

TO: James L. App, City Manager
FROM: Jim Throop, Director Administrative Services
SUBJECT: Annex Lease Extension
DATE: March 20, 2012

NEEDS: For City Council to approve lease extension for the City Hall Annex.

- FACTS:
1. The City entered into a lease agreement in August 2007 to lease approximately 4,500 square feet of office space.
 2. The lease allowed Administrative Services and the Information Technology (IT) department to share a common building.
 3. The IT department had been leasing office space on 10th Street due to lack of space in City Hall.
 4. City Hall does not have enough space to house all of the City staff, files, equipment, etc..
 5. An analysis was done to look at different possibilities for housing City employees.
 6. The current Annex lease requires that the City give a minimum of 120 days notice to the landlord on whether it plans to utilize the first of three two-year extensions.

ANALYSIS &

CONCLUSION: The City Hall floor space encompasses approximately 10,000 sq. ft, but after netting out the space for walkways, offices, closets, restrooms, etc. there is approximately 3,200 sq. ft. which is not enough space to house all of the employees, their files, equipment, etc.

The City Hall Annex is large enough to house both the Administrative Services and IT allowing for better access to the public for paying utility bills, business licenses and other services.

An analysis was done to look at whether all city staff could move back to City Hall, or possibly another City owned building (see attached). Three options were evaluated, but none presented cost savings. Rather each would be substantially more costly (options 2 and 3) or physically not possible (option 1).

Current rental costs in the downtown corridor, for a similar building, range \$1.25/sq. ft. to \$1.75/sq. ft.. Current rent for the Annex is approximately \$1.51/sq. ft..

POLICY

REFERENCE: City Fiscal Policy – Live within our means

FISCAL

IMPACT: The rent for the annex is part of the approved budget so there is no additional impact on the General Fund. A portion of the rent is also distributed to the Enterprise funds for their share of the costs.

OPTIONS: For the City Council to:

(A) Adopt Resolution No. 12-xxx approving the two-year lease extension for the City Hall Annex; or

(B) Amend, modify or reject above option.

Attachments:

1. City Hall Annex Analysis Memo

To: Jim App, City Manager
From: Jim Throop & Dave McCue
Subject: City Hall Annex Analysis

Date:

This memorandum serves to provide options for the City Hall Annex.

Overview

The City entered into a lease with *Murphy Santa Maria, LLC* (Landlord) on August 7, 2007 to rent a 4,500 square foot portion of its building (Annex), for a five (5) year period, with an option to extend the lease for three (3) two-year periods.

The Annex office space was large enough to accommodate both the Administrative Services and Information Technology staff, equipment and storage/repair areas. Previously, Information Technology was not part of City Hall; rather it had been leasing office space on 10th Street.

Prior to move-in, the Annex office was just a large open floor building. Tenant improvements such as offices, conference rooms, break room, etc. needed to be constructed. As well as moving all of the fiber optic cabling and other IT infrastructure.

The total cost for the Tenant Improvements, IT infrastructure, furniture and equipment was approximately \$620,000.

The initial lease period (five years) ends August 2012. Per the lease agreement, should the City decide to accept the first of the three two-year extensions, the landlord must be notified at least 120 days before the end of the lease period.

The following options have been investigated.

OPTIONS

1. Accept lease extension for first two-year period.
2. Move all Annex staff, plus two Public Works employees back to City Hall.
3. Move General Fund staff back to City Hall and Utility Billing staff to another City-owned building.

Option 1 – Accept Lease Extension

- This option allows for business as usual. No interruption of business, no additional costs for rehab of City Hall office space and no loss of sunk costs (\$620,000) from the remodel of the Annex.

- The annual lease cost would continue to be approximately \$78,000/year plus \$20,000/year in Common Area Maintenance (CAM) charges. This is approximately \$1.44/square foot for rental costs.
- Current rental costs in the downtown corridor, for a similar building, range from \$1.25/sq. ft. to \$1.75/sq. ft. The Annex rental cost is within this market range.
- Annex space is sufficient for current staff and the potential hiring of replacements for those positions lost during the recession.

Option 2 – Move all Annex Staff to City Hall

- Move 17 Administrative Services, Information Technology and Public Works staff back to City Hall.

Issues on Moving Back to City Hall

- Limited Space
 - Net available space in City Hall is 3,200 sq. ft., which is not enough for all staff.
 - Eight (8) hard-walled offices required, only five (5) offices exist.
 - Thirty (30) cubicles would be required for all the city staff, but only 22 cubicles exist.
 - Storage space for all of the departments is deficient. Increasing storage space by removing cubicles is not possible to due to lack of space for employees.
 - Information Technology requires a substantial work area for imaging, staging and repairing computers and other technology-related devices.
 - Electrical system may not be sufficient for IT computer repair/imaging. Additional electrical work may be needed.
 - No space available for additional employees, such as inspectors, should the building industry begin to grow.

Additional Costs

- New cubicles. The current cubicles are no longer produced nor are replacement parts available. New cubicles will cost approximately \$30,000, but this does not include removal and disposal of current cubicles.
- New Carpet – The current City Hall carpet is approximately 17 years old and is worn out. Repairs have repeatedly been made to it due wear and tear. Approximate cost is \$50,000. This assumes all office furniture/cubicles/etc. are removed.
- Utilities – City Hall utility costs (electric, gas, water) are estimated to be an additional \$12,000/year, due to increased staffing of office.

- Storage cost – Furniture currently being used in the Annex will need to be stored as it will not work (not compatible) with current City Hall furniture/cubicles. Currently, there is no City storage space available that will allow for proper storage of the furniture. A rental unit(s) will be needed. Due to amount of furniture, this may be approximately \$600 to \$1,000/month, or \$7,200/year to \$12,000/year depending on size and number of storage units required.
- Utility Billing Counter – A utility billing counter will need to be constructed where the current City Clerk desk is located. Estimated cost is approximately \$10,000.
- Misc. Costs – There will most likely be some additional electrical costs due to a need for more power for IT. Does not include how to continue business-as-usual when replacing carpet and cubicles.

Option 3 – Move General Fund Staff to City Hall & Utility Billing Staff to another City-owned building

- There are currently no other City-owned buildings that could house Utility Billing staff.
- There is the possibility of constructing office space at the new Wastewater Treatment Plant, but it would not be a safe or conveniently located office for customers to make utility payments.
- This possible new office space would require the architect/engineer of the treatment plant to evaluate if there is enough room at the new plant to add the needed office space.
- Cost for an additional 4,000 sq. ft. office space is approximately \$1,600,000, but does not include the furnishings/equipment or technology infrastructure.
- Splitting the AS staff would require the hiring of a supervisor and possibly an additional billing clerk in order to have proper staffing coverage.

Conclusion

- Rent for the Annex falls in middle of the range for rentals of similar location and type of building and no interruption in business.
- Due to lack of space at the City Hall, housing the current seventeen (17) additional employees is not physically possible.
- Moving only General Fund staff to the City Hall and Utility Billing to another City-owned building is not possible as there are no other City-owned buildings capable of housing the UB staff.
- Moving staff back to City Hall, assuming it may be possible, allows no room for additional staff, such as building inspectors, should the economy turn around.

Recommendation

- Accept the first of the three two-year lease extensions.

RESOLUTION NO. 12-xxx

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF EL PASO DE ROBLES
APPROVING THE LEASE EXTENSION FOR THE CITY HALL ANNEX

WHEREAS, the City entered into a lease for the City Hall Annex in August 2007 due to space limitations; and

WHEREAS, the five-year lease included three two-year extensions, if a 120-day notice is given to the landlord, and

WHEREAS, no other current leasing or building options exist that would allow for a cost-savings to the City,

THEREFORE BE IT HEREBY RESOLVED by the City Council of the City of El Paso de Robles that the two-year lease extension is approved.

PASSED AND ADOPTED by the City Council of the City of El Paso de Robles this 20th day of March 2012 by the following vote:

AYES:
NOES:
ABSTAIN:
ABSENT:

Duane Picanco, Mayor

ATTEST:

Caryn Jackson, Deputy City Clerk