



CITY OF SAN MATEO

City Hall
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Agenda Report

Agenda Number: {{item.number}}

Section Name: {{section.name}}

File ID: {{item.tracking_number}}

TO: City Council
FROM: Drew Corbett, City Manager
PREPARED BY: City Manager's Department
MEETING DATE: June 15, 2020

SUBJECT:
1 Transit Center Way – Third Lease Amendment

RECOMMENDATION:

Approve the third lease amendment with Rise Wood-Fire, LLC to delay the start date for rent commencement from 18 months to 20 months and authorize the City Manager to execute the agreements in substantially the form presented.

BACKGROUND:

On April 15, 2019, Council approved a long-term lease with Rise Wood Fire, LLC (also known as Rise Pizza) for use of the building at 1 Transit Center Way, with an initial fifteen-year lease with two additional five-year options, landlord assistance of \$130,000 towards the costs of tenant improvements, and a six-month rent commencement start date. On September 16, 2019, Council approved the first amendment to the lease, which increased the landlord assistance to \$275,000 and extended the rent commencement start date to eighteen months. On February 18, 2020, Council approved a second amendment to the lease in order to provide for minor revisions to the approved detailed floor plan for the outdoor patio and coffee kiosk area, and allowed the City Manager to approve future adjustment valued at less than \$50,000 in tenant improvement costs, changes under 50 square feet, or substitutions in construction materials for other similar materials.

On March 16, 2020, San Mateo County declared a public health emergency and ordered all residents to shelter-in-place to slow the spread of the Coronavirus. The initial County health order immediately banned all non-essential construction activity. The unanticipated suspension of construction created a major disruption to the completion schedule for Rise Pizza. Before COVID-19, tenant improvements for Rise Pizza were scheduled to be completed in July 2020. However, due to new social distancing protocols limiting workers on construction sites, the new completion date is anticipated to be September 2020.

At the May 4, 2020 City Council meeting, the City Council stated their support in delaying the rent commencement start date for Rise Pizza by two months in order to offset the time when construction was banned. This third amendment to the lease (included as Attachment 1) formalizes the delay in the rent commencement start date. All other terms of the agreement have remained the same.

BUDGET IMPACT:

The amendment delays the start of Rise's rent payments to October 1, 2020. This will result in a net loss of \$21,473 in rental revenue to the City.

ENVIRONMENTAL DETERMINATION:

This 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 - Third Lease Amendment

STAFF CONTACT

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