


**CITY COUNCIL ACTION REQUEST**

<b>Department(s):</b> Economic Development and Cultural Affairs	<b>CEQA:</b> Not a Project, File No. PP17-003, Agreements/Contracts (New or Amended) resulting in no physical changes to the environment.	<b>Coordination:</b> Public Work, CAO, CMO – Budget Offices	<b>Dept. Approval:</b> /s/ Nanci Klein
<b>Council District(s):</b> 1			<b>CMO Approval:</b>  12/17/21

**SUBJECT: AMENDMENT TO THE LEASE OF CITY-OWNED PROPERTY IN THE VICINITY OF 5285 DOYLE ROAD**

**RECOMMENDATION:**

Adopt a resolution authorizing the City Manager, or her designee, to negotiate and execute a Fourth Amendment to the Lease of City-owned property near 5285 Doyle Road dated June 24, 1997 between the City of San José (“City”) and Pacific Bell Telephone Company, a California corporation, to extend the lease term retroactive from November 15, 2021 to November 14, 2026, for a total of five years, for a total cost of approximately \$722,842.69.

**BASIS FOR RECOMMENDATION:**

The City-owned property in the vicinity of 5285 Doyle Road is solely used for the purposes of off-street vehicular parking for Pacific Bell Telephone Company’s (“Lessee”), employees and uses incidental thereto. Pacific Bell Telephone Company is a fully owned subsidiary of AT&T.

On June 24, 1997, the City and Lessee entered into the Lease of City-owned property in the vicinity of Doyle Road known as Assessor’s Parcel Number 381-19-016 (“Subject Property”), for a period of ten (10) years (“Original Lease”). The Subject Property is an approximately 26,117 square foot paved lot with perimeter fencing and light poles. No other improvements are present. The Subject Property is adjacent to a privately-owned parcel leased by Pacific Telephone and Telegraph Company with entrances off Doyle Road. Lessee’s access to the Subject Property is through the neighboring property.

The Original Lease has been amended three times previously with then-current fair market value lease rates. The First Amendment to the Original Lease (“First Amendment”) extended the lease term for an additional five years, commencing November 15, 2006 and expiring November 14, 2011. The Second Amendment to the Original Lease (“Second Amendment”) extended the lease term for an additional five years, commencing November 15, 2011 and expiring on November 14, 2016. The Third Amendment to the Original Lease (“Third Amendment”), extended the lease term for an additional five (5) years, commencing November 15, 2016 and expiring November 14, 2021.

The Third Amendment term expired on November 14, 2021. Staff negotiated a Fourth Amendment which would start the term retroactive to November 15, 2021 with a starting annual rent of \$133,456.36. This is a fair market rate and reflects a 4% increase from the previous year’s rent during the period of November 15, 2020 to November 14, 2021. The Fourth Amendment will have an annual escalation of 4%.

The lease contains two, three-year option periods at a price to be equal to the then-current fair market value of the Subject Property. Exercising the option periods will be subject to mutual agreement by the City and Lessee. Exercising any option period will be brought back to Council as appropriate. All other terms in the Original Lease will remain in full force and effect.

**Climate Smart San Jose:**

The recommendation in this memo has no effect on Climate Smart San José energy, water, or mobility goals.

**Commission Recommendation/Input:**

No commission recommendation or input is associated with this action.

**COST AND FUNDING SOURCE:**

The first year's rent for this agreement will provide the City \$133,456.36 in revenue. The lease rate shall increase by 4% per annum for a total revenue to the City of approximately \$722,842.69 for the five-year term. Rent proceeds from this agreement will be deposited in the City's General Fund.

**FOR QUESTIONS CONTACT:** Kevin Ice, Senior Manager, Real Estate Services at [kevin.ice@sanjoseca.gov](mailto:kevin.ice@sanjoseca.gov).

**Exhibit A**  
**Aerial Map of Site**

