

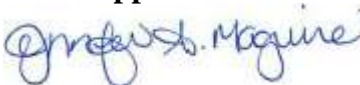


COUNCIL AGENDA: 06/23/20

FILE: 20-680

ITEM: 2.14

CITY COUNCIL ACTION REQUEST

Department(s): Office of Economic Development	CEQA: Not a Project, File No. PP17-003,	Coordination: PRNS, CAO, CMO-Budget Office	Dept. Approval: /s/ Kim Walesh
Council District(s): 3	Agreements/Contracts (New or Amended) resulting in no physical changes to the environment.		CMO Approval:  6/12/2020

SUBJECT: FIFTH AMENDMENT TO THE SUBLEASE FOR SPARTAN KEYES NEIGHBORHOOD ACTION CENTER

RECOMMENDATION:

Adopt a resolution authorizing the City Manager to negotiate and execute:

- (a) The Fifth Amendment to the Sublease for the Use of Real Property for the Spartan Keyes Neighborhood Action Center between the City of San José and Roem Development Corporation, allowing for continued use of 2,256 square feet of commercial space for community gatherings as well as office space for staff through June 30, 2025;
- (b) Two additional five-year options to extend the term, at the City's sole discretion.

BASIS FOR RECOMMENDATION:

On February 24, 2009, Council approved an action authorizing the City Manager, under Resolution 74807, to negotiate and execute a sublease agreement with Roem Development Corporation for City's use of approximately 2,256 square feet of ground-floor commercial space located at 570 Keyes Street to operate the Spartan Keyes Neighborhood Action Center. This lease ran for five years and had an annual rental cost of \$27,072 in the first year, \$27,884 in the second year, \$28,720 in the third year, \$29,582 in the fourth year, and \$30,469 in the fifth year.

On March 25, 2014, Council approved the First Amendment to the original sublease to extend the term from March 1, 2014, to June 30, 2015, at a total annual rental cost of \$36,800.

On June 9, 2015, Council approved the Second Amendment to the original sublease to extend the term from July 1, 2015, to June 30, 2016, at a total annual rental cost of \$27,600.

On August 9, 2016, Council approved the Third Amendment to the original sublease to extend the term from July 1, 2016, to June 30, 2017, at a total annual rental cost of \$28,440.

On August 22, 2017, Council approved the Fourth Amendment to the original sublease to extend the term from July 1, 2017, to June 30, 2020, at an annual rental cost of \$30,176 for each of three years.

The City and Landlord now desire to further amend the terms of the sublease in order to continue the term from July 1, 2020, to June 30, 2025, with two additional five-year options to extend at City's discretion. The first Option period is from July 1, 2025, to June 30, 2030, and the second Option period is from July 1, 2030, to June 30, 2035. The total annual rental cost for year one is \$32,004, with a 3% annual COLA escalator for each subsequent year. The total cost over the five-year lease term is \$169,914. The total cost for the first Option period is \$196,976 (at an average annual cost of \$39,395), and the total cost for the second Option period is \$228,359 (at an average annual cost of \$45,671). All other terms contained in the sublease agreement will continue in full force and effect.

Commission Recommendation/Input: No commission recommendation or input is associated with this action.

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

Conclusion: The extension of the Spartan Keys Neighborhood Action Center sublease will allow the Center to continue to provide their community services, which include a K-12 afterschool program that focuses on improving academic achievement through homework support, as well as space for the Second Harvest Food Bank's monthly Family Harvest Program.

COST AND FUNDING SOURCE:

Funding for the continuation of the sublease for the Spartan Keyes Neighborhood Action Center is available in the City-Wide Expenses appropriation, Property Leases, in the General Fund. As part of the 2020-2021 Operating Budget, which is scheduled to be adopted by the City Council on June 23, 2020, the appropriation has a budget of \$1,706,285.

FOR QUESTIONS CONTACT: Nanci Klein, Assistant Director, Economic Development/Director of Real Estate, at (408) 535-8184