



*City of Arts & Innovation*

# City Council Memorandum

**TO: HONORABLE MAYOR AND CITY COUNCIL** **DATE: OCTOBER 4, 2016**

**FROM: PARKS, RECREATION AND COMMUNITY SERVICES DEPARTMENT** **WARD: 2**

**SUBJECT: FIVE YEAR LEASE AGREEMENT WITH CONCILIO CHILD DEVELOPMENT CENTERS TO OPERATE NATI FUENTES CENTRO DE NIÑOS AT BORDWELL PARK FOR A TOTAL AMOUNT OF \$151,740**

## **ISSUE:**

Approve a five year Lease Agreement with Concilio Child Development Centers for 14,635 square-foot Nati Fuentes Centro de Niños Childcare Center at Bordwell Park for total monthly rent in the amount of \$2,529, or \$151,740 over the term of the lease.

## **RECOMMENDATIONS:**

That the City Council:

1. Approve the five year Lease Agreement with Concilio Child Development Centers, with total monthly rent of \$2,529, or \$151,740 over the term of the agreement;
2. Authorize the City Manager, or his designee, to execute the Lease Agreement with Concilio Child Development Centers, including making minor and non-substantive changes.

## **BACKGROUND:**

Concilio Child Development Centers (Concilio) is licensed to operate the Nati Fuentes Centro de Niños to provide childcare services for low to moderate income families. According to the license agreement previously approved by the City Council, Concilio was not required to pay rent for lease of City property during the initial three years of operation starting in 2008.

Effective January 1, 2013, following negotiations, Concilio Child Development Centers agreed to start paying a monthly rent of \$1,500 per month, be open to negotiation every two years; and extended the agreement for five years through to July 2018.

## **DISCUSSION:**

Staff from Concilio and the Parks, Recreation and Community Services Department have been in discussion to renegotiate the terms of the license agreement. Concilio desires that the Parks, Recreation and Community Services Department take on additional maintenance responsibilities including on-going maintenance of HVAC system, fire and security alarms monitoring and certification, additional landscaping and irrigation, refuse services, as well as some as-needed non-routine maintenance items.

Additional rent in the amount of \$1,029 per month above the base rent of \$1,500 per month will be invoiced on a separate line item in exchange for the Parks, Recreation and Community Services Department taking on additional maintenance responsibilities.

The new Lease Agreement also allows for the City to charge Concilio, at cost, for any as-needed non-routine maintenance items that Concilio requests to be completed by Parks, Recreation and Community Services staff.

The new Lease Agreement will replace the existing Agreement to allow for the additional rent to be charged and for Parks, Recreation and Community Services Department to take on the additional maintenance responsibilities. The term of the Lease Agreement will be for five years with options to extend for five one-year periods. Base rent will increase automatically by 2.5% annually following the initial term of the Lease Agreement.

**FISCAL IMPACT:**

The proposed five year lease is \$151,740, or an increase of \$12,348 per year from the previous lease amount. It is estimated that the additional rent revenue will be sufficient enough to cover on-going maintenance; all non-routine maintenance will be billed directly to the lessee. As such, there is no fiscal impact to the general fund.

Prepared by: Adolfo Cruz, Parks, Recreation and Community Services Director  
Certified as to  
availability of funds: Scott G. Miller, Ph.D., Chief Financial Officer/City Treasurer  
Approved by: Alexander T. Nguyen, Assistant City Manager  
Approved as to form: Gary G. Geuss, City Attorney

Attachment: Lease Agreement