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Title: Approve the second amendment to a lease for the Construction Management Division office located at 1721 Van Ness Avenue (Council District 3)

Sponsors: Public Works Department

Indexes:

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Attachments: 1. Construction Management Lease Agreement .pdf

Date	Ver.	Action By	Action	Result
11/3/2016	1	City Council	approved	Pass

REPORT TO THE CITY COUNCIL

November 3, 2016

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Public Works Department

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Public Works Department

SUBJECT

Approve the second amendment to a lease for the Construction Management Division office located at 1721 Van Ness Avenue (Council District 3)

RECOMMENDATION

It is recommended that the City Council approve the amended lease agreement for the Construction Management Division (CMD) office located at 1721 Van Ness Avenue and authorize the Public Works Director or designee to execute the lease agreement on behalf of the City.

EXECUTIVE SUMMARY

On December 7, 2004, Council approved an amended lease agreement for the Construction Management Division for office space at 1721 Van Ness Avenue in downtown Fresno. The lease is scheduled to expire at the end of the year.

Staff has negotiated a new seven year lease with the property owner for the same location. Currently, the price is \$1.10 per square foot. The new lease will begin in the first year at \$1.13 per square foot and in the seventh year the cost will be \$1.28 per square foot. Should a more favorable opportunity present itself in the future, there is an “opt out” clause that can terminate the lease without penalty. The City can exercise this option on August 1, 2017.

BACKGROUND

The Construction Management Division is currently in a lease for office space at 1721 Van Ness Avenue in Downtown Fresno. The Construction Management Division provides the City with Capital Inspection, Subdivision Inspection, regulation of street work permits and City Surveying services. There are currently 41 budgeted positions.

The needs of the Construction Management Offices require the space for 30 City vehicles, 37 private vehicles and as many as 30 additional vehicles during large meetings. The public counter can accommodate daily visitors of approximately 25 per day. The meeting room can accommodate up to 50 people for preconstruction meetings that occur often during each month.

The leased office space has 10,500 square feet of space, furnished office cubicles and a 32 stall fenced parking lot. The original lease was approved by City Council on December 7, 2004 to relocate the Construction Management offices out of the City Water Yard located at McKinley and University Avenues. The original lease was for 10 years. The original lease had an initial starting rate of \$1.43 per square foot and periodic rate increases of \$0.10 per square foot.

Due to the economic turndown of the past few years, the cost for office space per square foot had dropped in price in the downtown area. At that time, the building owner agreed to a price reduction to keep the City as a tenant in their building. On June 7, 2012, Council approved an amendment to agreement with the property owner which lowered the City’s rental price from \$1.63 at the time of approval to \$1.00 per square foot beginning on July 1, 2012. The rate has since increased to \$1.10 per square foot.

The proposed lease rate for the first year is 51% less than City Hall tenants and approximately 19% less than the Municipal Service Center tenant costs. The first year’s rate of \$1.13 per square foot represents a very competitive rate for office space in the downtown area. Also, no suitable space currently exists in the City’s inventory to house this major division.

The lease agreement has been reviewed and approved as to form by the City Attorney’s Office.

Staff is recommending that the Council approve the new seven year lease and authorize the Public Works Director or designee to execute the lease agreement on behalf of the City.

ENVIRONMENTAL FINDINGS

By the definition provided in the California Environmental Quality Act Guidelines Section 15378 the award of this contract does not qualify as a project for the purposes of the California Environmental Quality Act.

LOCAL PREFERENCE

Local preference was not implemented because this action does not include the award of a construction or consultant contract.

FISCAL IMPACT

The Construction Management lease is paid for out of the operating budget of the Public Works Department. The lease expenses are incorporated in the City's Indirect Cost allocation which is all capital improvement projects funded by and managed by the Department.

Attachment:
Lease Agreement