



Office of the Executive Officer

CONSENT CALENDAR

June 26, 2007

To: Honorable Chairperson and
Members of the Housing Authority

From: *PK* Phil Kamlarz, Executive Officer

Submitted by: Tia Ingram, Director, Berkeley Housing Authority

Subject: Lease Amendment: 1901 Fairview Street

RECOMMENDATION

Adopt a Resolution amending Resolution No. 667 to increase the expenditure authority for the five-year lease with Sinan Sabuncuoglu, for lease of property located at 1901 Fairview Street, covering the period October 1, 2002 through September 30, 2007, to an amount not to exceed \$523,000.

FISCAL IMPACTS OF RECOMMENDATION

The recommendation represents a \$31,000 increase to the current expenditure authorization of \$492,000 for the five-year lease with Sinan Sabuncuoglu. The additional expenditure authority is for non-rent payments pursuant to the terms of the lease that were not reflected in the resolution adopted by Council in September 2002. The lease obligations require the Berkeley Housing Authority (BHA) to pay water bills, a portion of the property tax, and certain repairs and maintenance. Although the BHA approved the lease, these costs were not identified in the total amount authorized for the five-year lease. This action will allow lease payments for the final three months (July to September 2007) of the five-year lease. Funds for BHA lease obligations are covered in the FY 2008 budget under 801/802/803-7602-463-50-10.

CURRENT SITUATION AND ITS EFFECTS

The current expenditure authority for the five-year lease between the BHA and Sinan Sabuncuoglu is \$492,000. This amount only covers BHA's base rent obligations for the five-year lease term. It does not cover the additional fees that the BHA is obligated to pay the landlord as stipulated in the lease agreement approved by the BHA Board. The additional fees include a portion of the water bill, the increase in the landlord's property taxes resulting from tenant improvements, and certain repairs and maintenance.

Total BHA lease expenditures to date have exceeded the expenditure authority by approximately \$3,000, with three months left in the lease agreement. Staff only recently became aware that the expenditure authority adopted in September 2002 did not include funding commitment for the additional lease expenses. In addition to the base rent (\$465,000 paid to landlord through June 2007), the BHA has reimbursed the landlord \$29,894 for non-rent payment obligations. With three months of rent remaining

in the lease at \$9,000 per month, plus additional water utility payments, BHA estimates that an additional \$31,000 in expenditure authority will be necessary through September 2007.

Staff is also proposing to amend Resolution No. 667 to clear up any ambiguity regarding the term of the five-year lease, which is from October 1, 2002 through September 30, 2007.

BACKGROUND

The Berkeley Housing Authority Board authorized a five-year lease with Sinan Sabuncuoglu, per Resolution No. 667 adopted on September 17, 2002. The subject lease is for general office use by the BHA at 1901 Fairview Street in Berkeley. The authorized amount of \$492,000 covers only the base rent charged by the landlord for the sixty months of the contract term.

The BHA entered into the five-year lease agreement with Sinan Sabuncuoglu on October 1, 2002. The lease provisions require the tenant (BHA) to pay a monthly rent starting at \$7,400 per month for the first year of the lease, increasing every year to a high of \$9,000 per month for the last year. These total rent payments over the five-year lease term amount to the authorized expenditure level of \$492,000. The lease also requires the BHA to pay other non-rent costs that are not covered as part of the expenditure authorization.

RATIONALE FOR RECOMMENDATION

The recommendation to increase the expenditure authority for the lease is necessary to allow the BHA to meet its rent and utility obligations for the remaining three months of the lease.

ALTERNATIVE ACTIONS CONSIDERED

None.

CONTACT PERSON

Tia Ingram, Berkeley Housing Authority Manager, (510) 981-5471

Attachments:

1: Resolution

RESOLUTION NO. ##,###

LEASE AMENDMENT: 1901 FAIRVIEW STREET

WHEREAS, the Berkeley Housing Authority Board authorized a five-year lease with Sinan Sabuncuoglu for general office use at 1901 Fairview Street for a total amount not to exceed \$492,000 per Resolution No. 667, adopted on September 17, 2002; and

WHEREAS, a lease between Sinan Sabuncuoglu and the Berkeley Housing Authority was executed on October 1, 2002, covering the period October 1, 2002 through September 30, 2007; and

WHEREAS, said lease obligates the BHA to pay monthly rent totaling \$492,000 over the five-year term as well as non-rent payments, including a portion of the water bill, the increase in the landlord's property taxes resulting from tenant improvement, and certain repairs and maintenance; and

WHEREAS, the BHA has discovered that the adopted expenditure authority does not include funds to meet its non-rent lease obligations; and

WHEREAS, the BHA has determined that an additional \$31,000 in expenditure authority is required to cover all lease commitments through September 2007; and

WHEREAS, Resolution No. 667 does not specify the beginning and ending dates of the lease.

NOW THEREFORE, BE IT RESOLVED that the Housing Authority of the City of Berkeley hereby amends Resolution No. 667 to increase the expenditure authority for the five-year lease with Sinan Sabuncuoglu to a total amount not to exceed \$523,000, and to specify the term of the lease from October 1, 2002 through September 30, 2007.

