

Date: April 8, 2008

Committee Meeting Date: April 17, 2008

Board Meeting Date: May 1, 2008

BOARD MEMORANDUM

ACTION ITEM

TO: Administration and Finance Committee
Santa Clara Valley Transportation Authority
Board of Directors

THROUGH: Michael T. Burns
General Manager

FROM: John H. Ristow
Chief CMA Officer

SUBJECT: Palo Alto Train Depot Caffe del Doge Lease

Policy-Related Action: No

Government Code Section 84308 Applies: Yes

RECOMMENDATION:

1. Authorize the General Manager to execute a sub-sublease (Lease) with Caffe del Doge Venezia, Inc. (Caffe) to provide a retail café operation within the Palo Alto Train Depot. Caffe will pay VTA a base rent of \$1,500 per month for the approximate area of 1,289 square feet commencing with the seventh month of retail operation. The Lease will terminate when VTA's sublease with the City of Palo Alto expires on June 30, 2013.
2. Authorize the General Manager to execute a Consent Letter whereby Stanford consents to the lease between VTA and Caffe.

BACKGROUND:

Stanford University (Stanford) is the owner of the Palo Alto Train Depot (Depot) and adjacent lands at El Camino Real and University Avenue in the City of Palo Alto (City). The City leases from Stanford, the El Camino Park, the Depot area, the VTA Transit Center and the Peninsula Corridor Joint Powers Board (JPB) parking lot that serves the Caltrain riders. On July 31, 1981, VTA entered into a sublease with the City that covered the Depot area including the transit center and the JPB parking lot.

On January 18, 2000, Stanford amended its lease with the City. The amendment extends the lease to June 30, 2033, however, the City will have the right to terminate the lease as to the Depot as of February 26, 2013.

The Palo Alto Station has approximately 6,200 boardings and alightings from Caltrain's 96 daily trains and when combined with VTA, Samtrans buses and Stanford and City shuttle buses, the ridership totals approximately 11,700 passengers per day.

The Depot building is registered on the National Register, the California Register of Historic Resources and the City's Historic Inventory as a Category 1 level of significance. The building was seismically retrofitted in 2006 and restored to its original condition, including the interior furnishings, lighting, walls and the mural. After the retrofit was completed, Caltrain, due to budget constraints, was unable to continue to staff ticket sales. Therefore, the Depot remained closed to the public.

In a cooperative effort to re-open the Depot, VTA, Stanford and the City decided to encourage a food and beverage services operator to open a retail business that would attract pedestrian activity to the Depot and, at the same time, provide restrooms for public use.

The City invited bid proposals from potential vendors to provide food and beverage services to the general public in the Depot building. The Request for Proposals included the requirement for the vendor to provide public access to the restrooms, janitorial services for the main room and restrooms, and preserve and maintain the historic significance of the property. The City received two proposals and selected Caffè del Doge Venezia, Inc. as the successful proposer.

As part of the Lease, Stanford requires that VTA and Caffè execute a Consent Letter. Through this side-document, Stanford consents to VTA's sub-sublease with Caffè and asserts its lease with the City as superior to the sub-sublease between VTA and Caffè.

DISCUSSION:

The area leased by Caffè is comprised of a portion of the Depot main room, office, storage room and restrooms totaling approximately 1,289 square feet. The estimated size of the Depot building is approximately 5,375 square feet. The Lease calls for the payment of rent in the amount of \$1,500 per month commencing on the seventh month of retail operation. This is to allow Caffè the time to establish its business and stabilize the income as previous operators were unsuccessful. In addition to the rent, Caffè will pay the pro rata share of the real property taxes, water, gas and electricity bills, and provide janitorial services. The total rent for the lease period is approximately \$82,500.

As VTA is the sublessee of the Depot building, VTA assumes the position of landlord to Caffè and has negotiated the lease with the concurrence of the City and Stanford.

ALTERNATIVES:

The Board can choose to not approve this lease and direct staff to solicit new bids from vendors or to not provide any retail café service at the Depot.

FISCAL IMPACT:

VTA will receive \$82,500 if the Lease commences on June 1, 2008 and terminates on June 30, 2013.

Prepared by: Irene Wang, Senior Real Estate Agent

Reviewed by: Roberta Notrangelo, Manager, Real Property Acquisition and Management

ATTACHMENT

Contractor Firm	Contractor Role	Name	Location
Caffe Del Doge Venezia, Inc. dba Caffe Del Doge	President & CEO	Claudia Cornejo	419 University Avenue, Palo Alto