

**Council Meeting: April 8, 2008****SUBJECT: Authorization to Modify an Existing Contract for Property Management Services (F0703-81)****REPORT IN BRIEF**

Approval is requested for an increase in the amount of \$20,000 to an existing contract with GS Commercial Management, Inc. of Pleasanton for property management services at the Fair Oaks Industrial Complex. The requested contract modification will provide sufficient funds through June 30, 2008.

**BACKGROUND**

The City owns a parcel of industrial property at 1010-1024 Morse Avenue which is known as the Fair Oaks Industrial Complex. This five-acre property consists of five buildings with seventy tenants occupying a total of approximately 82,000 square feet. Since purchasing this property in 1990, the City has outsourced the management of the complex.

The original contract with GS Management was awarded by Council on June 15, 2004 (RTC 04-229), following a competitive proposal process. That contract would have expired on July 14, 2007; however, a contract modification was approved by Council on July 10, 2007 (RTC #07-241), that extended it through July 14, 2008, and added \$55,000. The original contract was extended because the occupancy rate increased by 14% and the annual revenues increased by 20% since GS Management began managing the property. Additionally, Staff found the services provided by GS Commercial Management, Inc. (GS) to be satisfactory.

**DISCUSSION**

For some years now, the majority of tenants at Fair Oaks Industrial Complex have been on a month-to-month basis. This served the City well during the downturn in the market, because tenants were paying the higher rent previously negotiated. Now that the market is improving, Fair Oaks Industrial Complex rates are somewhat lagging. Staff has asked GS to renegotiate as many month-to-month leases as it can at the current higher market rates. This means that GS's commissions and monthly payments, which are based on rental revenue, are increasing more than originally anticipated. Although it increases the City's contract with GS, the City will benefit in the long run by increased rental income from the property.

It is estimated that approximately \$20,000 in additional funds will be required for GS to provide these services through June 30, 2008. This expense should be offset within three months by additional rental income.

New competitive proposals will be solicited for the next three-year contract period of July 1, 2008 through June 30, 2011.

**FISCAL IMPACT**

Although the initial impact is an increase of \$20,000, the City will recover these funds through increased rental income.

Funds are available in Department of Public Works Program 303-City Property Management Services.

**PUBLIC CONTACT**

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall, in the Council Chambers lobby, in the Office of the City Clerk, at the Library, Senior Center, Community Center, and Department of Public Safety; posting the agenda and report on the City's Web site; and making the report available at the Library and the Office of the City Clerk.

**RECOMMENDATION**

It is recommended that Council authorize modification of an existing contract with GS Commercial Management, Inc., in substantially the same form as the attached draft Change Order, by increasing the current \$55,000 contract to \$75,000.

Reviewed by:

Mary J. Bradley, Director, Finance

Prepared by: Karen Theriault, Interim Purchasing Officer

Reviewed by:

Marvin Rose, Director of Public Works

Approved by:

Amy Chan  
City Manager

**Attachments**

1. Change Order to Blanket Purchase Order



**CITY OF SUNNYVALE  
CALIFORNIA**

DRAFT  
**CHANGE ORDER NO 1**  
**TO PURCHASE ORDER NO BL000774**

<b>SUPPLIER</b> 15671-001  925-734-0280  GS COMMERCIAL MANAGEMENT INC GA MANAGEMENT CO 5674 SONOMA DR PLEASANTON CA 94566	CHANGE ORDER DATE	<b>Address correspondence to:</b>  <b>City of Sunnyvale</b> <b>Finance Department</b> <b>Purchasing Division</b> <b>PO Box 3707</b> <b>Sunnyvale CA 94088-3707</b>
	4/8/2008	
	PO DATE	
	7/15/2007	
	PR NO	
	RQ	
	PR DATE	

**PURCHASE ORDER IS CHANGED AS FOLLOWS:**

Increase total NOT TO EXCEED amount from \$55,000 to \$75,000.00

Approved by City Council 4/8/2008, RTC \_\_\_\_\_.

**ALL OTHER TERMS AND CONDITIONS OF THE PURCHASE ORDER REMAIN UNCHANGED.**

BUYER

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COPY TO: PW/ADMIN

Dreama Howard Phone (408) 730-7396 Fax (408) 730-7710



Materials

Services

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