



CITY OF SAN MATEO

City Hall
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Agenda Report

Agenda Number: 12

Section Name: {{section.name}}

Account Number: 14-1311

File ID: {{item.tracking_number}}

TO: City Council
FROM: Alex Khojikian, City Manager
PREPARED BY: City Manager's Office
MEETING DATE: September 03, 2024
SUBJECT:
385 1st Avenue Lease – Amendment

RECOMMENDATION:

Approve a lease amendment with Next Level Sports until January 31, 2025, for the City-owned space at 385 1st Avenue in the south building of the Transit Center and authorize the City Manager to execute the lease in substantially the form presented.

BACKGROUND:

The south building of the Transit Center at 385 1st Avenue has been leased as office space since its construction in 2005. In June 2019, the City Council approved a three-year lease with a two-year option for Next Level Sports. Founded in 2011, Next Level Sports started with a community-driven youth flag football program at Junipero Serra High School. It is a for-profit sports organization providing a positive, grassroots experience for children from kindergarten to 8th grade, offering programs in flag football, basketball, volleyball, and summer sports camps.

Next Level Sports moved into the City-owned facility in 2019. Over the past five years, the organization has significantly outgrown the 1,670 square foot space. Although they planned to vacate the space at the end of the lease term on June 30, 2024, they have yet to finalize a lease for a new site that meets their requirements. While Next Level Sports sought to continue on a month-to-month basis, the City negotiated a short-term extension through January 31, 2025, with a 3% rent increase to \$6,188 per month. This extension allows Next Level Sports to continue its search for a new location and provides the City time to find a new tenant while still receiving rent. It also keeps the space occupied through the winter, a typically slow period in the real estate market.

The space was last on the market in September 2018. Its proximity to the train tracks and lack of soundproofing made it challenging to lease, resulting in a nine-month vacancy before Next Level Sports became the tenant. While the space can be remodeled for food use, the building would require a significant investment in tenant improvements to accommodate this change. Therefore, staff believes this short-term extension is a prudent measure to support small business growth and maintain financial stability. It allows the City to keep receiving rent from a reliable tenant while the commercial property manager works to market the property, helping to minimize future vacancy periods.

BUDGET IMPACT:

This short lease amendment will generate \$43,316 in revenues to the City. The revenue is deposited in the Downtown Parking and Maintenance Fund (Fund 28) and is used to fund improvements to the Downtown parking facilities and to cover Downtown maintenance expenses.

ENVIRONMENTAL DETERMINATION:

This lease amendment is categorically exempt from CEQA as an “existing facility,” because it consists of the operation, repair, maintenance, permitting, leasing, licensing, or minor alteration of existing public or private structures, facilities, mechanical equipment, or topographical features, involving negligible or no expansion of use. (CEQA Guidelines Section 15301.)

NOTICE PROVIDED

All meeting noticing requirements were met.

ATTACHMENTS

Att 1 - Proposed Lease Amendment

STAFF CONTACT

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