TO: HONORABLE CITY COUNCIL
FROM: CITY MANAGER DEPARTMENT: ADMINISTRATIVE SERVICES
DATE: JUNE 5, 2006 CMR: 234:06

SUBJECT: AMENDMENT TO EXTEND THE LEASE AT 1003 ELWELL COURT TO COINCIDE WITH THE LEASE TERM AT 1007 ELWELL COURT

RECOMMENDATION
Staff recommends that Council authorize the City Manager to execute the attached Amendment No. 4 to the lease for 1003 Elwell Court. The amendment will extend the term of the 1003 Elwell Court lease for one additional year to coincide with the term of the lease for 1007 Elwell Court.

BACKGROUND
On July 13, 1998, staff provided to Council information on the space needs in the Civic Center complex (CMR: 307:98). A survey indicated that the "space deficit" in the Civic Center was approximately 21,000 square feet. At that time, Council was informed that the Utilities Engineering staff was desperately in need of additional workspace due to overcrowded conditions (CMR: 204:98).

At its July 13, 1998 meeting, Council approved leasing 9,202 square feet of space for the Utilities Engineering Division at 1007 Elwell Court near East Bayshore Road. In 2003, the Council approved amending the lease at 1007 Elwell Court to provide a location for the dark fiber engineers, water, gas and wastewater inspectors, and the utility library by leasing an additional 5,600 square feet at 1003 Elwell Court (CMR: 165:03). The lease for the 1007 Elwell Court space will expire on August 31, 2008 and the lease for 1003 Elwell Court on September 30, 2006.

DISCUSSION
The lease term for 1003 Elwell Court was limited to two years to coincide with the decision on whether to proceed with the Fiber-to-the Home project and was due to expire on March 31, 2005. Although the FTTH project has been discontinued, the telecommunications staff remains at the same level due to increased dark fiber business activity. In March of 2005, the lease was amended for a second time to provide for a six month extension, to September 30, 2005, and then was amended for a third time to provide for an additional year extension to September 30, 2006. This Fourth Amendment will now provide for an extension of the lease term to coincide with the expiration of the lease for the larger area at 1007 Elwell Court which is due to expire on August 31, 2008. All other terms and conditions of the original lease shall remain unchanged.
Staff is currently exploring the possibility of using Utilities Enterprise Funds to purchase property that would house all of the Utilities Engineering staff as well as most of the remaining Utilities staff currently located at the Civic Center. Utilities Operations staff will return to Council with a recommendation to either: 1) extend the leases for the 1007 and 1003 Elwell Court locations upon their expiration in August 2008 and explore the possibility of negotiating a more favorable rental rate; 2) or take advantage of the current economic situation to explore the option of purchasing a building for the Utilities Department.

**RESOURCE IMPACT**
The monthly rent ($7,328) and common area charges ($2,142) will remain at their current level of $9,420 per month for an annual cost of $113,640. The cost will be paid from the Electric, Gas, Water and Waste Water Fund budget.

**POLICY IMPLICATIONS**
The recommendation is consistent with existing City policies and supports the Utilities Strategic Plan.

**ENVIRONMENTAL REVIEW**
Leasing of existing office space involving no expansion of use is exempt from California Environmental Quality Act review pursuant to CEQA Guideline Section 15301.

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**ATTACHMENTS**
Attachment A: Fourth Amendment to Standard Industrial Lease