

Agenda Report

September 8, 2008

TO: CITY COUNCIL

FROM: CITY MANAGER

SUBJECT: LEASE EXTENSION FOR WATER AND POWER DEPARTMENT (PWP) ADMINISTRATIVE OFFICES AT 150 SOUTH LOS ROBLES AVENUE, PASADENA, CA

RECOMMENDATION:

It is recommended that the City Council authorize the City Manager to enter into a contract with Sherman Oaks Capital Associates, LP to extend the lease term for a period of three years with an option for three additional one-year extensions for the Water and Power Department administrative offices at 150 South Los Robles Avenue.

BACKGROUND:

The Water and Power Department's main administrative offices currently occupy leased office space at 150 South Los Robles Avenue, Pasadena, CA. The leased space is comprised of 15,443 square feet on the 2nd floor, 7,895 square feet on the 3rd floor and 1,199 square feet on the 6th floor. The leased space houses primary administrative functions including the General Manager's Office, Finance and Administration operations including the customer call center and utility billing, Water Engineering and Power Supply.

The current lease for the space at 150 South Los Robles is scheduled to expire on September 30, 2008. PWP intends to continue occupancy at this location for at least three additional years until September 30, 2011. The proposed Third Amendment to the original lease also includes an option for PWP to further extend its occupancy for up to three additional years at one year intervals.

The base lease rate currently in effect is \$2.19 per square foot per month plus \$55 per hour for air conditioning services beyond "normal" business hours of 8:00 a.m. to 6:00 p.m. Office hours for selected staff from PWP's Power Supply business unit begin at 5:30 a.m., requiring 2.5 hours of additional air conditioning

services each day. Total additional charges for the extra air conditioning services have been approximately \$60,000 for each of the past two years. The recent change in business hours for the PWP call center will reduce the additional air conditioning charges to about \$35,000 to \$40,000 per year in addition to the base rent, based on projected increased hourly rates for this service. As a result, it has been determined that it is financially favorable and more administratively efficient to include the charges for extended air conditioning service in the lease rate. This will stabilize overall lease costs for the duration of the amendment.

As a result, the all inclusive base rental rate for the first year of the proposed extension to the occupancy term is \$2.47 per rentable square foot per month. This rate is within a range of fair market rents and comparable available space in the downtown Pasadena area. An annual increase of approximately 2.7% will apply to each of the second and third years of the extended term. The full service gross lease provides that the City will pay its proportionate share of annual increases in operating expenses and property taxes for the building over the base year of 2008.

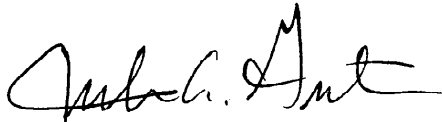
Other changes to the current agreement include improvements to the leased space, including refurbishment of the restrooms on each floor, repainting the interior walls of each suite and annual carpet cleaning. The existing agreement also provides that the City may lease up to 74 parking spaces at the prevailing rates, currently set at \$95 per month for unreserved and reserved tandem, \$100 for City pool car parking and \$125 for reserved spaces.

Site visits were conducted to several other comparable office buildings within the City to determine space availability, tenant improvement requirements and lease rates. Costs to relocate approximately 100 employees and perform tenant improvements to accommodate the unique requirements of the energy trading group, the customer call center and PWP's computer infrastructure were also considered when determining whether to renew the current agreement or relocate PWP's administrative offices. As a result, it is staff's recommendation that the lease at 150 South Los Robles be extended at the proposed terms.

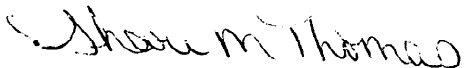
FISCAL IMPACT:

The total cost for the three year period of this lease extension is \$2,251,892.88. The lease expense is included in the annual operating budget for PWP. Sufficient funds for the appropriate portion of the first year of the extended term are available in the Fiscal Year 2009 Operating Budget in accounts 8106-401-0931 and 8106-402-0811.

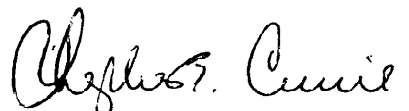
Respectfully submitted:


for Bernard K. Melekian
City Manager

Prepared by:


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Business Unit Director
Water and Power Department

Approved by:


Phyllis E. Currie
General Manager
Water and Power Department

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

Contractor/Organization hereby discloses its trustees, directors, partners, officers, and those with more than 10% equity, participation, or revenue interest in Contractor/Organization, as follows:

(If printing, please print legibly. Use additional sheets as necessary.)

1. Contractor/Organization Name: SHERMAN OAKS CAPITAL ASSO C, L.P. & PASADENA HOLDINGS, LLC, dba PASADENA TRI CITY VENTURES
2. Type of Entity: <input checked="" type="checkbox"/> non-government <input type="checkbox"/> nonprofit 501(c)(3), (4), or (6)
3. Name(s) of trustees, directors, partners, officers of Contractor/Organization:
SHERMAN OAKS CAPITAL ASSOCIATES, LP, 50%
ALBERT TABAN
DAVID TABAN
PASADENA HOLDINGS, LLC 50%
MICHAEL PASHAIE
HOOSHANG PASHAIE
4. Names of those with more than a 10% equity, participation or revenue interest in Contractor/Organization:
PASADENA HOLDINGS, LLC,
MICHAEL PASHAIE
HOOSHANG PASHAIE
SHERMAN OAKS CAPITAL ASSO C, L.P.
ALBERT TABAN
DAVID TABAN

Prepared by: AT
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