



Agenda Report

September 11, 2023

TO: Honorable Mayor and City Council

FROM: Office of the City Manager - Economic Development Division

SUBJECT: AUTHORIZATION TO ENTER INTO AN OFFICE LEASE AGREEMENT WITH SHERMAN OAKS CAPITAL ASSOCIATES, L.P. AND PASADENA HOLDINGS, L.L.C., COLLECTIVELY DOING BUSINESS AS PASADENA TRI CITY VENTURES, FOR THE PREMISES LOCATED AT 150 S. LOS ROBLES AVENUE, IN AN AMOUNT NOT TO EXCEED \$5,485,446 FOR PASADENA WATER AND POWER OFFICES

RECOMMENDATION:

It is recommended that the City Council:

1. Find that the leasing of 150 S. Los Robles Avenue is categorically exempt from the California Environmental Quality Act ("CEQA") pursuant to the State CEQA Guidelines Section 15301 (Existing Facilities); there are no features that distinguish this project from others in the exempt classes, and therefore, there are no unusual circumstances; and
2. Authorize the City Manager to execute a lease agreement with Sherman Oaks Capital Associates, L.P., and Pasadena Holdings, L.L.C., collectively doing business as Pasadena Tri City Ventures in the amount not to exceed \$5,485,446 for the office space located at 150 S. Los Robles Avenue incorporating the terms and conditions generally described below, and to execute any other related agreements necessary to effectuate the transaction, including non-substantial revisions.

BACKGROUND:

The City's Water and Power Department ("PWP") currently leases offices and parking at 150 S. Los Robles Avenue and 1055 E. Colorado Boulevard. These two office locations are used as the Department's central administrative offices and PWP has maintained these leases since October 2000 and February 2006, respectively.

The City has looked at alternative office building sites and considered consolidating the two PWP central administrative offices in one location, but a suitable location has not yet been identified. The City will continue looking for a new single site to consolidate PWP's offices and may consider consolidating other City department offices at the same site.

PROPOSED LEASE TERMS:

The proposed lease would start on November 1, 2023, for a term of 48 months. The proposed lease would become co-terminus with the other Water and Power office lease located at 1055 E. Colorado Boulevard.

The proposed lease rate is \$2.85 per square foot for 26,784 total square feet. In comparison to the previous lease rate of \$3.38 per square foot the new lease rate represents an 18.5% rental decrease.

Additional rent includes HVAC, parking, common area charges (above calendar 2023 base year calculated as the prorated share of the building's operating expenses), and other charges. Table 1 below summarizes the contract expenditures.

Table 1: Summary of Lease Contract Expenditures at 150 S. Los Robles

Category	11/2023-10/2024	11/2024-10/2025	11/2025-10/2026	11/2026-10/2027	Category Total
Annual Base Rent	\$ 916,013	\$ 934,333	\$ 953,020	\$ 972,080	\$ 3,775,446
Estimated Annual Operating Expenses Actual expenditures may vary from year to year for any unscheduled building maintenance.					
HVAC	\$ 45,000	\$ 48,000	\$ 51,000	\$ 54,000	\$ 198,000
Common Area (2023)	\$ 15,000	\$ 30,000	\$ 45,000	\$ 60,000	\$ 150,000
Contingency	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000	\$ 160,000
Parking	\$ 290,000	\$ 297,000	\$ 304,000	\$ 311,000	\$ 1,202,000
Estimated Totals	\$ 1,306,013	\$ 1,349,333	\$ 1,393,020	\$ 1,437,080	\$ 5,485,446

The landlord will provide a rental concession in the form of a tenant improvement allowance of \$114,518 for tenant-designed office improvements. In addition, the landlord will invest \$163,374 to address existing issues related to acoustical, vibration, HVAC balancing, and office temperature control.

COUNCIL POLICY CONSIDERATION:

The lease is consistent with the City Council's goals to maintain fiscal responsibility and stability and to support and promote the quality of life and local economy.

ENVIRONMENTAL ANALYSIS:

The City's continued leasing of 150 S. Los Robles Avenue is categorically exempt from CEQA pursuant to State CEQA Guidelines Title 14, Chapter 3, Article 19, Class 1, Section 15301 (Existing Facilities). This exemption applies to the continued operation of existing facilities involving negligible or no expansion of use. Neither the landlord-provided tenant improvements nor the continued operation for the proposed terms will result in any expansion of the existing use. Further, there are no features on this property that distinguish this project from others in the exempt classes, and therefore, there are no unusual circumstances.

FISCAL IMPACT:

The total estimated cost of this action will be \$5,485,446 over four years. Funding for this action will be addressed by the utilization of existing and future budget appropriations in the Water Operating Fund 402 and Power Operating Fund 401, Object Code 810600. It is anticipated that \$870,675 will be spent during the current fiscal year. The remainder of the cost, \$4,614,771 will be spent over the next three fiscal years.

Respectfully submitted,



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Concurred by:



8/31/2023

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