



Agenda Report

MEETING DATE: Tuesday, December 12, 2023

TO: City Council

FROM: ASSISTANT CITY MANAGER VIDES
SR. ADMINISTRATIVE ANALYST ZAVALA

THROUGH: CITY MANAGER MENDEZ

SUBJECT: LEASE BETWEEN THE CITY OF WATSONVILLE AND MIDPEN
HOUSING CORPORATION FOR PREMISES LOCATED AT 275
MAIN STREET, SUITE 204

RECOMMENDED ACTION:

It is recommended that the City Council adopt a resolution authorizing the City Manager to execute a Lease, and any amendments of a non-substantive nature subject to legal approval, with MidPen Housing Corporation for the office space located at 275 Main Street, Suite 204, in the Civic Plaza.

BACKGROUND:

MidPen Housing Corporation has an active good standing lease with the City for the space located at 275 Main Street., Suite 204, in the Civic Plaza. Their current lease has been active since May 2012 and it's said to expire 09/30/2023. MidPen Housing would like to continue leasing the space.

DISCUSSION:

The Civic Plaza Building was designed and constructed as condominium units because the City planned to lease some of the condominium spaces within the building to help offset the cost of construction. Currently, all but one of the units remains available.

This lease is for Unit 204, comprising about 1,646 square feet of office space and 247 square feet of Tenant's share of commonly maintained space. No tenant improvements are necessary. MidPen's current base rent is \$3,383.90, adjusted for inflation to \$3,499.38 as of 10/2023, serving as their new lease base rent if approved. Additionally, MidPen Housing will continue paying \$473.25 for their share of common area expenses.

The key terms of the proposed Lease are as follows:

1. Term: One five-year term, with one option to extend for one additional five-year term.
2. Rent: \$3,499.38 per month, plus Lessee's share of Common Area Expenses of \$473.25 each month.
3. Rent will be adjusted annually beginning the second year of the term. Our area's Consumer Price Index (CPI) will serve as the basis for the annual adjustment, not to exceed 3%
4. A security deposit in the amount of \$5,679.00 will be transferred from the existing lease and maintained as security deposit.

STRATEGIC PLAN:

1 - Economic Development - This action is consistent with the City's goal of improving economic development by retaining businesses in the downtown area

FINANCIAL IMPACT:

The City's General Fund will receive rent revenue in the amount of \$41,992.56 the first year of the term, increasing as per the CPI on an annual basis.

ALTERNATIVE ACTION:

Council can elect to decline the lease offer.

ATTACHMENTS AND/OR REFERENCES (If any):

None.