

AGENDA ITEM NO. 11
COUNCIL MEETING 03-25-08
APPROVED BY _____

DEPARTMENT DIRECTOR Randy R. Bruegman

CITY MANAGER A. S. Boyce

March 25, 2008

FROM: RANDY R. BRUEGMAN, Fire Chief
Fire Department

SUBJECT: RECOMMEND APPROVAL OF AMENDMENT NO. 1 TO LEASE AGREEMENT FOR
NEW FIRE DEPARTMENT HEADQUARTERS BUILDING

KEY RESULT AREA: 0209003000

Public Safety

RECOMMENDATIONS

Staff recommends Council approve Amendment No. 1 to the lease agreement for the new Fire Department administrative headquarters office between EIE Alpha, LLC and the City of Fresno.

EXECUTIVE SUMMARY

On April 17, 2007, the department entered into a seven-year lease to provide for the relocation of the Fire Department administrative headquarters office from 450 M Street to the historic Hobbs Parson building located on the corner of Tulare and H Streets. At the time the lease was executed, but prior to plan finalization and construction, the contractor prepared a preliminary tenant improvement cost estimate of \$1.4 million, which resulted in an initial monthly lease rate of \$1.56 per square foot.

As can be expected when renovating a building that is over 100 years old, as the contractor began work, there were unplanned issues, which impacted the estimated construction requirements and architectural plans, the project timeline, and ultimately, the final construction cost. Construction modifications were required by the Planning and Development Department to address structural concerns in the building. The required remedies subsequently impacted the department's original design plans. The department also had the contractor perform some work such as running data and telephone lines, trenching, wiring, and the purchase/installation of a power generator, purchase/installation of appliances, etc. As the department anticipates utilizing this site for at least 7-10 years, the department also made additional requests of the contractor above the basic tenant improvements to ensure the building would be sufficient for its operational needs into the future. All of the construction changes and department requested change orders totaled \$575,700. The department is requesting to incorporate the additional tenant improvements and also incorporate janitorial services over the life of the lease increasing the monthly rate to \$1.97 per square foot. Even with this increase, the per square-foot lease rate is still at or below market for comparable-sized commercial building space.

Staff has worked with EIE Alpha, LLC and the City Attorney to draft the appropriate language for City Council consideration and recommends approval of Amendment No. 1.

KEY OBJECTIVE BALANCE

Customer, Employee, and Financial Satisfaction will be enhanced by providing a new Fire Department headquarters building, which ensures a safe and efficient working environment for both customers and staff and does so in a cost effective manner.

BACKGROUND

On April 17, 2007, the department entered into a seven-year lease to provide for the relocation of the Fire Department administrative headquarters office from 450 M Street to the historic Hobbs Parson building located on the corner of Tulare and H Streets. At the time the lease was executed, but prior to plan finalization and beginning construction, the contractor prepared a preliminary tenant improvement cost estimate of \$1.4 million which resulted in an initial monthly lease rate of \$1.56 per square foot.

As can be expected when renovating a building that is over 100 years old, as the contractor began work, there were unplanned issues which impacted the estimated construction requirements and architectural plans. Significant construction modifications were required by the Planning and Development Department to address structural concerns in the building, which were not anticipated based on initial reviews and discussions with planning staff. As the facility is classified as a historic building, any design modifications proposed had to be approved by the Historic Preservation Commission to ensure the historical integrity of the building was not compromised. Meeting the requirements of both entities was a challenging task, which extended the construction project by months. Council's recognition of the complexity and length of the development process led to the implementation of the Development Partnership Center intended to address some of the issues experienced on this project. The required remedies subsequently impacted the Fire Department's original design plans. This impacted the project timeline as the department was supposed to move in September 2007. All of these changes ultimately increased the final construction cost of the project for not only the building owner, but also increased the initial allocated tenant improvements cost by \$292,800. As noted in the original April 17, 2007 agenda item, the department incorporated office space for the Training Division administration staff and also the Arson Investigation team and support offices to the new headquarters. This was done to consolidate the executive and administrative staff for all four divisions into the headquarters complex. Departmental requested changes and changes required by the Planning and Development Department to the original TI estimate included re-design of the HVAC system made necessary by floor plan changes and rezoning; additional excavation/trenching for restroom and janitorial plumbing to accommodate an increased number of staff and public access; additional outlets, switches, and lighting requirements associated with floor plan changes; structural and rough framing, drywall, doors, and windows, finish carpentry, paint and stain, and floor coverings associated with additional enclosed office spaces and floor plan changes.

As the department anticipates utilizing this site for at least 7-10 years, the department also made additional requests of the contractor above the basic tenant improvements to ensure the building would be sufficient for its operational needs into the future. Change orders requested by the department associated with the construction process include the following and total \$282,900: acquisition and installation of generator to provide emergency power as the building may serve as a redundant Emergency Operations Center; acquisition and installation of appliances throughout the facility; installation of stainless steel countertops in the kitchen. With the recent cases of MRSA occurring in the field and the fact firefighting staff will routinely visit

REPORT TO CITY COUNCIL

Recommend Approval of Amendment No. 1 to Lease Agreement

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headquarters for administrative and training needs, the department wanted to maintain the same kitchen and countertop surface as has been installed in the fire stations for ease of maintenance and disinfecting. The department also requested a reconfiguration of the kitchen, installation of island and gas line; plumbing and installation modifications for floor sink; the purchase and installation of data, phone and AV cables in building; and installation of a phone vault and conduit for phone, data and fiber lines.

All of these construction modifications and change orders total \$575,700 and equate to an increase in the monthly lease rate of \$.29 per square foot. The department is requesting to incorporate the additional tenant improvements and also incorporate janitorial services (at a cost of \$.12 per square foot), which increases the total monthly rate to \$1.97 per square foot for the first 30 months. In months 31-60, there would be a 5 percent COLA increase to \$2.07 per month, and for months 61-84, another 5 percent COLA increase to \$2.18. Even with this increase, the per square-foot lease rate is still at or below market for comparable-sized commercial building space with adequate parking and public access. The proposed rate is less than one-half the per square foot charged for City Hall space with facilities charges and \$.72 per square foot less than the recently approved lease to relocate the Budget and Management Studies Division to Civic Center Square.

The department has worked with the building owner to amortize these additional construction costs over the length of the lease to minimize the impact on the General Fund. Staff has worked with EIE Alpha, LLC and the City Attorney to draft the appropriate language for City Council consideration and recommends approval of Amendment No. 1.

SCAL IMPACT

Funding for the additional \$28,290 in lease payments for April through June will be absorbed within the existing FY 2008 departmental appropriations. Sufficient funding will be recommended for incorporation into the FY 2009 proposed budget to cover the additional lease and operations costs for the new Fire Headquarters.

