



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Katy Allen

SUBJECT: APPROVAL OF A LEASE
1671 THE ALAMEDA

DATE: 09-13-06

Approved

Date

9/15/06

COUNCIL DISTRICT: Citywide

RECOMMENDATION

Approval of a five-year lease agreement with Wen Y. Huang for 12,600 square feet of office space on the ground floor of a building located at 1671 The Alameda at a rental rate of \$19,530 per month for the first year of the lease with annual increases to \$22,680 per month for the final year for a total rent of \$1,239,840 over the five-year term of the lease.

OUTCOME

By approving this lease agreement, Council authorizes the monthly rent and allows the Police Department's Crime Prevention Unit to remain in its current location for up to five more years.

BACKGROUND

In March 1996, the City of San José entered into a lease agreement with Wen Y. Huang for 12,600 square feet of office space located on the ground floor of 1671 The Alameda to house the Police Department's Community Service Division including Crime Prevention, Police Reserve, School Crossing Guards and Police Athletic League. The space on The Alameda was selected because it is centrally located, is highly visible and meets the operational needs of the Community Service Division. The lease was renewed in April 2001 for an additional five-year term.

In September of 2003 the lease was amended reducing the amount of monthly rent and extending the lease term to November 30, 2006. The current lease as amended will expire at that time.

ANALYSIS

At the request of the Police Department, Public Works Real Estate staff negotiated a new five-year lease for the 12,600 square feet of office space on the ground floor of 1671 The Alameda at a rental rate of \$19,530 per month for the first two years increasing to a monthly rent of \$20,160 for the third year of the lease, \$21,420 for the fourth year of the lease and ending with a monthly rent of \$22,680 during the fifth and final year of the lease term.

The term of the lease is 60 months. The rent for the first two years of the lease is the same as the rent that was charged during the final year of the previous lease. This reflects current market rates for office space. In the third year of the lease the monthly rent increases by approximately 3.25% with increases of approximately 6% for the fourth and fifth years of the lease.

Staff investigated availability of other suitable space with the following results:

1. There are no suitable City-owned spaces available for this use.
2. The rent is comparable with rents for other suitable office space-the rental rate is consistent with market rates.
3. There are no savings to be realized from relocating this office into another leased space.

The new lease contains wording that allows the City to terminate the agreement without penalty upon 120-days written notice at anytime after the first year of the lease. There are no new tenant improvements included in this lease.

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 meets Criteria 1: Requires Council action on the use of public funds equal to \$1 million or greater. This memo will be posted on the City's website for the October 3, 2006 Council agenda.

COORDINATION

This item has been coordinated with the Departments of Planning, Building and Code Enforcement, Police and General Services and the City Manager's Budget Office. The Office of the City Attorney has reviewed the agreement and approved it as to form.

FISCAL/POLICY ALIGNMENT

This lease is consistent with the Council-approved Budget Strategy for Guiding Principals for Budget and Financial Management in that it reduces impacts as much as possible to our employees while respecting community and neighborhood priorities.

COST IMPLICATION

Rent for the first two years of this agreement is \$234,360 per year increasing to \$241,920 in the third year then to \$257,040 for the fourth year and \$272,160 in the fifth year for a total rent of \$1,239,840 over the five-year term of the lease.

BUDGET REFERENCE

Fund #	Appn #	Appn. Name	RC#	Total Appn.	Amt. For Contract	2006-2007 Proposed Operating Page	Last Budget Action (Date, Ord. No.)
001	0572	Non Personal/ Equipment	000320	\$2,652,125	\$1,239,840	VIII-106	

CEQA

CEQA: Not a project.


KATY ALLEN
Director, Public Works Department

For questions please contact PHILIP PRINCE, DEPUTY DIRECTOR, at (408) 535-8300.