



Date: June 12, 2007

Committee Meeting Date: _____

Board Meeting Date: June 21, 2007

BOARD MEMORANDUM

ACTION X DISCUSSION _____ INFO _____

TO: Santa Clara Valley Transportation Authority
Board of Directors

THROUGH: Michael T. Burns
General Manager

FROM: Carolyn M. Gonot
Chief Development Officer

SUBJECT: Downtown Customer Service Center – Lease Renewal

RECOMMENDATION:

Policy-Related Action: No Government Code Section 84308 Applies: Yes

Authorize the General Manager to execute a Lease Renewal Option for approximately 2,840 square feet located at Two North First Street for the VTA Downtown Customer Service Center starting at a rate of \$2.10 per square foot or \$71,568 per year with annual increases of 3.5% per year.

BACKGROUND:

Due to the high number of transit routes in the Downtown San Jose area, VTA has operated a Downtown Customer Service Center since 1988 to serve patrons of the system. In 1997, VTA relocated the Downtown Customer Service Center to its present location at the corner of North First and Santa Clara Streets and entered into a ten-year full service lease with two five-year renewal options. The initial ten-year lease expires on July 6, 2007 with a first option to extend this lease for an additional five years. The current rent is \$2.29 per square foot per month, or \$78,043.20 per year.

Prior to occupying the space, VTA in conjunction with the City of San Jose Redevelopment Agency (SJRA) and the property owner, Kadah Family Limited Partnership, worked to improve the physical appearance of the building including interior and exterior building amenities. VTA and the owner shared in a \$256,000 tenant improvement upgrade of the interior of the leased space. Currently, in an effort to improve the appearance and safety of the First and Santa Clara Streets area, the SJRA is implementing a Facade Improvement Program that will include enclosure of the alcoves within the façade of building along Santa Clara Street, a new emergency exit door, better lighting and surveillance cameras. Cost for these improvements will be borne by

the SJRA and the property owner. These improvements are currently underway and scheduled to be completed by Fall 2007.

DISCUSSION:

VTA has reached agreement with the owner, Kadah Family Limited Partnership, in exercising the first five-year renewal option. The owner has accepted a new initial rent of \$2.10 per square foot, or \$71,568.00. This rent is a 19-cent per square foot reduction from the current rent, for a saving of \$6,475.20 during the first year. The agreement also includes an increase of 3.5 percent per year, similar to the terms of the existing agreement. All other terms and conditions of the lease would remain the same including basic janitorial service and all utilities except for telephone service. No additional interior tenant improvements are necessary.

ALTERNATIVES:

The Board could choose to close the Customer Service Center or could direct staff to look at other locations. However, the Downtown Customer Service Center is in an ideal location from a transit user standpoint and VTA has invested considerable expense in improving the facility. Seeking another location would likely result in additional costs of moving, tenant improvements and potentially paying rent at two locations for a transition period.

FISCAL IMPACT:

The rent for the Downtown Customer Service Center is included in the proposed FY 2008 and FY 2009 operating budget, expected to be approved by the Board of Directors on June 7, 2007.

Prepared by: Michael Rodenburger, Assoc. Real Estate Agent
Patrick Griffin, Customer Service Center Supervisor

**Downtown Customer Service Center – Lease Renewal
ATTACHMENT**

Government Code Section 84308

Kadah Family Limited Partnership:

The Executive Building
2 North First Street
San Jose, CA 95113

Tel. 408-293-4600

Zag Kadah, President
Juan Kadah, Managing Director