

CITY COUNCIL

For City Clerk's Use:

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APPROVED

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DENIED

Reso No. _____

File No. _____

Ord No. _____

Agenda Item No.: 5

Date: August 18, 2010

TO: Honorable Mayor and Members of the City Council

FROM: Edward N. Domingue, Director of Engineering Services
Jo Ann Case, Economic Development & Real Property Manager

SUBJECT: First Amendment to the Lease Agreement between the City of Escondido and the Escondido Federal Credit Union (EFCU) at 2261 East Valley Parkway

RECOMMENDATION:

It is requested that Council adopt Resolution No. 2010-132 approving an amendment to the original EFCU lease ("Lease") that will renew the Lease for an additional 5 years and provide for a 3% annual rent increase.

FISCAL ANALYSIS:

The original 10-year Lease ended in March 2010, but gave EFCU two 5-year options to renew. The City has the ability to adjust the lease rate for the 5-year options. The lease rate for the 10-year term was \$.50 per square foot resulting in a monthly payment of \$944. The new recommended lease rate is \$.75 per square foot for the first year, with a 3% increase in each of the remaining four years. These rates equate to \$1416 per month in year one; \$1458.48 for year two; \$1502.23 for year three; \$1547.30 for year four; and \$1593.72 for year five.

PREVIOUS ACTION:

The original 10-year Lease was adopted by Resolution 2000-34. EFCU was given a \$56,589 credit for tenant improvements they made to the space. This credit was used to offset their lease payments. Therefore, EFCU paid no rent from March 2000 to May 2006. Since 2006 they have been paying \$944 per month.

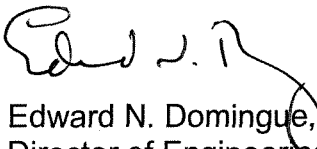
BACKGROUND:

Council has given staff direction to increase the rent of the City's commercial leases to market-rates as these leases expire. In similar previous cases, Council has approved incremental increases. Currently, the City has two other commercial leases in the East Valley Community Center west of EFCU. These retail tenants are currently paying \$1.18 per square foot.

construction of a child care center to the north of them; inconvenience for their members because of the construction; loss of parking; a leaking roof; heating and air conditioning issues; and poor drainage at the front entrance. They also feel they provide an important benefit to their members who include City and Center for the Arts current and former employees and their families, volunteers and elected and appointed officials.

Therefore, Real Property is recommending incremental increases in rent during the 5-year renewal period, but at a rate slightly lower than market-rate. The market-rate is approximately \$1.00 per square foot for a location like theirs on East Valley Parkway and at the far east end of the Community Center.

Respectfully submitted,



Edward N. Domingue, P.E.
Director of Engineering Services



Jo Ann Case
Economic Development & Real Property Manager

RESOLUTION NO. 2010-132

A RESOLUTION OF THE CITY COUNCIL OF
THE CITY OF ESCONDIDO, CALIFORNIA,
AUTHORIZING THE MAYOR AND CITY
CLERK TO EXECUTE, ON BEHALF OF THE
CITY, THE FIRST AMENDMENT TO THE
LEASE AGREEMENT BETWEEN THE CITY
OF ESCONDIDO AND ESCONDIDO
FEDERAL CREDIT UNION

WHEREAS, the Escondido Federal Credit Union (EFCU) leases office space owned by the City of Escondido at 2261 East Valley Parkway; and

WHEREAS, the EFCU desires to exercise their first 5-year option to renew their lease; and

WHEREAS, the City of Escondido agrees to extend the lease term and increase the new lease rate for each of the 5 years.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Escondido, California, as follows

1. That the above recitations are true
2. That the Mayor and City Clerk are authorized to execute, on behalf of the City, the First Amendment to the Lease Agreement ("First Amendment") with EFCU for office space at 2261 East Valley Parkway, Escondido, California. This First Amendment and the lease rates shall be in the form and amount found as Exhibit "1," attached to this resolution and incorporated by reference.

FIRST AMENDMENT TO LEASE AGREEMENT

Lease # A-2365

(2261 East Valley Parkway, Escondido, CA 92027)

This First Amendment made as of this _____ day of _____, 2010.

Between: City of Escondido,
201 North Broadway
Escondido, CA 92025
("City")

And: Escondido Federal Credit Union
2261 East Valley Parkway
Escondido, CA 92027
("Lessee")

WITNESS THAT WHEREAS:

- A. Lessee entered into a Lease Agreement dated March 6, 2000, ("Original Agreement") for the lease of real property to operate a financial institution at 2261 East Valley Parkway, Escondido, California (the "Premises).
- B. The Original Agreement provided Lessee with two (2) five (5) year renewal options to renew said agreement at a lease rate mutually acceptable to both parties.
- C. City and Lessee desire to amend the Original Agreement to reflect Lessee's election to renew said agreement for the first five (5) year renewal term.

NOW THEREFORE, it is mutually agreed by and between the City and Lessee as follows:

- 1. The Original Agreement is amended to include those terms and conditions as stated in Attachment "A," which is attached and incorporated by this reference.
- 2. Unless specifically altered by any term or condition in Attachment "A," all other terms and conditions of the Original Agreement shall remain in full force and effect.
- 3. This First Amendment and the Original Agreement, together with their respective attachments, are the entire understanding of the

parties, and there are no other terms or conditions, written or oral,
controlling this matter.

IN WITNESS WHEREOF, the parties have executed this First Amendment as of
the day and year first above written.

CITY OF ESCONDIDO

Date: _____

Lori Holt Pfeiler, Mayor

Date: _____

Marsha Whalen, City Clerk

LESSEE

Date: _____

By: _____

Diana Wettig, EFCU CEO

By: _____

Ira Morgan, II, EFCU Board Chair

APPROVED AS TO FORM:
OFFICE OF THE CITY ATTORNEY
JEFFREY R. EPP, City Attorney

By: _____

**ATTACHMENT "A" TO FIRST AMENDMENT TO LEASE
AGREEMENT**

It is agreed that the Lease Agreement dated March 6, 2000, (hereafter "Lease") is hereby modified in the following particulars only:

1. Paragraph (3) TERM, is deleted in its entirety and replaced with:

The term of this Lease shall be five (5) years.

2. Paragraph (4) RENT, is deleted in its entirety and replaced with:

In consideration of the possession and use of the Premises, Lessee shall deliver and pay rent to the City during the term of this Lease in the amount of \$1416.00 per month for the first year (September 1, 2010 through August 31, 2011), with a 3% annual increase each year thereafter. Therefore, Lessee shall pay rent to the City for years two through five as follows:

- **\$1458.48 for year two (September 1, 2011 through August 31, 2012)**
- **\$1502.23 for year three (September 1, 2012 through August 31, 2013)**
- **\$1547.30 for year four (September 1, 2013 through August 31, 2014)**
- **\$1593.72 for year five (September 1, 2014 through August 31, 2015)**

3. Paragraph (24) OPTIONS TO RENEW, is deleted in its entirety and replaced with:

Lessee may exercise one (1) five (5) year renewal option by submitting election to exercise such option to renew at least six (6) months prior to expiration of the current renewal term. Such option term will be at a lease rate mutually acceptable to both parties.