SWEETWATER SPRINGS WATER DISTRICT

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

FROM: Steve Mack, General Manager

Meeting Date : May 5, 2011

Subject: ADDENDUM No.2 to FERRELLGAS LEASE FOR OFFICE AND WAREHOUSE SPACE

RECOMMENDED ACTION: Approve Resolution 11-13 which authorizes the General Manager to execute Addendum No.2 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: No increase in rent for 3 years; an option to extend for 3 additional year with an annual increase determined by the Consumer Price Index capped at 2%.

DISCUSSION:
The District's rental agreement for the current office space expires on July 31, 2011. The District currently pays $2250 per month for use of this space. The District has occupied this office since 1999 under a lease with Ferrellgas dated May 18, 1999. The original lease had Addendum No. 1 which added warehouse space to the original lease.

District staff looked for other locations within the service area and found none better than the current office which has adequate space, a good central location, and plenty of parking. District staff entered into negotiations and have achieved an agreement to extend the lease for 3 years at the current rent with an option to extend for 3 additional years for an annual increase tied to the Consumer Price Index capped at 2% per year.

Staff believe this is a fair agreement for good space and recommend approval of Resolution 11-13 which authorizes the General Manager to execute Addendum No.2 to the original lease.

Resolution No. 11-13

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE SWEETWATER SPRINGS WATER DISTRICT AUTHORIZING THE GENERAL MANAGER TO EXECUTE LEASE ADDENDUM NO. 2 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

WHEREAS, the original Lease and Addendum No. 1 expire on July 31, 2011; 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 current rent and to modify the renewal options for the lease; and

WHEREAS, the renewal option allows the District to extend the lease for three (3) additional years for an increase in rent equal to the Consumer Price Index up to a maximum of 2% per year.

NOW, THEREFORE BE IT RESOLVED, that the District Board of Directors hereby authorizes and directs the General Manager to execute Addendum No. 2 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 May 5, 2011, by the following vote.

Director	Aye	No
Sukey Robb-Wilder	_____	_____
Jim Quigley	_____	_____
Wanda Smith	_____	_____
Gaylord Schaap	_____	_____
Victoria Wikle	_____	_____

_____
Jim Quigley
President of the Board of Directors

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

Exhibit A

ADDENDUM NO. 2 TO LEASE DATED MAY 18, 1999 BY AND BETWEEN FERRELLGAS, L.P. AND SWEETWATER SPRINGS WATER DISTRICT

THIS ADDENDUM No. 2, made and entered into this _____ day of _____, 2011, 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 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 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, 2011, and terminating on July 31, 2014 ("Primary Term"). Rental shall be Two Thousand Two Hundred Fifty Dollars ($2,250.00) 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, 2014, and at each anniversary thereafter, rent shall be adjusted according to the current Consumer Price Index. The rent shall be proportionally adjusted by a percentage equal to the percentage in the Consumer Price Index over the previous one (1) year period. The Consumer Price Index is defined to be the index now known as the "The Consumer Price Index; All Urban Consumers; U.S. City Average, All Items, 1982-84=100." Provided, in any case, the increase shall not exceed 2% at each anniversary."

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

IN WITNESS WHEREOF, the Parties hereto have executed this Addendum No. 2 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
Office Services

LESSEE:
SWEETWATER SPRINGS WATER DISTRICT

By: _____
Stephen F. Mack
General Manager

1631154.1