



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Katy Allen

**SUBJECT: APPROVAL OF A LEASE
AMENDMENT 5285 DOYLE RD**

DATE: 02-28-07

Approved

Date

3/5/07

COUNCIL DISTRICT: Citywide

RECOMMENDATION

Approval of a first amendment to a lease agreement with Pacific Bell Telephone Company, extending the term of the lease of City-owned property at 5285 Doyle Road by 60 months with an annual rent of \$45,600 for the first year with 4% annual increases in each of the four remaining years with options to extend for two additional five-year terms.

OUTCOME

By approving this amendment, Council authorizes the extension of the existing lease for an additional five years with an annual rent of \$45,600 for the first year with 4% annual increases in each of the four remaining years and gives Pacific Bell Telephone the option to extend the lease for two additional five year terms at the then current market lease rate.

BACKGROUND

The City of San José has been leasing this 26,177 sq. ft. parcel of land to the Pacific Bell Telephone Company since 1967 under a number of successive lease agreements the last of which was entered into on June 24, 1997 covering the period from November 15, 1996 through November 14, 2006. The land was originally purchased as part of the West Valley Corporation yard, which is located adjacent to 5285 Doyle Road. The subject parcel is separated from the remainder of the corporation yard by an access easement used by Santa Clara County maintenance vehicles.

The leased parcel (APN 381-19-016) is used for off-street parking for Pacific Bell Telephone Company employees assigned to that company's adjacent facility. The company originally graded, paved and fenced the parcel at their sole expense and though these improvements are maintained by the company, they are vested with the City.

ANALYSIS

Public Works Real Estate staff has negotiated an amendment to the previous lease commencing November 15, 2006 extending the term of the agreement for an additional 60 months at a rental rate of \$3,800 per month the first year, \$3,952 per month the second year, \$4,110 per month the third year, \$4,274 per month the fourth year and \$4,445 per month during the final year of the initial extended term. The monthly rent represents market rate (approximately \$6,500 per acre) for industrial land in the San José area. This is an increase of 12% over the previous rent.

The lease contains language allowing for cancellation of this lease with 180 days written notice.

POLICY ALTERNATIVES

Not applicable.

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)**

The approval of this agreement does not meet any of the criteria identified by the Sunshine Reforms Work Plan. This memorandum will be posted on the City's website for the March 20, 2007 Council agenda.

COORDINATION

This memorandum has been coordinated with the City Manager's Budget Office and the Planning, Building and Code Enforcement Department. The City Attorney's Office has reviewed the agreement and approved it as to form.

FISCAL IMPACT

The total rental income for the first five year extended term of this lease is \$246,972 which would be applied to the general fund over the five-year term of the lease. There is a potential

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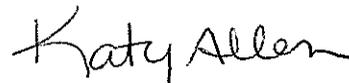
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additional \$500,000 to \$600,000 of income should Pacific Bell Telephone Company elect to exercise their options to extend.

CEQA

CEQA: Not a project.



KATY ALLEN

Director, Public Works Department

For questions please contact PHIL PRINCE, DEPUTY DIRECTOR, at 535-8300.

NS:pp;rlc