

REPLACEMENT

COUNCIL AGENDA: 10-19-04
ITEM: 23

Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: James R. Helmer

SUBJECT: ASSIGNMENT OF CALTRANS
GROUND LEASE AND
PARKING AGREEMENTS

DATE: 10-12-04

Approved

Date

10-14-04

Council District: 3

RECOMMENDATION

1. Approve a lease assignment and First Amendment to the State of California Department of Transportation Airspace Ground Lease to the City of San José for a property to be used as a parking lot facility located beneath I-280 at South First Street. The subject lease is between Caltrans (the landlord), and Center for Employment Training, Inc. (formerly known as Dura Enterprises Corporation), at a cost of \$3,847 per month, subject to an annual adjustment equal to the Consumer Price Index (CPI). The proposed lease assignment and First Amendment shall commence on November 1, 2004 and will expire March 31, 2033.
2. Adopt a resolution authorizing the City Manager to negotiate and execute Parking Agreements with Presentacion Dominguez for the rental of thirty-two (32) parking spaces at an annual rate of \$9,116 for a term of five (5) years with four (4), five (5) year options, and the Bill Wilson Marriage and Family Counseling Center for the rental of thirty-four (34) parking spaces at an annual rate of \$9,685 for a term of five (5) years with four (4), five (5) year options.

BACKGROUND

Dura Enterprises Corporation, which is now known as the Center for Employment Training, Inc. (CET), currently leases from Caltrans a 66,000 square foot parcel, 119-space parking lot beneath the I-280 freeway between First and Second Streets. CET began leasing this property in April 1988, and has a long-term lease that expires March 31, 2033. The cost of the lease is currently \$3,847 per month (\$46,164 per year). Through separate discussions with the Redevelopment Agency, CET has asked the City to assume its rights under the terms of the lease. Caltrans has no objection to the assignment of the lease to the City.

The amount of monthly rent paid for this property to Caltrans is subject to annual adjustment based on the Consumer Price Index (CPI). At the request of Caltrans and/or the City, the assignment allows lease rate reevaluation through an assessment of fair market lease rates in the 24th (year 2012) and 34th (year 2022) years of the lease. The annual CPI adjustment and reevaluation approximately every ten (10) years ensures that the City will pay a fair rate for the use of the property.

ANALYSIS

Assignment of Lease and 1st Amendment to the City of San José

The City desires to assume the lease of this parking lot from CET in order to provide additional public parking spaces in the South of First Area (SoFA). The extra parking supply offered by this particular lot is expected to accommodate growing parking demand for the SoFA District, possible Convention Center expansion and surrounding uses. With an anticipated loss of the Market/Balbach parking lot due to any temporary or permanent expansion of the Convention Center, the need to secure additional public parking is warranted in the area at this time. In fact, this lot was identified for additional public parking supply in the South First Area Strategic Development Plan completed and accepted by the Redevelopment Agency Board in August 2002. Lease of this parking lot by the City would facilitate the long-term goals and objectives identified in the South First Area Strategic Development Plan.

Long-term growth of SoFA District parking demand, including the additional demand generated by the California Theatre, justifies adding more public parking spaces in this area. Further, the relative cost of the City assuming this long-term lease in order to secure public parking in the area is low when compared to other alternatives, such as the acquisition, planning and development of another parking facility in the area. Additionally, two existing sub-leases with adjacent property owners, accounts for over half of the monthly rent for this lot. The parking lot is in a relatively acceptable condition; however, minor improvements to the lot, such as lighting, signage and City oversight, would improve the overall image of the general area. Funding for minor improvements is available in the General Purpose Parking Fund, Facility Capital Improvement appropriation.

The first amendment to the lease provides the City with a termination clause that did not exist in the original agreement that is being assumed. The proposed termination clause provides the City with an option to terminate the lease with a minimum of ninety (90) days notice.

Parking Agreements

Presentacion Dominguez and the Bill Wilson Marriage and Family Counseling Center currently have parking agreements for the rental and maintenance of parking spaces on the property that CET leases from Caltrans. In order for the City to assume the lease assignment from CET, the City must enter into parking agreements with Presentacion Dominguez and the Bill Wilson Marriage and Family Counseling Center to continue on substantially the same terms as the parking agreements that they currently have with CET by November 1, 2004.

The parking agreements that the City wishes to enter into with Presentacion Dominguez and the Bill Wilson Marriage and Family Counseling Center will be for the rental of 32 and 34 parking spaces, respectively. Presentacion Dominguez will pay an annual rate of \$9,116 for its 32 parking spaces. The Bill Wilson Marriage and Family Counseling Center will pay an annual rate of \$9,685 for its 34 spaces. Both parking agreements will be for an initial five (5) year term with four (4), five (5) year options renewable by Presentacion Dominguez and the Bill Wilson Marriage and Family Counseling Center with a ninety (90) day notice requirement before the end of the present term, subject to the City's sole discretion.

COORDINATION

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

PUBLIC OUTREACH

The Downtown Parking Board has reviewed and approved this item.

COST IMPLICATIONS

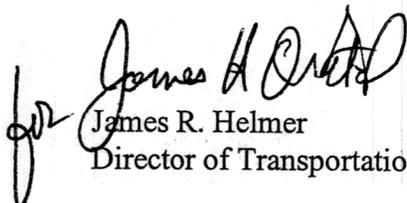
The parking lot's revenue and expense projections are expected to break even over the life of the contract for the parking fund.

BUDGET REFERENCE

Fund #	Appn #	Appn Name	Total Appn.	Amt. For Contract	Proposed 2004-2005 Operating Budget	Last Budget Action, Date Ord.No.
533	0512	NP/Equip-DOT	\$6,680,692	\$46,164	Page No. VII-421	N/A

CEQA

Exempt, PP04-07-218


James R. Helmer
Director of Transportation