



DATE: August 21, 2023

TO: Mayor and Members of the City Council

VIA: Stefan Chatwin, City Manager

FROM: Andrew Brozyna, Public Works Director
Andra Lorenz, Principal Management Analyst

DEPARTMENT: Public Works

SUBJECT: AUTHORIZING SOUTH BAYSIDE WASTE MANAGEMENT
AUTHORITY TO ACQUIRE REAL PROPERTY LOCATED AT
1245 SAN CARLOS AVENUE, UNIT E, SAN CARLOS, CA

RECOMMENDATION

It is recommended that the City Council adopt the attached resolution approving South Bayside Waste Management Authority's (SBWMA) purchase of 1245 San Carlos Avenue, Suite E, San Carlos, California, to be utilized as the administrative offices for SBWMA.

EXECUTIVE SUMMARY

Foster City is a member of the SBWMA, a Joint Powers Authority (JPA) formed to provide solid waste and recycling services to its 11 Member Agencies. SBWMA currently occupies office space in the San Carlos Library, the lease for which will expire June 30, 2024, and will not be renewed by the Library. The SBWMA Board considered space rental options and determined that the purchase of a property is recommended because the identified property for purchase meets all the desired location and space criteria and will result in a cost savings over a long term rental property. This item has been placed on the agenda because any purchase of real property by SBWMA must be approved by at least 2/3 of the Member Agencies pursuant to the Joint Powers Agreement.

BACKGROUND/ANALYSIS

SBWMA is a JPA formed pursuant to California Government Code Section 6500 et seq. to provide solid waste and recycling services to its 11 Member Agencies (i.e., County of San Mateo, Belmont, Burlingame, East Palo Alto, Foster City, Hillsborough, Menlo Park, City of San Mateo, Redwood City, San Carlos, and West Bay Sanitation District). SBWMA's administrative office has been located in the San Carlos Library for over 16 years. Under the terms of the current lease, SBWMA occupies 2,429 square feet at a monthly rent of \$5,618 or \$2.31 per square foot. The current lease term ends on June 30, 2024, and the City of San Carlos has indicated that the term will not be extended because the library space is needed to accommodate San Carlos staff.

Upon receiving this notice from San Carlos, SBWMA Executive Director La Mariana began working with a commercial real estate broker to find affordable office space that would accommodate the current staff and agency/public guests, provide proper space for SBWMA Board and Technical Advisory Committee (TAC) meetings, provide easy access to parking for Board and TAC members, be located near public transit to accommodate staff members wishing to utilize this mode of transportation, and be in close proximity to the Shoreway Environmental Center facility in San Carlos.

Dozens of rental properties were researched. This research demonstrated that current market lease rates for properties comparable to the San Carlos Library space are currently being leased at \$4.50-\$6.50 per square foot per month. This means that monthly rent for a comparable space would be \$10,931-\$15,789. A number of rental properties were toured and found to be unacceptable due to location; inadequate access to public transit; inadequate or lack of parking; unfavorable lease/purchase rates; lack of building amenities; poor functionality of available workspace; inadequate building/workspace finishes (ADA access/compliance/lack of elevator); distance from the Shoreway Environmental Center facility; deferred maintenance on critical base building systems (i.e., HVAC, electric, plumbing, mechanical, lighting); and lack of code compliance with Title 24 and ADA requirements.

In addition to his search of the commercial office rental market, the Executive Director also contacted staff at all Member Agencies to inquire whether they might have suitable available space for long-term leasing within the given mandatory relocation time frame. No sites were identified.

The Executive Director also identified one property currently for sale in the Wheeler Plaza development, located at 1245 San Carlos Avenue, Suite E, in San Carlos (the "Property"). This is the last remaining commercial space for sale in the Wheeler Plaza development (Attachment 2).

The Property is a Commercial Condominium located directly across the street from the San Mateo County Transit District (SamTrans) Building's main entrance. It is currently zoned MU-DC (Mixed Use-Downtown Core). Zoning clearance for use of the space by SBWMA was issued by the City of San Carlos on May 18, 2023 (Attachment 3).

The unit is approximately 2,841 square feet in size and is currently an empty shell which would provide adequate space for all SBWMA administrative functions and could be improved to include a large conference room to accommodate Board and TAC meetings along with some community environmental education sessions. The 20-foot ceilings can accommodate a second floor and increase the usable space to 3,977 square feet. The Property has two dedicated parking spaces (below ground) and easy access to the attached 252-space public parking at the adjacent Wheeler Plaza parking garage (no charge), the adjacent 30-space Laurel Street parking lot (600 block), and adjacent neighborhood surface streets. The Property is listed for sale at \$1,988,000.

The SBWMA Board met in Closed Session at its April, May and June 2023 regular meetings to discuss whether to direct staff to pursue further rental options or to offer to purchase the Property. At the conclusion of its June 2023 discussion, the Board authorized the Executive Director to make an offer to purchase the Property. The seller has agreed to a sale of the Property pursuant to the following summary of terms:

Purchase Price:	\$1,700,000
Due diligence period:	Up to 60 days from agreement (this is the period in which SBWMA conducts its due diligence, architectural studies, finance options, etc., and in which SBWMA can back out of the sale and get its deposit refunded)
Agency contingency:	Obtain no less than 2/3 of member agency approvals within 105 days
Loan to value:	Up to 75%
Deposit:	\$50,000
Close of Escrow:	No later than 11/15/2023

Following the purchase, the SBWMA has a budget of \$800,000 for Tenant Improvements to adapt the space for its use. The SBWMA is required to get majority member approval for the acquisition of property but does not require Council action for the interior Tenant Improvements.

This item has been placed on the agenda for review and approval because, as noted in the offer's contingencies, any purchase of real property by SBWMA must be approved by 2/3 of the Member Agencies pursuant to The Second Amended and Restated Joint Powers Agreement Article 7, Powers.

Having considered the option to rent other available office properties or to purchase the Property, the SBWMA Board recommends to the Member Agencies that the purchase of the Property be approved for two reasons. First, the Property meets all the identified

criteria regarding location and space. Second, as demonstrated by the Cost Analysis of Offer to Purchase Versus Lease prepared by HF&H Consulting, ownership of the Property (acquisition, tenant improvement, financing, etc.) will result in a 25% cost saving over thirty (30) years compared to a long term lease based on current office market lease rates (cost comparison detailed in Attachment 4).

Upon receiving approval of 2/3 of the Member Agencies and satisfaction of all other contingencies, the SBWMA Board will, in open session, authorize closing of escrow and purchase the Property.

CALIFORNIA ENVIRONMENTAL QUALITY ACT

Not Applicable

FISCAL IMPACT

All fiscal impact related to this decision will be borne by the SBWMA with funding received through solid waste rate revenue. As a member agency, Foster City's solid waste rates are currently set to collect its share of costs associated with SBWMA administration, including the current lease, and will be set to incorporate the differential cost of this action, which is anticipated to be negligible.

CITY COUNCIL VISION, MISSION, AND VALUE/PRIORITY AREA

Smart Planning, Development, and the Local Economy

ATTACHMENTS:

Attachment 1 - Resolution

Attachment 2 - Property Brochure

Attachment 3 - Zoning Clearance from City of San Carlos

Attachment 4 - Cost Analysis of Offer to Purchase Versus Lease prepared by Rick Simonson/ HF&H