

# Agenda Report

DATE: OCTOBER 24, 2005

TO: CITY COUNCIL  
Through Finance Committee

FROM: CITY MANAGER

SUBJECT: LEASE OF OFFICE SPACE AT 1055 E. COLORADO BOULEVARD  
FOR PASADENA WATER AND POWER, POWER ENGINEERING  
GROUP

## **RECOMMENDATION:**

It is recommended that the City Council:

1. Authorize the City Manager to enter into a 5-year lease agreement for office space at 1055 E. Colorado Boulevard for use by the Pasadena Water and Power, Power Engineering Group, with Wells-REIT-Pasadena L.P., with two, two-year options to extend. Competitive bidding and competitive selection are not required pursuant to City Charter Section 1002 (E) and Pasadena Municipal Code Section 4.08.049(A (5)), respectively;
2. Appropriate \$825,732 from the unappropriated Power Fund balance to the FY 2006 Power Fund operating and capital budgets to provide for the furniture, equipment, and moving expenses for the occupancy of the leased premises, as follows: \$187,732 to account 401-843100 for rent; \$438,000 to account 411-843100 for office furniture and equipment and associated moving expenses; and \$200,000 to account 401-843100 for telephone and communication systems.

## **BACKGROUND:**

Pasadena Water and Power presently leases 24,627 rentable square feet in the structure at 150 S. Los Robles Avenue for its main offices. The leased space is on the second, third and sixth floors and is being used by personnel in the administrative, engineering, and customer service groups. Since April 2005, PWP has received authorization from City Council to add 39 new positions to its workforce for the

implementation of its various master plan projects. About 22 of these new positions are project management and engineering positions that require additional office space and the existing leased space is inadequate to house these new office personnel.

After a thorough assessment of its office space needs, PWP has determined that it needs about 10,000 rentable square feet of contiguous space to meet its new office space requirements. PWP proposes to house about 38 personnel including its entire power engineering staff and most of the new personnel in the proposed office space. This move would create more space on the 2<sup>nd</sup> floor in the current headquarters and accommodate the staffing requirements for the Water Delivery, Finance and Administration, and Customer Service Business Units. It would also allow PWP to move its Power Supply Business Unit staff on the 6<sup>th</sup> floor to the 2<sup>nd</sup> floor, and to vacate and sublet about 1,199 rentable square feet on the 6<sup>th</sup> floor.

A real estate survey was conducted to find available office space in close proximity to PWP's main offices at 150 S. Los Robles and City Hall. Multiple brokers representing office buildings were contacted in the search for sufficient space to meet PWP's needs. Due to the current office market which is very competitive with vacancy levels in Pasadena under 5%, much of the available space was too small and in some cases too large to meet PWP's requirements.

Three buildings that potentially had the space requirement were investigated and a space plan proved that the building at 1055 E. Colorado Boulevard met the requirement. This is a five story office building constructed in 2001. The proposed lease is for 9,862 rentable square feet. The lease term shall be for five years with two, two-year options to extend. The base rental rate is \$2.40 per rentable square foot per month with a 2% increase at year three and at year five. This is a full service gross lease with the owner responsible for providing utilities, maintenance, HVAC, and janitorial at his cost. The owner will build-out the space to suit at his cost in accordance with the space plan prepared for PWP's occupancy. The City will be responsible to pay for its proportionate share of increases in operating expenses over a 2006 base year, capped at a five percent increase per annum. Monthly parking will be provided at the prevailing rates which are currently \$65 per month for un-reserved and \$85 per month for reserved. PWP requires thirty-eight unreserved spaces and eight reserved spaces with six of the reserved spaces to be utilized for pool cars. The total cost of the lease space and parking for the remaining seven months of the fiscal year after the proposed commencement date of December 1, 2005 is \$187,732.

To occupy the proposed office space, PWP will require new office furniture and equipment, and incur moving expenses. It is estimated that new modular and conventional furniture for about 38 offices and two conference rooms will cost about \$325,000. New computer and office equipment will be required to replace those currently being shared with the other Business Units on the 2<sup>nd</sup> floor of PWP. The cost for this new equipment will be \$93,000. It is also estimated that the moving

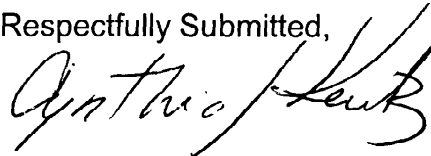
expenses associated with relocating some furniture, file drawers, records and files, and other equipment will cost about \$20,000. Total estimated cost of the new office furniture and equipment, and moving expenses is estimated at \$438,000.

In addition, PWP will require new telephone and communication equipment. This equipment will be provided and installed by the Finance Department, ITSD Division and PWP consultants. The estimated total cost of this equipment and installation is \$200,000.

**FISCAL IMPACT:**

The cost of the new lease for the remainder of fiscal year 2006 is \$187,732 (including parking) plus certain allowable building operating expenses. In addition, there is a one-time expense of \$438,000 for office furniture and equipment, and moving expenses, and a one time expense of \$200,000 for telephone and communication equipment. Total cost of the new office space, equipment and furniture is \$825,732. The additional appropriation will provide sufficient funds to cover the new lease and procure the equipment and furniture. There are sufficient funds in the unappropriated Power Fund balance to cover this appropriation. Procurement contracts for the necessary services and equipment will follow all appropriate contracting guidelines.

Respectfully Submitted,



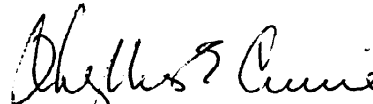
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