

**San Mateo County Transit District
Staff Report**

To: Board of Directors

Through: April Chan, General Manager/CEO

From: Kate Jordan Steiner, Chief Financial Officer Josh Mello, Executive Officer, Planning and Development

Subject: **Award of Contract for Commercial Real Estate Brokerage Services for Acquisition of a New Headquarters Building**

Action

Staff recommends that the Board of Directors (Board) of the San Mateo County Transit District (District):

1. Award a contract to CBRE, Inc. of San Diego, California (CBRE) for a one-year base term, with up to two additional, one-year option terms, to provide commercial real estate advisory and brokerage services related to the acquisition of a new District administrative headquarters (HQ) building, with the following compensation components:
 - a. For purchase of a building by the District: A maximum commission fee of 0.75% of the sale/purchase price, with the understanding that certain fees, including those for appraisals and preliminary due diligence third-party reports, will be credited to the District at close of escrow; or
 - b. For lease of office space by the District: A maximum fee of \$3.00 per square foot of the total leased space, to be paid to CBRE by lessor with the understanding that CBRE will rebate to the District 15% of said commissions; and
 - c. Services as may be requested by the District for relocation management, design, architectural and/or construction management related to the new HQ facility will be performed by CBRE or its subconsultants within the cost ranges specified in CBRE's proposal.
2. Authorize the General Manager/CEO or designee to execute a professional services contract with CBRE consistent with the requirements of the District as defined in the scope of services included in the District's request for proposals, and negotiated contractual terms and conditions, including as set forth above, and in a form approved by legal counsel.
3. Authorize the General Manager/CEO or designee to exercise up to two, one-year option terms, if in the best interest of the District.

Significance

Approval of the above actions will provide the District the services of an experienced commercial real estate advisory and brokerage services firm that will research the local market to identify and provide negotiation assistance when the District seeks to either lease or purchase a suitable administrative HQ building.

Budget Impact

CBRE expects the District to acquire the building through an “off-market” sale-purchase transaction. As such, there will be ancillary transaction closing fees and/or fees or advisory and managements services associated with new building improvements or relocation, minus any specified and negotiated fee credits deducted from CBRE’s commission, which the District will need to address. These will be included in future budgets, as appropriate, and will be presented to the Board for approval.

If the District leases its new HQ office, commission would be paid by the owner of the building to CBRE. Associated costs that may be reflected in future rental budgets would be partially offset through a rebate from CBRE to the District.

Background

The District’s current HQ building was constructed in the mid-1970’s to serve as the headquarters of Eureka Federal Savings and Loan. The District purchased the building in May 1990. The building is approximately 140,000 gross square feet, with parking under the building and in an adjoining four-story parking structure with 410 total parking spaces. The site sits on approximately 1.8 acres. For more than 30 years, the building has served as the administrative “central office” supporting the administrative needs of the District as well as the Peninsula Corridor Joint Powers Board and San Mateo County Transportation Authority. Since the early 2000s, the District has been addressing problems with the building’s efficiency and functionality. The building has significant deferred maintenance relative to basic system - functions that will require massive investments to address. In addition, the building’s floor plans are inefficient by modern standards.

Earlier on the agenda of this August 2, 2023, meeting, the Board will be asked to consider a motion to authorize the General Manager/CEO to pursue the acquisition of a new HQ building, subject to the following parameters:

1. Any offer made by or on behalf of the District to acquire a new HQ facility must first be reviewed and approved by the Board’s HQ Ad Hoc Advisory Committee.
2. Any final purchase agreement for a HQ building is subject to Board approval.
3. The cost of a new HQ building may not exceed \$136 million.
4. Any new HQ building must be located in San Mateo County and within a ¼-mile walk of a rail transit station.

The resolution proposed as part of this agenda item will only be considered if action is taken first to approve the motion generally as described above.

On June 30, 2023, the District issued Request for Proposals (RFP) 24-S-P-018 for Commercial Real Estate Brokerage Services. In response to the RFP, the District received four proposals, one of which was found not responsive to the requirements of the District as stated in the solicitation documents. A Selection Team comprised of District staff and legal counsel reviewed, evaluated, and scored the remaining three proposals in accordance with the evaluation criteria set forth in the RFP. After initial review, the Selection Team found two firms, Jones Lang LaSalle Americas and CBRE, to be in the competitive range and invited them to interview. After interviews, the Selection Team deliberated and rescored the proposals, identified CBRE as the highest-ranked proposer, and determined it possesses the requisite qualifications and experience to identify and successfully negotiate a purchase or lease of the District's new HQ.

Staff conducted a price analysis and determined the proposed commission rates, associated credits, and the proposed prices for additional services are aligned with those typically charged by similar brokerage firms in San Mateo County for similar transactions, and are fair and reasonable.

Prepared By:	Luis F. Velásquez	Senior Contract Officer	650-622-8099
	Josh Mello	Executive Officer, Planning and Development	650-508-6278