



Approval of 10-year lease with Prometheus Real Estate Group at the San Carlos Caltrain Station

*JPB WPLP Committee
May 26, 2021*

Items to be Discussed

- Recommended Board Actions
- Background
- High-Level Lease Terms
- RCUP Review and Approval (Sebastian)
- Lease Business Terms
- Alternative Approach
- Questions

Recommended Board Actions

- Staff recommends that the Board:
 - Find a proposed lease of the San Carlos Caltrain Station depot building, and surrounding area to be compatible with the railroad's current and future needs; and
 - Authorize the Executive director to enter into a ten-year lease, with two five-year mutual options with PREG SC Transit Village, LP, a California limited partnership

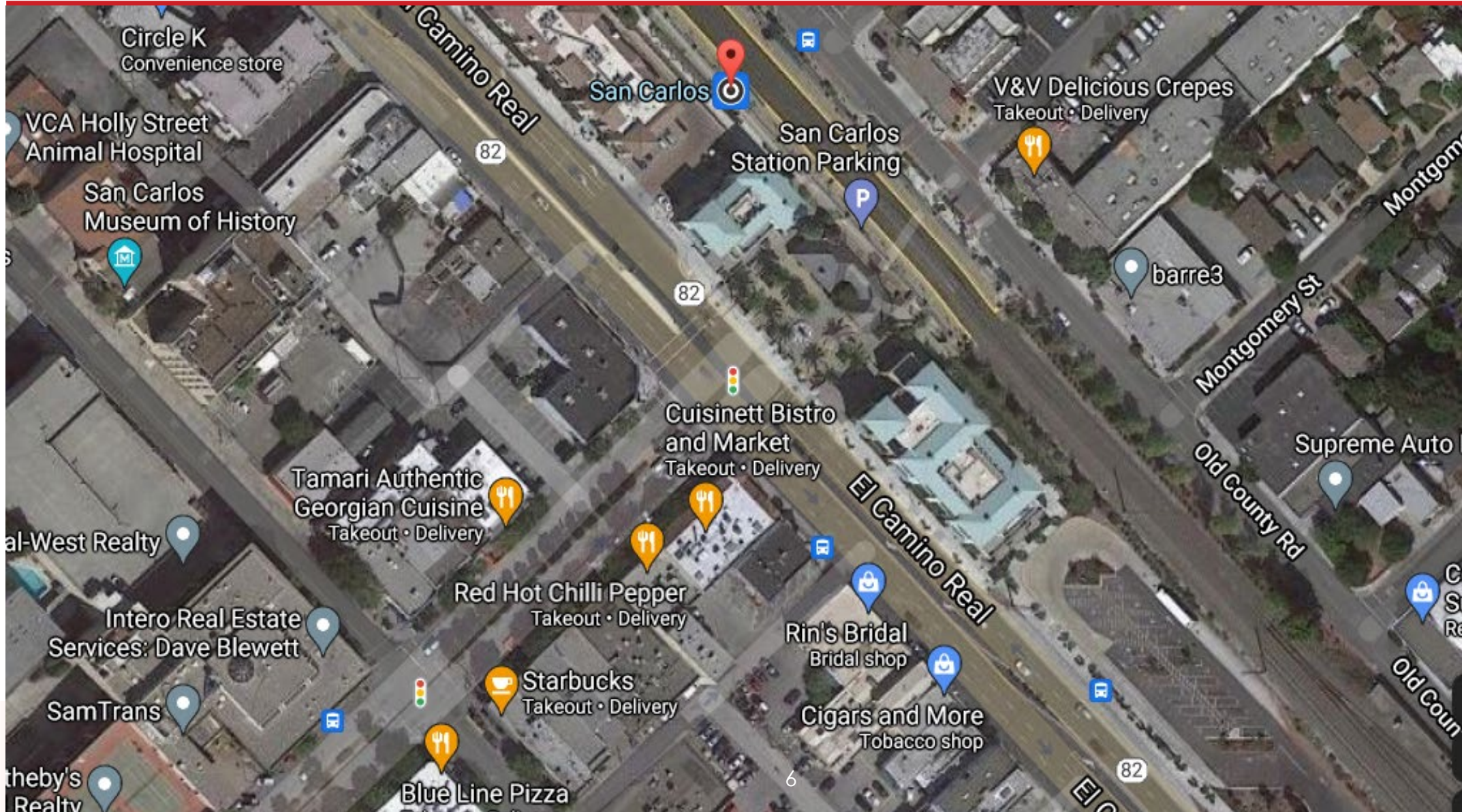
Background: Depot Building

- San Carlos Depot was constructed in 1888
- Listed on the National Register of Historic Places database in 1984
 - The South Bay Historical Railroad Society is the supervisor of the property's historic preservation covenant
- Since June 1983, the Depot has been leased to various tenants for restaurant purposes.
 - The most recent lease term ended approximately four years ago.

Background: Depot Building

- In 2019 staff conducted a study of each of its 7 historic station buildings to assess cost to conduct deferred maintenance at each site
- The assessment stated that the cost to cure deferred maintenance in San Carlos was estimated to be \$194K to \$270K, in 2019 dollars
 - The work includes improvements to the building envelope, fire-life safety, utilities systems, interiors and other professional services
- To date such work has occurred at only the Santa Clara Station
 - A former member of the historical society dedicated funds from his estate to help off set maintenance costs
 - In other cases, funds would need to come from the capital budget or through grants

Map



Background: The Development

- Prometheus has developed the San Carlos Transit Village, a Transit Oriented Development on the property surrounding the Depot and plaza area.
 - Prometheus rebuilt the plaza area.
- Due to its proximity to the surrounding TOD project, staff recommends that Prometheus should participate in the tenant relationship for the Depot building as a master lessee.
 - Prometheus will enter into a sublease with BareBottle brewing company to operate a taproom in the Depot building.
 - The South Bay Historical Railroad Society already approved the proposed use of the Depot as a taproom in December 2019

Picture of Plaza



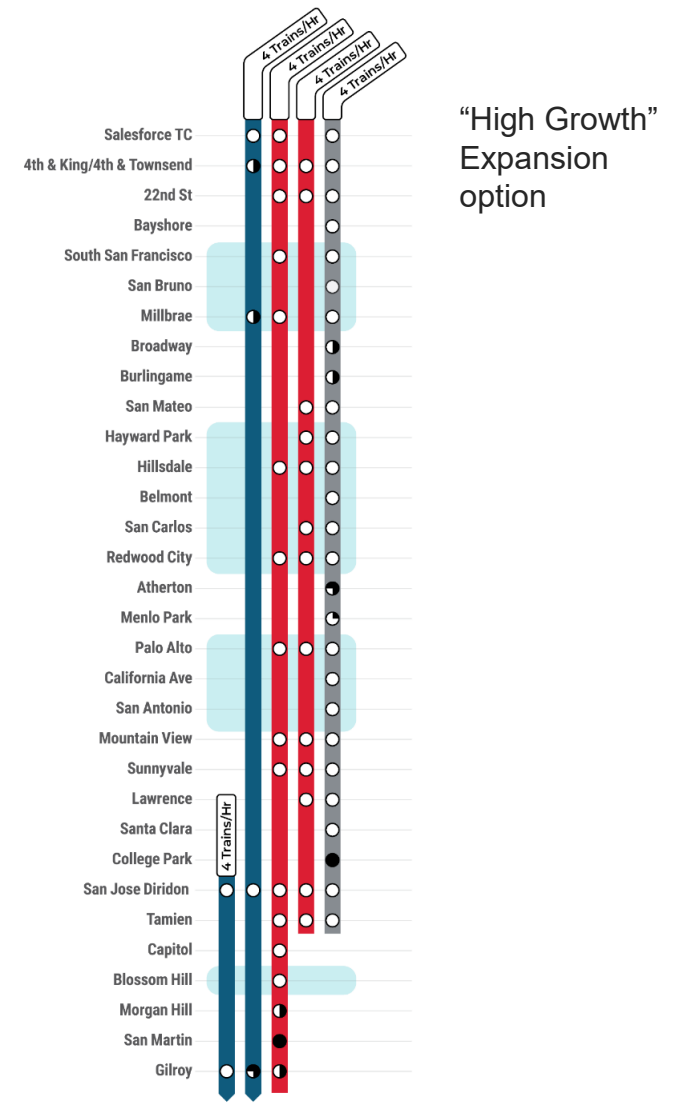
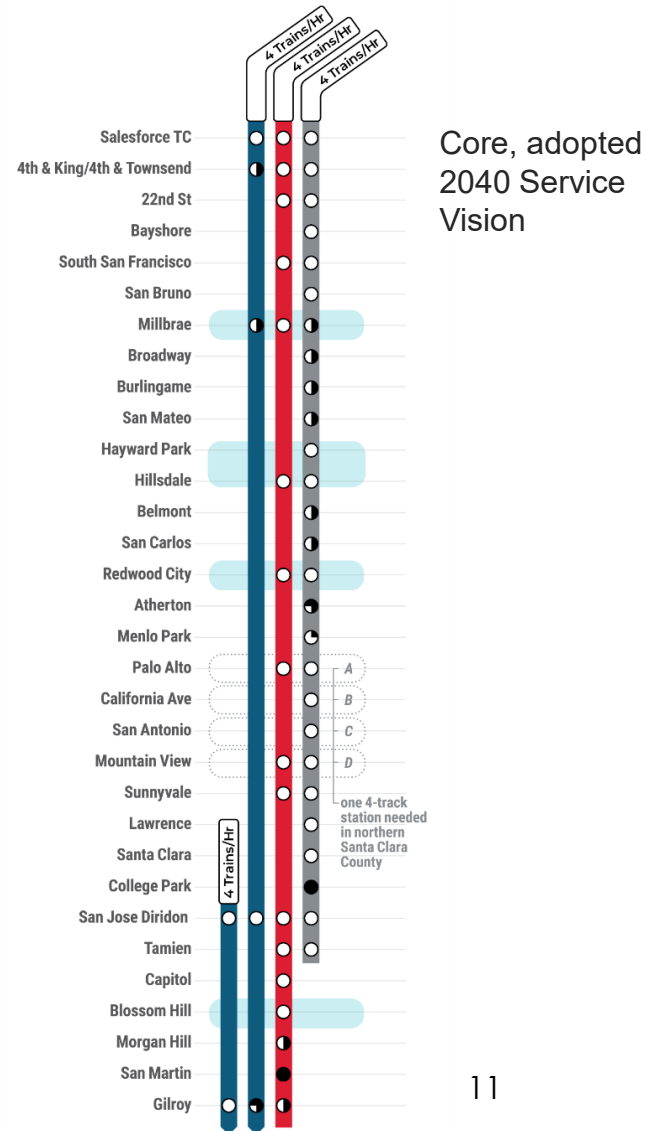
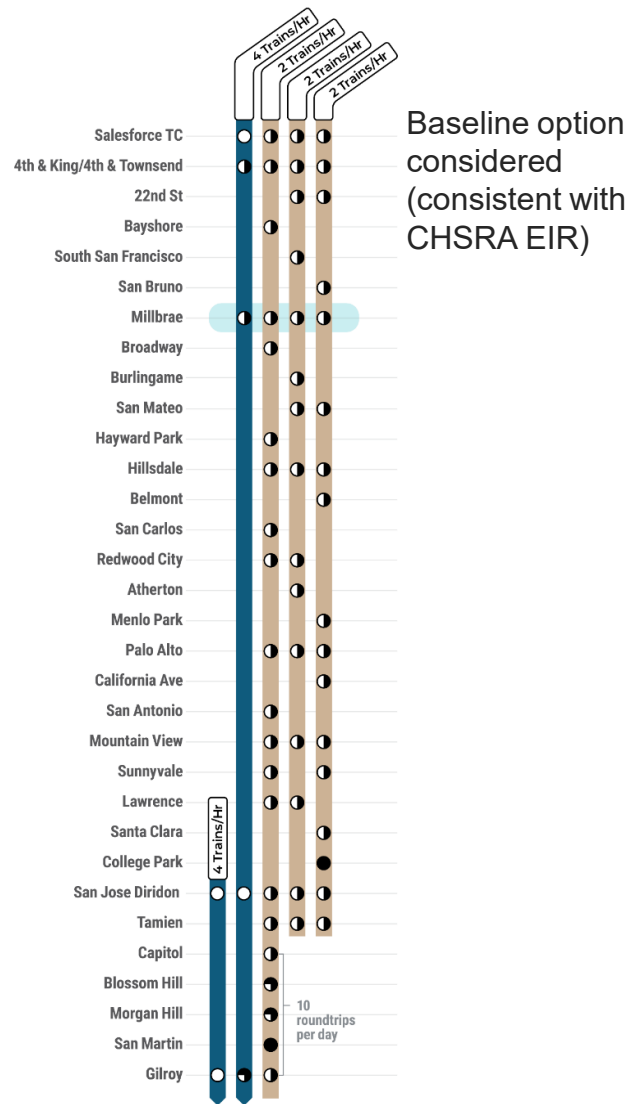
High-Level Lease Terms

- To maximize lease benefits and revenue, Real Estate staff recommends a 10-year lease to enable Prometheus to amortize its improvements to the Depot building.
- If approved, Prometheus will enter into a 10-year lease with JPB, with two mutual options of 5- years each
 - Pre-approved sublease with BareBottle brewing company to operate a taproom
- Under the proposed lease, Prometheus, BareBottle and JPB will split the cost to cure deferred maintenance and Tenant Improvements (TIs)
 - JPB's cost is capped and paid through its deferral of the first three years of rent under the lease, totaling just over \$150,000

RCUP: Project Review and Approval

- The Rail Corridor Use Policy (RCUP) is a Board-adopted policy to guide use of the agency's property and ensure compatibility with current and future rail needs.
 - RCUP's compatibility approval is first step in reviewing any proposed use of agency property – including public and private uses.
- For RCUP review of this proposed use, staff determined:
 - In RCUP maps, the proposed lease is within Service Vision Capital Project Overlay, indicating that the area could experience change from a potential future capital project.
 - The potential future capital project in this area is passing tracks that would only be needed to grow service beyond the minimum level of service identified in Caltrain's Long-Range Service Vision.
 - They are *not* required to accommodate CHSRA service on the corridor
 - They are *not* required to reach the total 12 trains per peak hour per direction (Caltrain's Long-Range Service Vision).
 - There is no feasible scenario that staff is aware of where these passing tracks would reach construction within the next ten years.

Project Review and Approval



Project Review and Approval: Recommendation

- Staff recommends that Board find the 10-year lease to be compatible with the railroad's current and future needs
 - The lease would not preclude the agency from achieving the Long-Range Service Vision or the specified passing tracks from being built if and when they are needed.
- Engineering staff has determined that the proposed lease is compatible with Caltrain's operational, regulatory, and engineering requirements.

Lease: Business Terms

- The Historic Depot is approximately 1,078 square feet and there is an approximately 351 square foot ancillary Baggage Building
 - Includes use of area for outdoor eating area/patio space.
- The initial lease rate is \$3.25/sf, with 3% increase yearly
 - Plus, \$1.625/sf for the Baggage building
- If the option is exercised, rent goes to market starting in year 11
- Payment of rent will commence in Year 4 at \$53,419.60
 - In addition lessee's payment of maintenance costs, total rent collected over the first 10 years is expected to be approximately \$409K

Lease: Alternative Approach

- JPB could conduct deferred maintenance itself
 - Would need to identify funds (up to \$270K in 2019 dollars)
- Advertise the site for lease
- Negotiate new leases terms
 - Would include a “TI Allowance” paid by JPB and time to build TI’s
- Such a process would likely take over three years before rent could be collected

Actions

- Staff recommends that the Board:
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 - Authorize the Executive Director to enter into a ten-year lease, with two five-year mutual options with PREG SC Transit Village, LP, a California limited partnership

Questions?
