



OFFICE OF THE
CITY MANAGER

CITY OF SACRAMENTO
CALIFORNIA

February 21, 1991

CITY HALL
ROOM 101
915 I STREET
SACRAMENTO, CA
95814-2684

916-449-5704
FAX 916-449-8618

Budget and Finance Committee
Sacramento, California

Honorable Members in Session:

SUBJECT: First Amendment to City Agreement 90-130, 926 J Street Building Office Lease

SUMMARY

This report recommends that the City Council adopt the attached resolution that authorizes the City Manager to execute the attached amendment to City Agreement 90-130 (lease of third floor office space in 926 J Street building).

BACKGROUND

On August 14, 1990, the City Council authorized the City Manager to execute a lease agreement for approximately 8,582 square feet of office space on the third floor of the 926 J Street building. The lease was to provide office space for the City Treasurer, Department of Finance (Risk Management), and the Data Management Department (Training). The lease envisioned limited tenant improvements to be provided by the owner (\$43,000) and an occupancy date of October 1, 1990. Following the execution of the lease, the owner began eviction of the remaining tenants and presented detailed floor plans for final City approval. City staff placed orders for furnishings to be delivered by the anticipated October 1, 1991 occupancy date.

Unfortunately, City review of the detailed floor plans disclosed that the floor plan, as envisioned, was not functional and that the electrical and mechanical systems could not facilitate the planned City use. In addition, the cost of the improvements to alleviate these problems triggered the need to upgrade the restrooms for handicap access. The tenant improvements required for City occupancy totaled \$125,000 based upon three competitive bids solicited by the owner. City Building Inspections has reviewed and approved the plans. Pursuant to the terms of the lease, the City was responsible for the additional \$82,000.

City staff approached the owner to renegotiate the lease terms. Following several discussions, the owner agreed to amend the lease as follows:

1. Provide all the City tenant improvements identified as of January 1, 1991 for an additional \$75,000 payable in two installments; and
2. Provide the City with two additional one-year options to extend the lease.

FINANCIAL DATA

The negotiated lease amendments provide the City with the best resolution of a difficult dilemma. The City is in dire need of adequate office space. Anticipating City Council approval, the owner has begun work on the requested improvements. The 926 J Street space can be available by mid-March 1991, remodeled to suit the City's needs. The City's cost of the additional tenant improvements adds the equivalent of approximately .16 monthly per square foot of usable space, for a total of \$1.31 per square foot of usable space. The \$1.31 is lower than the other suitable available space which range in cost between \$1.35 and \$1.65 monthly per square foot of usable space and would require a 90 to 120 day lead time of occupancy.

Due to the delay in occupancy, the City will save five and one-half months of rent totalling \$54,281. The remaining \$20,719 is available from savings resulting from lowering-than-budgeted furnishings costs and a project contingency. No additional appropriations are required.

POLICY CONSIDERATIONS

The recommendation contained herein is consistent with City policy to provide for the office needs of City departments classified as general government within the area referred to as the Civic Center Complex in close proximity to City Hall at competitive market rates or lower.

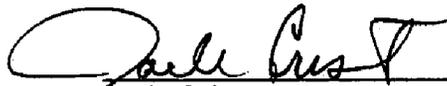
MBE/WBE EFFORTS

Not applicable.

RECOMMENDATION

It is recommended that the Budget and Finance Committee approve the adoption of the attached resolution that authorizes the City Manager to execute the attached amendment to City Agreement 90-130 (lease of third floor office space in 926 J Street building).

Respectfully submitted.



Jack Crist
Deputy City Manager

Approved:


Walter J. Slipe, City Manager

Contact Person to
Answer Questions:

Michael L. Medema, Assistant
City Treasurer
449-5168

February 26, 1991
District 1

RESOLUTION NO.

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF _____

**RESOLUTION AUTHORIZING THE CITY
MANAGER TO EXECUTE THE ATTACHED
AMENDMENT TO CITY AGREEMENT 90-130**

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SACRAMENTO:

The City Council hereby authorizes the City Manager to execute the attached amendment to City Agreement 90-130 between the City and the 926 J Street Partnership for the lease of approximately 8,852 square feet on the third floor of the 926 J Street building to serve as office space for various City departments.

MAYOR

ATTEST:

CITY CLERK

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____



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Recommendation Approved:


Walter J. Slipe, City Manager

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