



County of San Mateo

Inter-Departmental Correspondence

Department: COUNTY MANAGER

File #: 19-399

Board Meeting Date: 5/14/2019

Special Notice / Hearing: None
Vote Required: Majority

To: Honorable Board of Supervisors

From: Michael P. Callagy, County Manager

Subject: Amendment to Lease Agreement with San Bruno Office Associates, LLC at 881-883 Sneath Lane, San Bruno

RECOMMENDATION:

Adopt a resolution authorizing:

- A) The President of the Board of Supervisors to execute an amendment to a lease agreement with San Bruno Office Associates, LLC, a Colorado Limited Liability Company, for 2,522 square feet of office space at 881-883 Sneath Lane in San Bruno, extending the term five years through June 1, 2024 with one option to extend for an additional five-year period and increasing the rental rate from \$6,103 per month to \$7,188 per month, with annual increases of three percent thereafter; and
- B) The County Manager or his designee to execute any and all notices, options, extensions, termination, and documents in connection with the lease agreement and amendments (Lease No. 1290).

BACKGROUND:

As authorized by Resolution No. 70051, on April 28, 2009, the Board approved a new lease with San Bruno Office Associates, LLC ("Lease") for 2522 square feet of office space at 883 Sneath Lane in San Bruno for the Department of Agriculture/Weights & Measure (Department) at a monthly rate of \$1.65 per square foot. Per Resolution No. 70264, a First Amendment to the Lease corrected a rent calculation error and set \$4,161.00 as the initial monthly rent. Per Resolution No. 73103, a Second Amendment to the Lease extended the term for an additional five years and modified the rent to \$5,422, or \$2.15 per square foot.

The Department wishes to remain in the office space in San Bruno because of its central location and proximity to San Francisco International Airport and the Golden Gate Produce Terminal, a large wholesale produce facility in South San Francisco. These two locations are regularly staffed by the Department and require fast responses to industry calls.

DISCUSSION:

Real Property Services has negotiated an amendment to the lease extending the term for five years through May 31, 2024, and increasing the current rent from \$6,103.00 per month (or \$2.42 per square foot) to \$7,188 per month (or \$2.85 per square foot) commencing June 1, 2019, with three percent annual increases thereafter. The new base rent represents an increase of 18 percent over the current rent, reflecting increases in market rates in the area since execution of the Second Amendment to the Lease.

Due to the age of the office complex, the Landlord is requiring of all new leases and extensions a provision that gives the Landlord a right to terminate the lease and redevelop the property. Nevertheless, the Landlord does not expect to redevelop the property in the near term. Pursuant to the amendment, the Landlord cannot exercise this termination right before January 1, 2020, and must give the County 365 days' notice and four months of abated rent if the effective termination date is prior to May 31, 2024.

The Landlord has agreed to make some minor improvements requested by the Department within the first six months of the extended term. The Landlord has required the County to relinquish four of twelve reserved parking spaces, but the County will retain its proportionate share of common area parking facilities. The Lease is otherwise under the same terms and conditions.

County Counsel has reviewed and approved the amendment and resolution as to form. The Director of Agriculture Services concurs in this recommendation.

Approval of this amendment contributes to the Shared Vision 2025 outcome of a Environmentally Conscious Community by continuing to provide a facility in central County to serve agriculture, industry and the community.

PERFORMANCE MEASURE(S):

Measure	FY 2019-20 Actual	Avg. Asking Rate San Bruno Q1-2019
Monthly Rate:	\$2.85	\$3.90

Real Property Services strives to maintain an average cost of leased facilities that compares favorably with the average asking rate for comparable facilities in the County. The rental rate for the leased area is \$2.85 per square foot per month, which compares favorably with the San Bruno average asking rate of \$3.90 per square foot per month in Q1 of 2019.

FISCAL IMPACT:

Annual rent of \$86,252.40 has been budgeted in the Fiscal Year 2019-20 Recommended Budget.