



CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: March 6, 2012

TO: Mayor and Councilmembers

FROM: City Attorney's Office

SUBJECT: Introduction Of Ordinance For Lease Of City Attorney Office Space At 740 State Street

RECOMMENDATION:

That Council introduce and subsequently adopt, by reading of title only, An Ordinance of the Council of the City of Santa Barbara Authorizing the City Attorney to Execute Amendment No. 3 to Agreement No. 16,332 with BDC Management, as Agents for the Owners, to Extend the Term of the Lease for the City Attorney's Office at 740 State Street, Suite 201, from February 1, 2012, to July 31, 2017.

DISCUSSION:

On December 10, 1991, the City Council authorized the City Attorney's office to enter into a lease with De La Guerra/State Street Partners for the use of approximately 3600 square feet of office space in what is known as the De La Guerra Building at 740 State Street. The "triple net" real property lease was approved by Council's adoption of Ordinance No. 4732 and the City Attorney's staff was relocated out of City Hall and across De La Guerra Plaza into their present offices.

The initial term of the lease was for a period of ten (10) years beginning in July 1992, and ended in July 2002. In 1999, the lease was amended to provide an option to extend the term of the lease for two additional periods of five (5) years each, or until July 31, 2012.

The City Attorney's office has recently negotiated with the firm managing the building for the owners, regarding another lease extension. The owners have recently agreed to offer to extend the term of the existing lease by five (5) years - i.e., until August of 2017 and to reduce the monthly rent to reflect the current Santa Barbara market rent levels for second floor commercial office space. This results in a per square foot rent reduction for the City of \$3,476.54 on a monthly basis. In addition, the property owners also offered to reduce the monthly "common area maintenance" ("CAMS") by

approximately 20 cents per square foot and to provide a one-time tenant improvement allowance of \$36,000 so long as the allowance is used to make improvements and upgrades to the leasehold. In addition, the proposed amendment also grants the City a unilateral option to extend the lease an additional (3) three years, so long as the City provides written notice of its decision to extend prior to April 2017. Otherwise, the terms for the amendment will provide for the same terms and conditions as the original 1999 lease extension including a two percent (2%) annual rent increase; otherwise, the lease amendment continues all of the existing terms and conditions of the current lease.

BUDGET/FINANCIAL INFORMATION

The new estimated FY 2013 common area maintenance (CAM) expenses under the lease are \$30,441.60 on an annual basis. This CAM cost breaks down as \$2,536.80 per month or \$0.70 per square foot per month. The base rent for the City Attorney's office space will be \$8,516.40 a month calculated by the approximate square footage which is 3,624 square feet x \$2.35 per square foot. As a result, the reduction in rent and CAMS will be about \$4,000 per month. No budget appropriation is needed at this time, as the City Attorney's office has budgeted for a higher rent amount and for an adjustment of 2 percent each year of the lease extension.

PREPARED BY: City Attorney's Office
SUBMITTED BY: Stephen P. Wiley, City Attorney
APPROVED BY: City Administrator's Office