

# SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

For Agenda of: July 27, 2006

TO: Board of Directors  
Sacramento Metropolitan Air Quality Management District

FROM: Larry Greene  
Air Pollution Control Officer / Executive Director

SUBJECT: Resolution to authorize the Air Pollution Control Officer to execute a lease renewal agreement with the State of California Workforce Investment Board

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## **Recommendation**

Staff recommends the Board approve the attached Resolution authorizing the Air Pollution Control Officer (APCO) to execute a lease agreement to replace the current lease with the State of California Workforce Investment Board (the State), which is set to expire August 31, 2006.

## **Background**

In early 2002, the District, with the Board's approval, completed the purchase of the building at 777 12<sup>th</sup> Street in Sacramento. At that time the building was fully occupied, with the District occupying the third floor, and two tenants occupying roughly equal halves of the second floor. Those same two tenants, still under lease, occupy the same space today. The lease to the State is set to expire August 31, 2006. The State desires to enter into a new lease agreement for the same space they currently occupy.

The Certificates of Participation issued to fund approximately 78% of the purchase price of the building require that the portion of the building funded by the issued certificates either be occupied by District staff or leased to a qualified public agency. Leasing to the State meets this requirement.

While the District could feasibly utilize some of the space occupied by the State if they were to vacate at the end of their current lease, there would remain a significant amount of space that would not be utilized. That extra space could potentially be leased to another tenant, however there would likely be several months where there the District would not be receiving rental revenues, and there would probably be significant tenant improvement costs to the District if and when a suitable tenant was found.

## **Lease Summary**

Tenant Agency: State of California, Employment Development Department - Workforce Investment Board

Term: Five years, starting September 1, 2006 and ending August 31, 2011, with an option to terminate after August 31, 2008

Square Footage: Approximately 8,380 net usable square feet

Rent: Payable at \$1.85 per usable square foot to increase by 3% per year. Annual rental revenue to the District will range from approximately \$186,000 at the beginning of the lease to approximately \$209,000 at the end of the lease

Tenant Improvements: The District will provide a carpet allowance not to exceed \$43,260, which is forfeited if not used by the State within the first two years of the new lease

Parking: District will make available up to 20 parking spaces for which passes may be purchased by Workforce Investment Board employees at the prevailing rate at the time. As of this writing, the rate is \$95 for a monthly parking pass

Renewal: The lease does not contain a guaranteed renewal option

## **Fiscal Impact**

It is in the District's best interest fiscally to maintain a fully occupied building. This new lease will ensure no gaps in tenancy and the first year rental revenues that will be generated have been anticipated in the District's FY06/07 budget. There are sufficient funds in the tenant improvement reserve to cover tenant improvements related to this new lease.

Respectfully submitted,

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Larry Greene  
Air Pollution Control Officer

Reviewed by:

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Kathrine Pittard  
District Counsel

**SACRAMENTO METROPOLITAN AIR QUALITYMANAGEMENT DISTRICT**

**AQMD Resolution No. \_\_\_\_\_**

**Whereas**, the District purchased the building at 777 12<sup>th</sup> Street in Sacramento, CA in early 2002, financing approximately 78% of the purchase through the issuance of Certificates of Participation; and

**Whereas**, the Certificates of Participation require that portion of the building funded by the certificates be occupied by District employees or leased to a qualified public agency; and

**Whereas**, the State of California Workforce Investment Board (State) meet the qualified public agency requirement; and

**Whereas**, the current lease with the State expires August 31, 2006; and

**Whereas**, the State wishes to execute a new five year lease for the same space; and

**Whereas**, it is in the District’s best interest fiscally to keep the building at full occupancy;

**Therefore, Be it Resolved** that the Board of Directors authorizes the APCO, in consultation with District Counsel, to negotiate and execute a new lease agreement with the State, to become effective September 1, 2006.

**On a Motion** by Director \_\_\_\_\_ and seconded by Director \_\_\_\_\_, the foregoing Resolution is passed and adopted by the Board of Directors of the Sacramento Metropolitan Air Quality Management District, State of California, the 27th day of July, 2006.

AYES           Directors  
NOES           Directors  
ABSENT       Directors

\_\_\_\_\_  
Chairperson, Board of Directors

(SEAL)

ATTEST. \_\_\_\_\_  
                  Clerk of the Board