



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Kim Walesh

SUBJECT: SEE BELOW

DATE: April 16, 2012

Approved

Date

4/25/12

SUBJECT: APPROVAL OF SECOND AMENDMENT TO THE LEASE AT 1671 THE ALAMEDA

RECOMMENDATION

Adopt a resolution to authorize the City Manager or her designee to execute a second amendment to the lease with the Huang Family Trust for the use of an additional 138 square feet of office space located at 1671 The Alameda in San Jose, at an additional rental rate over the initial five year lease term totaling \$10,602.83, and including the installation of additional tenant improvements at a cost to City not to exceed \$4,000.

OUTCOME

By approving this second amendment, the City Council authorizes the additional funding of \$14,602.83 over the initial five year term of the lease with the Huang Family Trust for rent and construction of minor tenant improvements on 138 square feet of additional office space.

BACKGROUND

The City has leased all or a portion of the ground floor of the building located at 1671 The Alameda for use by the City's Police Department (PD) since 1996. On December 1, 2011, the City entered into a new lease reducing the leased area from 12,600 square feet to 7,903 square feet. The terms of the new lease resulted in: (a) a reduction in rental rate, from \$1.80 per square foot to \$1.30 per square foot, (b) a reduction in the amount of space leased at 1671 The Alameda, from approximately 12,600 square feet to 7,903 square feet, and (c) the consolidation of the Family Violence Center, at the expiration of the lease at 125 Gish Road on March 31, 2012, to 1671 The Alameda. The combination of all of these actions resulted in an annual savings of \$225,515 for Fiscal Year 2012-2013 (reflecting a reduction of approximately 65% over the

April 16, 2012

Subject: Approval of Second Amendment to the Lease at 1671 The Alameda

Page 2

previous lease expenditures). Over the entire period of the initial five year lease term, the City will recognize a savings in excess of \$1,000,000 from the previous lease costs.

As part of the relocation and consolidation into 1671 The Alameda, certain upgrades to technology were required. Improvements to computer systems and the installation of VOIP phone service required upgrading the wiring to support the improved technology and business needs of the PD Units. In order to complete the electrical and data cabling, the property manager worked with staff and contractors to complete the installation of the required electrical and data cabling. This work necessitated a first amendment to the lease for the additional electrical and data connections in an amount not to exceed \$50,000.

In March 2012, the Family Violence Center was relocated into the shared space at 1671 The Alameda. After their relocation, and due to the sensitivity and confidentiality of client information being collected, it was determined there was a need for additional space on site for the retention of confidential client files. After discussions with the property manager, staff was able to negotiate an additional 138 square feet of storage space with the same terms as the initial lease. The additional cost per month in the first year of the lease term will be \$179.40 per month plus a one time cost not to exceed \$4,000 for tenant improvements. The additional rental cost over the initial five year lease term will be \$10,602.83, plus one time funding not to exceed \$4,000 for minor tenant improvements.

ANALYSIS

The initial lease term for the office space located at 1671 The Alameda in San Jose is for five years. The lease granted the City the option to extend the term of the lease for one additional five year period (10 years total). The rent due for the additional 138 square feet during the option term will be at the same rate as the remainder of the leased space. The rent due for the first year of the option term will be the greater of (a) the prevailing market rate for property in the metropolitan San Jose area that is comparable in size and location to the leased premises, or (b) \$1.55 per square foot (which reflects a 4% increase to the rental rate for the fifth year of the initial lease term). In addition, the lease contains a "not to exceed" provision stating that in no event shall the monthly rent due for the first year of the option exceed \$1.80 per square foot, nor shall the escalation rate for any year of the option term exceed 4% of the previous years' rent.

The second amendment to the lease with the Huang Family Trust will increase the total leased space from 7,903 square feet to 8,041 square feet. The additional rent due to the second amendment will be \$10,602.83 over the five year term of the lease.

EVALUATION AND FOLLOW-UP

After the second amendment to the lease is signed, no follow-up action by the City Council is anticipated until the lease term (as may be extended) expires and then only if approval of a new lease is required.

HONORABLE MAYOR AND CITY COUNCIL

April 16, 2012

Subject: Approval of Second Amendment to the Lease at 1671 The Alameda

Page 3

PUBLIC OUTREACH/INTEREST

- Criterion 1:** Requires Council action on the use of public funds equal to \$1 million or greater. **(Required: Website Posting)**
- Criterion 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)**
- Criterion 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 action does not meet any of the above criteria; however this memorandum will be posted on the City's website for the May 8, 2012, Council agenda.

COORDINATION

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

FISCAL/POLICY ALIGNMENT

This action is consistent with the General Budget Principles in that it protects vital core City services.

COST SUMMARY/IMPLICATION

In addition to the current monthly rental cost, there will be additional monthly rent of \$179.40 plus a one time cost not to exceed \$4,000 for minor tenant improvements for a maximum five year cost of \$14,602.83.

HONORABLE MAYOR AND CITY COUNCIL

April 16, 2012

Subject: Approval of Second Amendment to the Lease at 1671 The Alameda

Page 4

BUDGET REFERENCE

Fund #	Appn #	Appropriation Name	Total Appn.	2011-2012 Adopted Operating Budget-Page	Last Budget Action (Date, Ord. No.)
001	0182	Non Personal/ Equipment	\$2,549,441	VIII-82	2/14/2012 Ord. No. 29036

CEQA

CEQA: Not a Project, File No. PP10-066(f), Agreements/Contracts, including lease of office space with no tenant improvements or change of use.

/s/

KIM WALES
Director of Economic Development
Chief Strategist

For questions, please contact Nanci Klein, Deputy Director, at (408) 535-8184.