

# Agenda Report

December 16, 2024

**TO:** Honorable Mayor and City Council

**THROUGH:** Finance Committee

**FROM:** City Manager

**SUBJECT: AUTHORIZE THE CITY MANAGER TO ENTER A THIRTY-SIX MONTH OFFICE LEASE AGREEMENT WITH 199 S. LOS ROBLES, LLC., SAND 199 LOS ROBLES, LLC. AND ROBLES SM, LLC. FOR THE PREMISES LOCATED AT 199 S. LOS ROBLES AVE. SUITE #405, IN AN AMOUNT NOT TO EXCEED \$1,242,578 FOR THE HOUSING DEPARTMENT AND AMEND THE HOUSING DEPARTMENT'S FISCAL YEAR 2025 OPERATING BUDGET BY APPROPRIATING \$709,488 FROM THE GENERAL FUND'S UNAPPROPRIATED FUND BALANCE**

## **RECOMMENDATION:**

It is recommended that the City Council:

1. Find that the leasing of 199 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 enter a lease agreement with 199 S. Los Robles, LLC., Sand 199 Los Robles, LLC. and Robles SM, LLC. in an amount not to exceed \$702,578 for the office space located at 199 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; and
3. Amend the Housing Department's Fiscal Year (FY) 2025 Operating Budget by appropriating \$709,488 from the General Fund's unappropriated fund balance for lease costs of \$169,488 and for tenant improvements, relocation, and moving costs of \$540,000.

### **FINANCE COMMITTEE RECOMMENDATION:**

This agenda item is to be considered by the Finance Committee at its meeting on December 16, 2024. The Committee Chair will report on the actions taken.

### **BACKGROUND:**

The Housing Department has operated its office at 649 N. Fair Oaks Avenue, Suite 202 as a tenant since August 2004, leasing space from property owner Pasadena Commercial Development Company, LLC. The original lease agreement terminated on August 31, 2024, and the Department is currently on a month-to-month lease. Located within the Renaissance Plaza shopping center, the class "C" office space has presented a number of challenges to the Department over the past years including: pest control, roof leaks, and other property maintenance issues. As a result of the challenges staff sought other possible relocation office space. Fifteen (15) properties were considered, of which eleven (11) were located within northwest Pasadena and four (4) in other locations in Pasadena.

The properties located in northwest Pasadena were deemed by staff to be inadequate for various reasons: the available space was too small or too large; the lease cost was too expensive; accessibility was lacking (no elevator); demolition of the building was required in order to provide office space; timing issues causing delay in occupancy; unsuitable property type (industrial); and location was too far away (not in northwest).

Three (3) of the four (4) properties located in other areas of Pasadena were eliminated for the following reasons: cost prohibitive; property owner unwilling to provide tenant improvement concessions; property owner not motivated to move in a timely manner; and the space was not suitable for co-location by the Housing and Rent Stabilization departments. The fourth property, located at 199 S. Los Robles Avenue, is recommended by staff because it meets most of the Department's criteria:

- Adequate space totaling 7,588 sf compared to the Department's current location with 6,266 SF of office space (for 22 FTEs) plus 572 SF of storage space
- Lobby/waiting area, public counter, conference rooms
- Accommodate visitors and meetings with clients
- ADA-accessible
- Ample parking for visitors and staff
- Location served by public bus transportation
- Opportunity to design tenant improvements to provide better customer service, facilitate better workflow, and enhance staff safety

The Rent Stabilization Department has been operating at this property since November 2024. There are co-location benefits if the Housing Department were also to operate here such as:

- City departments that provide housing-related services can be found within the same building
- Crossover in clients served
- Ease of customer referrals to respective departments
- Intersection of programmatic responsibilities (e.g., affordable housing goals and tenant protections under the Pasadena Fair & Equitable Housing Charter Amendment)

**Proposed Lease Terms:**

- Begin on January 1<sup>st</sup>, 2025
- 36-month term
- Would be co-terminus with the City’s other off-site office leases
- Align with the City’s Facility Needs Assessment goals to consolidate all departments
- Landlord will provide 3 months base rent abatement for month 2 through 4 equaling \$63,739
- Provide an additional \$21,729 in lieu of the Tenant’s broker commission

The proposed effective lease rate is \$2.03 per square foot for 7,588 total square feet. The effective rate was calculated by starting with a proposed rate of \$2.80 per square foot, then subtracting the lease incentives provided by the landlord (three months rent abatement, real estate commissions rebate applied towards rent) and then subtracting the TI allowance. The proposed effective rental rate (\$2.03/SF) is the same as the effective rate for Risk Management’s lease and lower than the market rental rate (>\$3.00/SF).

**Table 1: Summary of Base Rent for 199 S. Los Robles Ave. Suite 405**

	Year 1	Year 2	Year 3	Year 4	Year 5	
Category	Month 1-12	Month 13-24	Month 25-36	Month 37-39		Total
Gross Rent	\$ 254,957	\$ 262,606	\$ 270,484	\$ -	\$ -	\$ 788,046
<b>LANDLORD CONCESSIONS</b>						
Less Rent Abatement	\$ 63,739	\$ -	\$ -	\$ -	\$ -	\$ 63,739
Less RE Commissions	\$ 21,729	\$ -	\$ -	\$ -	\$ -	\$ 21,729
Net Base Rent	\$ 169,488	\$ 262,606	\$ 270,484	\$ -	\$ -	\$ 702,578

The landlord will provide tenant improvement allowance of \$125,000, for tenant-designed office improvements.

**Table 2: Summary of Tenant Improvement for 199 S. Los Robles Ave. Suite 405**

	Year 1	Year 2	Year 3	Year 4	Year 5	
Category	Month 1-12	Month 13-24	Month 25-36	Month 37-39		Total
TI Allowance	\$ 125,000	\$ -	\$ -	\$ -	\$ -	\$ 125,000



**Table 3: Summary of Effective Rate for 199 S. Los Robles Ave. Suite 405**

		<b>Base Rent</b>	<b>Contract</b>
		\$ 788,046	\$ 2.80
	<b>Seller Concessions</b>	<b>Adjusted Base Rent</b>	<b>Effective Rate</b>
<b>Rent Abatement</b>	\$ 63,739	\$ 724,307	\$ 2.57
<b>RE Commissions</b>	\$ 21,729	\$ 702,578	\$ 2.49
<b>TI Allowance</b>	\$ 125,000	\$ 577,578	<b>\$ 2.03</b>

In addition to the Base Rent, the Department will pay its pro rata share of the building’s operating expense increases above the base year of 2025, and parking costs at prevailing rates for the building, currently at \$105 per parking spot at an estimated annual cost of \$27,720 for the 1<sup>st</sup> year, to be paid by the departments operating budget. However, nearby city-owned parking garages may also be used to support the department's employee and client needs. Relocation and moving costs are currently estimated to be approximately \$540,000.

**COUNCIL POLICY CONSIDERATION:**

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

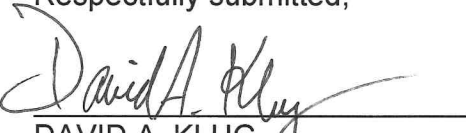
**ENVIRONMENTAL ANALYSIS:**

Entering into a lease at 199 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 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 cost of this action will be an amount not to exceed \$1,242,578 over a 36-month term. It is anticipated that \$709,488 will be expended during the current fiscal year for lease costs of \$169,488 and for tenant improvements, relocation, and moving costs of \$540,000; therefore, the Housing Department's FY 2025 Operating Budget will be amended by appropriating \$709,488 from the General Fund's unappropriated fund balance. The remaining cost of the lease agreement (\$533,090) will be budgeted in future fiscal years.


Respectfully submitted,

  
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