



CITY OF SAN MATEO

City Hall
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Agenda Report

Agenda Number: 13

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: April 05, 2021

SUBJECT:
385 2nd Ave – Lease Agreement

RECOMMENDATION:

Approve a one-year lease and one-year option at 385 2nd Avenue in the Main Street Garage with Dagoberto Vasquez and Anavela Vasquez for a term beginning 4/1/2021 and an initial base rent of \$1,206.30 monthly and authorize the City Manager to execute the lease in substantially the form presented .

BACKGROUND:

There are six commercial leases at the Main Street Garage that are owned and managed by the City. The commercial spaces were created to attract retail tenants that add to the vibrancy of the Downtown. 385 Second Avenue is a 515 square foot space improved with a ventilation and exhaust system and grease trap for basic commercial kitchen use. The premise has been occupied by Fletch's since November 2010. After working at the business for twelve years, the owner of the business has decided to step down at the end of his lease on March 31, 2021.

During the pandemic, Fletch converted his business from a Chicago style hotdog restaurant to a Taqueria. When Fletch decided to retire from the restaurant business, Dagoberto Vasquez and Anavela Vasquez asked to start a new lease with the City. Fletch recommended the new tenants to the City based on their previous experience working with Fletch at the location. Prodesse Property Group, the City commercial property manager, has done the due diligence to understand the tenant's financial assets and experience. Dagoberto Vasquez and Anavela Vasquez's have the proper financial credentials as well as previous catering experience to operate a Taqueria.

The initial lease term is one year with an additional one-year option. The initial lease base rent is \$1,206.30 monthly. There is an additional monthly fee of \$62.96 for maintenance of common areas. The tenant will cover all utilities, taxes, and permits. Due to COVID, the City's commercial property manager recommends approving these tenants, keeping the lease rate the same as the previous year, and signing a short two-year lease. These conditions will allow the City to adjust the lease in 2023 to reflect the current economic conditions at that time.

At the August 17, 2020 meeting, the Council approved a fifty percent reduction of the lease rate during the City's state of emergency order which will apply to this lease. As a result, the tenant will only pay 50% of the base rent when they assume the lease. When the City terminates the order, the rent will be adjusted to the full amount on the first day of the following month the order is lifted. Because it is a small business, the business has requested a lower threshold for their insurance policy from \$2M to \$1M. Staff has inquired with the City's insurance broker and confirmed that the reduced insurance requirement is allowed for small businesses lease.

BUDGET IMPACT:

Depending on the length of the City's State of emergency the lease will generate between \$15,460 to \$30,920 over the

two years. Commercial property revenue funds the City's expenses for operation, maintenance, and improvement to downtown parking facilities and are also used for street cleaning services. The revenue is credited to the Downtown Parking and Maintenance Program.

ENVIRONMENTAL DETERMINATION:

This agreement 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 – Lease Agreement

STAFF CONTACT

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