



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: James R. Helmer

**SUBJECT: PARKING LEASE AGREEMENT
WITH LEGACY PARTNERS INC**

DATE: 02-22-07

Approved

Date

2/23/07

COUNCIL DISTRICT: 3

RECOMMENDATION

Adoption of a resolution authorizing the City Manager to negotiate and execute a lease agreement with Legacy Partners, Inc. for 50 parking spaces for a term of 65 months at the 3rd Street Garage at the rate established in the City's Master Parking Rate Resolution.

OUTCOME

Authorization to the City Manager to negotiate and execute a lease agreement between the City and Legacy Partners, Inc. (Legacy Partners) for 50 parking spaces for a term of 65 months at the 3rd Street Garage at the rate established in the City's Master Parking Rate Resolution (currently \$100 per month). The lease would enable Legacy Partners to provide a long term parking guarantee to their potential tenant, Abovenet, that would match a long term office space lease Abovenet intends to enter into with Legacy Partners, and would support the goals of the City and the Downtown Parking Board to retain businesses in Downtown San José.

BACKGROUND

Legacy Partners owns and manages the Legacy Civic Towers (formerly Horizon Center) located at 2nd and Santa Clara Streets. Legacy Partners also leases from the City six parking spaces at the 3rd Street Garage for use by its tenants located at Legacy Civic Towers; the lease between Legacy Partners and the City is a month-to-month lease.

Currently, Abovenet intends to enter into a lease with Legacy Partners to lease office space at Legacy Civic Towers through August 2012. As an incentive to attracting and keeping Abovenet as a tenant, Legacy Partners would like to guarantee Abovenet the use of 50 parking spaces at the 3rd Street Garage for the entire term of their lease.

In January 2007, Legacy Partners began speaking with City staff from the Department of Transportation and the Redevelopment Agency to learn whether its lease with the City could be amended from a month-to-month lease to a lease with a longer term. City staff advised Legacy Partners that such an amendment would require approval from the Downtown Parking Board and the City Council.

On February 7, 2007, Legacy Partners asked the Downtown Parking Board (DPB) to recommend to the City Council that the City enter into lease agreement with Legacy Partners that would allow Legacy Partners to guarantee Abovenet's use of 50 parking spaces at the 3rd Street garage through August 2012. Given the City's goal to attract and retain businesses in the Downtown, the DPB supported such an amendment to the lease between the City and Legacy Partners and requested that staff from the Department of Transportation take this recommendation to the City Council.

ANALYSIS

The economic downturn experienced since 2001 has left significant office space and parking garage vacancies in Downtown. Currently, staff and the DPB are working to update the City's Parking Management Plan in a manner that will better attract and retain businesses Downtown through various incentive and long term lease parking programs. The parking lease between the City and Legacy Partners which is being proposed above is consistent with the goals of the City in that it is designed to retain a valuable Downtown business in Abovenet. The parking lease would provide 50 spaces for a 65 month term in the 3rd Street Garage at the rate established in the Master Parking Rate Resolution (currently \$100 per month) and is expected to generate \$60,000 in annual parking revenues; which would help to support the development and management of the City's parking system.

Though staff and the DPB are still in the process of updating the City's current Parking Management Plan, Legacy Partners has agreed that in the event the City Council adopts an updated Parking Management Plan that modifies the City's current policy regarding the City's leasing out of Downtown parking spaces, including modifications to the monthly parking rate the City will charge, the lease between Legacy Partners and the City will be amended to accommodate those policy changes and any rate increases.

With regard to occupancy at the 3rd Street Garage, currently this garage only has occupancy of 50%. As such, sufficient parking spaces exists to meet the requirements of the proposed lease between the City and Legacy Partners.

POLICY ALTERNATIVES

Alternative: Lease parking to Legacy Partners on a month-to-month basis consistent with current City parking program lease guidelines.

Pros: No program change or action would be required by the City Council.

Cons: Legacy may not be able to secure Abovenet Communications as a long-term tenant.

Reason for not recommending: In order to reduce office and parking vacancy rates, and strengthen the Downtown economy, it is critical to retain long-term tenants Downtown. Failure to approve a long-term parking lease with Legacy Partners may result in Abovenet relocating outside the Downtown area and potentially outside the City of San Jose.

PUBLIC OUTREACH/INTEREST

- Criteria 1:** Requires Council action on the use of public funds equal to \$1 million or greater. **(Required: Website Posting)**
- Criteria 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. **(Required: E-mail and Website Posting)**
- Criteria 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. **(Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)**

This item does not meet any of the criteria identified by the Sunshine Reforms Work Plan. The Downtown Parking Board approved this item at its February 7, 2007 meeting. This memorandum will be posted on the City's website for the March 13, 2007 Council agenda.

COORDINATION

This memorandum has been coordinated with the City Attorney's Office, the City Manager's Budget Office and San Jose Redevelopment Agency.

FISCAL/POLICY ALIGNMENT

This action is consistent with the following General Budget Principle - "We must continue to streamline, innovate, and simplify our operations so that we can deliver services at a higher quality level, with better flexibility, at a lower cost."

Approval of this resolution supports Transportation and Aviation CSA Outcome # 2 "Provide viable transportation choices that promote a strong economy."

HONORABLE MAYOR AND CITY COUNCIL

02-22-07

Subject: Parking Lease Agreement with Legacy Partners Inc

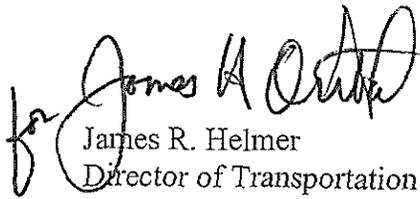
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COST SUMMARY/IMPLICATIONS

Approval of the proposed lease agreement would generate \$60,000 in revenue annually to the City's General Purpose Parking Fund.

CEQA

Exempt, File No. PP07-033


for James R. Helmer
Director of Transportation

For questions please contact Jim Ortbal, Assistant Director, at 535-3845.