



JUNE 10, 2010

AGENDA ITEM # 9.5

AMENDED LEASE AGREEMENT FOR OFFICE SPACE

Action Requested: Approve

Key Staff: Brian Williams, Executive Director

Recommendation

Authorize staff to execute an amended lease agreement for office space at 431 I Street in order to reduce the Authority's monthly lease payment.

Discussion

The STA has leased office space at 431 I Street since 2007. The lease term expires in 2012. For FY 2011, the monthly base rent rises to \$5,087.75 (\$2.35 per square foot). Staff has retained a commercial real estate broker specializing in tenant representation to negotiate an amended lease rate more representative of similar office leases in the downtown Sacramento area given the struggling commercial real estate market.

Thus far, the building owner has offered to reduce the lease rate to \$2.10 per square foot and to extend the lease term by 60 months. The lease rate would bump 5¢ per foot each year as it does under the current lease agreement. The most recent pending term sheet is attached hereto. Negotiations with the building owner are continuing and will likely conclude in the next few weeks, well before your Board's scheduled July 22nd Board meeting. Once a mutual agreement is reached, the building owner will want to execute the amended lease agreement as soon as possible.

Staff seeks authorization to execute an amended lease agreement—pending review by legal counsel—that calls for monthly lease payments during FY 2011 not to exceed \$4,550 (\$2.10 / sq ft) with a maximum annual bump of 5¢ per foot and a term extension of up to 5 years (60 months).

Attachment