

Memorandum

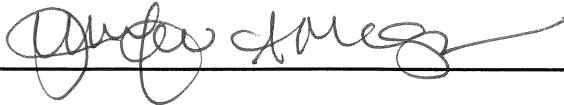
TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Kim Walesh

SUBJECT: SEE BELOW

DATE: May 6, 2019

Approved



Date

5-10-19

COUNCIL DISTRICT: 7

**SUBJECT: SECOND AMENDMENT TO THE LEASE AGREEMENT WITH SUN
GARDEN CENTER 3, LLC**

RECOMMENDATION

Approve a Second Amendment extending the Lease Agreement for the Police Department Evidence Warehouse with Sun Garden Tenants in Common, LLC commencing on June 1, 2019, for the use of approximately 99,819 square feet of warehouse space, located at 1598 Monterey Road, at a rental rate of \$69,000 per month with an increase of 3% each year until May 31, 2021.

OUTCOME

Approval of this recommendation will allow the Police Department to continue operating the evidence warehouse at its current location.

BACKGROUND

Police staff have been at their current location since June 2003. The Police Department would like to extend its existing lease at this location for an additional two years. State, county and municipal laws and codes require law enforcement agencies to safeguard and maintain the integrity of all property seized, found, or recovered. Proper storage is essential to protect the work of the criminal justice system. Investigators, crime labs, and all others involved in a case must be assured that crime scene evidence, and any property seized, found, or recovered, be handled with the utmost care. Courts, parties charged with crimes, as well as victims of crimes must be assured that the evidence delivered or seized by law enforcement agency personnel will be recorded, safeguarded, and stored in a secure facility. The consequences of mismanagement of property and evidence can be severe, including dismissal of charges in cases as important as murder charges. Adequate storage space must be made available to the Crime Evidence Unit.

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This second amendment will extend the existing lease for an additional two years, ending on May 31, 2021. For the first year, the City will pay a monthly base rent payment (including the common area charge) of \$69,000 including the annual rent increase of three percent (3%) which is applied in June 2020. The total first year lease cost is \$828,000. In addition, the landlord requested that signage (\$1,000) be installed along with upgrading the camera security system (\$20,000), totaling \$21,000.

ANALYSIS

The proposed amendment will extend the lease agreement for two years. The first year's monthly rate is \$69,000. The first year annual rent total is 828,000. The monthly rent rate will be increased annually by a COLA of 3%. The second year monthly rate is \$71,070. The second year annual rent total is \$852,840. In addition, there are tenant improvement costs totaling \$21,000. The one-time non-recurring expenses includes providing four City of San Jose signs (\$1,000) and upgrading the existing camera security system (\$20,000). The total budget needed for costs associated with this lease extension including installing new signs and upgrading the camera security system is \$1,701,840.

Below are the main terms of the Second Amendment to the Lease Agreement:

1. **LANDLORD:** Sun Garden Center 3, LLC
2. **TENANT:** City of San Jose (Police Department)
3. **PREMISES:** 1598 Monterey Road (APN 472-11-009)
4. **USE OF PREMISES:** Evidence Warehouse
5. **TERM:** Two years
6. **COMMENCEMENT DATE:** June 1, 2019
7. **EXPIRATION DATE:** May 31, 2021
8. **SCHEDULE OF RENT:**

2nd Amendment Term Rent

Year	Monthly Rent	Annual Cost	Annual Escalation
6/1/2019 to 5/31/2020	\$69,000	\$828,000	
6/1/2020 to 5/31/2021	\$71,070	\$852,840	3%
Total Rent (Years 1 & 2)		\$1,680,840	

9. **IMPROVEMENTS:** City shall install four (4) additional signs on the Premises along with upgrading its camera security system.

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EVALUATION AND FOLLOW-UP

With Council's approval of the first amendment, no further Council action is needed.

PUBLIC OUTREACH

This memorandum will be posted on the City's website for the May 21, 2019 Council Agenda.

COORDINATION

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

COMMISSION RECOMMENDATION/INPUT

No commission recommendation or input is associated with this action.

COST SUMMARY/IMPLICATIONS

Funding for the first year of \$828,000 for this lease is included in the 2019-2020 Base Budget in the Property Leases appropriation. Funding for the second year of \$852,840 will be incorporated into the development of the 2020-2021 Base Budget, subject to annual appropriation of funds. Funding for the June 2019 lease payment totaling \$69,000 will be funded by the Office of Economic Development's Property Leases appropriation and the tenant improvement costs of \$21,000 will be funded by the Police Department's Non-Personal/Equipment appropriation.

CEQA

Not a Project, File No. PP17-003, Agreement/Contracts resulting in no physical changes to the environment.

/s/

KIM WALES

Deputy City Manager

Director of Economic Development

For questions please contact Nanci Klein, Assistant Director of Economic Development, at (408) 535-8184.