

CITY COUNCIL ACTION REQUEST

Department(s): Office of Economic Development	CEQA: Not a Project, File No. PP17-003, Agreements/Contracts (New or Amended) resulting in no physical changes to the environment.	Coordination: Office of the City Attorney and City Manager's Budget Office	Dept. Approval: /s/ Kim Walesh
Council District: 4			CMO Approval: 

SUBJECT: NEW LEASE AGREEMENT WITH CONCOURSE BUSINESS CENTER, LLC.

RECOMMENDATION:

Adopt a resolution authorizing the City Manager, or his designee, to negotiate and execute a new lease agreement with Concourse Business Center, LLC commencing October 1, 2018, for the use of approximately 14,976 square feet of office space located in Council District 4. The initial term of the lease is five years with one five-year renewal option. The City shall pay an initial annual base rent payment (including the common area charge) of \$301,920. The annual rent increase for cost of living adjustment (COLA) is 3%, following the completion of the initial 12-month lease term, ending on September 30, 2019. The total rental cost for the five-year term of this lease is \$1,603,000 subject to annual budget appropriation by the City.

BASIS FOR RECOMMENDATION:

The existing site has been used since May 1999 and has supported 15-20 staff. The current facility is 8,500 square feet with an annual rental payment of \$168,600. Moving to a larger facility allows for additional space to accommodate the desire to expand staffing levels assigned to this offsite location. The proposed site is 14,976 square feet and can accommodate 35-40 staff members. The starting monthly rent will be \$25,160 compared to the existing rent of \$14,050 per month, reflecting an increase in rent of \$0.03 per square foot.

The proposed lease term is for five years with one five-year option to extend. In addition to the annual rental fee of \$301,920, which will be increased by a COLA of 3% each year, there are one-time start-up costs of \$124,000. The one-time non-recurring expenses for the new lease is to pay for the last month rent and moving costs, and IT Voice and Data costs. The landlord is providing the tenant improvements (carpeting, building of two offices, two restrooms, and an automatic rear roll up door in the warehouse area). In addition, due to the termination language of the current lease, the time needed to complete the tenant improvements, and the time to pack and move to the new location, there will be a two-month carryover of rent between the two locations.

COST AND FUNDING SOURCE:

In 2018-2019, the lease costs associated with the existing facility and the new facility total \$434,000, which is \$266,000 above the current budget of \$168,000. This additional cost will be supported by grant funding of \$96,000 and anticipated departmental non-personal/equipment savings (appropriation 0502) of \$170,000. On an ongoing basis, the annualized cost of the lease is \$302,000, which is \$133,000 above the current lease of \$169,000. This additional cost will be factored into the 2019-2020 Base Budget.

FOR QUESTIONS CONTACT: Nanci Klein, Assistant Director, Office of Economic Development, at (408) 535-8184