

APPROVED
By the Board of Directors of
The Metropolitan Water District
of Southern California
at its meeting held



MWD

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

MAY 14 1996

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Dave Chin
for EXECUTIVE SECRETARY April 23, 1996

To: Board of Directors (Land Committee--Action)

From: General Manager

Charles L. Meigs II
Gary M. Snyder

Submitted by: Gary M. Snyder
Chief Engineer

Subject: Authorization for General Manager to Execute a Lease Agreement to Establish an Independent Metropolitan Office in Washington, D. C.

RECOMMENDATION

It is recommended that the General Manager be authorized to execute a Lease Agreement in a form to be approved by the General Counsel, in order to establish an independent Metropolitan office in Washington, D.C. The initial annual cost of the lease is approximately \$86,350, escalating over a ten-year term to an approximate amount of \$104,500 per annum, plus operating expense pass-through and incidental expenses for required tenant-improvements. The leased space consists of approximately 3,925 square feet of rentable space for a ten-year term.

EXECUTIVE SUMMARY

Authorize a ten-year lease agreement in order to establish an independent Metropolitan office in Washington, D.C., at an initial annual cost of \$86,350, escalating to an amount not exceeding \$104,500.

DETAILED REPORT

On November 8, 1994, your Board determined that it was essential for Metropolitan to establish a strong identity in Washington, D. C., including the occupation of our own office facility. Establishment of an independent facility was approved for implementation. As an interim solution, Metropolitan currently occupies office space on the sixth floor of the building located at 1015 18th Street, N.W., Washington, D.C., under an Office Sharing Agreement with its consultant, Will & Carlson, L.L.C. Will & Carlson, L.L.C., has subleased this office from Will & Muys containing approximately 3,925 rentable square feet on the sixth floor of the building located at 1015 18th Street, N.W., Washington, D.C., and entered into an Agreement with Metropolitan to share the office space until the expiration of the sublease.

An extensive search for office space in the Washington, D.C., area was undertaken with the conclusion that the most cost-effective and timely method for establishing an independent Metropolitan office in this area is to lease the presently occupied interim office. Staff has investigated several alternative office sites in a search for an independent Metropolitan office. After a thorough search and analysis of lease rates, moving, and tenant-improvement costs, staff recommends that Metropolitan negotiate to take over the lease in the interim office.

Preliminary discussions with the building landlord have led staff to believe it can negotiate a ten-year lease at an annual lease rate of approximately \$86,350, increasing to approximately \$104,500 in the sixth year of occupancy, and a tenant-improvement allowance of \$8 per square foot. Staff anticipates that approximately 30 percent of the office can be concurrently subleased to Will & Carlson, L.L.C., to reduce Metropolitan's annual rental expenditure to \$60,445. The approved budget for Fiscal Year 1994/95 for the Washington, D.C., Legislative Office provided \$52,988 for rent.

Staff anticipates that the lease agreement will include an option at five years to vacate the space allocated for the Washington, D.C., staff if their presence in Washington is no longer required. Negotiations with the building owner are expected to be concluded in May 1996 with occupancy to continue per the present Office Sharing Agreement. The action proposed herein involves no moving expenses and only minor alteration of the existing structure with no expansion of use beyond that which has previously existed.

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(DCLEA)