

Agenda Report

January 11, 2010

TO: Honorable Mayor and City Council

FROM: Planning and Development Department

SUBJECT: Lease Amendment to Extend ITSD Department Office Space Lease at 117 East Colorado Boulevard (Agreement No. 18,355)

RECOMMENDATION:

It is recommended that the City Council:

- 1.) Find that the leasing of the third floor of the Chamber Building located at 117 East Colorado Boulevard, Pasadena from Arroyo Seco Building, Ltd. (Arroyo Seco) is categorically exempt from the California Environmental Quality Act ("CEQA") pursuant to State CEQA Guidelines Section 15301; and
- 2.) Authorize the City Manager to execute a lease amendment incorporating the terms and conditions generally described below with Arroyo Seco to continue leasing the third floor of the Chamber Building located at 117 East Colorado Boulevard, Pasadena, and any other documents necessary to carry out this transaction.

BACKGROUND:

Under lease with Arroyo Seco, the Information Technology Services Division ("ITSD") of the Finance Department occupies 11,661 square feet on the third floor of the Chamber building located at the northwest corner of Colorado Boulevard and Arroyo Parkway identified as 117 East Colorado Boulevard since June 1, 2004. The lease which expires on May 31, 2010, was initially the result of a relocation for the now completed City Hall seismic retrofit project. In 2004, it was determined that ITSD and the data center would remain off-site for at least three additional years after return to City Hall in June 2007. The rent has remained unchanged since June 1, 2006 at \$293,857 per year, which equates to \$2.10 per square foot. In addition to rent, the City is liable for

building, operating and excess HVAC expenses for the data center, currently at a combined cost of \$56,558 per year.

Alternate sites were considered for relocation, but given the exorbitant cost of relocating the data center, including equipment, connectivity, and build out of a proper environment at a new site, extension of the existing lease for several more years is recommended until an alternate, permanent site is identified. As a point of reference, it cost over \$1 million to relocate the data center from City Hall back in 2004, and it will likely cost close to that or more depending on the location and condition of the new site. Following are the substantial terms proposed to extend the lease:

- a) Term: Five years commencing June 1, 2010 and terminating on May 31, 2015;
- b) Rent: \$323,243 per year or \$2.31 per square foot, subject to annual adjustments based on the Consumer Price Index (CPI);
- c) Tenant Improvements: By June 1, 2010, Landlord will install approximately \$88,000 in tenant improvements including the upgrading of the air conditioning system with at least five new air conditioning units, install energy efficient blinds and other minor restroom upgrades; and
- d) Early Termination: City can terminate the lease as early as May 31, 2013 or May 31, 2014 provided it reimburses the landlord for unamortized tenant improvements of \$44,000 and \$22,000 respectively, and provides a 12 month notice.

The City will continue to pay for operating and excess HVAC expenses for the duration of the lease term. The rental rate is within range of competitive fair market rental rates for Class A buildings in Old Pasadena.

COUNCIL POLICY CONSIDERATION:

Pursuant to Pasadena Municipal Code Section 2.28.060, the City Council has authority to lease privately owned real property for City purposes. The continued leasing of the existing site while continuing to consider alternate permanent relocation sites provides maximum flexibility in furtherance of the City Council's policy to maintain fiscal responsibility and stability.

ENVIRONMENTAL ANALYSIS:

The City's continued leasing of the property is categorically exempt from CEQA pursuant to State CEQA Guidelines Section 15301 (Existing facilities). This exemption applies to continued operation of existing facilities involving negligible or no expansion of use. Neither the tenant improvements nor the continuation of the lease for the ITSD Department will result in any expansion of the use.

FISCAL IMPACT:

The rental expense for the entire five year term will be approximately \$1,616,215, or more if increased annually based on CPI. Funds for this lease for the current fiscal year have been included in the current operating budget, in the Computing and Communication fund and will be requested in subsequent operating budgets. In the event the City elects to terminate the lease after three or four years, an early termination fee of \$44,000 or \$22,000 respectively will be incurred.

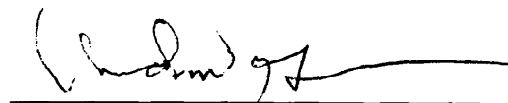
Respectfully submitted,


RICHARD BRUCKNER
Director of Planning and Development

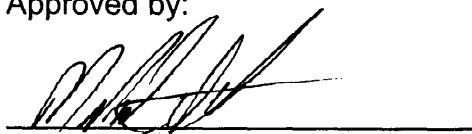
Prepared by:


Kelly Kitasato
Real Property Manager

Concurred by:


Andrew Green
Director of Finance

Approved by:


MICHAEL J. BECK
City Manager

**Disclosure Pursuant to the
City of Pasadena Taxpayer Protection Act
Pasadena City Charter, Article XVII**

- I. Does the value of this application/project *have the potential* to exceed \$25,000? Yes No (Applicant *must* mark one)
- II. Is the application being made on behalf of a government entity? Yes No
- III. Is the application being made on behalf of a non-profit 501(c) organization? Yes No
If yes, please indicate the type of 501(c) organization: 501(c)(3) 501(c)(4) 501(c)(6)

Applicant's name: Alliance Management Corporation Date of Application: 5/15/09

Owner's name: Arroyo Seco Building, Ltd. Contact phone number: (619) 280-0933
(for questions regarding this form)

Project Address: 117 E. Colorado Boulevard, Pasadena, CA 91105

Project Description: Lease Renewal

IV. Applicant and Property Owner must disclose all joint owners, trustees, directors, partners, officers and those with more than a 10% equity, participation or revenue interest in owner and/or project. If any of these are an organization/entity, include the name of the organization/entity **and** the first and last names of all parties of interest of that organization/entity. *(List all parties below and use additional sheets as necessary, or provide all parties on an attachment) Please print legibly.*
Have any additional sheets or an attachment been provided? Yes No

Names of Owner(s), Trustees, Directors, Partners, Officers of Owner/Project	Names of Owner(s), Trustees, Directors, Partners, Officers of Owner/Project (continued)	Those with more than a 10% equity, participation or revenue interest in Owner and/or project
Arroyo Seco Building, Ltd.	Crossett, a California corporation	Parsons Corporation

I hereby certify that I am the owner or designated agent and that the statements and answers contained herein, and the information attached, are in all respects true, accurate and complete to the best of my knowledge and belief.

Arroyo Seco Building, Ltd.

By: Alliance Management Corporation, Agent

Signature of Owner or Designated Agent: By:  Date: 5/15/09
Steven L. Davis, President

For Office Use Only

Type of Application: Variance (all types) Adjustment Permit Sign Exception Temporary Use Permit Expressive Use Permit
 Conditional Use Permit (excluding Master Plan) Master Plan Amendment Planned Development Other

Assigned Planner: _____ PLN#: _____

Attached Address: _____ No Attached Address

Appealed: Yes No Appeal PLN#: _____ Application Withdrawn

Final Decision: Approved Denied Decision Date: _____ Decision Maker: _____
(Name and Title, or Name of Commission/Committee)

Notes in favor *(please print)*: _____