

Resolution No. 2024-

**Board of Directors, Peninsula Corridor Joint Powers Board
State of California**

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**Authorizing Executive Director to Execute Agreement with the San Mateo
County Transit District to Lease Office Space at 166 N. Rollins Road in Millbrae,
California for the Caltrain Headquarters**

Whereas, the San Mateo County Transit District (District) purchased its current headquarters building and parking structure at 1250 San Carlos Avenue, San Carlos, California (Current HQ), on May 9, 1990; and

Whereas, the offices of the Peninsula Corridor Joint Powers Board (Caltrain) are located at the Current HQ; and

Whereas, on August 2, 2023, the District's Board of Directors authorized its General Manager/CEO to pursue the acquisition of a new headquarters building, subject to certain parameters; and

Whereas, District staff recommended the District Board select the "Gateway at Millbrae Station" office building, located at 166 N. Rollins Road in Millbrae, California to be the New HQ, as it met all criteria for selection of a New HQ and presented a unique lease-to-purchase opportunity for the District; and

Whereas, the District and the Lessor/Owner agreed to a lease-to-purchase transaction under which the District would lease 166 N. Rollins Road in Millbrae, California for up to 146 months, with an option to purchase the building for \$126 Million within 30 months of moving in or substantial completion of build-out; and

Whereas, the District invited Caltrain to lease space from it at the New HQ in Millbrae, California; and

Whereas, Caltrain considered other competing offers for its headquarters in multiple markets along the Caltrain Corridor, including San Francisco, San Mateo, Redwood City, and San Jose; and

Whereas, staff recommend, based on the application of the Board-approved evaluation criteria, that Caltrain co-locate with the District at the New HQ located at 166 N. Rollins Road in Millbrae, California; and

Whereas, Caltrain and the District engaged in negotiations and have agreed to terms set forth in Attachment A, Millbrae HQ Term Sheet, subject to the approval of the District's Board and Caltrain's Board; and

Whereas, the District's Board approved the Term Sheet on November 6, 2024, subject to approval by the Caltrain Board, and authorized the General Manager to enter into a lease with Caltrain consistent with these terms.

Now, Therefore, Be It Resolved that the Board of Directors of the Peninsula Corridor Joint Powers Board hereby authorizes the Executive Director to execute an agreement and take other actions necessary to lease a portion of the Gateway at Millbrae Station, located at 166 N. Rollins Road in Millbrae, California, from the San Mateo County Transit District, consistent with the terms set forth in Attachment A.

Regularly passed and adopted this 5th day of December 2024 by the following vote:

Ayes:

Noes:

Absent:

Chair, Peninsula Corridor Joint Powers Board

Attest:

Acting JPB Secretary

Attachment A

FINAL Term Sheet
SamTrans Headquarters
166 North Rollins Road, Millbrae
November 6, 2024

Building Space: 4th floor suite with 26,500 usable sq. ft., 30,000 sq. ft. rentable (Caltrain Suite).

Use of common space including board room and fitness facilities at no additional charge.

Caltrain staff will have access to shared facilities such as meeting rooms in any space that SamTrans occupies in the building. Caltrain will also offer meeting rooms within the Caltrain Suite for use by SamTrans staff but will retain exclusive decision-making authority regarding use of space within the Caltrain Suite including staff seating arrangements, provided that the cost of any additional Tenant Improvements (TI) made after initial TI installation are borne by Caltrain.

Term: 10 Years commencing upon occupancy of building, which shall occur concurrently with SamTrans occupancy, estimated to occur in late 2025; provided, however, that: (1) SamTrans shall have the right to terminate the lease prior to occupancy if it determines to terminate its lease-purchase agreement with Swift and (2) Caltrain shall have the right to terminate the lease if SamTrans and Caltrain have not occupied the building by January 1, 2027.

Rent: Full-service gross inclusive of all operating and maintenance expenses and common area charges, as shown in the rent schedule below. The first 4 months of rent will be free. The parties agree that the intent is for the schedule to add to \$20.5M over ten years.

Year	Monthly	Annual
1	\$3.75	\$45.00
2	\$3.86	\$46.35
3	\$3.98	\$47.74
4	\$4.10	\$49.17
5	\$4.22	\$50.65
6	\$7.21	\$86.53
7	\$7.43	\$89.13

8	\$7.65	\$91.80
9	\$7.88	\$94.56
10	\$8.12	\$97.40

Tenant Improvements: Turnkey Caltrain Suite to be provided with the same finishings as SamTrans space, consistent with the space plan for the Caltrain Suite developed in conjunction with SamTrans. TI will be provided at no cost to Caltrain, including all costs associated with architectural and engineering design, project management and construction management.

Other Costs: The parties agree that each will experience costs above and beyond the cost of building occupancy and TIs as described above. These include costs to purchase furniture, finishings, fixtures and equipment, to install IT infrastructure and furnish IT equipment, and to prepare for moving and actually move.

SamTrans has commenced the process of selecting such equipment and furnishings and plans to pursue required competitive processes to procure and install the necessary furniture, finishings, fixtures, equipment, and moving services (collectively referred to as “FFFEM”). The following terms shall apply to decisions relating to FFFEM:

(1) With respect to procurement decisions that SamTrans has already made for FFFEM prior to November 7, 2024, Caltrain will bear its pro rata share of costs for those procurements. If Caltrain declines to participate in a procurement decision that SamTrans has already made as of November 7, 2024, it shall be responsible for any additional costs required for design changes and any resulting delay costs, including costs that may be associated with bulk-pricing and/or moving costs.

(2) With respect to procurement processes for IT/Communications/Safety/AV, which have already started and are near completion, Caltrain will be invited to participate in procurement processes for these items; however, because Caltrain’s participation in such processes will lead to schedule delays and/or cost increases for SamTrans there is no opportunity for Caltrain (1) to participate in the design and scoping process without delaying the work or (2) to opt out of the IT/Communications/Safety/AV design and installation work which will be done in tandem with the TI work by the TI Contractor.

(3) With respect to procurement decisions, other than those described in paragraph (1) and (2) Caltrain will participate in procurement processes and pay its pro-rata share of the costs of all such FFFEM costs, but reserves the

right to opt out of participating in SamTrans' future procurement decisions if Caltrain determines that Caltrain does not require specific furnishings, equipment or services that SamTrans wishes to purchase or chooses to purchase different items than SamTrans. Both parties anticipate that there will be cost efficiencies and other benefits from standardization of equipment and furnishings and a shared procurement, and the parties commit to cooperate to achieve that aim.

Caltrain will not be responsible for any costs not directly associated with the Caltrain Suite, including but not exclusive to: TIs; FFFEM outside the Caltrain Suite, including those provided in the board room, fitness room, SamTrans suite(s), lobby and parking areas; building equipment; artwork; and signage.

Renewal Option:

Two five-year options to extend with rent to be determined based on a share of SamTrans expected or actual costs including debt service payments, operating expenses, maintenance costs and reserves for replacements associated with Caltrain's proportional share of the building. Another method may be used to determine rent if mutually agreed upon by both parties.

Option to Expand:

SamTrans staff will coordinate with Caltrain staff in structuring leases with any other tenants for the additional space on the 4th floor, in order to craft durations that will attempt to facilitate availability of space that could be offered to meet Caltrain's future needs. If the parties agree on a plan to enable Caltrain to expand the area it leases and take over additional available space, the cost will be based on the same rent schedule described above.

Parking:

Use of proportional share of parking spaces dedicated to office tenants in the building at no charge, assuming spaces will be pooled with SamTrans.

Shared use of bike parking.

Other:

The Lease entered into by the parties to document these terms shall provide assurances that prior to rent commencement:

- The ICAP methodology will be adjusted, if necessary, to assure that building-related expenses to Caltrain covered by rent are not included in the ICAP.
- The ICAP methodology will be made transparent to both parties to enable both parties to verify how building-related costs are allocated.
- Accounting strings needed for cost separation will be set up to the satisfaction of both parties.