



COUNTY OF SAN MATEO
Inter-Departmental Correspondence
County Manager



Date: September 23, 2013
Board Meeting Date: November 5, 2013
Special Notice / Hearing: None
Vote Required: Majority

To: Honorable Board of Supervisors
From: John L. Maltbie, County Manager
Subject: Sublease of a portion of the Fair Oaks Health Center at 2710 Middlefield Road, Unincorporated Redwood City (No. 5363)

RECOMMENDATION:

Adopt a Resolution authorizing a sublease agreement with Safeway, Inc., for a portion of the Fair Oaks Health Center, located at 2710 Middlefield Road in Unincorporated Redwood City.

BACKGROUND:

Since 1989, the County has leased improvements at 2710 Middlefield Road in Unincorporated Redwood City for use as the Fair Oaks Clinic and storage for various County programs. In 2011, the County entered into a lease agreement with 2700 Middlefield LLC (the "Landlord"), whereby Landlord would construct a 36,000 square foot medical clinic building for the County to serve the citizens of the South County area (the "Fair Oaks Health Center"). The Fair Oaks Health Center is currently under construction and is expected to open before the end of the year.

Through an RFP process the Health System selected Safeway, Inc. to provide pharmacy services to its patients, which services are governed by a service agreement between the County and Safeway, dated June 18, 2013 (the "Service Contract") and include an onsite pharmacy at the Fair Oaks Health Center. The County has set aside an area within the Health Center for the provision of these services and, upon execution of a sublease, Safeway will construct pharmacy improvements at its own cost and expense.

DISCUSSION:

Real Property Services has negotiated a sublease agreement, whereby Safeway Inc. will sublease approximately 619 square feet of space within the soon to be completed Fair Oaks Health Center, for an initial term commencing upon the completion of Safeway's improvements and expiring on June 30, 2016, concurrent with the expiration of the Service Contract. The sublease includes two options for Safeway to extend the

term for an additional three years each, subject to extension of the Service Contract. Safeway will pay to County \$1,614.59 per month, which reflects a proportionate reimbursement of the rent paid by County for the space. Safeway will also reimburse County for its proportionate share of operating costs, which include maintenance, utilities and other services provided to the Health Center and pharmacy.

In accordance with County's lease for the property, Real Property Services has obtained approval of the sublease from the Landlord.

County Counsel has reviewed and approved the Sublease and Resolution as to form. The Chief of the Health System concurs in this recommendation.

Approval of the Sublease contributes to the Shared Vision 2025 outcome of a Healthy Community by providing important pharmacy services in a convenient and accessible location to the patients served by the Fair Oaks Health Center.

FISCAL IMPACT:

The monthly Base Rent of \$1,614.59 offsets the rent paid by the County at this location.