

1 Transit Center Way Lease Amendment



City of San Mateo
September 16, 2019



Background

- Melting Pot vacated Transit Center in October 2018
- Space marketed for retail or restaurant use
- Challenging space due to lack of full kitchen, mezzanine level, and train noise
- Rise Pizza selected as preferred tenant in January 2019
- Lease executed in April 2019



Original Lease Terms

- Rise Pizza anticipated up to \$1.5 M in needed Tenant Improvements:
 - Build-out full kitchen
 - Remove mezzanine space
 - Enclose patio area to abate noise
 - Build kiosk on platform for morning coffee service
- City committed \$130K and 6 months rent waiver
- \$25K for future AC replacement
- Rise to pay City \$129K rent per year and profit share



Current Status

- City could not locate “as-builts” building plans for interior space
- Interior demolition required to understand building systems
- Discovered unanticipated building conditions, including:
 - Fire code violations
 - Building duct work not connected to mechanical systems
 - Need to create exterior access to mechanical room
 - More extensive exterior renovations needed for patio/kiosk
- Estimated cost of these conditions is roughly \$275K
- Tenant not familiar with prevailing wage requirements and did not account for them in construction estimates and initial demolition work
- Total tenant construction costs have increased to \$2.1 million, not including design costs

Proposed Lease Amendment

- City to increase contribution for Tenant Improvements to cover unanticipated costs:
 - \$145,000 additional upfront contribution
 - 12 months additional rent waiver
- Tenant to cover remaining cost differential
- Lease also amended to clarify other key provisions:
 - Prevailing wage requirements
 - Possessory interest tax payments
 - Amending the description of premises to include mechanical room
- Long-term benefit to City to have space upgraded to accommodate full-service restaurant use

Council Action Requested

- Approve lease amendment
- Adopt resolution to appropriate funds for increased City contribution

