SWEETWATER SPRINGS WATER DISTRICT

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

FROM: Steve Mack, General Manager

Meeting Date : March 2, 2017

Subject: ADDENDUM No.3 to FERRELLGAS LEASE FOR OFFICE AND WAREHOUSE SPACE

RECOMMENDED ACTION: Approve Resolution 17-03 which authorizes the General Manager to execute Addendum No.3 with Ferrellgas for rental of the District office at 17081 Highway 116, Suite B for 3 years with an option to extend the rental for 3 more years.

FISCAL IMPACT: 5% increase in rent for 3 years; an option to extend for 3 additional year with an additional 5% increase.

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 and an option for an additional 3-year extension for $2606.31 per month which is a 5% increase over the first 3 years.

We have discussed this proposal at the January Board meeting and the Board directed me to confirm this agreement with Ferrellgas and have District Counsel Robin Donoghue prepare the Addendum No.3 agreement. The agreement which is attached to Resolution 17-03 has been reviewed by Ferrellgas and found to be acceptable.

Staff believe this is a fair agreement for good space and recommend approval of Resolution 17-03 which authorizes the General Manager to execute Addendum No.3 to the original lease.

Resolution No. 17-03

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE SWEETWATER SPRINGS WATER DISTRICT AUTHORIZING THE GENERAL MANAGER TO EXECUTE LEASE ADDENDUM NO. 3 WITH FERRELLGAS FOR RENTAL OF DISTRICT OFFICE AND WAREHOUSE SPACE.

WHEREAS, the District has rented office space at 17081 Highway 116, Suite B from Ferrellgas, L.P., since May 1999 pursuant to the terms of the original lease dated May 18, 1999 ("Lease"); and

WHEREAS, the District executed Addendum No. 1 to that lease in January 2002 to add warehouse space and Addendum No. 2 to the lease in May 2011 to extend the lease until July 2017; and

WHEREAS, Addendum No. 2 expires on July 31, 2017; and

WHEREAS, District staff have looked in the Water District service area for other possible locations for District offices and have found none that better accommodate the District's needs; and

WHEREAS, the parties wish to extend the lease term for three (3) years at the an approximate 5% rent increase; and

WHEREAS, the renewal option allows the District to extend the lease for three (3) additional years for an additional 5% rent increase.

NOW, THEREFORE BE IT RESOLVED, that the District Board of Directors hereby authorizes and directs the General Manager to execute Addendum No. 3 to the Lease Dated May 18, 1999 by and between Ferrellgas, L.P. and Sweetwater Springs Water District attached hereto as Exhibit A.

I hereby certify that the foregoing is a full, true, and correct copy of a Resolution duly and regularly adopted and passed by the Board of Directors of the SWEETWATER SPRINGS WATER DISTRICT, Sonoma County, California, at a meeting held on March 2, 2017, by the following vote.

Director	Aye	No
Sukey Robb-Wilder	_____	_____
Tim Lipinski	_____	_____
Rich Holmer	_____	_____
Gaylord Schaap	_____	_____
Pip Marquez de la Plata	_____	_____

_____
Sukey Robb-Wilder
President of the Board of Directors

_____
Attest: Julie A. Kenny
Clerk of the Board of Directors

ADDENDUM NO. 3 TO LEASE DATED MAY 18, 1999 BY AND BETWEEN FERRELLGAS, L.P. AND SWEETWATER SPRINGS WATER DISTRICT

THIS ADDENDUM No. 3, made and entered into this _____ day of _____, 2017, by and between FERRELLGAS, L.P., a Delaware limited partnership, Lessor, and SWEETWATER SPRINGS WATER DISTRICT, a California special district, Lessee, hereinafter "Parties."

WHEREAS, the Parties hereto entered into a Primary Lease dated May 18, 1999, for property located at 17081 Highway 116 in the Town of Guerneville, County of Sonoma, State of California ("Primary Lease"), with a primary term ending July 31, 2004, after which time seven (7) renewal options were exercised, the latest by letter dated April 28, 2010, extending the Lease term through July 31, 2011 (all documents previously referenced shall hereafter be collectively referred to as the "Lease"); and

WHEREAS, the Parties executed Addendum No. 1 to the Primary Lease on January 8, 2002, which modified the Primary Lease to include additional space to the Leased Premises; and

WHEREAS, the Parties executed Addendum No. 2 to the Primary Lease on May 9, 2011, which modified the Primary Lease to provide for a primary term ending on July 31, 2014, and an option to extend the Lease Term to and including July 31, 2017, pursuant to a rent adjustment formula; and

WHEREAS, the Parties hereto wish to modify the Primary Lease to extend the Lease Term for three (3) years and to modify the renewal options for the Primary Lease as set forth below.

NOW THEREFORE, for good and valuable consideration, the Parties agree as follows:

A. Paragraph 1 of the Primary Lease is amended to read as follows:

"**1. <u>Demise, Term, Rent.</u>** Lessor does hereby lease and demise to Lessee that certain property located at or near the Town of Guerneville, County of Sonoma, State of California, as more fully described in Exhibits A and C attached hereto and incorporated herein, together with all improvements and appurtenances located thereon for a lease term of three (3) years, commencing on August 1, 2017, and terminating on July 31, 2020 ("Primary Term"). Rental shall be Two Thousand Four Hundred Eighty-Two Dollars and Fifty Cents ($2,482.50) monthly, payable in advance. Such monthly rent shall include all costs and expenses for common areas, as well as actual leased property."

B. Paragraph 20 of the Primary Lease, "Option to Extend," is amended to read as follows:

"**20. <u>Option to Extend.</u>** Lessee shall have the option to renew this Lease for one (1) additional term of three (3) years upon the same terms and conditions as the Primary Term by providing at least sixty (60) days' written notice prior to the end of the then current term. Commencing August 1, 2020 and terminating on July 31, 2023, rental shall be Two Thousand Six Hundred Dollars and Thirty-One Cents ($2,606.31) monthly, payable in advance. Such monthly rent shall include all costs and expenses for common areas, as well as actual leased property."

C. All other terms and conditions of the Primary Lease and Addenda No. 1 and No. 2 thereto shall remain the same.

IN WITNESS WHEREOF, the Parties hereto have executed this Addendum No. 3 to the Lease Dated May 18, 1999.

LESSOR:
FERRELLGAS, L.P.

By: Ferrellgas, Inc.
General Partner

By: _____
Jason P. Cullen
Director of Real Estate and Environmental

LESSEE:
SWEETWATER SPRINGS WATER DISTRICT

By: _____
Stephen F. Mack
General Manager

2769625.1