



Office of the City Manager

CONSENT CALENDAR
December 3, 2024

To: Honorable Mayor and Members of the City Council
From: Paul Buddenhagen, City Manager
Submitted by: Terrence Davis, Director, Public Works
Subject: Lease Amendment: Dorothy Day House dba Dorothy's Closet at 2425a Channing Way in the Telegraph-Channing Mall and Garage

RECOMMENDATION

Adopt first reading of an Ordinance authorizing the City Manager to execute a Lease Amendment with Dorothy Day House, a 501c3 organization, d.b.a Dorothy's Closet to use and occupy 2425a Channing Way for a five (5) year lease term with option to extend for one additional five (5) year term. This Lease Amendment proposes a rental rate reduction from \$2.26 per square foot per month with an annual 3% increase to \$1.95 per square foot with no annual increase.

FISCAL IMPACTS OF RECOMMENDATION

The original lease of 2425a Channing Way was approved by Ordinance 7,900 on March 26, 2024. That lease anticipated total revenue of \$139,860 for the initial five (5) year term for the 1,400 square foot retail space and use of building common areas. The initial monthly price per square foot is \$2.26 with an annual adjustment of 3% beginning the third year of the lease. This Lease Amendment, if approved, will reduce total anticipated revenue to \$114,660 for the initial term, a difference of \$25,260.

CURRENT SITUATION AND ITS EFFECTS

Dorothy Day House (DDH) saw the opportunity to turn their clothing distribution program into a for-profit business that continues providing clothing at no cost while offering clothing for sale to those able to pay. DDH also utilizes the store as an opportunity to offer paid, on the job training opportunities to their clients. The original lease start date was May 1, 2023. Due to the extended length of time needed to start their new business with both a clothing distribution and job training program, DDH first verbally requested then wrote a letter to Council dated September 18, 2024, requesting Dorothy's Closet be considered for a rent reduction. The request was brought to a Closed Session of City Council meeting to discuss reducing the price on September 30, 2024. This lease amendment proposal represents direction given by Council based on input from the Public Works Department and the City Manager's Office. The proposal presented in the

Internal

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lease amendment benefits the City by keeping a tenant in a retail space previously vacant since 2019, and the tenant by reducing rent. Except for the amendments agreed to herein, the Lease effective as of March 26, 2024 remains in full force and effect.

BACKGROUND

The fair market rate for 2425a, 2435, and 2439 Channing Way were calculated concurrently and found to be \$2.26 per square foot per month. Business closures and vacancy rates in the Telegraph Business Improvement District, Downtown, and other neighborhood business districts continue to increase. Many remaining businesses are still struggling to recover from the financial impacts of COVID.

Finding tenants for the Telegraph-Channing Mall has historically been challenging due to the building's age, limited street frontage and lack of direct access to pedestrians. By amending this lease, the City is able to retain a tenant that diverts clothing from the waste stream, provides free clothing to those in need, jobs and job training, including DDH's primary client base.

ENVIRONMENTAL SUSTAINABILITY AND CLIMATE IMPACTS

here are no identifiable environmental effects, climate impacts, or sustainability opportunities associated with the subject of this report.

RATIONALE FOR RECOMMENDATION

Dorothy Day House d.b.a Dorothy's Closet is a unique, and financially qualified business and ideal tenant for the Telegraph-Channing Mall and Garage. These small adjustments, if approved, represent a compromise acceptable to both tenant and landlord.

ALTERNATIVE ACTIONS CONSIDERED

None.

CONTACT PERSON

Dionne Early, Community Development Project Coordinator, Real Property, (510) 981-6453

Attachments:

1: Ordinance

Exhibit A: Lease Amendment

ORDINANCE NO. -N.S.

LEASE AMENDMENT: DOROTHY DAY HOUSE DBA DOROTHY'S CLOSET AT 2425A CHANNING WAY IN THE TELEGRAPH-CHANNING MALL AND GARAGE

BE IT ORDAINED by the Council of the City of Berkeley as follows:

Section 1. Findings:

The City owns the Telegraph-Channing Mall and Garage, and Dorothy Day House, a 501c3 nonprofit organization, d.b.a Dorothy's Closet seeks to lease 2425a Channing Way at the premises for the purpose of operating a retail business offering used clothing and gear for sale. This Lease Amendment only modifies Exhibit C to Lease, *Payment* as follows:

- a. Monthly rate per square foot is reduced from \$2.26 to \$1.95; and
- b. Annual increase is reduced from 3% to 0% for the initial term of the lease.

Section 2. AUTHORIZATION FOR CITY MANAGER TO ENTER INTO LEASE AMENDMENT AT 2425A CHANNING WAY, BERKELEY, CA.

The City Manager is hereby authorized to enter into a five-year amended lease agreement with the option for a five-year extension with Dorothy Day House d.b.a Dorothy's Closet, a ground floor retail space in the City of Berkeley Telegraph-Channing Mall and Garage. Such lease shall be on substantially the terms set forth in Exhibit A.

Section 3. Copies of this Ordinance shall be posted for two days prior to adoption in the display case located near the walkway in front of the Maudelle Shirek Building, 2134 Martin Luther King Jr. Way. Within 15 days of adoption, copies of this Ordinance shall be filed at each branch of the Berkeley Public Library and the title shall be published in a newspaper of general circulation.

Exhibits

- A: Lease Amendment Agreement

LEASE AMENDMENT FOR TELEGRAPH-CHANNING MALL

This lease amendment (“**Amendment**”) is made on _____ between the CITY OF BERKELEY ("**Landlord**"), a Charter City organized and existing under the laws of the State of California and Dorothy Day House d.b.a Dorothy’s Closet ("**Tenant**"), a 501c3 nonprofit organization, who agree as follows:

This lease is made with reference to the following facts and objectives:

A. Landlord is the owner of the real property at 2425a Channing Way, Berkeley, California, ("**premises**") commonly referred to as Telegraph-Channing Mall and Garage as further described in Exhibit A, attached to and made a part of this lease.

B. Tenant entered into a lease (“**Lease**”) with Landlord on July 29, 2024 with a retroactive start date of May 1, 2023. Tenant is occupying and conducting business at 2425a Channing Way located on the ground floor of the premises and identified in Exhibit A, attached to and made part of this lease.

C. Landlord has negotiated with Tenant to reduce the starting per square foot rental rate from \$2.26 per square foot to \$1.95 per square foot for the 1,400 square foot space and eliminate the annual 3% increase for the duration of the initial term of the lease. This effectively sets monthly rent at \$2,730 per month for the initial five-year term of the lease.

D. Landlord and Tenant agree that the impact of changes made to Exhibit C to the lease will reduce the anticipated revenue/rent from \$139,860 to \$114,660 a difference of \$25,260 for the initial five (5) year term.

1. Exhibit C. **PAYMENTS**, is deleted in its entirety and replaced by Exhibit C. **PAYMENTS (REVISED)**, attached to and made part of this lease.

Effect: Except for the amendment agreed to herein, the Lease effective as of July 29, 2024 remains in full force and effect.

IN WITNESS WHEREOF, Landlord and Tenant have executed this lease amendment as of the date written on the first paragraph of this lease.

LANDLORD
CITY OF BERKELEY

By: _____
City Manager

THIS LEASE HAS BEEN
APPROVED AS TO FORM
BY THE CITY ATTORNEY
OF THE CITY OF BERKELEY

6/2004

REGISTERED BY:

City Auditor

ATTEST:

Deputy City Clerk

TENANT:

DOROTHY DAY HOUSE D.B.A DOROTHY'S CLOSET
A 501c3 NONPROFIT ORGANIZATION

Signature: _____
By: Robbi Montoya, Executive Director

City of Berkeley Business License No. BL-000275

Exhibit C
PAYMENT (REVISED)

RENT PAYMENT SCHEDULE: Dorothy's Closet 2425A Channing @TCM						
	YEAR	1	2	3	4	5
MAY	1	\$ -	\$ -	\$ 2,730.00	\$ 2,730.00	\$ 2,730.00
JUNE	2	\$ -	\$ -	\$ 2,730.00	\$ 2,730.00	\$ 2,730.00
JULY	3	\$ -	\$ -	\$ 2,730.00	\$ 2,730.00	\$ 2,730.00
AUGUST	4	\$ -	\$ -	\$ 2,730.00	\$ 2,730.00	\$ 2,730.00
SEPTEMBER	5	\$ -	\$ -	\$ 2,730.00	\$ 2,730.00	\$ 2,730.00
OCTOBER	6	\$ -	\$ -	\$ 2,730.00	\$ 2,730.00	\$ 2,730.00
NOVEMBER	7	\$ -	\$ 2,730.00	\$ 2,730.00	\$ 2,730.00	\$ 2,730.00
DECEMBER	8	\$ -	\$ 2,730.00	\$ 2,730.00	\$ 2,730.00	\$ 2,730.00
JANUARY	9	\$ -	\$ 2,730.00	\$ 2,730.00	\$ 2,730.00	\$ 2,730.00
FEBRUARY	10	\$ -	\$ 2,730.00	\$ 2,730.00	\$ 2,730.00	\$ 2,730.00
MARCH	11	\$ -	\$ 2,730.00	\$ 2,730.00	\$ 2,730.00	\$ 2,730.00
APRIL	12	\$ -	\$ 2,730.00	\$ 2,730.00	\$ 2,730.00	\$ 2,730.00
ANNUAL TOTAL:		\$ -	\$ 16,380.00	\$ 32,760.00	\$ 32,760.00	\$ 32,760.00
						INITIAL TERM TOTAL: \$ 114,660.00

PREMISES AREA (SQFT):	1400
MONTHLY RATE PER SQFT:	\$ 1.95
INITIAL MONTHLY RENT:	\$ 2,730.00
LEASE START DATE:	May 1, 2023
INITIAL TERM:	60 MONTHS
INITIAL TERM TERMINATION DATE:	April 30, 2028
NOTIFY LANDLORD FOR OPTION BY:	November 1, 2027
OPTION START DATE:	May 1, 2028
OPTION TERM:	60 MONTHS
OPTION TERMINATION DATE:	April 30, 2033