

EL DORADO LAFCO

LOCAL AGENCY FORMATION COMMISSION

AGENDA OF DECEMBER 6, 2017

REGULAR MEETING

TO: Shiva Frentzen, Chair, and
Members of the El Dorado County Local Agency Formation
Commission

FROM: José C. Henríquez, Executive Officer

AGENDA ITEM #6: **CONSIDER THE SECOND AMENDMENT TO THE LEASE
AGREEMENT WITH THE CASO TRUST**

RECOMMENDATION

Staff recommends that the Commission approve the Second Amendment to the LAFCO lease. This amendment extends the lease up to 2022, with options to retain the space to 2030. The amendment also specifies certain tenant improvements to be made to the LAFCO office.

REASON FOR RECOMMENDED ACTION

The lease to the current LAFCO office expires in October 2018. The Second Amendment ensures that the agency's administrative space is not only retained but also improved upon.

BACKGROUND

LAFCO currently leases Suites E and F1 at 550 Main Street in Placerville. As the Commission is aware, the LAFCO lease for the current office ends next October. For the past 10 months staff has been researching spaces, both in the current building as well as others. Staff also looked into sharing a space with other agencies. After exploring various options and buildings, staff concluded that the best, most cost-effective option was to negotiate an amendment with the Lawrence and Dianne Caso Trust for the retention of the current space.

The Second Amendment has two components. The first component is the addition of four years to the current term. The Second Amendment clarifies that the lease will terminate on October 31, 2022 instead of October 31, 2018. In addition, the Second Amendment provides four two-year extensions. These extensions, if exercised at LAFCO's sole discretion, extends the term to potentially 2030.

The second component includes a list of tenant improvements to be made to the LAFCO space, including new flooring, paint, blinds, the extension of fiber connectivity for internet access and the connection between the two leased suites. The Second Amendment also provides for the expansion of the conference room so that it is made slightly deeper. While this expansion will make the storage space in F1 slightly smaller, it will make the LAFCO conference room more comfortable.

Although not specifically addressed in the Second Amendment, it should be noted that the current rent formula is retained. The Lease provides that the year-over-year total rent percentage increase is calculated at either the rate of inflation as determined by the Federal Department of Labor's Consumer Price Index (CPI) for the San Francisco-Oakland-San Jose area or by 3%, whichever is *lower*. In the past this provision has saved the agency money, as there were two or three years in which the CPI rate was 0% and in other years it has been below 3%, most recently in this year's (2017-18) rent. Having such a formula in place helps with calculating the budget since the ceiling for a rent increase is known. If there is a concern that the formula may make LAFCO's per square footage rate become too high relative to the Placerville market, please be assured that it is not. After surveying what other landlords were asking for comparable spaces, the current per square footage rate is extremely competitive as-is, without factoring that LAFCO's rent includes utilities (electricity, water and sewer) and janitorial services.