements, Real Property Services has been working with CBRE to establish a minimum sale price and to develop the other terms and conditions for sale. Those terms and conditions will be reflected in a Purchase and Sale Agreement, which will make up part of the bid form.

Based on their marketing efforts and expertise, CBRE recommends the sale of the property at a minimum bid price of \$85,500,000. The remaining aspects of the sale and bidding process are set forth in the proposed Resolution of Intent. The sale process includes an auction to be conducted at the Board's meeting on May 20, 2014 by the President of the Board of Supervisors or the County Manager/Clerk of the Board (or either of their designees), with the acceptance of the highest bid to be considered for acceptance at the same May 20, 2014 Board meeting.

County Counsel has reviewed and approved the resolution as to form. Adoption of this Resolution of Intent contributes to the Shared Vision 2025 outcome of a Prosperous Community by generating income for the County General Fund.

FISCAL IMPACT:

The final sale price will be market driven. Commission payments to brokers, could be up to \$600,000, will be made from the proceeds of sale. The due diligence costs (which, as noted, could be up to \$250,000) will be paid regardless of whether a final sale is consummated and will be paid out of the County General Fund, to be reimbursed from the proceeds of sale.