



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Jose Obregon

**SUBJECT: APPROVAL OF A LEASE
3099 NORTH FIRST STREET**

DATE: June 1, 2004

Approved

Date

COUNCIL DISTRICT: Citywide
SNI AREA: NA

RECOMMENDATION

Adoption of a resolution authorizing the City Manager to negotiate and execute a 18 month lease agreement with Realtec Properties I, for 20,710 square feet of fully improved and fitted out office space on the second floor of the building located at 3099 N. First Street, San Jose, California requiring the City to pay rent of \$23,816.50 per month plus prorated utilities and Janitorial costs.

BACKGROUND

On January 15, 2002 the City Council approved a 6-month sublease with Cisco Systems for the use of 13,000 square feet of office space located on the second floor of the building that they lease from Irvine Community Development Company located at 430 N. McCarthy Boulevard. This space was leased as replacement space for the building at 4245 Zanker Road a portion of which had to be vacated as the result of a Cal-Osha abatement order addressing mold problems in the building. This sublease contained provisions that allowed the City to continue in possession at the same rental rate until December 14, 2002. At their meeting of December 17, 2002 the City Council approved an extension of the agreement for up to 18 months. The extended term of the Cisco sublease will expire on June 30, 2004.

The Department of Environmental Services has determined that they will need to utilize leased space for an additional period of at least 18 months. The Cisco lease for the property at McCarthy Blvd will expire in August of 2005 and the Irvine Community Development Company, the Landlord on the Cisco Lease, is not interested in retaining the City as a tenant in their building beyond the expiration of the Cisco lease.

ANALYSIS

At the request of the Environmental Services Department, General Services staff, searched for a replacement site for the McCarthy Boulevard site. A number of sites were presented to

Environmental Services for their consideration and it was determined that the Realtec Properties I site located at 3099 N. First Street best met the department's needs. General Services staff negotiated a new 18-month lease at a rental rate of \$23,816.50 per month. This represents a savings of \$10,633.50 per month when compared to the previous lease for McCarthy Boulevard. As with the previous agreement with Cisco Systems the City is to provide their own janitorial service and reimburse Realtec for its prorata share of building utilities. The lease agreement will contain wording that will allow the City to extend the lease term for up to three (3) additional six (6) month periods for a total extended term of 18 months.

PUBLIC OUTREACH

Not applicable.

COORDINATION

This item has been coordinated with the Office of the City Manager and the Environmental Services Department, Department of Finance - Risk Management, and the City Attorney's Office and was scheduled to be heard at the June 10, 2004 Treatment Plant Advisory Committee meeting.

COST IMPLICATION

The base rent for this agreement is \$428,697.00 for the eighteen month term of the lease with a cost of \$24,852.00 per month during the option periods should the City elect to exercise its options to extend the lease. In addition to the rent, the lease calls for the City to provide janitorial services and reimburse the landlord for the cost of utilities to the leased premises.

BUDGET REFERENCE

Fund #	Appn #	Appn. Name	RC#	2004-2005 Proposed Budget Total Appn.	Amt. For Contract	2004-2005 Proposed Operating Budget Page	Last Budget Action (Date, Ord. No.)
513	0762	Treatment Plant Operating Fund	700762	\$59,386,719	\$285,798	VIII - 48	N/A

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Subject: Approval of a Lease Agreement at 3099 North First Street

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* The 2004-2005 Operating Budget is scheduled for approval by the City Council on June 22, 2004.

CEQA

Not a project

JOSE OBREGON
Director of General Services