

Briefing for PWSRCAC Board of Directors – January 2025

ACTION ITEM

Sponsor: Hans Odegard and Ashlee Hamilton

Project number and name or topic: Approval of Anchorage Office Move

1. **Description of agenda item:** The Board of Directors is asked to authorize the Executive Director to sign a lease with Michael Investments LLC to relocate the Anchorage office location to the RAM Building, 2525 Gambell Street, Suite 305, Anchorage, AK 99503. The current lease for the Anchorage office at 3709 Spenard Road, Suite 100, expires on June 30, 2025. Notice of lease termination or election to exercise the 2nd 1-year lease extension of our current lease must be given by March 31, 2025, with the rate continuing at \$5,950.95 per month. Note that this location is considered Class B commercial property, and is not a first class office building.

The proposed new lease's initial term is for a period of 62 months, commencing on May 1, 2025, and ending on June 30, 2030. Rent commencement is set for July 1, 2025. The monthly base rent will be \$2.00 per rentable square foot (approximately 4,037 rentable square feet) and will increase by 3% annually. The table below shows the base rental costs at the RAM Building:

			Base Rent	
Lease Year			per RSF	Monthly Rent
May 1, 2025	to	June 30, 2025	\$ -	\$ -
July 1, 2025	to	June 30, 2026	\$ 2.00	\$ 8,074.00
July 1, 2026	to	June 30, 2027	\$ 2.06	\$ 8,316.22
July 1, 2027	to	June 30, 2028	\$ 2.12	\$ 8,558.44
July 1, 2028	to	June 30, 2029	\$ 2.18	\$ 8,800.66
July 1, 2029	to	June 30, 2030	\$ 2.25	\$ 9,083.25

Regarding the financial details of the new location, the landlord will provide 2 months of abated rent. A Security Deposit of \$9,083.25 is required, and the landlord will be asking for \$17,157.25, representing July 2025 rent and Security Deposit. PWSRCAC will be receiving rent-free occupancy from the Commencement date through June 30, 2025. Commencing in 2026, the Council will also be required to pay pass-through costs, which are additional expenses including the proportionate share of any increase in the landlord's taxes and operational expenses compared to the base year (2025). The landlord is responsible for providing and paying for various utilities and services, including landscaping, electric, water, sewer, telephone lines, gas, elevator, janitorial, exterior grounds maintenance, HVAC, miscellaneous supplies, security, premises management, and other services required by the lease agreement consistent with first-class office buildings in the area.

Notwithstanding any other provisions, the landlord shall not collect more than 100% of taxes or operational expenses, shall not recover any cost item more than once, and shall

Approval of Anchorage Office Lease and Relocation 4-4

not include in operational expenses any costs exceeding those reasonably incurred by prudent operators of similar first-class office buildings in the area. If the combined taxes and operational expenses in 2026 or later exceed the base year, the tenant shall pay their proportionate share of the increase, based on the higher of actual occupancy or 95% building occupancy. The tenant's proportionate share is calculated as the fraction of the leased space's rentable square footage compared to the building's total rentable square footage.

2. **Why is this item important to PWSRCAC:** In order to operate efficiently, it is necessary for PWSRCAC to have adequate and cost-effective office space that includes sufficient storage for our historical documents. It is also important that the space be safe and secure for staff and visitors, and that it be located in an easily accessible part of Anchorage.

3. **Previous actions taken by the Board on this item:**

<u>Meeting</u>	<u>Date</u>	<u>Action</u>
Board	1/23/2014	Authorized staff to extend the current lease for five (5) years for the Anchorage office at 3709 Spenard Road at a not-to-exceed five year amount of \$353,772.
Board	5/29/2019	Authorized the Executive Director to sign a five-year lease extension with two one-year renewal options for the Anchorage office located at 3709 Spenard Road. The rent is \$5,950.95 per month or \$357,057 over the five year term.
Board	5/2/2024	Authorized the Executive Director to sign a one-year lease extension for the Anchorage office located at 3709 Spenard Road. The monthly rent is \$5,950.95, totaling \$71,411.40 over the one-year term.

4. **Summary of policy, issues, support, or opposition:** Not applicable.

5. **Committee Recommendation:** The Finance Committee has discussed the possibility of terminating the current lease at the end of its term for the Anchorage office and relocating to a new office and is in full support of a move. However, the Finance Committee will be meeting on January 14 to review the detail and costs for the 2525 Gambell Street, Suite 305 location, and a Finance Committee recommendation will be provided at the meeting. Staff is confident that this location, which was identified with the assistance of our real estate agent, Sam Steele, at Jack White Real Estate, fulfills all of our requirements in terms of location, safety, security, storage, and layout.

6. **Relationship to LRP and Budget:** The rental rate for our Anchorage office will increase by over \$2,000 per month, which will be accounted for in our FY2026 budget. To cover moving expenses, we currently have \$65,000 allocated in the Anchorage General and Administrative Budget (1050) for moving and relocation, which is a carryover from FY2024.

7. **Action Requested of the Board of Directors:** Authorize the Executive Director to sign a lease with Michael Investments LLC for a new Anchorage office location at the RAM Building, 2525 Gambell Street, Suite 305, commencing on May 1, 2025 in a not-to-exceed amount of \$533,989 over the five year term plus any pass-through costs, and to terminate our current lease at 3709 Spenard Road, Suite 100 by the March 31, 2025 deadline.

Approval of Anchorage Office Lease and Relocation 4-4

Please note: total rent amount could increase slightly due to pass-through costs required per the lease.

8. **Alternatives:** We could execute the 2nd remaining 1-year lease extension option at our current location.

9. **Attachments:** Proposed office Lease between Michael, Investments, LLC and PWSRCAC provided to Board members, only.