



**COUNTY OF SAN MATEO**  
**Inter-Departmental Correspondence**  
County Manager's Office



**DATE:** November 28, 2011  
**BOARD MEETING DATE:** December 13, 2011  
**SPECIAL NOTICE/HEARING:** None  
**VOTE REQUIRED:** Majority

**TO:** Honorable Board of Supervisors

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

**SUBJECT:** Fifth Amendment to Lease Agreement with 550 Quarry Road, LLC, a California Limited Liability Company, of office and warehouse space at 550 Quarry Road, San Carlos, California (Lease No. 1146)

**RECOMMENDATION:**

Adopt a Resolution authorizing the:

1. President of the Board of Supervisors to execute a Fifth Amendment to Lease Agreement with 550 Quarry Road, LLC, a California Limited Liability Company, of office and warehouse space at 550 Quarry Road, San Carlos, California, extending the Term for one year to October 31, 2012, at the current base rent of \$88,986.11 which increases annually based upon changes in the Consumer Price Index, and authorizing the County to terminate the Lease on 90 days notice; and
2. County Manager or his designee to accept or execute notices, options and documents associated with the Fifth Amendment and Lease including, but not limited to, extension or termination of the Lease under the terms set forth therein.

**BACKGROUND:**

In December 1998, the County and 550 Quarry Road, LLC, as successor in interest to Vernazza Properties (the "Landlord") entered into a Lease Agreement of office and warehouse space at 550 Quarry Road in San Carlos, for the use of various programs of the Human Services Agency ("HSA"). The County and Landlord subsequently entered into a series of amendments to the Lease which expanded the area of the Premises, set forth improvements to be completed by the Landlord, modified the base rent, and acknowledged the new entity holding title to the property. The Lease expired on October 31, 2011 and the County has continued to occupy the space on a month to month basis in accordance with the holdover provision contained in the Lease, at the base rent of \$88,986.11 per month, which increases annually based upon changes in the Consumer Price Index. The County desires to relocate all or a portion of the HSA services provided to an alternative location, and the date upon which HSA will relocate is not yet determined. The County and Landlord desire to further amend the Lease to extend the Term for one additional year to October 31, 2012 and authorize the County to terminate the Lease on 90 days notice, but otherwise at the current Base Rent and under the same terms and conditions.

**DISCUSSION:**

Real Property Services has negotiated a Fifth Amendment to Lease Agreement which extends the Term for one year to October 31, 2012, at the current base rent of \$88,986.11 which increases annually based upon changes in the Consumer Price Index, and authorizes the County to terminate the Lease on 90 days notice. There are no changes to the Premises or use of the facility as a result of this Amendment.

County Counsel has reviewed and approved the Amendment and Resolution as to form. The Director of the Human Services Agency concurs in this recommendation.

Approval of the Permit contributes to the Shared Vision 2025 outcome of a Healthy Community by establishing an agreement that allows the County of San Mateo to continue to provide human services functions from a centralized location.

**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. The rental rate for the leased area is \$1.88 per square foot per month for office space, which compares favorably with the Countywide average asking rate of \$3.16 per month and the Belmont/San Carlos average asking rate of \$2.67 per month, and \$0.82 per square foot per month for warehouse space, which is higher than the Countywide average asking rate of \$0.75 per square foot per month, but compares favorably with the Belmont/San Carlos average asking rate of \$0.83 per month.

<b>Measure</b>	<b>FY 2011-12 Actual</b>	<b>Avg. Asking Rate San Mateo County Q3-2011</b>
Monthly Rate (Office):	\$1.88	\$3.16
Monthly Rate (Warehouse):	\$0.82	\$0.75

**FISCAL IMPACT:**

The initial rent of \$88,986.11 per month is included in the adopted FY 2011-12 budget of the Human Services Agency.

cc:/enc: Eugene Whitlock, Deputy County Counsel  
cc: Beverly Beasley Johnson, Director, Human Services Agency

**RESOLUTION NO. \_\_\_\_\_**

**BOARD OF SUPERVISORS, COUNTY OF SAN MATEO, STATE OF CALIFORNIA**

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**RESOLUTION AUTHORIZING THE 1) PRESIDENT OF THE BOARD OF SUPERVISORS TO EXECUTE A FIFTH AMENDMENT TO LEASE AGREEMENT WITH 550 QUARRY ROAD, LLC, A CALIFORNIA LIMITED LIABILITY COMPANY, OF OFFICE AND WAREHOUSE SPACE AT 550 QUARRY ROAD, SAN CARLOS, CALIFORNIA, EXTENDING THE TERM FOR ONE YEAR TO OCTOBER 31, 2012, AT THE CURRENT BASE RENT OF \$88,986.11 PER MONTH WHICH INCREASES ANNUALLY BASED UPON CHANGES IN THE CONSUMER PRICE INDEX, AND AUTHORIZING THE COUNTY TO TERMINATE THE LEASE ON 90 DAYS NOTICE; AND 2) COUNTY MANAGER OR HIS DESIGNEE TO ACCEPT OR EXECUTE NOTICES, OPTIONS AND DOCUMENTS ASSOCIATED WITH THE FIFTH AMENDMENT AND LEASE INCLUDING, BUT NOT LIMITED TO, EXTENSION OR TERMINATION OF THE LEASE UNDER THE TERMS SET FORTH THEREIN.  
(LEASE NO. 1146)**

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**RESOLVED**, by the Board of Supervisors of the County of San Mateo, State of California, that

**WHEREAS**, since 1998, the County has leased from 550 Quarry Road, LLC (Landlord) office and warehouse space at 550 Quarry Road in San Carlos for the use of various programs of the Human Services Agency, and

**WHEREAS**, the County desires to relocate all or a portion of the HSA services provided to an alternative location, and the date upon which HSA can relocate is not yet determined. The current Lease expired on October 31, 2011 and County and Landlord wish to amend the agreement to extend the term; and

**WHEREAS**, there has been presented to this Board of Supervisors for its consideration and acceptance a Fifth Amendment to Lease Agreement, reference to which is hereby made for further particulars, which amends and extends the term of the Lease for one year to October 31, 2012, at the current base rent of \$88,986.11 per month which increases annually based upon changes in the Consumer Price Index, and authorizes the County to terminate the Lease on 90 days notice, in accordance with the terms and conditions contained in the Fifth Amendment and the Lease, and

**WHEREAS**, this Board has been presented with the Fifth Amendment to Lease and has examined and approved same as to both form and content and desires to enter into same.

**NOW THEREFORE, IT IS HEREBY DETERMINED AND ORDERED** that the President of this Board of Supervisors be, and is hereby, authorized and directed to execute said Fifth Amendment for and on behalf of the County of San Mateo, and the Clerk of this Board shall attest the President's signature thereto; and

**IT IS FURTHER DETERMINED AND ORDERED** that the County Manager or his designee is hereby authorized to accept or execute on behalf of the County, any and all notices, options and documents associated with the Fifth Amendment and Lease including, but not limited to, extension or termination of the Lease under the terms set forth therein.

\* \* \* \* \*

**FIFTH AMENDMENT TO LEASE AGREEMENT  
No. 1146**

This Fifth Amendment to Lease Agreement ("Amendment"), dated for reference purposes only as of December 13, 2011, is by and between 550 QUARRY ROAD, LLC, a California Limited Liability Company ("Quarry" or "Landlord") and the COUNTY OF SAN MATEO, a political subdivision of the State of California ("County" or "Tenant").

**Recitals**

A. As authorized by San Mateo County Resolution No. 62466, Landlord and Tenant entered into a lease agreement dated for reference purposes as of December 15, 1998 (the "Lease") for approximately 62,104 rentable square feet of building area (the "Premises") in that certain building commonly known as 550 Quarry Road, San Carlos, California, which Premises consisted of approximately 41,568 rentable square feet of warehouse and workshop area, 2,140 square feet of cafeteria and kitchen, and 18,396 square feet of office and classroom space together with approximately 31 parking spaces on a separate parcel at 591 Quarry Road, for the use of various programs of the Human Services Agency ("HSA").

B. As authorized by San Mateo County Resolution No. 63164, Landlord and Tenant entered into the First Amendment to Lease dated November 2, 1999; as authorized by San Mateo County Resolution No. 66177, Landlord and Tenant entered into the Second Amendment to Lease dated July 15, 2003; as authorized by San Mateo County Resolution No. 66619, Landlord and Tenant entered into the Third Amendment to Lease dated May 4, 2004; and on March 23, 2010, Landlord and Tenant entered into the Fourth Amendment to Lease (collectively the "Lease As Amended"). The amendments expanded the premises, set forth improvements to be constructed by the Landlord, modified the base rent, established November 1, 1999 as the date of commencement for payments of adjusted base rent, and acknowledged the change in the entity holding title to the Property.

C. The Lease expired on October 31, 2011, and County remains in possession of the Premises pursuant to Section 31 (Holding Over) of the Lease As Amended; and

D. County desires to relocate all or a portion of the HSA services provided to an alternative location, and the date upon which HSA can relocate is not yet determined.

E. Landlord and County wish to further amend the Lease As Amended to extend the Term under the same terms and conditions, and to grant County the right to terminate the Lease As Amended as herein set forth.

## Agreement

For good and valuable consideration as hereinafter set forth, the sufficiency of which is hereby acknowledged, the parties agree as follows:

1. **Term.** Any reference to the Initial Term or Expiration Date of the Lease As Amended notwithstanding, the Expiration Date of the Lease is hereby amended to October 31, 2012.
2. **Early Termination.** Any references to the early termination of the Lease As Amended notwithstanding, County shall have the right to terminate such Lease, without any penalty, fee or other liability, by giving Landlord not less than ninety (90) days prior written notice (the "Termination Option").
3. **Effective Date; Approval.** This Fifth Amendment shall become effective (the "Effective Date") when the County Board of Supervisors, adopts a resolution authorizing the execution of this Fifth Amendment, and the Fifth Amendment is duly executed by the County and delivered to Landlord.

NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN THIS LEASE AMENDMENT, LANDLORD ACKNOWLEDGES AND AGREES THAT NO OFFICER OR EMPLOYEE OF COUNTY HAS AUTHORITY TO COMMIT COUNTY HERETO UNLESS AND UNTIL THE COUNTY BOARD OF SUPERVISORS HAS ADOPTED A RESOLUTION AUTHORIZING THE EXECUTION OF THIS FIFTH AMENDMENT TO THE AGREEMENT. THEREFORE, ANY OBLIGATIONS OR LIABILITIES OF COUNTY HEREUNDER ARE CONTINGENT UPON ADOPTION OF SUCH A RESOLUTION, AND THIS AMENDMENT SHALL BE NULL AND VOID UNLESS THE BOARD OF SUPERVISORS ADOPTS A RESOLUTION AUTHORIZING THE EXECUTION OF THIS FIFTH AMENDMENT. APPROVAL OF THIS AMENDMENT BY ANY DEPARTMENT, COMMISSION OR AGENCY OF COUNTY SHALL NOT BE DEEMED TO IMPLY THAT SUCH RESOLUTION WILL BE ADOPTED, NOR WILL ANY SUCH APPROVAL CREATE ANY BINDING OBLIGATIONS ON COUNTY.

4. **Counterparts.** This Fifth Amendment may be executed in two or more counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument.
5. **No Further Amendments; Conflicts.** All the terms and conditions of the Lease Agreement as amended by the Fifth Amendment to Lease Agreement shall remain in full force and effect except as expressly amended herein, and together with this Fifth Amendment to Lease Agreement constitutes the entire agreement between County and Landlord and may not be modified except by an instrument in writing duly executed by the parties hereto.

County and Landlord have executed this Fifth Amendment to Lease Agreement as of the date first written above.

**LANDLORD:**

550 QUARRY ROAD, LLC, a California  
Limited Liability Company

By: \_\_\_\_\_

Ray E. Vernazza

Manager

**COUNTY:**

COUNTY OF SAN MATEO, a political  
subdivision of the State of California

By: \_\_\_\_\_

Carole Groom

President, Board of Supervisors

Attest:

\_\_\_\_\_  
Clerk of the Board