COUNCIL AGENDA: 09-19-06
ITEM: 6.3

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL

FROM: James R. Helmer

SUBJECT: **APPROVAL OF A PARKING LOT LEASE AMENDMENT**

DATE: 09-01-06

Approved Kay Winer Date 9/5/06

COUNCIL DISTRICT: 3

RECOMMENDATION

Approve the Seventh Amendment to a Parking Lot Lease Agreement between the City of San Jose (City) and Boston Properties (dba BP Almaden Associates, LLP) which includes the following:

1. A provision extending the lease to be effective from October 1, 2006 to December 31, 2007, in the amount of $498,000 ($33,200 per month) for the property commonly referred to as Almaden/Woz Way parking lot, located at 282 Almaden Boulevard; and,

2. A provision allowing for the City's placement of public grandstands on the subject parking lot for use during the San José Grand Prix event scheduled for the weekend of July 27th – 29th, 2007.

3. A provision allowing for the City to use a portion of the subject parking lot for the Northern California Motorcycle Show scheduled in December 2007.

OUTCOME

Approval of the lease extension will facilitate the City's continued efforts to enhance the Downtown economy and make the Downtown the creative and cultural center of the region by providing a public parking supply to support local businesses, events at the Convention Center and Center for Performing Arts, and to accommodate grandstands for the San Jose Grand Prix event and the Northern California Motorcycle Show.

BACKGROUND

The City currently leases the Almaden/Woz Way parking lot, owned by BP Almaden Associates, LLP. The current lease agreement, approved by the City Council in November 2001 and amended in December 2002, December 2003, May 2004, November 2004, July 2005, and November 2005, will expire on December 31, 2006. The numerous lease extensions have been necessary due to Boston Properties desire for shorter-term leases to retain their flexibility.

The 365-space parking lot supports parking for the Convention Center, Center for the Performing Arts, surrounding businesses and City staff located in the old Martin Luther King Jr. Library building. The lot also serves as the location for the main grandstand that holds approximately 10,000 attendees for the annual San Jose Grand Prix event and the Northern California Motorcycle Show, by providing a portion of the parking lot for motorcycle demonstration rides. Boston Properties holds land-use entitlements to build a three-tower office project, but has not initiated construction of the project.

In March 2006, Boston Properties notified the City about their intent to terminate the agreement effective September 1, 2006. Subsequent discussions with Boston Properties indicated that although they intended to continue using the lot for parking, they believed they could generate higher revenues than the City's current monthly lease payment of $22,050.

ANALYSIS

In an effort to continue effective management of this lot for special events, and retain the operation of this lot as part of the City's public parking system, staff has renegotiated the terms of the existing agreement. The two primary reasons City staff desired to renegotiate the lease are the volume of major special events, such as the San Jose Grand Prix and Northern California Motorcycle show, and the value of retaining this highly visible and proximately located parking lot to support Convention Center and parking operations.

Under the Seventh Amendment, the term of the Agreement would commence on October 1, 2006 and expire on December 31, 2007. The cost to lease the property would be $498,000 ($33,200 per month) and does not include operations, utilities or maintenance of the parking lot.

In order to meet the increased lease expense, the City's General Fund would contribute $5,000 per month to park approximately 100 city/employee vehicles on the property. The daily visitor parking rate would also be adjusted from $5 to $7 per vehicle, under the City Council's delegated authority to the Director of Transportation to adjust daily parking rates at this lot up to $7. The General Fund contribution and the projected increase in revenue from higher daily parking rates are expected to result in a cost neutral impact to the Parking Fund.

Also, under the terms of the Seventh Amendment, either party is required to give at least six (6) months written notice for termination of the lease on or before July 31, 2007 or ninety (90) days written notice for termination of the lease on or after August 1, 2007. The Director of Transportation is authorized to terminate the Lease Agreement for the City.

POLICY ALTERNATIVES

Alternative #1: City does not lease the Almaden/Woz parking lot

Pros: The City would not have the responsibility to operate and maintain the lot, or have any of the associated risk of generating the revenues to meet the lease obligation.

Cons: The City would lose control of an important parking lot and property that is critical to special event management and parking management that support the Downtown economy. Potentially, with control by a private entity, parking rates may be adjusted higher than planned to maximize revenue generation. The City will not have authority to set parking rates for users.

Reason for not recommending: The City would not be able to operate and manage the parking spaces to support the Convention Center, the Center for Performing Arts, and surrounding businesses, nor will it be able to provide the parking lot for the primary grandstand for the Grand Prix.

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)**

While this agreement is below the $1 million threshold for Criteria 1, it has been agendized for the Downtown Parking Board's September 6, 2006 meeting. The memorandum is posted on the City's website for the September 19, 2006 City Council meeting Agenda.

COORDINATION

This agreement has been coordinated with the City Attorney's Office, the City Manager's Office, and the Budget Office.

FISCAL/POLICY ALIGNMENT

This lease agreement is consistent with the Council-approved Budget Principle to deliver services through appropriate community partnerships and public-private partnerships.

COST SUMMARY/IMPLICATIONS

1. AMOUNT OF RECOMMENDATION: $498,000

2. SOURCE OF FUNDING: The cost of this agreement is $498,000, which will be funded by the General Purpose Parking fund with the incremental increase being funded by the General Fund and the General Purpose Parking Fund in the 2006-07 Adopted Operating Budget as identified in the following table.

3. FISCAL IMPACT: The rate increase from $5 to $7 is projected to generate sufficient revenue to meet the lease cost of this agreement, and the associated operating and maintenance costs of the lot; and remain cost neutral to the Parking Fund.

BUDGET REFERENCE

Fund #	Appn #	Appn. Name	RC #	Total Appn	Amt. for Contract	2006-2007 Adopted Operating Budget Page	Last Budget Action (Date, Ord. No.)
001	0512	Non-Personal/Equipment Department of Transportation	486570	$12,631,780	$75,000	N/A	N/A
533	0512	Non-Personal/Equipment Department of Transportation	486570	$6,365,545	$423,000	XI-33	N/A
Total Available Funding				**$18,997,325**	**$498,000**		

CEQA

Downtown Strategy 2000, Resolution No. 72767, File No. GP05-03-01

for James H Ortlieb
JAMES R. HELMER
Director of Transportation

For questions please contact John Teliha, Off-Street Parking Manager, at 975-3714.