



City Council Memorandum

City of Arts & Innovation

TO: HONORABLE MAYOR AND CITY COUNCIL **DATE: JANUARY 15, 2019**
FROM: CITY ATTORNEY'S OFFICE **WARDS: ALL**
SUBJECT: EXPANSION OF THE CITY ATTORNEY'S OFFICE SPACE AT 3750 UNIVERSITY AVENUE.

ISSUE:

Expansion of the City Attorney's Office to an adjacent suite in the Mission Square Building at 3750 University Avenue.

RECOMMENDATIONS:

That the City Council

1. Approve the funding request for the additional office space; and
2. Authorize a supplemental appropriation of \$18,700.92 in the General Fund's Land and Building Rental account (130000-423200) of the City Attorney's Office.

BACKGROUND:

On October 13, 2015, the City acquired the property located at 3750 University Avenue (Mission Square). On November 12, 2015, the City entered into a sublease with Gresham Savage Nolan & Tilden for the second floor, which included the transfer of a \$400,000 tenant improvement allowance. In May of 2016, the City Attorney's Office moved into Suite 250. Throughout the period of the sublease, Suites 225 and 230 have been vacant. Suites 225 and 230 are currently one contiguous suite. Attempts to lease out those spaces have been unsuccessful.

On October 9, 2018, the City Council voted 6-0 to approve expansion of the City Attorney's Office to adjacent Suite 225 to accommodate the anticipated growth of the office and for the City Attorney to return to the City Council with the funding request.

In projecting the needs and space of the City Attorney's Office over the next five years, there is a potential for the need to expand office space. This expansion would serve to accommodate the Public Safety Division and the reassigned claims and worker's compensation units to the City Attorney's Office. Currently, the adjacent suite in the Mission Square building is vacant and has been vacant for the last three years. It is approximately 2,534 square feet. The intent is to move the Public Safety Division to that space.

DISCUSSION:

The rent charged to the City Attorney's Office as of December 1, 2018 is \$2.46/square foot. The office space is expected to become available for rent on March 1, 2019. The annual projected cost of the rental space over the next five years, with an annual rent increase of 3% effective July 1 of each fiscal year, is as follows:

Fiscal Year	Projected Increase in Rental Costs
2018/19	\$18,701
2019/20	\$77,048
2020/21	\$79,359
2021/22	\$81,740
2022/23	\$84,192

FISCAL IMPACT:

With the addition of 2,534 square feet, the additional cost from the General Fund for the space would be \$6,233.64 monthly with a three percent annual increase effective in July of each fiscal year. A FY 2018/19 supplemental appropriation of \$18,700.92 is requested to fund rental costs for the period of March 2019 through June 2019.

Finance is reporting that the FY 2018-2020 General Fund Two-Year Budget is balanced, with a projected \$1.2 million operating surplus in FY 2018/19 used to offset a projected \$1.2 million operating shortfall in FY 2019/20. Significant operating shortfalls in the General Fund are projected beginning in fiscal year 2020/21. A supplemental appropriation in the General Fund will introduce a shortfall in FY 2019/20 and increase the projected shortfalls in outgoing years, unless funding for certain programs are redirected to pay for the increased costs. Alternatively, an additional appropriation from General Fund reserves could be recommended to fund the new rental costs, subject to City Council approval. However, this funding source would reduce General Fund reserves which are currently at 19% and should only be used in critical situations where a one-time funding source is needed and not for ongoing operating costs.

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