

Agenda Report

June 3, 2024

TO: Honorable Mayor and City Council

FROM: City Manager

SUBJECT: **AUTHORIZE THE CITY MANAGER TO ENTER A FORTY-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 #350, IN AN AMOUNT NOT TO EXCEED \$774,147 FOR THE RENT STABILIZATION DEPARTMENT**

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 the amount not to exceed \$774,147 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.

BACKGROUND:

The Rent Stabilization Department was created in December 2023 to support the Pasadena Rental Housing Board duties to regulate rent increases on certain rental properties in the city, provide eviction protections, and carry out the other duties set forth in the Pasadena Fair & Equitable Housing Charter Amendment (Charter Amendment) approved by Pasadena voters in November 2022.

The new Rent Stabilization Department needs approximately 6,000 usable square feet of space for 22 staff and multiple conference rooms sized for public hearings and client consultations. Additional requirements include sufficient parking, a lobby, a break room, and storage needs.

Proposed Terms:

The proposed lease would start on July 1st, 2024, for a term of 40 months. The proposed lease would become co-terminus with the City’s other Department leases to 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 \$63,104, plus an additional \$34,885 in lieu of the Tenant’s broker commission.

Table 1: Summary of Base Rent for 199 S. Los Robles Ave. Suite 350

Category	07/2024-06/2025	07/2025-06/2026	07/2026-06/2027	07/2027-11/2027	Total
Gross Base Rent	\$ 252,417	\$ 259,990	\$ 267,789	\$ 91,941	\$ 872,137
Landlord Concessions					
Rent Abatement	\$ (63,104)	\$ -	\$ -	\$ -	\$ (63,104)
RE Commissions Rebate	\$ (34,885)	\$ -	\$ -	\$ -	\$ (34,885)
Net Base Rent	\$ 154,427	\$ 259,990	\$ 267,789	\$ 91,941	\$ 774,147

The landlord will provide tenant improvement allowance of \$122,113, for tenant-designed office improvements.

Table 2: Summary of Tenant Improvement for 199 S. Los Robles Ave. Suite 350

Category	Year 1	Year 2	Year 3	Year 4 (Partial)	Category Total
TI Allowance	\$ (122,113)	\$ -	\$ -	\$ -	\$ (122,113)

The proposed effective lease rate is \$2.13 per square foot for 7,649 total square feet. The effective rate was calculated by starting with a proposed rate of \$2.75 per square feet, then subtracting the lease incentives provided by the landlord (3 months’ rent abatement, real estate commissions rebate applied towards rent and then subtracting the TI allowance.

Table 3: Summary of Effective Rate for 199 S. Los Robles Ave. Suite 350

	Base Rent	Contract Rate	
	\$ 872,137	\$ 2.75	
	Seller Concessions	Adjusted Base Rent	Effective Rate
Rent Abatement	\$ (63,104)	\$ 809,032	\$ 2.64
RE Commissions Rebate	\$ (34,885)	\$ 774,147	\$ 2.53
TI Allowance	\$ (122,113)	\$ 652,034	\$ 2.13

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 2024, and parking costs at posted rates. However, nearby city-owned parking garages may also be used to support the department’s employee and client needs.

COUNCIL POLICY CONSIDERATION:

The 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 estimated cost of this action will be \$774,147 over 40 months. Funding for this action will be addressed by utilizing budget appropriations in the Rent Stabilization Fund (689). It is anticipated that \$154,427 will be spent during the upcoming FY2025 fiscal year. The remainder of the cost, \$619,720, be spent over fiscal years FY2026 through FY2028.

Respectfully submitted,



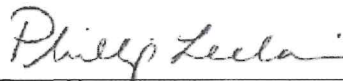
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