



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Hans F. Larsen

**SUBJECT: PARKING AGREEMENT AT
CONVENTION CENTER GARAGE**

DATE: May 29, 2012

Approved

Date

6/7/12

COUNCIL DISTRICT: 3

RECOMMENDATION

Approve a Third Amendment to the Parking Premises Agreement between the City of San José and PR SJM Hotel, LLC (Prudential Insurance), as successor in interest to Walton San José Investors III, LLC, that includes the following changes:

- a. Change the party from Walton San José Investors III, LLC to PR SJM Hotel, LLC, an affiliate of Prudential Insurance;
- b. Increase the monthly rate from \$100 to \$120 per parking space for valet parking at the Convention Center Garage for the Marriot Hotel, retroactively effective on March 1, 2012;
- c. Authorize the City Manager to amend the agreement without City Council approval to:
 - (i) revise the leased premises area between 196 and 208 parking spaces
 - (ii) revise the monthly space rental fee every 5 years based on the Consumer Price Index
 - (iii) revise the leased premises area if the parking spaces are unavailable if damaged or otherwise unusable.

OUTCOME

The Third Amendment will transfer the Parking Premises Agreement to Prudential Insurance, increase the per space rental fee from \$100 to \$120 generating additional annual revenues of approximately \$47,000, and authorize the City Manager to amend the agreement under certain circumstances.

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BACKGROUND

In June 2000, the City and Walton San José Investors III, LLC (Walton), entered into a Parking Premises Agreement to provide Walton up to 213 parking spaces in the Convention Center Garage for use by the Marriott Hotel which is located adjacent to the Convention Center. In February 2004, this agreement was amended to adjust the billing date for leased parking spaces; and revise the Parking Operations Plan and description of the leased area to allow Marriott Hotel to sublease space to a rental car agency. In February 2009, the agreement was amended further to modify the location and number of parking spaces leased, to define the term "Director" as the Director of Transportation, and revise the description of the leased premises and the number of leased spaces. The Marriott Hotel is currently leasing 196 parking spaces.

In April 2011, Walton notified the City that Prudential Insurance or an affiliate of Prudential Insurance would acquire the Property and assume the Parking Premises Agreement.

ANALYSIS

The proposed Third Amendment to the Parking Premises Agreement reflects the transfer of property ownership and the Parking Premises Agreement to PR SJM Hotel, LLC, an affiliate of Prudential Insurance. It also increases the per space rental fee from \$100 to \$120; and describes the process for and the authority of the City Manager to execute amendments to (i) revise the number of leased spaces between 196 to 208 parking spaces, (ii) revise the monthly space rental fee every 5 years based on the Consumer Price Index, and (iii) revise the leased premises area if the parking spaces are unavailable and damaged or otherwise unusable.

The Parking Premises Agreement currently allows for an increase in the parking space rental fee every five years using the Consumer Price Index (CPI). The recommended fee of \$120 per parking space is within the range allowed under the original Parking Premises Agreement. The fee increase is retroactively effective to March 1, 2012, as the Marriott Hotel began paying the increased fee at that time. As proposed in the Third Amendment, the City Manager would have authority to implement future increases to the parking space rental fee every five years.

Under the existing agreement, Prudential Insurance may request a revision in the number of leased parking spaces between 196 to 208 parking spaces, based upon its parking needs. The existing agreement also provides for an adjustment in the number of spaces in the leased premises and a corresponding adjustment in the rental fees due to the City, if all or a portion of the leased premises are unavailable if damaged. Currently, Council approval is required to approve these types of amendments. The Third Amendment would authorize the City Manager to approve and execute these types of basic amendments enabling the City to operate at the speed of business.

EVALUATION AND FOLLOW UP

Beginning in 2017, and every 60 months thereafter, staff will notify Prudential Insurance and the Marriott Hotel of the new parking space rental fee for the upcoming 60 month period. The original term of the Agreement is for 55 years and expires June 5, 2055. The Agreement also has four additional ten year terms whereby Marriott Hotel can elect to extend the term of the Agreement in ten year increments.

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 memorandum will be posted on the City's website for the Council agenda. The Downtown Parking Board was also notified about the proposed third amendment at its May 2, 2012 meeting.

COORDINATION

This memorandum has been coordinated with the Office of Economic Development, the City Attorney's Office and the City Manager's Budget Office.

FISCAL/POLICY ALIGNMENT

The recommended action aligns with the Transportation and Aviation Services CSA Outcome related to Preserving and Improving Transportation Assets and Facilities.

COST SUMMARY/IMPLICATION

The proposed increase in the parking space rental fee will generate approximately \$47,000 annually in additional revenues for the Parking Fund.

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CEQA

Statutorily exempt, File No. PP10-067(a), CEQA Guidelines Section No. 15273 – Rates, Tolls, Fares, Charges.

/s/

HANS F. LARSEN

Director of Transportation

For questions please contact Joe Garcia, DOT Division Manager, at (408) 535-3833.