



Agenda Report

18-879

Agenda Date: 6/26/2018

REPORT TO COUNCIL

SUBJECT

Consideration of Amendment No. 1 to Lease with Eta Lambda Facilities Corporation of Kappa Alpha Theta for Morse Mansion property located at 981 Fremont Street, Santa Clara

BACKGROUND

On October 7, 2016, the City of Santa Clara acquired real property located at 981 Fremont Street, also known as the Morse Mansion property. At the time of acquisition, the City assumed a February 1, 2014 Lease with Eta Lambda Facilities Corporation of Kappa Alpha Theta (Tenant) for the building and a portion of the property. The City (Landlord) and Tenant have negotiated modifications to the Lease in order to clarify occupancy limitations and use of the building.

DISCUSSION

Amendment No. 1 to Lease (Amendment) modifies the terms and conditions in several sections of the Lease. The proposed changes include:

- **Occupancy:** The Amendment clarifies that the maximum allowable occupancy of the building is 16 persons for the purpose of housing members of the Eta Lambda chapter of Kappa Alpha Theta. Further, there is no allowable occupancy of the basement other than for storage.
- **Insurance:** The Amendment updates the Tenant's insurance requirements to meet City standards.
- **Term:** The Lease currently expires on January 31, 2024. In order to allow the residents in the building to finish the academic year, the term of the Lease would be extended to June 30, 2024.
- **Rent:** In recognition of limitations on building occupancy, rent would be adjusted as of July 1, 2018. The proposed rent structure recognizes the change and impact in the Tenant's operating practice as a result of the updated Lease terms. The scheduled CPI rent increases remains consistent with the original lease at a 2% rent escalation per year. The new rent table is below.

Lease Years	Monthly Rent
February 1, 2014 - January 31, 2015	\$20,000.00
February 1, 2015 - January 31, 2016	\$20,400.00
February 1, 2016 - January 31, 2017	\$20,808.00
February 1, 2017 - January 31, 2018	\$21,224.16
February 1, 2018 - June 30, 2018	\$21,648.64
July 1, 2018 - June 30, 2019	\$15,416.67

July 1, 2019 - June 30, 2020	\$15,725.00
July 1, 2020 - June 30, 2021	\$16,039.50
July 1, 2021 - June 30, 2022	\$16,360.29
July 1, 2022 - June 30, 2023	\$16,687.50
July 1, 2023 - June 30, 2024	\$17,021.25

Council approval of Amendment No. 1 will provide the City with contractual assurance that the occupancy of the building is consistent with the California Building Code and will provide the Tenant with clear parameters on the allowable use of the structure.

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 any commitment to any specific project which may result in a potential significant impact on the environment.

FISCAL IMPACT

The Lease currently provides that rent for FY2018/19 will be \$261,948.53. The Amendment would reduce anticipated rent to \$185,000.04 for FY2018/19.

COORDINATION

This report has been coordinated with the Finance Department and the 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>> or at the public information desk at any City of Santa Clara public library.

RECOMMENDATION

Approve Amendment No. 1 to Lease with Eta Lambda Facilities Corporation of Kappa Alpha Theta for Morse Mansion property located at 981 Fremont Street, Santa Clara.

Reviewed by: Ruth Shikada, Assistant City Manager

Approved by: Deanna J. Santana, City Manager

ATTACHMENTS

1. Amendment No. 1 to Lease