

2.11 Lease Renewal for Office Space Between the City of San José and 96 North Third Street, LLC.

Recommendation:

Adopt a resolution authorizing the City Manager or her designee to negotiate and execute a First Amendment to the Lease Agreement dated December 1, 2019, and all necessary documents, with 96 North Third Street, LLC. to extend an existing lease for the Independent Police Auditor's continued use of approximately 2,298 square feet of space located at 96 North Third Street, Suite 150 for five additional years at an estimated cost of \$96,516 for the first year, \$99,549.36 for the second year, \$102,306.96 for the third year, \$105,616.08 for the fourth year, and \$108,649.44 for the fifth year, totaling \$512,637.84 for the five-year term.

CEQA: Not a Project, File No. PP17-003, Agreements/Contracts (New or Amended) resulting in no physical changes to the environment. Council District 3. (Economic Development and Cultural Affairs)

CITY COUNCIL ACTION REQUEST

DEPARTMENT(S): Office of Economic Development and Cultural Affairs	CEQA: Not a Project, File No. PP17-003, Agreements/Contracts (New or Amended)	COORDINATION: City Attorney’s Office, City Manager’s Budget Office, and the Planning, Building, and Code Enforcement Department	Director Approval /s/ Nanci Klein
COUNCIL DISTRICT(S): 3	resulting in no physical changes to the environment.		CMO Approval  8/26/24

SUBJECT: Lease Renewal for Office Space Between the City of San José and 96 North Third Street, LLC

RECOMMENDATION

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BASIS FOR RECOMMENDATION

The Independent Police Auditor provides review of police misconduct investigations and independent oversight of the complaint process. It strives to ensure that concerns reported by community members are classified and investigated thoroughly.

The Independent Police Auditor operations are best suited to a location outside of City Hall and an environment that offers privacy and ease of access for members of the public. The location needs to assure members of the public that complaints and allegations against police officers will be handled confidentially and free from influence from any other part of the City organization.

The existing site has been occupied by the Independent Police Auditor since December 1, 2019. The current lease has a rental rate of \$9,054.12 a month, or \$3.94 a square foot full service and is set to expire on November 30, 2024. The proposed lease extends the term for an additional five years and lowers the lease rate to \$8,043 a month, or \$3.50 per square foot, escalating 3% annually thereafter.

Total rental costs for the first year are \$96,516, \$99,549.36 for the second year, \$102,306.96 for the third year, \$105,616.08 for the fourth year, and \$108,649.44 for the fifth year, totaling \$512,637.84 for the five-year term. The landlord will perform tenant improvement work at its cost in association with the lease extension, including cleaning the carpet and touching up the paint throughout the premises, soundproofing all offices in the premises, and improving the air conditioning system.

Staff recommend extending the lease at the proposed rate of \$3.50 per square foot full service with an annual 3% increase as the Independent Police Auditor wishes to stay in its current location, the lease lowers the rental rate to be in line with market rates, and the landlord will perform the City’s requested tenant improvements at its expense.

COMMISSION RECOMMENDATION AND INPUT

No commission recommendation or input is associated with this action.

COST AND FUNDING SOURCE
The first year's base rent for this First Amendment totals \$96,516 and shall increase by 3% per year for a total rental cost of \$512,637.84 for the five-year term. Funding for Fiscal Year 2024-2025 is available in the Property Leases City-Wide expenses appropriation and is subject to annual appropriation.
FOR QUESTIONS CONTACT: Kevin Ice, Assistant to the City Manager, Senior Real Estate Manager, at kevin.ice@sanjoseca.gov .