



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



**Date:** November 9, 2016  
**Board Meeting Date:** January 3, 2017  
**Special Notice / Hearing:** None  
**Vote Required:** Majority

**To:** Honorable Board of Supervisors  
**From:** John L. Maltbie, County Manager  
**Subject:** Amendment to the Lease Agreement for office space at 1950 and 2000 Alameda de las Pulgas in the City of San Mateo

**RECOMMENDATION:**

Adopt a resolution:

- A) Authorizing the President of the Board of Supervisors to execute an Amendment to the Lease Agreement with BRE Alameda Property Owner, LLC, to add 5,163 square feet of office space at 2000 Alameda de las Pulgas, located in the City of San Mateo, for a monthly rent before expenses of \$14,198.25 and for a term ending September 30, 2027; and
- B) Authorizing the County Manager, or his designee, to accept or execute on behalf of the County, any and all written notices, options, consents, approvals and documents in connection with the Lease and Amendment including, but not limited to, extension or termination of the agreement under the terms set forth therein.

**BACKGROUND:**

On June 5, 2007, the County entered into a Lease Agreement with Hines REIT 1900/2000 Alameda de las Pulgas LLC, a Delaware limited liability company (Hines), for 79,221 square feet of office space and 2002 square feet of storage space at 1950 and 2000 Alameda de las Pulgas in the City of San Mateo. The leased premises includes 22,333 square feet in the two-story, standalone building commonly known as 1950 Alameda de las Pulgas, and an additional 58,890 square feet in adjacent 2000 Alameda de las Pulgas.

In November of 2015, in order to fix rents through 2027 and secure \$15 per square foot in tenant improvement allowance (i.e. \$1,188,315), the County entered into an early extension of the Lease Agreement for 81,223 square feet scheduled to expire on September 30, 2017. The property was subsequently sold by Hines to BRE Alameda Property Owner, LLC in 2016.

## **DISCUSSION:**

The Health System requires additional space in close proximity to the Central County Health Clinic located at 1950 Alameda de las Pulgas and wishes to lease 5,163 square feet at 2000 Alameda de las Pulgas. This space will allow the Health System to consolidate Behavioral Health and Recovery Services (BHRS) staff from 225 37<sup>th</sup> Avenue in San Mateo to 1950 and 2000 Alameda de las Pulgas; however, the space is being configured in a manner that supports most Health Service programs. The versatility of the space and proximity to the Central County Health Clinic makes the space vital for the delivery of future services.

The additional 5,163 square feet will bring the total leased space at 1950 and 2000 Alameda de las Pulgas to 84,384 square feet. The Real Property Division has negotiated monthly rent before expenses of \$2.75 per square foot or \$14,198.25. The rent shall be increased annually by 3%. The new space will be leased for a term that will expire on September 30, 2027, coterminous with all of the leased space at this office complex.

The lease is a “net lease”, with payments by the County calculated based on “net” rental rates plus a proportionate share of the operating costs of the project, including janitorial service, maintenance, insurance, utilities, and real estate taxes. The calculation of the full service rent for the additional space will include a net rental rate of \$2.75 per square foot, plus operating expenses estimated to be approximately \$1.40 per square foot per month for a total of \$4.15 per square foot per month.

The landlord has agreed to provide to the County a tenant improvement allowance of \$20.00 per square foot (i.e., \$103,260) to cover the cost of any improvements to the space needed. In order to maximize the use of the space, it is estimated the total tenant improvement costs will be approximately \$300,000. The difference between the offered allowance and the actual improvement costs can be paid for by the allowance negotiated as part of the early extension of the original leased premises.

The property is ADA compliant. County Counsel has reviewed and approved the Amendment and Resolution as to form. The Director of the Health System concurs in this recommendation.

Approval of the Amendment contributes to the Shared Vision 2025 outcome of a Healthy Community by continuing to provide an affordable, accessible and convenient location where members of the public can access resources and obtain necessary services.

## **PERFORMANCE MEASURE(S):**

Measure	FY 2017-18 Actual	FY 2017-18 Projected
Monthly Cost per square foot:	\$4.15	\$4.87 (full service)

Real Property Services strives to maintain an average cost of leased facilities that compares favorably with the average rate for comparable facilities in the County. The full service rate of \$4.15 is substantially below the San Mateo 3rd Quarter 2016 average asking rates of \$4.87 per square foot per month, full service.

## **FISCAL IMPACT:**

The Health System currently leases 84,384 square feet of office space at 1950/2000 Alameda de las Pulgas in the City of San Mateo through 2027. The rent and ongoing 3% annual escalations are included in the proposed Health System budget.