

Agenda Report

February 10, 2025

TO: Honorable Mayor and City Council

FROM: City Manager

SUBJECT: AUTHORIZE THE CITY MANAGER TO ENTER INTO A SIXTY-FOUR MONTH WAREHOUSE LEASE AGREEMENT WITH RIF-VINEDO, LLC., FOR THE PREMISES LOCATED AT 125 NORTH VINEDO AVENUE, IN AN AMOUNT NOT TO EXCEED \$8,674,194 FOR THE WATER AND POWER DEPARTMENT

RECOMMENDATION:

It is recommended that the City Council:

1. Find that the leasing of 125 North Vinedo 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 into a sixty-four-month lease agreement with RIF-VINEDO, LLC., in the amount not to exceed \$8,674,194 for the warehouse space located at 125 North Vinedo 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:

Over the next several years, Pasadena Water and Power ("PWP") will have increased needs for warehouse space, office space and parking. PWP will initiate several multi-year projects over the next one to two years, including the "Path 2" sub-transmission project and the Advanced Metering Infrastructure ("AMI") Project, both of which will require warehouse space beyond the capacity of PWP's existing facilities. The AMI Project will also require additional office space to house contractors. Construction on the Sunset Reservoir Project will displace numerous employee parking spots, occasioning the need for substitute parking.

PWP's City Yards are beyond capacity serving PWP's day-to-day operations. Previously available areas at the PWP's City Yards to store and prep equipment for transport and installation is currently being utilized by Department of Transportation for EV bus charging and Public Works vehicle parking. PWP crews would not have adequate space to work, which creates potential hazards on the site. Outdoor storage is also not practical or ideal since these items are highly attractive to vandals and burglars and are at great risk of degradation if stored outside. Indoor storage is to capacity and not available at the PWP's City Yards for any additional materials. The value of the inventory to be stored over the next several years will exceed an estimated \$50 million, with a risk of great loss without additional indoor storage capacity.

The lack of current space to store project inventory could delay procurement of that inventory, risking inflationary cost increases and exacerbating order fulfillment turnaround times due to existing supply chain issues. Some vendors offer to store purchased items temporarily, but this service comes at a high retail cost. It also means PWP's purchased items would remain out of its custody and control for weeks or months after purchase.

PWP staff has evaluated the only two available properties for lease in Pasadena larger than 20,000 square feet. Additional alternatives outside of Pasadena were considered, but PWP would incur additional commuting costs such as additional wages and fuel.

The warehouse at 125 North Vinedo Avenue is most suitable for PWP's needs. It is centrally located in Pasadena, and it is accessible by local freeways and arteries. The Vinedo warehouse is recently-renovated, it is a standalone 48,520 square-foot warehouse building that includes 3,748 square feet of office space, and up to 75 available parking spots. The owner of the property, RIF-VINEDO, LLC, has expressed its interest in leasing to the City for a 64-month term beginning March 1, 2025. The Vinedo warehouse is the only property available on the market in Pasadena that will accommodate PWP's needs for indoor storage of various items, including AMI meters and large cable spools. This property possesses the necessary space and height requirements for handling and storing the proposed inventory. The site also includes office space that PWP can utilize for its AMI contractors and warehouse staff, and parking spaces to help offset many of the spaces that will be displaced by the upcoming activity at the Sunset facility.

Aside from these considerations, the Vinedo warehouse offers a renovated, open-plan office space with a break room, conference center, and restrooms. The office space obviates the need to find office space its IT contractors and PWP staff assigned to these projects.

During the Sunset Project, PWP will lose access to over 90 parking spots. Replacing these spots with commercial garage spaces will cost upwards of \$9,000 per month. The Vinedo warehouse will be able to provide substitute space for at least half of the displaced parking spots while accommodating parking for staff and contractors based at the Vinedo location.

Proposed Terms:

The proposed lease would start on March 1st, 2025, for a term of 64 months ending on June 30, 2030.

Landlord will provide 4 months' base rent abatement for month 2 through 6 equaling \$423,094 plus an additional rent abatement of \$274,756 in lieu of the Tenant's broker commission.

The landlord will provide tenant improvement allowance of \$300,000, for tenant's improvements to the warehouse and office space, with any unused amount being provided as a rental credit.

The proposed monthly effective base rental rate is \$1.86 per square foot for 48,520 total square feet. The effective rate was calculated by starting with a proposed contract rate of \$2.18 per square feet, then subtracting the lease incentives provided by the landlord (4 months' rent abatement), real estate commissions rebate applied towards rent, subtracting the TI allowance.

In addition to the monthly effective base rental rate of \$1.86 per square feet, the Water and Power Department will pay its the building's operating expense estimated at \$0.24 for FY25 with annual increases currently unknown but estimated at 3.5% annual increases and a monthly management fee of 2.0% of gross monthly base rent. After adding the management fee and estimated operating costs the actual monthly rental rate is \$2.16 per square foot.

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 125 N. Vinedo 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 \$8,674,194 over 64 months, including a 15% contingency of \$1,131,417. Approval of the recommended action will amend the Pasadena Water and Power FY 2025 Operating Budget by appropriating \$184,395 from the unappropriated fund balance of the Power Operating Fund 401 and Water Operating Fund 402. The remainder of the cost, \$8,489,799 will be spent over fiscal years FY2026 through FY2030. Future contract costs will be budgeted as part of the Department's annual operating budget. There is no impact to the General Fund.

Respectfully submitted,




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