



DATE: January 8, 2024

TO: Honorable Mayor and Members of the City Council through City Manager

FROM: Denise M. Hill, Senior Administrative Assistant, Public Works & Utilities (PW&U)
Chelsea Green – Administrative Manager, PW&U
Gina Benedetti-Petnic, PE – Assistant Director of PW&U
Christopher J. Bolt, MPA, PE, CPM, ICMA-CM – Director of PW&U

SUBJECT: Adoption (Second Reading) of Ordinance No. 2874 N.C.S. Authorizing the City Manager to Enter into a Lease Agreement with Seamus Redwood, LP, for 13,408 Square Feet of Additional Office Space for Public Works and Utilities Administrative Offices at 1318 Redwood Way

RECOMMENDATION

It is recommended that the City Council adopt the attached Ordinance authorizing the City Manager to enter into a lease agreement with Seamus Redwood, LP, for 13,408 square feet of additional office space for Public Works and Utilities administrative offices at 1318 Redwood Way.

DISCUSSION

On December 18, 2023, the City Council unanimously approved the first reading, by a vote of 7-0, authorizing the City Manager to enter into a lease agreement for the administrative office at 1318 Redwood Way with Seamus Redwood, LP, for the Public Works and Utilities Department. Here is a link to the December 12, 2023, staff report for the introduction of the ordinance: <https://cityofpetaluma.primegov.com/api/compilemeetingattachmenthistory/historyattachment/?historyId=77805c45-7437-484c-9a00-5a4d65e1f1b9>.

Terms of the Lease-

Term – A 5-year and 6-month lease through July 31, 2029.

Full-Service Monthly/Yearly Rent Schedule:

- **Year 1:** months 1-6, \$0; months 7-12, \$13,408.00 per month, \$80,448 annual cost (\$1/SF/mo.)
 - **Year 2:** \$13,408.00 per month, \$160,896 annual cost (\$1/SF/mo.)
 - **Year 3:** \$20,782.40 per month, \$249,388.80 annual cost (\$1.55/SF/mo.)
 - **Year 4:** \$21,452.80 per month, \$257,433.60 annual cost (\$1.60/SF/mo.)
 - **Year 5:** \$21,989.12 per month, \$263,869.44 annual cost (\$1.64/SF/mo.)
- All rent is triple net, including all utilities and janitorial services five days per week, and trash and recycling collection; all common areas will be maintained and repaired (including, but not limited to, restrooms and lobbies). In addition, the owner will provide building system maintenance, including but not limited to electrical, lighting, plumbing, HVAC, roof, structural, landscaping, parking lot, and parking lights.
 - Total Average Effective Monthly Payment – Over the lease term of 5.5 years, the average monthly rent averages out to \$16,867.26 (\$1.26/SF/month with tenant improvements, furnishings, and triple net service as described above).

FINANCIAL IMPACTS

Since the lease term and occupancy would not start until March 2024, and the first six months are free, there will be no financial impact in FY23/24. No budget adjustment is anticipated for the current fiscal year, and future budget adjustments will be brought forward to the Council at the appropriate cycle.

The first full-year cost for the lease will be approximately \$80,448.00, subject to an annual escalator, as outlined in the “Discussion” section.

ATTACHMENTS

1. Ordinance No. 2874 N.C.S. with Exhibit A (Lease Agreement)