



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Katy Allen

**SUBJECT: APPROVAL OF A LEASE WITH
THE SANTA CLARA COUNTY
OFFICE OF EDUCATION**

DATE: 06-04-07

Approved

Kay Winer

Date

6/10/07

COUNCIL DISTRICT: 4

RECOMMENDATION

Approval of a lease agreement with Santa Clara County Office of Education for the use of City-owned property located at 3322 Nobel Avenue for a term of less than 3 years.

OUTCOME

By approving this agreement, Council authorizes the transfer of the control of this property to the Santa Clara County Office of Education under a non-profit below-market lease under City Council Policy 7-1 and the rehabilitation of the existing facility located on the site.

BACKGROUND

The City of San José owns a library building located in Noble Park. With the construction of a new library adjacent to the current location, this building has become available for use under the City's re-use plan and was placed on a list of available facilities.

The County Office of Education is a public agency that provides programs and services to the County's 32 school districts. The Office of Education is in need of facilities where it can conduct classes for students in its alternative education programs.

ANALYSIS

The County Office of Education contacted the City asking about available community centers under the City's re-use strategy. Having reviewed the list of available facilities, the County determined that the old Berryessa Library building is ideal for its use. Public Works Real Estate staff has negotiated a lease agreement with the County Office of Education in compliance with City Council Policy 7-1 as adopted by the City Council on June 20, 2006. After allowing for the value to the community of the services provided by the Office of Education, the lease calls for rent in the amount of \$1.00 per month payable annually in advance. This facility is located in Noble Park, and as a result, the lease term cannot exceed three years.

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

POLICY ALTERNATIVES

Alternative #1: Lease the building at market rate to a local business.

Pros: This alternative would generate revenue for the City that could be applied to the General Fund. The lease subsidy is valued at more than \$150,000 per year [the building is approximately 7,250 square feet. At \$2.00 per square foot, there is a total of \$14,500 rental income per month, \$174,000 per annum and \$522,000 over the 3 year term of the agreement (without calculation of inflation)]. By committing to a 3-year below-market lease (\$12 per year) the City significantly reduces the value of its real estate asset.

Cons: This alternative is not in keeping with the intent of City Council Policy 7-1 which allows the Council to lease to non-profit entities at below market rent.

Reason for not recommending: The benefit to the community from the service that would be provided by the County Office of Education at this location exceeds the rental value of the structure.

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 June 26, 2007 Council agenda.

COORDINATION

This memorandum has been coordinated with the City Manager's Budget Office and the Departments of Parks, Recreation and Neighborhood Services and Planning, Building and Code Enforcement and City Attorney's Office.

HONORABLE MAYOR AND CITY COUNCIL

06-04-07

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Page 3

FISCAL IMPACT

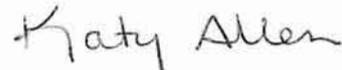
This project is consistent with the General Budget Principles (Mayor's 2006-07 March Budget Message) in that by reducing maintenance and liability on this property, City operations may be streamlined and simplified.

COST IMPLICATIONS

The total rental income for the first three-year term of this lease is \$36 which would be applied to the general fund over the three-year term of the lease. There is a potential for savings for building maintenance and restoration to be performed by the Lessee under the lease.

CEQA

CEQA: Not a project.



KATY ALLEN

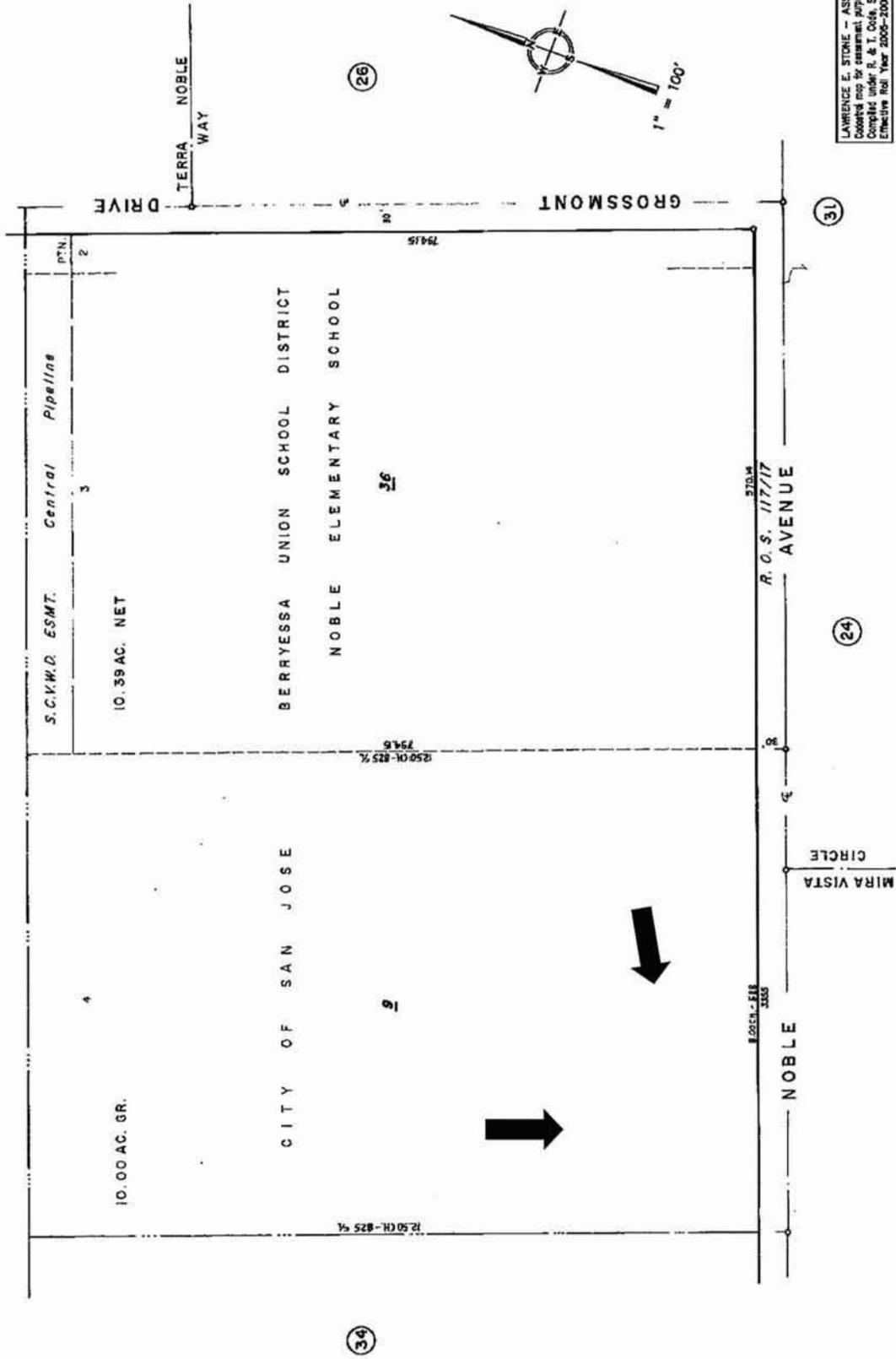
Director, Public Works Department

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

NS:pp;rlc

OFFICE OF COUNTY ASSESSOR — SANTA CLARA COUNTY, CALIFORNIA
 RESERVATION TRACT

BOOK 595 PAGE 2



LAWRENCE E. STONE — ASSESSOR
 Computerized map for assessment purposes only.
 Compiled under R. & T. Code, Sec. 337.
 Effective Roll Year 2000-2006