



CITY OF OAKLAND

FILED
OFFICE OF THE CITY CLERK
OAKLAND

2012 JUN 28 PM 12:40

AGENDA REPORT

TO: DEANNA J. SANTANA
CITY ADMINISTRATOR

FROM: Fred Blackwell

SUBJECT: Lease Extension for Alice Street Learning Center

DATE: June 21, 2012

City Administrator
Approval

Deanna Santana

Date

6/22/12

COUNCIL DISTRICT: #3

RECOMMENDATION

Staff recommends that the City Council adopt:

A Resolution Authorizing the City to Extend the Lease Term for the Alice Street Learning Center at 250 – 17th Street from the East Bay Municipal Utility District for One Year, with two One Year Renewal Options, for the initial Annual Rent of \$102,296 plus Estimated Cost of Utilities, Services, and Assessments, and to Accept the \$111,600.40 payment from the Oakland Unified School District to cover such costs.

OUTCOME

If the Lease term is extended under the Sixth Amendment, the initial Lease term will end on June 30, 2013, and the City will have two options to extend the Lease term for one year per renewal option. If the two renewal options to extend are exercised, the first extended term will end on June 30, 2014, and the second extended term will end on June 30, 2015.

BACKGROUND/LEGISLATIVE HISTORY

Since May 1, 1994, the City has leased the Alice Learning Center (“Center”) from EBMUD. Located at 250 17th Street, the Center includes a building (about 4,920 square feet) on corner parcel of land (about 17,860 square feet). In accordance with the Oakland City Council Resolution No. 81959 C.M.S., dated May 5, 2009, the City extended the term of the Lease to end on June 30, 2012.

Under the Memorandum of Understanding dated March 8, 1995, and the attached Amendment to Memorandum of Understanding entered into as July 1, 2004 (collectively the “MOU”), between the City and the Oakland Unified School District (“OUSD”), OUSD operates at its own cost an

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early child education program ("Program") at the Center. The Program is offered to Oakland residents and employees in the downtown area.

While the City is responsible for the rental payments due under the Lease to EBMUD, OUSD actually prepays to the City the rental payments due to EBMUD and other occupancy cost for one year. Under the MOU, OUSD is required to pay for the following:

- (i) all fixtures, furniture, and equipment for the operation of the Program
- (ii) all Program costs and expenses
- (iii) custodial services
- (iv) refuse collection
- (v) insurance required by the MOU
- (vi) rental payment to the City.

In anticipation of the City entering into the Sixth Amendment, OUSD delivered a \$111,600 check to the City on May 29, 2012 cover the rental payment (and all other occupancy costs) in advance for the full year ending June 30, 2013. If the City enters into the Sixth Amendment, the City will prepay the rent to EBMUD for the initial extended term ending June 30, 2013. As long as OUSD continues to prepay in advance the annual rental payments due under the Lease to EBMUD for the second and third extended term, the City will exercise the options to the extend the Lease for each additional one year term. If the advance annual payments are not made to the City, the City will not exercise the option to extend the term of the Lease and no further rental payments will be paid to EBMUD. As a result, the City is not expected to incur any cost under the Lease for the initial term or any further extended term of the Lease.

ANALYSIS

To extend the Lease term, EBMUD has proposed the Sixth Amendment, providing for the following:

1. The initial extended term of the Lease commencing on July 1, 2012, with the first option to extend the Lease for one year commencing July 1, 2013 and a second extended term commencing July 1, 2014.
2. The City reserves the right to terminate the Lease upon 90 days advance written notice.
3. The rent will be paid as follows:
 - a. The rent for the initial extended one year term is \$8,358 per month commencing July 1, 2012 and ending June 30, 2012,

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- b. The rent for the second one year extended term is \$8,609 per month commencing July 1, 2013 and ending June 30, 2012
- c. The rent for the third one year term is \$8,867 per month commencing July 1, 2014 and ending June 30, 2012

Under the proposed Sixth Amendment, the City will be responsible for the rental payments to EBMUD under the Lease. OUSD has already prepaid \$111,600.40 to the City to cover the annual rental payments and other occupancy cost described in the attached Invoice, dated April 9, 2012 for the initial extended term commencing July 1, 2012 and ending June 30, 2013.

After the initial extended term ending June 30, 2013, City will not make any further rental payments to EBMUD unless the City first receives from OUSD the estimated occupancy cost for any extended term. As long as OUSD continues to prepay the occupancy cost in advance for each year of the extended Lease term, the City is not expected to incur any cost under the Sixth Amendment. If OUSD fails to prepay the occupancy cost for any subsequent year, the City will not exercise the options to extend the term of the Lease, and the term of the Lease will terminate in accordance with the proposed Sixth Amendment.

PUBLIC OUTREACH/INTEREST

The Center is available for early childcare. This promotes growth and development in children and serves the needs of the residences and workforce in downtown Oakland.

COORDINATION

With EBMUD's consent, OUSD operates the Program at the Center at OUSD's own costs. When the City receives the prepaid annual cost of occupancy (including the rental payments due to EBMUD) from OUSD, the City then makes the rental payments due under the Lease to EBMUD. This ensures that any City payment concerning the Center is paid from OUSD's funds rather than City's funds.

COST SUMMARY/IMPLICATIONS

Any payment from the City concerning the Center shall be paid from OUSD funds rather than City funds. Since OUSD has already prepaid \$111,600.40 to the City to cover the annual occupancy costs described in the Invoice for the initial term ending June 30, 2013, the City is not expected to incur any cost for the initial first year extended term of the Lease. Similarly, if

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OUSD continues to prepay all occupancy costs for the Center in advance for any extended term, the City is not expected to incur any cost for any extended term of the Lease.

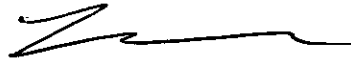
SUSTAINABLE OPPORTUNITIES

Economic: The Center provides the Program for early childcare in an environment conducive to the promotion of development and growth to children and serves the needs of families residing and working in downtown Oakland.

Environmental: The Center, located close to various public transportation nodes, encourages the use of public transportation and reduces traffic congestion in downtown Oakland.

Social Equity: The Center offers a Program, promoting the growth and development of children, and fulfills the needs of the residents of Oakland and the downtown work force, especially for low-income families qualified for subsidized infant, toddler, and preschool care.

Respectfully submitted,



Fred Blackwell
Assistant City Administrator

Reviewed by:
Gregory Hunter, Deputy Director
Office of Neighborhood Investment

Ava M. Jourdain, Acting Real Estate Supervisor
Real Estate Services Division

Prepared by:
Edwin Kawamoto, Real Estate Agent

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DRAFT

City Attorney

OAKLAND CITY COUNCILFILED
OFFICE OF THE CITY CLERK
OAKLAND, CALIF.**RESOLUTION No. _____ C.M.S.**

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Introduced by Councilmember _____

RESOLUTION AUTHORIZING THE CITY TO EXTEND THE LEASE TERM FOR THE ALICE STREET LEARNING CENTER AT 250-17TH STREET FROM THE EAST BAY MUNICIPAL UTILITY DISTRICT FOR ONE YEAR WITH TWO ONE YEAR RENEWAL OPTIONS FOR THE INITIAL ANNUAL RENT OF \$102,296 PLUS ESTIMATED COST OF UTILITIES, SERVICES, AND ASSESSMENTS AND TO ACCEPT THE \$111,600.40 PAYMENT FROM THE OAKLAND UNIFIED SCHOOL DISTRICT TO COVER SUCH COSTS

WHEREAS, the City of Oakland adopted City Council Resolution No. 81959 C.M.S dated May 5, 2009, authorizing the Lease ("Lease") for the Alice Street Learning Center ("Center") at 250 17th Street from the East Bay Municipal Utility District ("EBMUD"), ending on June 30, 2012; and

WHEREAS, the Oakland Unified School District ("OUSD"), under the Memorandum of Understanding with the City, operates an early child education program ("Program") at OUSD's own costs; and

WHEREAS, EBMUD has offered to extend the term of the Lease under the Sixth Amendment to Lease subject to the following terms and conditions:

1. The extended term of the Lease shall be one year, commencing July 1, 2012, with the first option to extend the Lease for one year commencing July 1, 2013 and a second extended term commencing July 14, 2014.
2. The City reserves the right to terminate the Lease upon 90 days advance written notice.
3. The rent will be paid as follows:
 - a. The rent for the extended one year term equals \$8,358 per month commencing July 1, 2012,
 - b. The rent for the second one year extended term equals \$8,609 per month commencing July 1, 2013,
 - c. The rent for the third one year term equals \$8,867 per month commencing July 1, 2014; and

WHEREAS, OUSD has prepaid the City \$111,600.40 in advance to cover the occupancy costs (including the rent of \$100,296 due to EDMUND) to continue the Program until June 30, 2013; and

WHEREAS, the requirements of the California Environmental Quality Act ("CEQQA"), the CEQA guidelines as prescribed by the Secretary of Resources, and the provisions of the Environmental Review Regulation of the City of Oakland has been satisfied; now, therefore be it

RESOLVED, That the City Administrator is hereby authorized to execute, negotiate, and amend the terms and conditions of the proposed Sixth Amendment and that the Manager, Real

Estate Services, is authorized to take any all actions necessary to completer the proposed lease transaction hereby approved ; and be it

FURTHER RESOLVED, That the City accept the \$111,600.40 payment from OUSD and then pay the lease rent (\$100,296) due to EBMUD plus other occupancy costs for the lease term ending June 30, 2013; and be it

FURTHER RESOLVED, That the City Council has independtly reviewed and considered this environmental determination and the Council finds and determines, based on the information provided in the staff report accompanying this Resolution, that this action complies with CEQA because this action exempt from CEQA pursuant to Section 15301 (existing facilities) of the CEQA Guidelines and directs the City Administrator, or her designee, to file a notice of Exemption and Environment Declaration, (under California Fish and Game Code Section 711.4) with the County of Alameda; and be it

FURTHER RESOLVED, That the Sixth Amendment to Lease shall be approved as to form and legality by the Office of the City Attorney and copies shall be placed on file in the Office of the City Clerk.

IN COUNCIL, OAKLAND, CALIFORNIA, _____

PASSED BY THE FOLLOWING VOTE:

AYES - BROOKS, BRUNNER, DE LA FUENTE, KAPLAN, KERNIGHAN, NADEL, SCHAAF and PRESIDENT REID

NOES -

ABSENT -

ABSTENTION -

ATTEST: _____
LaTonda Simmons
City Clerk and Clerk of the Council
of the City of Oakland, California