

*Agenda Item No. 11*

**SACRAMENTO LOCAL AGENCY FORMATION COMMISSION**

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**June 1, 2011**

**TO:** Sacramento Local Agency Formation Commission  
**FROM:** Peter Brundage, Executive Officer  
**RE: Renewal of Office Lease**

**RECOMMENDATION**

Authorize the Executive Officer to execute an agreement for renewal of the office lease for a five (5) year term commencing September, 2011 through August, 2016 subject to review and approval of Commission Counsel.

**DISCUSSION**

Sacramento LAFCo entered into a ten (10) year lease for office space commencing September, 2001. The lease will expire on August 31, 2011. Staff is proposing that the Commission renew the lease for a term of five (5) years commencing on September, 2011. The office lease is located at 1112 I Street, Suite 100. The building is owned by the Special District Risk Management Association. The five year term is recommended in light of on-going economic conditions.

**Proposed Terms and Conditions**

Term: 5 years  
Area: 2,291 square feet (includes 236 square feet of common area)  
Year 1 Rate: \$3,860 per month or \$1.68 per square foot  
Annual Increase: \$.03 per square foot (< 2%)

The proposed lease rate includes one month free rent every year. The monthly rate has been reduced to reflect the free month. (Note: payments will be made for twelve

months). The proposed lease also includes three (3) parking spaces of which one is free. The monthly rate is \$120 for each space or \$.10 per square foot per month. The original lease provided for four (4) parking spaces.

Standard Common Area Maintenance (CAM) charges are included in the base costs of the proposed lease based on current CAM costs. The proposed lease may be subject to increases in the annual CAM charges, however, during the last several years there has not been any assessments for CAM charges. LAFCo was not subject to CAM charges except for electricity related to the existing lease.

Based on current market rates, the proposed lease for the first year represents a reduction of approximately 43 percent in our current annual lease payments as shown in the following table:

<b>Comparison of New Lease to Old Lease</b>					
<b>Year</b>	<b>Current Lease</b>		<b>Proposed Lease</b>		<b>Monthly Savings</b>
	<b>Monthly</b>	<b>Per square foot</b>	<b>Monthly</b>	<b>Per square foot</b>	
1	\$5,399	\$2.61	\$3,860	\$1.68	\$1,539
2	5,399	2.61	3,929	1.71	1,470
3	5,399	2.61	3,997	1.74	1,402
4	5,399	2.61	4,074	1.78	1,325
5	5,399	2.61	4,143	1.81	1,256

Estimated Annual Savings:

<b>Estimated Annual Savings</b>			
<b>Old Lease (1)</b>	<b>New Lease</b>	<b>Estimated Annual Savings</b>	<b>Per Cent Reduction</b>
\$66,088	\$46,320	\$19,768	42.67%
66,088	47,148	18,940	40.17%
66,088	47,964	18,124	37.78%
66,088	48,888	17,200	35.18%
66,088	49,716	16,732	32.93%
330,440	240,036	90,404	37.66%

Note (1): The existing lease payment includes an annual service charge of \$1,300 for Sacramento County Real Estate Administrative Charge. This charge is being eliminated.

The proposed lease for FY 2011-12 is actually below our monthly lease payment in FY 2001-02 by \$417.

<b>Comparison of Original Lease Terms with Proposed Lease Terms</b>			
<b>Year</b>	<b>2001-02</b>	<b>2011-12</b>	<b>Reduction</b>
<b>Monthly Rate</b>	\$4,277	\$3,860	\$(417)

**Relocation Costs**

Moving Costs have been estimated at \$2.50 per square foot or \$7,500. This amount does not include installation and transfer of telecommunication systems to maintain connectivity to our current phone system and computer server.

This cost if amortized over the term of a five year lease would increase the lease costs as follows:

<b>Impacts of Relocation Costs on Lease</b>	
Total Cost	\$7,500
Annual Cost	\$1,500
Monthly per Square Foot Cost	\$.06

**Conclusion**

I believe the proposed lease represents the current market conditions and will result in significant cost savings as shown in the tables above. I recommend that the Commission approve the lease terms and conditions and authorize the Executive Officer to execute the lease agreement, subject to review and approval by Commission Counsel. The proposed lease agreement is a standard industry form.

Respectfully Submitted;

**SACRAMENTO LOCAL AGENCY FORMATION COMMISSION**

Peter Brundage,

  
Executive Officer