# SWEETWATER SPRINGS WATER DISTRICT

**TO:** Board of Directors **AGENDA NO. V-B**

**FROM:** Steve Mack, General Manager

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**Meeting Date: January 5, 2017**

**SUBJECT: EXPIRATION/EXTENSION OF OFFICE LEASE AT 17081 HWY 116, GUERNEVILLE**

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**RECOMMENDED ACTION:** Receive a presentation from the General Manager on the District office lease.

**FISCAL IMPACT:** none at this time.

**DISCUSSION:**

The District rents its office space at 17081 Hwy 116 from Ferrellgas, L.P. We have been at this location since 1999. In 2002 the District executed Addendum #1 which added warehouse space to the lease, and in 2011 the District executed Addendum #2 which extended the lease for three years at the same lease rate ($2250 per month) and included a provision that the lease could be extended for three additional years with 60 days notice. The three year extension included a provision that the rent can increase annually by the Consumer Price Index with a maximum of 2%. The District extended the lease in May 2014 and the current extended lease period is set to expire on July 31, 2017. Current rent is $2364.30.

Staff has contacted Ferrellgas staff, Kristi Grego, re the lease and have been offered a 3-year extension for $2482.50 per month which is a 4.7% increase over our current monthly rent. I asked if they would consider an option for an additional 3-year extension and Kristi responded with an offer of 2606.31 which is a 5% increase over the first 3 years. I have told Kristi that these amounts seem reasonable and that we discuss this at this meeting.

This rental proposal is consistent with the current lease and seems a reasonable way to go. Staff like this location and these facilities. Locking them up for six more years (but only 3 years at a time for us) at this rental arrangement is an easy way to go.