



COUNTY OF SAN MATEO
Inter-Departmental Correspondence
County Manager



Date: November 16, 2012
Board Meeting Date: December 11, 2012
Special Notice / Hearing: None
Vote Required: Majority

To: Honorable Board of Supervisors

From: John L. Maltbie, County Manager

Subject: Amendment to Commercial Brokerage Agreement with Cornish and Carey
Commercial Newmark Knight Frank

RECOMMENDATION:

Adopt a Resolution authorizing the County Manager or his designee to execute an Amendment to the Commercial Brokerage Agreement with Cornish and Carey Commercial Newmark Knight Frank, extending the term through July 1, 2013 with one option to extend for an additional six month period.

BACKGROUND:

On June 5, 2012, the Board granted the County Manager the authority to enter into an agreement with a commercial broker to assist the County with the Circle Star Plaza property. While the County is not required to request bids for brokerage services, to ensure that a competitive and capable firm was selected, County staff interviewed five firms and requested compensation schedules from each firm.

The internal review committee recommended contracting with Cornish and Carey Commercial Newmark Knight Frank (C&CNKF). C&CNKF was selected because they best met the evaluation criteria which included mid-peninsula experience, knowledge of the Circle Star complex, ability to put an experienced team on the project immediately, a creative but realistic marketing plan, and a competitive compensation proposal. The County Manager executed a Commercial Brokerage Agreement with C&CNKF on July 24, 2012 (Broker Agreement), as authorized by Resolution Nos. 71965 and 72085, that expires on January 1, 2013.

DISCUSSION:

The County has been pleased with the services provided by C&CNKF and wishes to amend the Broker Agreement to extend the term for an additional six months through July 1, 2013 with the County holding one option to extend for an additional six month period. Terms of the Broker Agreement will otherwise remain the same and include a

leasing commission of \$2.00 per year per rentable square foot for lease years one through eight. That fee will be split with the County broker getting \$0.75/sf and the tenant's broker getting \$1.25/sf for the term of the lease for up to eight years. If C&CNKF also represents the firm signing the lease, the commission is \$1.25 per year per rented square foot. The broker fees will be paid in two increments, 50% within 30 days after the signing of a lease and then 50% within 30 days of tenant move-in.

The County has decided to lease both buildings. Together the two buildings have just over 200,000 square feet of rentable space. When your board approved the Broker Agreement, the transmittal memo stated that leasing one building for five years would generate a broker fee of up to \$1 million. The County now hopes to lease twice as much space for twice as long – a ten year lease of 200,000 square feet could generate a broker fee of up to \$3.2 million.

If, during the contract period, the County sells Circle Star, the sales commission will be 3%.

The Amendment and Resolution have been reviewed and approved as to form by County Counsel.

This action contributes to the County's 2025 Shared Vision of a Prosperous Community by providing office space for businesses to expand or remain in San Mateo County and generating revenue for the County General Fund.

FISCAL IMPACT:

The Broker Agreement will be performance based. Payments to the Broker, which could be up to \$3.2 million, will be made half upon signing of a lease and half upon occupancy by the tenant. Depending on the lease terms, brokers fees would be repaid seven to nine months after rent commences. Funds to cover the broker fees will come from non-departmental ERAF reserves.