



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Jen Baker
Mookie Patel

SUBJECT: See Below

DATE: September 8, 2025

Approved

Date:

9/16/2025

COUNCIL DISTRICTS: 3, 6

SUBJECT: Lease Agreement with San Jose Sports Authority for City-Owned Property Located at 93 East San Carlos Street

RECOMMENDATION

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

- (a) A below market rate lease agreement under Council Policy 7-1 between the City of San José and the San Jose Sports Authority, a California not for profit organization, for the City-owned real property located at 93 East San Carlos Street;
- (b) All other documents or agreements necessary to effectuate the lease agreement; and
- (c) An amendment to the Agreement with San Jose Sports Authority to promote San José as a location for high profile sporting events and implement a comprehensive campaign of promotions and activations for the City of San José related to the Super Bowl LX (60), the 2026 NCAA Men's West Regional basketball tournament, the 2026 FIFA World Cup and other major Bay Area sporting events through July 31, 2026, to increase the amount for the initial term of the Agreement by \$500,000, for an amended total amount not to exceed \$2,220,213.

SUMMARY AND OUTCOME

Approval of this recommendation will direct staff to negotiate and execute a lease agreement consistent with Council Policy 7-1 between the City of San José (City) and the San Jose Sports Authority (Sports Authority) to create a downtown civic gathering space, sports marketing, and Visitors Center in cooperation with other downtown business promotion organizations, and with a focus on sports events and promoting

event programming in San José. The term of the lease would be for a period of 10 years. Approval would also enable the City Manager, or her designee, to expand the City's agreement with the Sports Authority to implement a comprehensive campaign of promotions and activations for major sporting events in the region in 2026, to include additional promotions and activations at the San José Mineta International Airport.

BACKGROUND

The property at 93 East San Carlos Street is a single-story retail space comprised of approximately 4,310 square feet of interior space at the corner of 3rd Street and San Carlos Street (Property). This Property was previously occupied by a FedEx Office and Print Services, which vacated the Property early in April 2023, due to the ongoing effects of the COVID-19 pandemic on its business. Since that time, the City of San José Animal Control Services has used the space several times for adoption drives.

The Property is centrally located with more than 50 feet of frontage onto both 3rd and San Carlos Streets, with oversized windows along both frontages, making it an influential aspect of the streetscape around that intersection, which is a high-visibility downtown location. The Property is part of the City-owned 2nd and San Carlos Garage, which has a 506-stall parking lot and offers visitors 90 minutes of free parking.

On August 26, 2025, City Council approved Resolution No. RES2025-307, authorizing (in part) the City Manager, or her designee, to negotiate and execute an agreement with the San José Sports Authority to promote San José as a location for high profile sporting events and implement a comprehensive campaign of promotions and activations for the City related to the Super Bowl LX (60), the 2026 NCAA Men's March Madness tournament, the 2026 FIFA World Cup and other major Bay Area sporting events (SJ26) through July 31, 2026 for an amount not to exceed \$1,720,213. Staff have identified an opportunity for the San José Sports Authority to extend the existing scope of work in that agreement to include promotions and activations at the Airport. This recommendation would allow the City Manager, or her designee, to negotiate an amendment to that agreement to include up to an additional \$500,000 of work at the Airport, to be supported by Airport funds included in the approved Fiscal Year 2025-2026 budget.

Visit San José and the Sports Authority wish to establish a Sports and Visitor Center (Visitor Center) in downtown ahead of the SJ26 sports program. The City will host both the FIFA and March Madness events and will host guests and teams for all three events, as well as pre-event practices, in San José hotels and venues. The Sports Authority is a key City partner behind the SJ26 Strategic Plan. The Visitor Center will be an important initiative to meet the SJ26 goals by (1) amplifying citizen pride, energy, and involvement around these events; (2) providing visitors a vibrant downtown hub for these events, thereby supporting local economic impacts; and (3) helping to highlight

the City as a premier destination for visitors and national and international sports events.

The Sports Authority currently has a right-of-entry agreement that provides access to the Property, allowing its architects to prepare plans for the rollout of the Visitor Center, with the objective of being operational to support SJ26 programming.

ANALYSIS

Visitor Center Overview

The Sports Authority will manage the Property as a downtown Visitor Center, which will provide a welcoming environment and a one-stop information center on everything San José, including events, hotels, retail and restaurants, bars, parks, destinations, public transit, theatres, and more. The recommended lease will be consistent with Council Policy 7-1, which stipulates that all operational costs, including utility bills and property maintenance, are the responsibility of the tenant. The Sports Authority anticipates funding approximately \$100,000 in tenant improvements, which will be funded through private donations.

The Sports Authority proposes to partner with and promote local sports teams such as the Sharks, Earthquakes, Bay FC, Barracuda, Bay Area Panthers, San Jose Giants, and college partners from San José State University, Santa Clara University, and Stanford. These teams will have the opportunity to sell athletic gear on a consignment model. The City will receive 10% of the revenue earned through consignment sales that are sold by outside parties other than the Sports Authority. The Sports Authority will collect an additional percentage of revenue that will pay for the salaries of Visitor Center staff, tuition stipends to San José State University Hospitality students, and operational costs such as utilities, property maintenance, and tenant improvements. The Sports Authority may elect to sell products that it owns directly, in which case, the City would not collect a share of revenue. The City will collect a \$1.00/month base rent consistent with the terms of Council Policy 7-1.

The Visitor Center will be provided as a resource to host events such as “Meet the Coach” or “Meet the Player” talks. Other parts of the space will be made available for community meetings and San José-focused events hosted by Visit San José, the Chamber of Commerce, the Downtown Association, and other community non-profits. Ticket and registration pick-ups for downtown and major sports events, such as downtown races, the Super Bowl, and the FIFA World Cup, will be offered out of this space. Downtown events and information will be featured on materials and informational monitors, and demonstrations and classes will be hosted within the space. A seating and charging area will be provided within the Visitor Center for community members to meet up with friends prior to a downtown event.

The Sports Authority proposes non-structural tenant improvements to bring light, color, and vitality to this street corner. All improvements will be undertaken consistent with all City permits and approval requirements. Illustrations of the proposed Visitor Center layout and merchandising area are attached to this memorandum.

Council Policy 7-1 Analysis

Property Criteria

City staff reviewed the Property and qualifying criteria in Council Policy 7-1 and determined that the proposed Property conforms to Policy 7-1. The land or building is not immediately needed for public purposes, but will be retained for future public uses. There are no preexisting legal obligations, and the original source of funding used for the acquisition of the Property does not preclude a below-market-rate lease. The Sports Authority has toured the Property and retained professional architectural services to verify that it is suited for its business needs.

Qualified Organization Criteria

Staff reviewed the required application materials requested for qualifying organizations under the 7-1 Policy and determined that the Sports Authority meets the organizational qualifying criteria. Staff reviewed and verified the organization's non-profit public benefit status as evidenced by the California Board of Equalization and the Internal Revenue Service. Staff received and reviewed the organization's bylaws, Board of Directors, and recent meeting minutes. The Sports Authority will not engage in sectarian, political, or religious activities on the Property, and terms governing the use of the Property will be incorporated into the lease agreement.

Criteria for Public Benefit Use of Space

The Visitor Center, through partnership with Visit San José, will bring a Visitor's Center back to Downtown San José to support downtown businesses and events. In addition, the Sports Authority is a key partner of the City in advancing the City's SJ26 goals. The Sports Authority is working to open the Visitor Center in time for it to be a key asset in their SJ26 programming. Community meetings and San José-focused events, hosted by Visit San José, the Chamber of Commerce, the Downtown Association, and other community nonprofits, will provide additional public benefit. Finally, merchandise sales by local teams will boost civic engagement and visibility for our teams. At the same time, the City's share of consignment revenue will ensure there is no public benefit afforded to private entities, while deriving revenue for the general fund.

Key terms of the lease

1. **LANDLORD:** City of San José, a municipal corporation of the State of California.
2. **TENANT:** San Jose Sports Authority, a California 501(c)(3) nonprofit corporation.

3. **PREMISES:** 93 East San Carlos Street, a 4,310 square foot retail space.
4. **RENT:** Base rent of \$1.00 per month (\$12 per year), plus payment of 10% of sales on consignment, provided the entity selling on consignment is a private party.
5. **USE OF PREMISES:** Downtown Sports and Visitor Center.
6. **TERM:** Up to 10 years.
7. **TENANT IMPROVEMENTS:** The Sports Authority is responsible for build out of the Property and anticipates funding approximately \$100,000 in tenant improvements.
8. **TERMINATION WITHOUT CAUSE:** The City may terminate the lease upon 90-days' notice without cause. Pursuant to Council Policy 7-1, some reasons that the City may exercise its right to terminate the agreement include:
 - a) The Property is required for a different governmental purpose;
 - b) It is determined by the City Council that the Property should be sold as surplus to the needs of the City;
 - c) It is determined by the City that the services provided by the Sports Authority are no longer necessary or adequate to justify the below market rent;
 - d) It is determined by the City that the Sports Authority is not providing the services proposed or is providing unapproved alternative services;
 - e) Inspection of the Property reveals that the Property, facility, and equipment are not being properly maintained;
 - f) The Sports Authority fails to provide proper liability insurance at any time during the term of the agreement; or
 - g) It is no longer economically feasible or beneficial for the City to continue the arrangement.
9. **TERMINATION FOR CAUSE:** City may terminate the lease with a 30-day notice and a 30-day cure period, at any time for any of the reasons established in the lease agreement, including, but not limited to the following:
 - a) Failure to pay rent;
 - b) Failure to manage operations or pay utilities or other operating expenses at the Property, including, but not limited to: water, gas, electricity, telephone, trash collection, and recycling;
 - c) Causing nuisance or incurring liability to neighboring properties or businesses; or

- d) Failure to maintain the Property, including but not limited to, plumbing, HVAC, electrical, doors, windows/store fronts, and lighting facilities and equipment.
- 10. **MAINTENANCE:** The Sports Authority accepts the premises in its as-is condition and is responsible for all maintenance to the premises, including contracting with specialized professional services for the upkeep and maintenance of the HVAC system.
- 11. **INSURANCE:** The Sports Authority will procure and maintain adequate insurance, as established by the City's Risk Manager, for the term of the lease.
- 12. **NON-PROFIT ONLY:** No for-profit business or activities are permitted except for approved consignment sales in which the City receives a share of revenues.
- 13. **POLITICAL OR RELIGIOUS ACTIVITIES:** No sectarian, political, or religious uses may be conducted on the Property.
- 14. **COMPLIANCE WITH COUNCIL POLICY 7-1:** All other terms, criteria, and requirements of the Council Policy 7-1 Below Market Rental Policy apply.
- 15. **ANNUAL REVIEW:** Sports Authority will be subject to continued annual review to confirm that the use of the space continues to meet the requirements of Council Policy 7-1.

Sports Authority Airport Promotions and Activations

The City and the Sports Authority share the objectives of growing the City's economy, building civic pride through sporting events, and establishing Downtown San José as the South Bay's hub for sports and sports-related activations. The City's Airport shares this common objective to ensure both residents and visitors are welcomed and engaged around major sporting events in the South Bay region from the moment they touch down at the Airport. To ensure consistency across the City for promotional activities and activations surrounding the SJ26 events, staff recommends that the Sports Authority manage this work on behalf of the Airport.

EVALUATION AND FOLLOW-UP

Staff will negotiate and execute the lease with the Sports Authority consistent with the terms contained in Council Policy 7-1 and this memorandum.

COST SUMMARY/IMPLICATIONS

Revenue from this lease of \$12 per year, plus 10% of consignment sales from private parties, will be credited to the City's General Fund for the 10-year term of the lease. Estimating revenue from consignment sales is challenging, as it represents a new source of revenue with no historical data; however, collections are expected to be minimal.

The additional \$500,000 in scope of work recommended for Airport promotions and activations will be paid for by the Airport Department's Non-Personal/Equipment appropriation within the Airport Maintenance and Operation Fund already identified in the approved FY 2025-2026 Adopted Budget.

BUDGET REFERENCE

The table below identifies the fund and appropriation to fund the agreement recommended as part of this memorandum.

Fund #	Appn. #	Appropriation Name	Total Appropriation	Amount for Contract	2025-2026 Proposed Operating Budget Page*	Last Budget Action (Date, Ord. No.)
523	0802	Non-Personal/ Equipment	\$59,102,392	\$500,000	848	6/17/2025 31230

**The 2025-2026 Adopted Budget was approved on June 10, 2025, and adopted on June 17, 2025, by the City Council.*

COORDINATION

This memorandum was coordinated with the City Attorney's Office, the City Manager's Budget Office, and the Planning, Building and Code Enforcement Department.

PUBLIC OUTREACH

This memorandum will be posted on the City's Council Agenda website for the September 30, 2025 City Council meeting.

COMMISSION RECOMMENDATION AND INPUT

No commission recommendation or input is associated with this action.

HONORABLE MAYOR AND CITY COUNCIL

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CEQA

Categorically Exempt, File No. ER25-189, CEQA Guidelines Section 15301 - Existing Facilities.

PUBLIC SUBSIDY REPORTING

No public subsidy is associated with the actions proposed under this memorandum as defined in section 53083 or 53083.1 of the California Government Code or the City's Open Government Resolution.



JEN BAKER
Director,
City Manager's Office of Economic
Development and Cultural Affairs

/s/

MUKESH "MOOKIE" PATEL
Director of Aviation

For questions, please contact Kevin Ice, Assistant to the City Manager, Director of Real Estate, City Manager's Office of Economic Development and Cultural Affairs at kevin.ice@sanjoseca.gov or (408) 535-8197.

ATTACHMENTS

Attachment A: Floor Plan Showing Proposed Uses and Areas

Attachment B: Schematics Showing the Proposed Merchandise Area

Attachment A: Floor Plan Showing Proposed Uses and Areas



Attachment B: Schematics Showing the Proposed Merchandise Area

