



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

County Manager's Office

**DATE:** June 30, 2006  
**BOARD MEETING DATE:** July 18, 2006  
**SPECIAL NOTICE/HEARING:** None  
**VOTE REQUIRED:** Majority

**TO:** Honorable Board of Supervisors

**FROM:** Steve Alms, Manager, Real Property Services Division

**SUBJECT:** Lease agreement and option to purchase with Irene Ann Lebsack, Trustee under the Lebsack Trust agreement dated June 22, 2002, for the office building at 525 Marshall Street, Redwood City. (Lease No. 1278)

**RECOMMENDATION:**

Adopt a resolution authorizing the Board President to execute a Lease Agreement and Option To Purchase with Irene Ann Lebsack, Trustee under the Lebsack Trust agreement dated June 22, 2002 for the building at 525 Marshall Street, Redwood City, and authorizing the County Manager or his designee to execute notices and documents associated with the Lease.

**VISION ALIGNMENT:**

**Commitment:** Responsive, effective and collaborative government.

**Goal(s):** Government decisions are based on careful consideration of future impact, rather than temporary relief or immediate gain.

The Lease Agreement and Option To Purchase contributes to this goal by providing the opportunity to acquire real property that will help meet the need for future construction at County Center in addition to meeting the current need for office space in the immediate vicinity.

**Performance Measure(s):**

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.

Measure	Lease - Actual	Avg. Asking Rate San Mateo County Q1-2006
	<b>\$1.94</b>	<b>\$2.14</b>
<p>The negotiated rate of \$1.94 per square foot per month is on a net basis, and is roughly equivalent to a full service rate of \$2.34 per square foot. This rate is significantly higher than the average full service asking rate for San Mateo County of \$2.14, but the rate represents fair rental value for small, free-standing office buildings in the vicinity. If the County exercises the Option To Purchase as set forth in the Lease, all of the rent will be credited to the purchase price at the close of escrow.</p>		

**BACKGROUND:**

At the direction of your Board the Real Property Division has pursued the acquisition of the property at 525 Marshall Street as a portion of the site proposed for development of a new County office building. To facilitate the acquisition, the owner has agreed to structure the transaction as a lease agreement that includes an option to purchase the property.

**DISCUSSION:**

The proposed six-month lease of the office building at a monthly rent of \$5,000 includes an option for the County to purchase the land and building for \$1,000,000. In addition to the monthly rent, the County will pay all of the costs of occupancy except for real property taxes. Those costs include maintenance and repair, utilities, services, improvements and insurance.

Although structured as a lease, the transaction is effectively an option to purchase the property with the added benefit of immediate use of the facility. All rent paid to the landlord under the terms of the lease will be credited to the purchase price at close of escrow. The Real Property Division has completed an internal appraisal by qualified staff, and concludes that the option price of \$1,000,000 represents fair market value for the property. The property consists of approximately 2,780 square feet of land improved with a single story office building of 2,580 square feet. The building is currently vacant, and no relocation costs are anticipated in connection with the acquisition.

Due diligence on the acquisition can be completed prior to the exercise of the option, which will be considered in a separate action of your Board.

**FISCAL IMPACT:**

The lease payments of \$5,000 per month for the six-month agreement, a total of \$30,000, will be credited toward the purchase price, and funded by General Fund Reserves. There are sufficient appropriations in the Real Property budget to make the payments until a final budget change can be made in September to transfer the funds out of Reserves. Net County Cost for this agreement is \$30,000.

cc w/enc: Penny Bennett, Deputy County Counsel  
cc: Arthur Morris, Deputy Director of Health