

BOARD MEETING DATE: JANUARY 9, 2023

SUBJECT: PROCUREMENT APPROVAL REQUEST – OFFICE SPACE LEASE AMENDMENT

PREPARED BY: BRIAN BRAUN, CFO

Proposed Action:

Board Approval to enter into an agreement to amend the current corporate office lease with CSHV Metropoint to reduce the square footage from approximately 24,459 to 11,330 and modify the base rent amount and lease term to 73 months from commencement of the amendment.

Summary:

The current corporate office lease expires in August 2023. The reduction of space to 11,330 square feet is in response to the migration to a remote work model for C4HCO employees over the last 2 years. The reduced space will provide shared workspaces for employees and meeting spaces and will continue to serve as the corporate headquarters for the organization.

The amended terms are expected to begin on March 1, 2023. The first year amended base rent is estimated to be \$328,570. The amendment results in rent savings of \$328,000 in the first year compared to the original lease (\$465,000 in savings when taking first year rent abatements into account). The starting lease rate will be \$29 per sq ft and escalate by 2.5% each year. C4HCO's share of the buildings common area expenses will decrease in conjunction with the reduced square footage. With the assistance of our broker, C4HCO confirmed the lease rate is comparable with other similar spaces.

Total estimated base rents (net of abatements) for the period of the amendment are estimated to be \$1,962,000.

Staff Recommendation:

Staff recommends the approval of the amendment to the current lease.

Procurement Compliance:

Procurement Exceeds \$250,000 threshold: Yes

Procurement/Business Initiative is necessary or advisable: Yes

Type of procurement vehicle: amendment to existing lease

Need for RFP, RFI, RFS or similar: Service of an outside broker was used to assist in evaluating the current market inventory and confirm reasonableness of amended base rental rates proposed by the landlord. Through the evaluation of alternatives, it was concluded amending the current lease provided the best alternative for the organization.

Funding Source:

Anticipate the use of general operating funds. There is a possibility of some costs being reimbursed through our cost allocation with HCPF.