



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Nanci Klein
Anthony Mata

SUBJECT: SEE BELOW

DATE: November 29, 2021

Approved

Date

12/1/21

COUNCIL DISTRICT: 3

SUBJECT: LEASE RENEWAL FOR OFFICE SPACE BETWEEN CITY OF SAN JOSÉ AND 4TH STREET SAN JOSE PARTNERS, LLC; LEASE RENEWAL FOR OFFICE SPACE BETWEEN CITY OF SAN JOSÉ AND LA FAMILIA, LP; LEASE RENEWAL FOR OFFICE SPACE BETWEEN CITY OF SAN JOSÉ AND THE HUANG FAMILY TRUST

RECOMMENDATION

Adopt a resolution authorizing the City Manager, or her designee, to:

- (a) Negotiate and execute an agreement, and all necessary documents, with 4th Street San Jose Partners, LLC, to extend an existing lease for the San José Police Department Gaming Control Unit's continued use of approximately 3,320 square feet of office space located at 210 N. 4th Street, Suite 202 for five additional years at an estimated cost of \$99,600 for the first year, \$102,588 for the second year, \$105,665.64 for the third year, \$108,835.61 for the fourth year, and \$112,100.68 for the fifth year, totaling \$528,790 for the five-year term;
- (b) Negotiate and execute an agreement, and all necessary documents, with La Familia, LP, to extend an existing lease for the San José Police Department Internal Affairs Unit's continued use of approximately 4,110 square feet of office space located at 777 N. 1st Street, Suites 430 & 666 for five additional years at an estimated cost of \$123,300 for the first year, \$126,999 for the second year, \$130,808.97 for the third year, \$134,73.24 for the fourth year, and \$138,775.24 for the fifth year, totaling \$654,617 for the five-year term; and
- (c) Negotiate and execute an agreement, and all necessary documents, with Wen Yuan Huang and Kai-Lee K.L. Huang, Trustees of the Huang Family Trust, dated August 28, 1984 as amended February 28, 2005 to extend and existing lease, with two additional five-year options with an annual increase rate of 3%, for the San José Police Department Family Violence Center's continued use of approximately 8,041 square feet of office

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space located at 1671 The Alameda, Suite 100 for five additional years at an estimated cost of \$241,230 for the first year, \$248,466.90 for the second year, \$255,920.91 for the third year, \$263,598.53 for the fourth year, and \$271,506.49 for the fifth year, totaling \$1,280,723 for the five-year term.

OUTCOME

Staff will negotiate and execute the above-mentioned lease extensions for three leases, covering four office suites occupied by the San José Police Department (“SJPD”) consistent with the terms outlined in this memorandum.

BACKGROUND

SJPD Gaming Control Unit – 210 N 4th Street, Suite 202

On May 19, 2015, the San Jose City Council approved a five-year lease, including one option to extend for an additional five years at market rate, with 4th Street San Jose Partners, LLC. On June 2, 2020, the San Jose City Council approved a one-year extension beginning July 1, 2020, through June 30, 2021, at \$2.00 per square foot, deferring an anticipated long-term extension until 2021 when more would be known about COVID-19’s impact on the office leasing market. This lease is for SJPD’s Gaming Control Unit’s use of approximately 3,320 square feet of office space located at 210 N. 4th Street, Suite 202 in San Jose. The current SJPD Gaming Control Unit office is at an ideal location within 0.5 miles of City Hall and approximately 2.5 miles from the local card rooms they monitor. The extended lease term expired June 30, 2021 and the City of San Jose is currently occupying this office space on a holdover basis.

SJPD Internal Affairs Unit – 777 N. 1st Street, Suite 430 & 666

On March 8, 2016, the San Jose City Council approved a five-year lease, including one option to extend for an additional three years at market rate, with La Familia, LP. On June 2, 2020, the San Jose City Council approved a one-year extension beginning July 1, 2020, through June 30, 2021, at \$2.00 per square foot, deferring an anticipated long-term extension until 2021 when more would be known about COVID-19’s impact on the office leasing market. This lease is for the Internal Affairs Unit’s use of approximately 4,113 square feet of office space located at 777 N. 1st Street, suites 430 & 666 in San Jose. The extended lease term expired June 30, 2021 and the City of San Jose is currently occupying this office space on a holdover basis.

SJPD Family Violence Center – 1671 The Alameda, Suite 100

On November 29, 2011, the San Jose City Council authorized the consolidation of four units including the SJPD Police Reserve Unit, Volunteer Opportunity and Leadership Training Unit, Missing Persons/Juvenile Unit, and Family Violence Center into a single location and adopted a resolution authorizing the City Manager to execute a five-year lease with Wen Yuan Huang and Kai-Lee K.L. Huang, Trustees of the Huang Family Trust, dated August 28, 1984, as amended February 28, 2005 (“The Huang Family Trust”), and, subject to appropriation of funds, to exercise the option to extend and negotiate an extension term rental rate pursuant to the lease, for the use of approximately 7,903 square feet of office space. On May 8, 2012, the San Jose City Council adopted a resolution authorizing the use of an additional 138 square feet of office space at 1671 The Alameda, totaling 8,041 square feet of office space. On December 1, 2016, the City and The Huang Family Trust executed a Third Amendment to the Lease, extending the term of the lease through November 30, 2021. The City is currently paying \$2.11 per square foot per month for the use of the space.

ANALYSIS

Real Estate staff have spoken to leasing professionals in the Downtown San Jose and Midtown San Jose areas and have conducted a rental study to understand the market rents. Although office leasing slowed down in 2020 due to the COVID-19 shutdown, market activity has been picking up recently. Staff determines that the average monthly full-service asking rates for office space to be \$2.50 to \$5.25 per square foot in the Downtown San Jose area and \$2.50 to \$3.00 per square foot in the Midtown San Jose area.

Staff began negotiations with the Landlords and have reached an agreement on the following terms and rates for the extensions of the three SJPD lease extensions.

SJPD Gaming Control Unit – 210 N 4th Street, Suite 202

Building Address:	210 N 4 th Street, Suite 202, San Jose, CA 95112
Landlord:	4th Street San Jose Partners, LLC
Rentable Area of Premises:	Approximately 3,320 square feet
Term:	Five years
Commencement Date:	January 1, 2022
Expiration Date:	December 31, 2026
Options to Extend:	None

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Rent:

Year:	Adjustment Date:	Monthly Rent:	Rent/SF:
1	January 1, 2022 – December 31, 2022	\$8,300.00	\$2.50
2	January 1, 2023 – December 31, 2023	\$8,549.00	\$2.58
3	January 1, 2024 – December 31, 2024	\$8,805.47	\$2.65
4	January 1, 2025 – December 31, 2025	\$9,069.63	\$2.73
5	January 1, 2026 – December 31, 2026	\$9,341.72	\$2.81
Total Rent for 5-Year Term:		\$528,789.93	

SJPD Internal Affairs Unit – 777 N. 1st Street, Suite 430 & 666

Building Address: 777 N 1st Street, Suites 430 & 666, San Jose, CA 95112
Landlord: 4th Street San Jose Partners, LLC
Rentable Area of Premises: Approximately 4,110 square feet
Term: Five years
Commencement Date: January 1, 2022
Expiration Date: December 31, 2026
Options to Extend: None

Rent:

Year:	Adjustment Date:	Monthly Rent:	Rent/SF:
1	January 1, 2022 – December 31, 2022	\$10,275.00	\$2.50
2	January 1, 2023 – December 31, 2023	\$10,583.25	\$2.58
3	January 1, 2024 – December 31, 2024	\$10,900.75	\$2.65
4	January 1, 2025 – December 31, 2025	\$11,227.77	\$2.73
5	January 1, 2026 – December 31, 2026	\$11,564.60	\$2.81
Total Rent for 5-Year Term:		\$654,616.45	

SJPD Family Violence Center – 1671 The Alameda, Suite 100

Building Address: 1671 The Alameda, Suite 100, San Jose, CA 95126
Landlord: Wen Yuan Huang and Kai-Lee K.L. Huang, Trustees of the Huang Family Trust, dated August 28, 1984 as amended February 28, 2005
Rentable Area of Premises: Approximately 8,041 square feet

Term: Five years

Commencement Date: January 1, 2022

Expiration Date: December 31, 2026

Options to Extend: One (1) option to extend for an additional five (5) years at fair market value to be negotiated upon extension, subject to future Council authorization.

Rent:

Year:	Adjustment Date:	Monthly Rent:	Rent/SF:
1	January 1, 2022 – December 31, 2022	\$20,102.50	\$2.50
2	January 1, 2023 – December 31, 2023	\$20,705.58	\$2.58
3	January 1, 2024 – December 31, 2024	\$21,326.74	\$2.65
4	January 1, 2025 – December 31, 2025	\$21,966.54	\$2.73
5	January 1, 2026 – December 31, 2026	\$22,625.54	\$2.81

Total Rent for 5-Year Term: \$1,280,722.83

The monthly rents for these lease extensions will continue to be fully serviced gross lease rates that include property taxes, operating expenses, and building maintenance. Staff recommend the City extend the leases for all three SJPD units.

CONCLUSION

Approval of these recommendations directs staff to negotiate and execute lease extensions for the following three SJPD units: Gaming Control, Internal Affairs, and Family Violence Center consistent with the recommendations in this memorandum.

EVALUATION AND FOLLOW-UP

Staff will negotiate and execute lease extensions for the following three SJPD units: Gaming Control, Internal Affairs, and Family Violence Center consistent with the recommendations in this memorandum. No additional action by the City Council is anticipated until the terms of the leases expire.

CLIMATE SMART SAN JOSE

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

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PUBLIC OUTREACH

This memorandum will be posted on the City's Council Agenda website for the December 14, 2021 Council Meeting.

COORDINATION

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

COMMISSION RECOMMENDATION/INPUT

No commission recommendation or input is associated with this action.

COST SUMMARY/IMPLICATIONS

The total rent for the SJPD Gaming Control Unit's five-year term at 210 N. 4th Street, Suite 202 beginning January 1, 2022 through December 31, 2026 is \$528,790.

The total rent for the SJPD Internal Affairs Unit's five-year term at 777 N. 1st Street, Suites 430 & 666 beginning January 1, 2022 through December 31, 2026 is \$654,617.

The total rent for the SJPD Family Violence Center's five-year term at 1671 The Alameda, Suite 100 beginning January 1, 2022 through December 31, 2026 is \$1,280,723.

The 2021-2022 Adopted Operating Budget includes sufficient funding for the lease costs of all three facilities.

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BUDGET REFERENCE

The table below identifies the fund and appropriation to fund lease agreements recommended as part of this memo.

Fund #	Appn #	Appn. Name	Total Appn	Amt. for Lease ¹	2021-2022 Adopted Operating Budget Page	Last Budget Action (Date, Ord. No.)
001	2064	Property Leases*	\$1,768,820	\$340,490	881	06/22/21, 30621
001	0582	Police Non-Personal/Equipmen t**	\$31,272,914	\$99,600	756	10/19/21, 30682

* This appropriation will fund the lease agreements for 777 N 1st Street, Suites 430 & 666 and 1671 The Alameda, Suite 100.

** This appropriation will fund the lease agreement for 210 N 4th Street, Suite 202.

¹ This includes the total lease amount for the 2021-2022 fiscal year.

CEQA

Not a Project, File No. PP17-003, Agreements/Contracts (New or Amended) resulting in no physical changes to the environment.

/s/
NANCI KLEIN
Director of Economic Development


ANTHONY MATA
Chief of Police

For questions, please contact Kevin Ice, Senior Manager, Real Estate Services, at kevin.ice@sanjoseca.gov or (408) 535-8197.