20-715 **Agenda Date: 9/1/2020**

REPORT TO COUNCIL

SUBJECT

Action on First Amendment to Lease between Gahrahmat Family Limited Partnership 11, LP (Gahrahmat) for Commercial Space at 881 Martin Avenue (APN 224-04-090) for Silicon Valley Power [Council Pillar: Deliver and Enhance High Quality Efficient Services and Infrastructure]

BACKGROUND

In 2015, Silicon Valley Power (SVP) entered into a five-year lease agreement with Gahrahmat for office space at 881 Martin Avenue for staff working in SVP's Resources, Power Trading, Systems Support, and Marketing and Customer Services Divisions. Since that time, a number of additional staff including engineering, estimating, and executive support staff have been moved out of City Hall and into 881 Martin Avenue freeing up space at City Hall for other City needs. That lease is expiring on October 31, 2020.

DISCUSSION

The parcel at 881 Martin Avenue includes nearly 32,500 square feet of building space and is centrally located between City Hall, the Electric Corporation yard and the Donald Von Raesfeld Power Plant. This is a triple net lease with the City paying a share of taxes, maintenance, and insurance. In addition, the City reimburses the property owner for a prorated share of services including utilities, repairs, and capital maintenance. This additional lease term represents an increase from $1.10 per square foot including taxes, insurance, and maintenance in 2015 to $1.86 per square foot in 2025. During the initial five-year term (2015-2020), the base rent increased from $1.10 per square foot to $1.24 per square foot, a 3% annual increase. During the next five-year period, the base rent would start at $1.65 per square foot and increase 3% annually to $1.86 per square foot. In late 2019, an analysis of local properties was completed to compare local lease rates. The rate of $1.65 per square foot beginning November 1, 2020 is very competitive when compared to similar commercial properties in Santa Clara. The triple net rate of $0.22 per square foot is also competitive and those costs have been stable through the previous five-year term.

ENVIRONMENTAL REVIEW

The action being considered does not constitute a "project" within the meaning of the California Environmental Quality Act ("CEQA") pursuant to CEQA Guidelines section 15378 (b)(4) in that it is a fiscal activity that does not involve commitment to a specific project which may result in potential significant impact on the environment.

FISCAL IMPACT

The proposed amended agreement extends the term of the lease for five years for the period of November 1, 2020 through October 31, 2025. Year 1 of the lease extension is $53,615 per month plus a 3% annual escalator in subsequent years. Sufficient funds are available in the Contractual Services account in the operating Electric Utility and Electric Operating Grant Trust funds budget for

Fiscal Year 2020/21. The funding for this agreement is subject to annual appropriations and will be considered as part of future years' budget development process beyond Fiscal Year 2020/21.

COORDINATION

This report has been coordinated with the Finance Department and City Attorney's Office.

PUBLIC CONTACT

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall Council Chambers. A complete agenda packet is available on the City's website and in the City Clerk's Office at least 72 hours prior to a Regular Meeting and 24 hours prior to a Special Meeting. A hard copy of any agenda report may be requested by contacting the City Clerk's Office at (408) 615-2220, email clerk@santaclaraca.gov <mailto:clerk@santaclaraca.gov>.

RECOMMENDATION

Authorize the City Manager to execute the First Amendment to Lease between Gahrahmat Family Limited Partnership 11, LP (Gahrahmat) for Commercial Space at 881 Martin Avenue (APN 224-04-090) for Silicon Valley Power.

Reviewed by: Manuel Pineda, Chief Electric Utility Officer
Approved by: Deanna J. Santana, City Manager

ATTACHMENTS

1. Original Agreement and Council Report
2. First Amendment to Lease