- **Board of Directors**
  Finance, Audit, Insurance, and Real Property Committee

9/12/2023 Board Meeting

7-5

Subject

Authorize the General Manager to execute a second amendment to extend the office lease located in Washington D.C. an additional ninety months with an option to extend another thirty-six months; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA

Executive Summary

Metropolitan has occupied the subject office space in Washington D.C. since 2006 to house Legislative Affairs Representatives, staff, and visiting Board Members. The office is centrally located three blocks from the U.S. Capital Building, which provides convenient access for meetings with Congressional delegations and other key elected officials as well as efficient engagement with the legislative and regulatory process.

Metropolitan has an opportunity to renew its 1,598-square-foot office lease located at 500 New Jersey Avenue, NW in Washington D.C. **(Attachment 1)**. The proposed second amendment to renew the existing lease would extend the term by ninety months from the current lease expiration date of May 30, 2023.

Details

Background

On November 8, 1994, the Board determined that it was essential for Metropolitan to establish a strong presence and identity in Washington, D.C., including the leasing of office space near the U.S. Capital Building. Beginning July 8, 1996, Metropolitan shared office space on the sixth floor of a building located at 1015 18th Street, NW, Washington, D.C. **(Attachment 2)**. On December 13, 2005, the Board authorized Metropolitan to lease approximately 1,598 square feet on the fifth floor of the NAR DC Headquarters Building, located at 500 New Jersey Avenue, NW, Washington D.C. **(Attachment 3)**. Metropolitan entered into the original lease agreement at 500 New Jersey Avenue on March 23, 2006, and the Board authorized extending the lease from December 1, 2015, through May 30, 2023 **(Attachment 4)**. Upon expiration of the current lease on May 30, 2023, Metropolitan continued its occupancy as a holdover tenancy pursuant to the terms of the lease.

Consistent with market trends, Metropolitan's staff has negotiated lease terms that are more favorable than the current lease terms. A ninety-month extension of the lease with an option to extend another thirty-six months has been negotiated with an annual base rental rate of $60.00 per square foot including six months of free rent and a $47.00 per square foot tenant improvement allowance. The proposed rent represents a six percent rent reduction from $63.59 to $60.00 per square foot. The annual fixed rental increase was also reduced from 2.5 percent to 2.0 percent and Metropolitan will continue to be responsible for a prorated 1.79 percent share of the building real estate taxes and operating expenses based on actual costs that are reconciled annually.

Proposed Key Provisions

Term:	Ninety-month renewal
Options:	Thirty-six months renewal option
Rent Rate:	$60.00 per square foot per year
Rent Increase:	2 percent fixed annually
Rent Abatement:	Six months of free rent

Building Expense: Operating expenses/tax pro-rata share of 1.79 percent
Cancellation Option: One-time option between years 3 and 4
Tenant Allowance: $47.00 per square foot of gross rentable area

- Paint suite; front door upgrades
- Kitchen flooring replacement; counter/appliance upgrades
- Repair/replace ceiling tiles, blinds, water heater; lighting as needed

The current rent is $101,628 and the proposed second amendment provides Metropolitan cost savings as shown in Table 1 below.

Table 1: Proposed Rent Schedule Years 1-7 1/2

Lease Term	Annual Rate per Square Foot	Annual Base Rent
Abate: 6/1/2023 – 11/30/2023	$0.00	$0.00
12/1/2023 – 11/30/2024	$60.00	$47,940.00
12/1/2024 – 11/30/2025	$61.20	$97,797.60
12/1/2025 – 11/30/2026	$62.42	$99,753.60
12/1/2026 – 11/30/2027	$63.67	$101,748.60
12/1/2027 – 11/30/2028	$64.95	$103,783.56
12/1/2028 – 11/30/2029	$66.24	$105,859.32
12/1/2029 – 11/30/2030	$67.57	$107,976.48
Total Rent		**$664,859.16**

Policy

Metropolitan Water District Administrative Code Section 8201: Acquisition of Real Property

Metropolitan Water District Administrative Code Section 8121: General Authority of General Manager to Enter Contracts

Metropolitan Water District Administrative Code Section 8222: Terms and Conditions of Acquisition Documents

Metropolitan Water District Administrative Code Section 11104: Delegation of Responsibilities

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

The proposed action is not defined as a project under CEQA because it involves continuing administrative activities (Section 15378(b)(2) of the State CEQA Guidelines). In addition, the proposed action is not subject to CEQA because it involves other government fiscal activities, which do not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment (Section 15378(b)(4) of the State CEQA Guidelines).

CEQA determination for Option #2:

None required

Board Options

Option #1

Authorize the General Manager to execute a second amendment to extend the office lease located in Washington D.C. an additional ninety months with an option to extend another thirty-six months.

Fiscal Impact: $664,859.16 in estimated total rent over the term plus $15,000.00 in projected operating expenses and taxes total $679,859.16.

Business Analysis: This lease renewal provides a reduction in the base rent and six months of free rent, with tenant improvement upgrades resulting in uninterrupted operations.

Option #2

Take no action, terminate the lease, and vacate Metropolitan staff.

Fiscal Impact: Relocation and restoration costs are estimated at $150 per square foot depending on ancillary furnishings, restoration costs, travel, and unknowns.

Business Analysis: Staff would relocate to Metropolitan Headquarters in Los Angeles and return the Washington D.C. office space to its original condition. There would be a loss of continuity in operations and impacts on relationships as well as engagement in the legislative and regulatory process.

Staff Recommendation

Option # 1

8/31/2023

Liz Crosson *Date*
Chief Sustainability, Resilience, and Innovation Officer

8/31/2023

Adel Hagekhalil *Date*
General Manager

Attachment 1 – Site Map

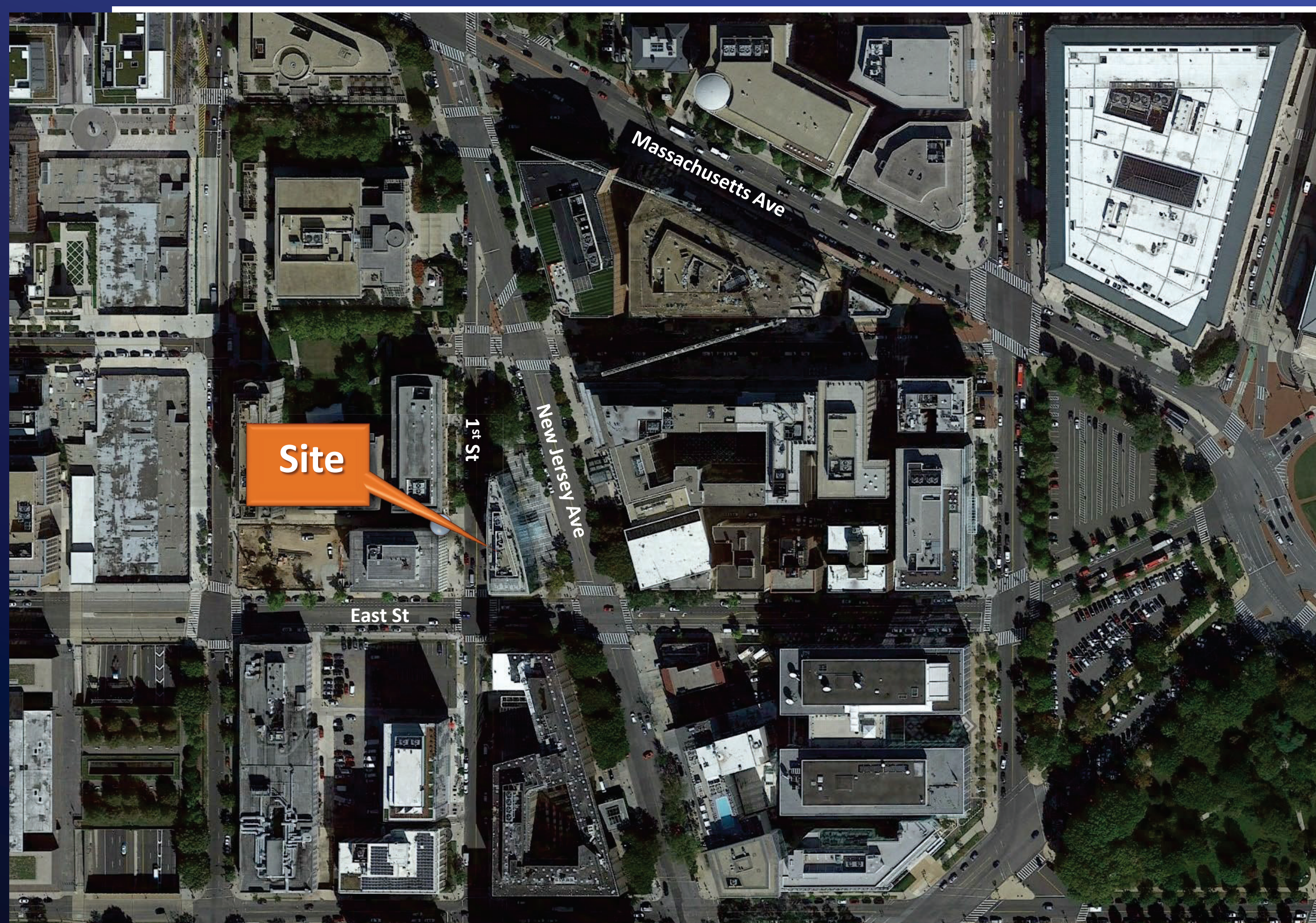
Attachment 2 – Board Action dated April 23, 1996

Attachment 3 – Board Action dated December 13, 2005

Attachment 4 – Board Action dated October 13, 2015

Ref# 12689222

Site Map



April X, 2022 Real Property Group Item # X Slide Y

BOARD APPROVALS
WASHINGTON D.C.
1996

MWD
METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

7-2

April 23, 1996

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

From: General Manager

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.

RGM\mg:rev8
(DCLEA)

500
NEW JERSEY AVE

November 21, 2005

Mr. William J. Meyer
President
Mr. James M. Rayborn
Senior Vice President
The Meyer Group
1101 17th Street, NW
Suite 1000
Washington, DC 20036

Re: Metropolitan Water District of Southern California at 500 New Jersey Avenue

Gentlemen:

On behalf of the National Association of Realtors® (hereinafter referred to as "Landlord") we are pleased to offer the following **revised proposal** whereby Landlord would lease office space to Metropolitan Water District of Southern California (hereinafter referred to as "Tenant") at 500 New Jersey Avenue, NW, Washington, DC (hereinafter referred to as "Building").

PROJECT:
Located just three blocks from the US Capitol, this unique 92,469 square foot Graham Gund designed building is distinguished by two curtain walls of glass punctuated by a steel tower at its apex. Tenants are provided every measure of luxury with rich granite, marble and stainless lobby detailing, and convenience with on-site management, a roof top terrace and two levels of underground parking (70+ spaces). The Building is the first certified green building in the District to comply with the Leadership in Energy and Environmental Design (LEED) program. Additional Project information is outlined below:

- 89,208 rentable square feet (total office area on floors 2-12)
- 3,261 rentable square feet (total retail area on 1st floor)
- Two (2) parking levels below grade containing 70+ spaces
- Typical Floor Size – 8,298 rentable square feet
- Column Spacing – 27' on center
- Perimeter Module – 5' typical
- Finished Ceiling Height – 8'-8" typical
- Elevators – Two (2) passenger and one (1) passenger/freight serving all office and parking levels
- Variable-Air-Volume HVAC System
- Floor load - 80 lbs. live load and 20 lbs. dead load

Mr. James M. Rayborn
The Meyer Group
November 21, 2005
Page 2

DEMISED PREMISES:
Approximately 1,598 rentable square feet, comprising a portion of the fourth (4th) floor of the Building, to be mutually determined by Landlord and Tenant. The Demised Premises shall be measured in accordance with ANSI/BOMA Z65.1.1996.

LEASE COMMENCEMENT DATE:
The Lease Commencement Date shall be ***upon substantial completion of the Demised Premises, which is scheduled to be no later than June 1, 2006.***

RENT ABATEMENT:
Landlord shall abate the first three (3) months of Base Rent due under the lease as of the Lease Commencement Date.

INITIAL LEASE TERM:
Ten (10) years and ***three (3)*** months from the Lease Commencement Date.

BASE RENTAL RATE:
The Base Rental Rate shall be Thirty-Six Dollars and Fifty Cents ($36.50) per rentable square foot, net of all Operating Expenses and Real Estate Taxes. At the beginning of the sixth (6th) lease year, the Base Rental Rate shall be increased by Two Dollars and Fifty Cents ($2.50) per rentable square foot in lieu of the two and one-half percent (2.5%) annual escalation set forth below.

BASE RENTAL RATE ESCALATIONS:
On the anniversary of the Lease Commencement Date, and on each anniversary thereafter throughout the Initial Lease Term, the Base Rental Rate shall be increased by two and one-half percent (2.5%) of the previous year's escalated Base Rental Rate.

OPERATING EXPENSES AND REAL ESTATE TAXES:
Starting on the Lease Commencement Date, Tenant shall be responsible for the payment of its proportionate share of applicable Operating Expenses and Real Estate Taxes. ***Tenant, at its expense, shall have the right to audit Landlord's Operating Expenses and Real Estate Taxes provided the audit is conducted by a Certified Public Accountant within twelve (12) months of the expiration of the expense period. Any audit shall be conducted at Landlord's offices as designated by Landlord.***

TENANT IMPROVEMENT ALLOWANCE:
Landlord shall provide Tenant with an allowance of Fifty-Five Dollars ($55.00) per rentable square foot of Demised Premises above a Completed Shell Definition as further defined in Exhibit B attached hereto. A list of building standard finishes will be provided to Tenant, which will include LEED requirements. There shall be no offset in rent or a rent credit applicable to any unused portion of the Tenant Improvement Allowance, and the entire Tenant Improvement Allowance must be utilized or the remainder will be forfeited. Tenant may, however, apply up to ten percent (10%) of the Tenant Improvement Allowance for purposes of installing voice and data cabling. ***Tenant shall have the ability to amortize up to an additional Twenty-Five Dollars ($25.00) per rentable square foot for the purpose of constructing additional improvements to the Demised Premises at a rate equal to ten percent (10%).***

CONSTRUCTION PROCESS:
Landlord will manage the Construction Process at a fee equal to four percent (4%) of the total "hard" and "soft" construction costs of the initial Tenant Improvements. Landlord shall competitively bid all items of work to three (3) general contractors, from which Tenant shall select the general contractor to perform the work.

TENANT PLANS:
Tenant, at Tenant's expense, shall supply all information to its space planner/architect who will produce and supply to Tenant and Landlord a preliminary plan and architectural working drawings. Tenant, at Tenant's expense, will use Landlord's engineer who will produce all mechanical, electrical, and plumbing working drawings as required for the permitting and construction of the Demised Premises. Landlord shall have final approval of all architectural and engineering drawings.

EARLY ACCESS:
Tenant shall have the right to access the Demised Premises for the thirty (30) day period prior to the Lease Commencement Date for purpose of installing voice and data cabling, telephone systems and furniture. Tenant shall coordinate this work with the Landlord and contractor.

SUBLEASE AND ASSIGNMENT:
Provided Tenant is not in default of its Lease, Tenant shall have the right to sublease or assign all or any portion of the Demised Premises to a subtenant or assignee, the type of which shall be subject to approval by Landlord in its sole and absolute discretion. Landlord shall have the right to recapture such sublease or assigned space.

HVAC SYSTEM:
Landlord shall furnish heating, ventilating and air conditioning for the Building during the period Monday through Friday from 8:00 a.m. to 6:00 p.m. and on Saturday from 9:00 a.m. to 12:00 p.m. Climate control is maintained through a variable-air-volume (VAV) system.

ACCESS:
Tenant shall have access to the Building between the hours of 7:00 a.m. and 6:00 p.m. Monday through Friday. At all other times, the Building is accessed by means of a central station system whereby tenants are permitted access to the main lobby or garage by presenting electronic access cards at the electronic card readers.

PARKING:
Parking is available within the Building's parking garage, 24 hours per day, 365 days per year. After-hours access to and egress from the garage is available through the use of an access card. Landlord shall make ***up to two (2) parking permits*** available to Tenant, at prevailing market rates.

LOADING AND DELIVERY FACILITIES:
Loading and Delivery Facilities are provided at the 1st Street side of the Building.

CLEANING SPECIFICATIONS:
Landlord shall provide Cleaning Services for the Building in compliance with LEED requirements and consistent with those services provided in comparable buildings in Washington, D.C.

BUILDING MANAGEMENT:
The Building is managed by Cassidy & Pinkard and will be managed at a level commensurate with comparable office buildings in Washington, DC.

APPROVAL OF BOARD:
Landlord realizes that all terms and conditions of this proposal are subject to the approval of the Board of Directors for the Metropolitan Water District of Southern California.

LEASE SECURITY:
Simultaneously with lease execution, Tenant shall provide a Landlord with a payment equal to the two (2) months Base Rental. One (1) month shall be applied towards the first month of rent due and the remainder shall be held as Lease Security for the term of the lease.

This proposal is effective until the end of the day **November 23, 2005.** This proposal is intended to serve as an expression of the Landlord's desire to negotiate mutually acceptable terms and conditions of a lease along the general lines set forth above. This proposal is not a binding agreement, nor is it an agreement to agree. Furthermore, the parties specifically acknowledge that important provisions not mentioned herein need to be negotiated and resolved before any binding agreement can be consummated between them. Until such time as a mutually satisfactory written lease shall have been approved and signed by all parties, neither Landlord nor Tenant will have any obligation to the other, or to any broker representing the other, as regards the proposed arrangement described above. All terms of agreement are subject to Landlord's lenders approval.

Thank you for your consideration. We look forward to your response.

Sincerely,

Richard

Richard C. Tonner, Jr.
Senior Vice President

Mark O. Sullivan
Vice President

SIGNATURE PAGE TO FOLLOW

Mr. James M. Rayborn
The Meyer Group
November 21, 2005
Page 5

AGREED AND ACCEPTED:

TENANT: **METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA**

By: Rg Wolf **Date:** 11/23/05

Title: Manager Corporate

cc: Mr. Dale Stinton
Mr. Alan Huffman
Mr. Ron Myles
Ms. Stacy Boden

Exhibit B

500 New Jersey Avenue, NW
COMPLETED SHELL DEFINITION

Structure:	The Building structural system is a conventional reinforced post tension flat plate concrete frame, with 100-lbs./sq. ft. minimum load capacity (80 psf live load, 20 psf partition dead load).
Column Spacing:	27" on center.
Floor Finish:	Floor slabs in the rentable areas of the Demised Premises will receive a trowel finish suitable for installation of carpet or other finish.
Floor-to-Floor Dimension:	The slab to underside of slab at typical office levels is 10'-0".
Building Skin:	Exterior walls of the office levels are a combination of an aluminum and glass curtain wall system.
Elevators:	The base building includes the following elevators: ♦ Three (3) traction passenger elevators, 350 feet per minute, with 3,500 lb. capacity, one of which is a service elevator. ♦ Three (3) elevators are each equipped with an in-car proximity reader that allows floor-by-floor lockout.
Typical Elevator Lobby:	Typical elevator lobbies provide drywall partitions, taped, floated, sanded and paint ready and unfinished floors. Multi-tenant floor elevator lobbies will be finished with paint, carpet, ceiling grid system and lighting in finishes designated by Landlord at Landlord's expense.
Toilet Rooms:	One (1) set of fully finished women's and men's restrooms, conforming to current accessibility codes, will be provided on each floor of the base building. Base building toilet rooms will provide a painted drywall ceiling with ceiling mounted lights, two-color patterned 2"x2" ceramic tile floor and base and 2"x2" ceramic tile walls throughout. Toilet partitions are floor mounted stainless steel. Lavatory counters are polished granite.
Communications:	Fiber-optic service is available to the Building from Verizon, the local telephone company. Verizon will install fiber-optic service upon tenant request. Specific concerns or questions should be discussed with Verizon (Mr. John Panker, (301) 595-6016).

Telecommunication service will be provided by the telephone company to the main telephone room on the P-1 Garage Level.

The main telephone service for the office Building will consist of four (4)- 4 inch and (4)- 1 inch empty conduits from the telephone utility service points to the Building main telephone room. Plywood will be provided for "head end" equipment by others. Six (6)- 4 inch conduit and sleeves to be provided for distribution between the Building main telephone room and the 1st floor telephone closet. Provide ten (10)- 4 inch stacking sleeves between the 1st floor and 12th floor telephone rooms.

Access Control System: A perimeter access control system is provided as an element of the base building, including:

- Proximity reader access and visitor intercom at each garage level.
- Proximity reader access and visitor intercom at main lobby doors.
- Floor by floor lockout capability in three (3) elevators.
- CCTV monitoring of garage and ground floor common areas.

Interior: The finished ceiling height is 8'-8" on typical floors.
Perimeter wall is taped and sanded (paint ready) in locations where full-height glass is not installed. Concrete columns shall be left exposed.

HVAC System: The Heating Ventilation and Air Conditioning (HVAC) designed for this Building is based on a condenser water system, supplying condenser water to commercial self-contained variable air volume (VAV) conditioning units on each floor. A rooftop mechanical area houses the cooling tower. A condenser water riser with valve taps at each floor is provided by the base building for use by tenants for 24-hour operation of tenant supplied water-cooled equipment. Air Conditioning units and all necessary air distribution (Medium Pressure Duct) from A/C Units to VAV terminal Units is part of the base Building construction as well as all terminal VAV Units.

At typical floors, twenty-four (24) VAV boxes with electric resistance heaters with CFMs ranging from 210 to 650 will be installed during base building construction with digital controllers for each VAV.

The Air Conditioning Units have the capacity to provide each floor with approximately 32 to 35 nominal tons for floors 3rd to 12th and 25 nominal tons for the 2nd floor.

Air distribution from the Terminal VAV Units shall be through rectangular sheet metal low-pressure duct and flexible ductwork (as possible) to linear or other type of diffusers. Air shall return to the A/C Units through return air grilles and air handling light fixtures (as possible) via ceiling return air plenum. Air Distribution and air devices as described are to be provided under tenant design and construction.

Heating will be provided by electric resistance coils in the VAV terminal units.

Each VAV terminal unit has been provided with control wire and a thermostat, for future installation by the tenant's general contractor.

Minimum Outside Air will be supplied in accordance with ASHRAE 62-1989 and IMC Codes. Average 20 cfm/person.

Outside Air supply to each floor A/C units is supplied from the roof via roof-mounted fan and modulated by monitors/dampers at each floor's mechanical room.

Toilets and janitors closets are provided with mechanical ventilation, 25% greater than required by code, through exhaust fan discharging at the roof.

A fully automated PC based DDC controls system will be included for the base building. The control system will be graphically based and monitor all mechanical equipment.

The automatic temperature controls system and related building management system is an integrated type. The digital system will be PC based and provide monitoring and control functions for individual zone control as well as equipment start-stop, equipment monitoring, maintenance report generation, etc. The digital system will also control the building lighting.

Electrical System: The main electrical service is from the utility company (PEPCO). The transformers are located on site in a vault below grade of approximate size of 42'x 9'. There is one 3000-amp service at 277/480 volts, 3-phase, 4-wire, to the building. The 3000 amp service consists of a C/T cabinet and 2500 amp switch for the building riser bus and a fire pump tap section and distribution section for the garage, house, penthouse, emergency and elevator services. An 800-amp service will be dedicated for retail and will consist of a C/T cabinet, 800-amp disconnect and busway for retail tenant disconnects and meters.

A base building electrical closet is provided on each floor. The bus riser is a 480 V plug-in type bus duct with step down dry type transformers for 120/208 V for tenant power distribution at each floor serving receptacle and miscellaneous power loads. Each closet is equipped with one (1) 225-amp, 277/480 volt, 3 phase, 4-

wire high voltage panelboard serving HVAC and one (1) 225-amp, 277/480 volt, 3-phase, 4-wire high voltage panelboard serving lighting loads. Each closet is equipped with one (1) 225-amp, main breaker, 120/208 volt, 3 phase, 4-wire 84-pole panel, for tenant convenience power.

Power at the rate of 5.0-watts/sq. ft. is available on the tenant floor, and 1.0 watt/sq. ft. is available for lighting on the tenant floor.

An emergency generator will be installed as an element of base building. It provides power for emergency lighting, stair pressurization fans, elevators, security and life safety systems.

The Building grounding system in accordance with Article 250 of the National Electrical Code. An isolated ground is installed in all electrical rooms, consisting of an isolated grounding bar. These grounding bars are tied into a grounding riser that is tied into the Buildings' exterior ground field. All panelboard cabinets, equipment and enclosures, and complete conduit system will be grounded securely to provide a low impedance path for potential ground faults.

Life Safety: The fire alarm system shall be designed in accordance with the latest additions of the Life Safety Code (NFPA 101), American Disabilities Act (ADA) and applicable state and local codes.

The system shall use closed-loop initiating device circuits with individual zone supervision, individual indicating appliance circuit supervision, and incoming and standby power supervision. The system shall include a microprocessor-based control panel with addressable manual pull stations, automatic fire detectors, (smoke, heat, air duct, etc.), ADA audio/visual devices (horns and strobes), standby batteries, zoned graphic annunciator panel, all wiring and conduit raceways, all wiring connections to devices and equipment, outlet boxes, junction boxes, and all other necessary material for a complete and approved fire alarm system.

The Building will be provided with a complete automatic sprinkler protection system. The fire protection system will include a standpipe in each stairwell and an OS&Y valve, check valve and flow switch will be provided on each standpipe at every level for connection to the sprinkler system. The garage levels will be provided with a dry pipe sprinkler system. A 500 GPM, fire pump and controller will be provided to supply adequate pressure to the system. The main fire service line to the Building shall be eight inches.

Plumbing Systems: A wet column with sanitary and vent risers is provided in a specified area on each floor for use by tenant.
The Building will be provided with a 4" domestic water service and 3" water meter to serve the water closets, urinals, lavatories, mop basins, wet stacks, etc. The main water service for the Building will have a duplex booster pump system with a 170-gallon hydropneumatic tank to provide adequate water pressure. Hot water will be provided for lavatories and mop basins via two electric water heaters (150 gallons and 15kW each) located in the mechanical penthouse. The temperature of hot water to the lavatories will be limited to 110°F to prevent scalding.

A sanitary, vent, and water line (with valve) connection points per floor will be provided during base building construction in a specified area, one outside the base building mechanical room, for use by tenant. The Building will be provided with sanitary and vent risers for connection to lavatories, water closets, urinals, mop basins, floor drains, etc. The sanitary sewer piping will be collected below the ground floor slab at a 1/8" per foot slope and exit the building by gravity. The sanitary sewer service to the Building shall be 6". The sanitary and vent piping shall be cast iron pipe. All traps will be equipped with trap primers.

Parking: Two (2) levels of underground parking are provided, with finished elevator lobbies at each garage level.

BOARD APPROVALS WASHINGTON D.C. 2005

MWD
METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

BOARD ACTION

• **Board of Directors**

Approved by Consent

December 13, 2005 Board Meeting

Confidential 8-13

Subject

Authorize entering into a ten-year lease agreement for office space in Washington, D.C. [Conference with real property negotiators; property is approximately 1600 square feet of office space located at 500 New Jersey Avenue, N.W., Washington, D.C.; agency negotiators: Roy Wolfe, Curtis Baynes, and Cathy Stites; negotiating party: National Association of Realtors (potential landlord); under negotiation: price and terms of payment; to be heard in closed session pursuant to Gov. Code Section 54956.8]

Summary

The Metropolitan Water District of Southern California (Metropolitan) has an opportunity to reach an agreement for leasing new office space in Washington, D.C., in close proximity to the U.S. Capitol Building (**Attachment 1**). This proposed lease would begin at the end of the existing Washington D.C. office lease (LEA157) on July 7, 2006 (**Attachment 4**). The proposed lease would replace the existing 3,906 square feet of office space, located at 1015 18th Street, N.W., with 1,598 square feet of space located at 500 New Jersey Avenue, N.W. (**Attachment 2**). Staff only recently became aware of this opportunity and needs to reach an agreement with the owner as soon as possible to secure the available location. The agreement will detail the terms and conditions of the 10-year lease (**Attachment 5**). These terms are consistent with the November 22, 2005 presentation to the Asset and Real Property Committee.

Description

Metropolitan's representative in Washington D.C. has obtained a proposal from the National Association of Realtors (NAR) for a 1,598-square foot office in a building located at 500 New Jersey Avenue. The initial up-front cost of the lease is estimated to be $120,000 for close out costs, moving expenses, furniture, tenant improvements, and start-up charges. These initial up-front costs, however, are included and will be paid from the 2005/06 External Affairs Group (Legislative Affairs) budget. The first year's annual rent is approximately $91,000, escalating over the ten-year term to an approximate amount of $115,000 in year ten. The rent escalation formula is 2.5% per year, plus a scale increase in the base rent in year six of $2.50 per square foot. This agreement may total approximately $1.4 million over the term of ten years (**Attachment 3**).

On November 8, 1994, the Board determined that it was essential for Metropolitan to establish a strong presence and identity in Washington, D. C., including the availability and occupation of our own office facility (**Attachment 4**). Since July 8, 1996, Metropolitan, together with its consultant Will and Carlson, L.L.C, has occupied office space on the sixth floor of the building located at 1015 18th Street, N.W., Washington, D.C. That existing office lease and sublease are due to expire July 7, 2006. After July 7, 2006, Metropolitan will not continue its office sharing arrangement with Will and Carlson, L.L.C. Therefore, Metropolitan will require less office space.

The NAR has proposed a ten-year lease at an annual rent of $36.50 per square foot (Base Rental Rate) net of Operating Expenses and Real Estate Taxes (**Attachment 5**). The pro rata annual Operating Expenses and Real Estate Taxes are estimated to be approximately $20.00 per square foot. The first year rental expenses for the 1,598-square foot office would be approximately $91,000. On the yearly anniversary of the lease, the base rental rate is scheduled to increase by two and one half percent (+2.5%) of the previous year's Base Rental Rate, except in the sixth year when the 2.5% escalation is replaced by a $2.50 per square foot rent increase (**Attachment 3**). Beginning the seventh year, the 2.5% annual increase would resume through the end of the lease term. The proposal includes a tenant improvement allowance of $55.00 per square foot. The building at 500 New Jersey Avenue, N.W., is in the final stages of construction and will be ready for occupancy at about the same time our current lease expires (July 2006). The new office is located three blocks from the U.S. Capitol Building, legislative offices, public transportation, and hotel accommodations. The existing lease is less conveniently located. The proposal is also unique in that it offers a relatively small office space for lease and is a certified green building that complies at the "silver" rating level with the Leadership in Energy and Environmental Design (LEED) program. The new office would provide Metropolitan's Legislative Affairs Representatives and visiting Board Members an ideal place to meet with legislators with close proximity to the Capitol Building. (**Attachment 2**). Terms of the proposed lease also allow a subtenant arrangement if Metropolitan were to choose such an arrangement in the future.

Alternatives to leasing this new office would include renegotiating the current office lease at 1015 18th Street, Suite 600, which would cost $13,500 per month in rent at the beginning of the next term. Escalations are estimated at about 2.5% per year for the existing lease. In comparison, the initial monthly rent for the proposed office at 500 New Jersey Avenue, N.W. would be approximately $7,335.

Another option is to continue to seek another location satisfactory to Metropolitan's business needs in the Washington D.C. area.

Policy

Metropolitan Water District Administrative Code Section 8201: Acquisition of Real Property

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

The proposed action is categorically exempt under the provisions of CEQA and the State CEQA Guidelines. In particular, the proposed action consists of the leasing of existing facilities with negligible or no expansion of use beyond that existing at the time of the lead agency's determination. In addition, it will not have a significant effect on the environment. Accordingly, this proposed action qualifies as a Class 1 Categorical Exemption (Section 15301 of the State CEQA Guidelines).

The CEQA determination is: Determine that pursuant to CEQA, the proposed action qualifies under a Categorical Exemption (Class 1, Section 15301 of the State CEQA Guidelines).

CEQA determination for Option #2:

The proposed action is categorically exempt under the provisions of CEQA and the State CEQA Guidelines. In particular, the proposed action consists of the leasing of existing facilities with negligible or no expansion of use beyond that existing at the time of the lead agency's determination. In addition, it will not have a significant effect on the environment. Accordingly, this proposed action qualifies as a Class 1 Categorical Exemption (Section 15301 of the State CEQA Guidelines).

The CEQA determination is: Determine that pursuant to CEQA, the proposed action qualifies under a Categorical Exemption (Class 1, Section 15301 of the State CEQA Guidelines).

CEQA determination for Option #3:

None required

Board Options/Fiscal Impacts

Option #1

Adopt the CEQA determination and authorize the Chief Executive Officer to

a. Enter into a lease for office space at 500 New Jersey Avenue, N.W., Washington D.C.; and
b. Execute a lease in a form approved by General Counsel.

Fiscal Impact: $120, 000 in initial costs for tenant improvements and other expenses to be paid from External Affairs 2005/06 Fiscal Year budget. The first year annual rent is $91,000 escalating, per lease agreement, to approximately $115,000 annual rent in the tenth year (**Attachment 3**).

Option #2

Negotiate terms of new or extended lease at existing location at 1015 18th Street, N.W.
Fiscal Impact: Approximately $162,000 annual base rent or negotiated amount.

Option #3

Allow the existing lease to expire and continue to search for new office space.
Fiscal Impact: Unknown

Staff Recommendation

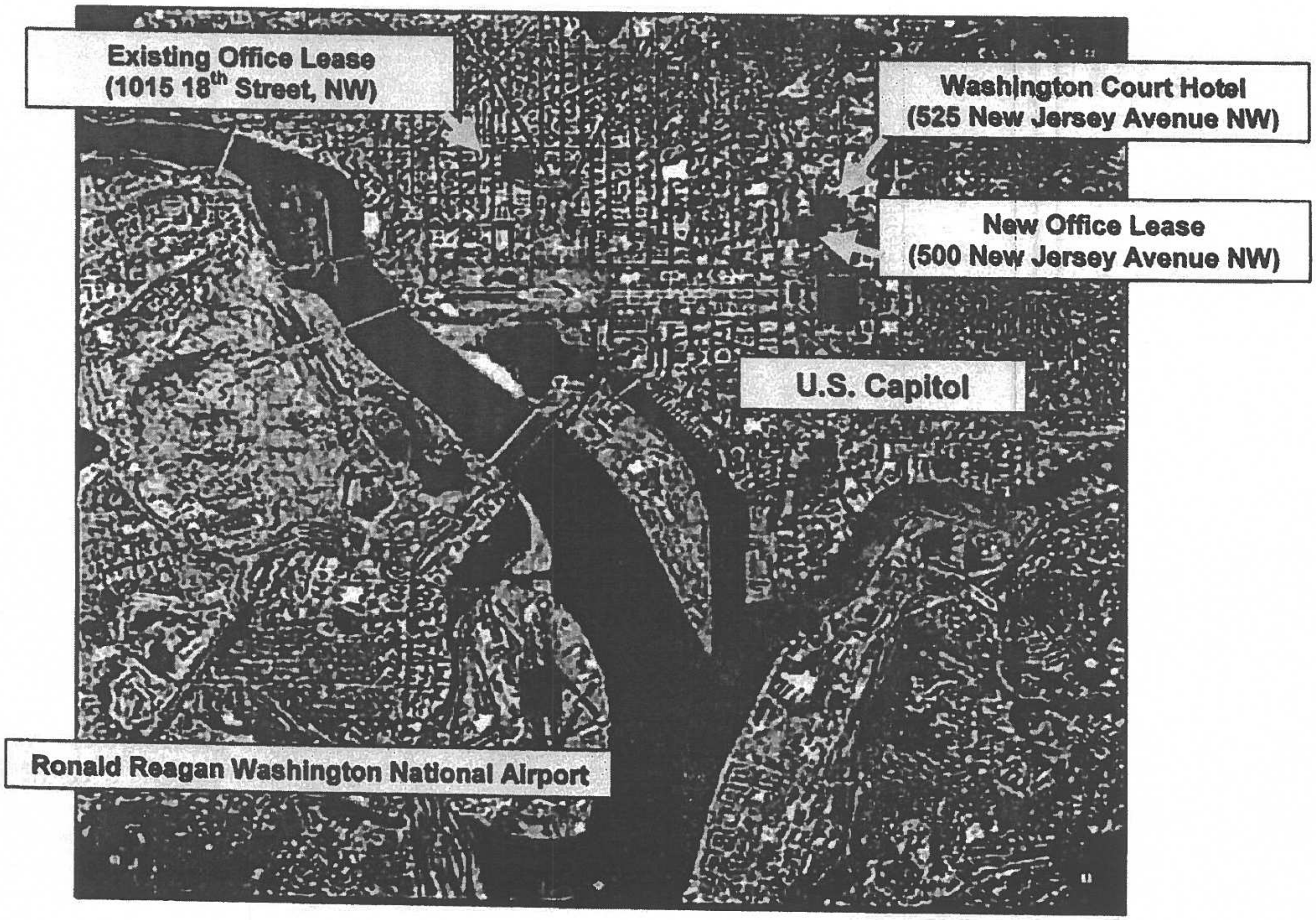
Option #1

Roy Wolfe 12/6/08
Roy L. Wolfe *Date*
Manager, Corporate Resources

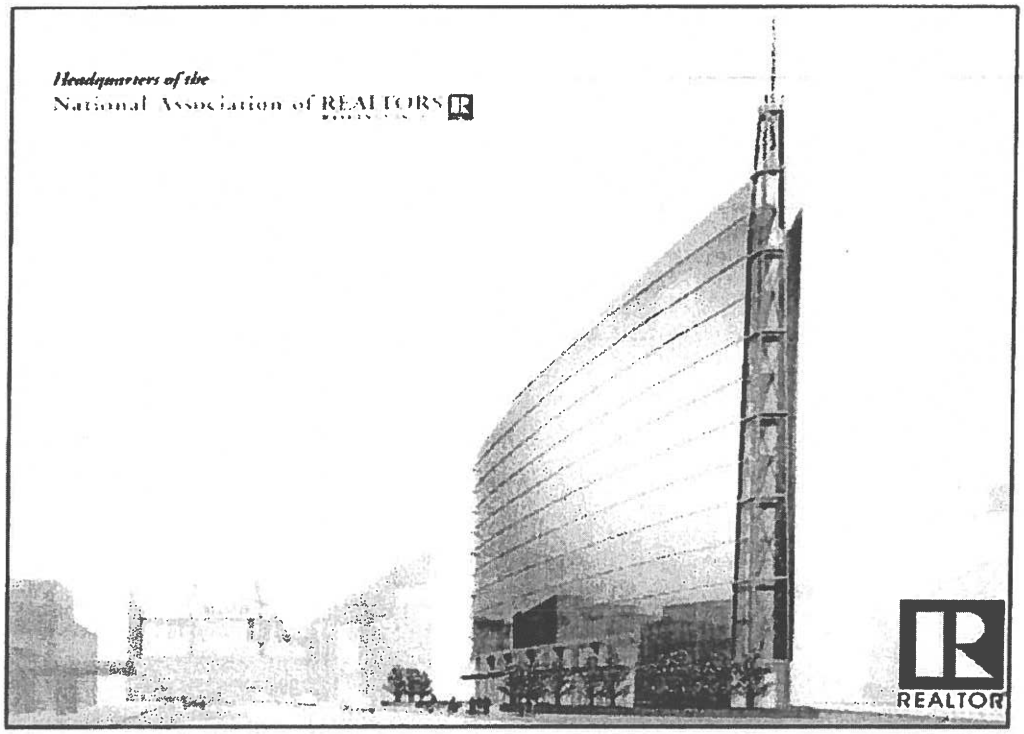
Debra C. Man 12/06/05
Debra C. Man *Date*
Interim CEO/General Manager

Attachment 1 – Location Map
Attachment 2 – Architectural Rendering
Attachment 3 – Financial Sheet
Attachment 4 – Land Committee Action dated April 23, 1996
Attachment 5 – Proposed Lease Terms and Conditions dated November 21, 2005

BLA #4105


Existing Office Lease
(1015 18th Street, NW)
Washington Court Hotel
(525 New Jersey Avenue NW)
New Office Lease
(500 New Jersey Avenue NW)
U.S. Capitol
Ronald Reagan Washington National Airport

Architectural Rendering



Financial Statement for Washington D.C. Office Lease

A breakdown of Board Action No. 1 for the Washington, D.C. office lease for Appropriation No. 11002 (General and Supervision) is as follows:

	Initial Costs Requested (December 2005)*	Projected Costs Over 10 Years	Total Appropriated Amount
Appropriation No. 11002 - Initial Costs:			
Moving expenses, furniture, telephone upgrade, computer networking, tenant improvements, and misc. expenses	$ 120,000		$ 120,000
Appropriation No. 11002 - Projected			
Lease Payments over 10-years		$ 1,019,423	$ 1,019,423
Contingency - Incidental Expenses and Repairs over term of lease		$ 220,000	$ 220,000
Total	**$ 120,000**	**$ 1,239,423**	**$ 1,359,423**

*Budgeted through External Affairs FY2005/06

240
120

1,359,423
240,000
1,599,423

Funding Request

Program Name:	Washington D.C. Office Lease at 500 New Jersey Avenue N.W.		
Source of Funds:	General and Supervision Funds		
Appropriation No.:	11002	**Board Action No.:**	1
Requested Amount:	$ 120,000	**Capital Program No.:**	N/A
Total Appropriated Amount:	$ 1,359,423	**Capital Program Page No.:**	N/A
Total Program Estimate:	$ 1,359,423	**Program Goal:**	N/A

1 359.423
120,000
1,479,423

AGENDA ITEM NO. 8-8

THIS CONFIDENTIAL LETTER IS BEING DISTRIBUTED IN ADVANCE OF THE MEETING AT WHICH IT WILL BE DISCUSSED. TO PRESERVE THE ATTORNEY-CLIENT PRIVILEGE, NEITHER THE LETTER NOR ITS CONTENTS SHOULD BE DISSEMINATED TO OTHERS. AFTER THE LETTER HAS BEEN TAKEN UP AT THE MEETINGS, IT SHOULD BE DESTROYED OR RETURNED TO THE GENERAL COUNSEL.

THANK YOU FOR YOUR COOPERATION.

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

BOARD ACTION

- **Board of Directors**
  Real Property and Asset Management Committee

10/13/2015 Board Meeting

CONFIDENTIAL 8-8

Subject

Authorize renewal of Metropolitan's office lease in Washington D.C. **[Conference with real property negotiators; agency negotiators: John Clairday and Bryan Otake; negotiating party: National Association of Realtors (Landlord); under negotiation: price and terms of payment; to be heard in closed session pursuant to Gov. Code Section 54956.8.]**

Executive Summary

The Metropolitan Water District of Southern California (Metropolitan) has an opportunity to renew its 1,598 square foot office lease in Washington D.C. located at 500 New Jersey Avenue, N.W. **(Attachment 1).** The proposed amendment to the existing lease would extend the term by seven years and two months from the current lease expiration date of March 14, 2016.

Details

Metropolitan's current office lease in Washington D.C. expires March 14, 2016. Metropolitan's Washington-based staff have occupied this office space, located three blocks from the U.S. Capitol Building, since March 2006. Metropolitan has obtained a proposal from the National Association of Realtors (Landlord) for renewal of the existing lease. The Landlord has proposed a seven-year, two month extension of the lease at an annual base rental rate of $53.50 per square foot. This represents an 11.7 percent increase from our current rate of $47.23 per square foot, but compares favorably with comparable space currently available. In addition to the base rent, Metropolitan would be responsible for a prorated share of building operating expenses and real estate taxes beginning April 1, 2017. The first year rental expense, through March 2017, for the 1,598 square foot lease area would be approximately $85,493. The base rental rate is also subject to annual increases of two and one half percent (2.5%.)

The proposal includes a tenant improvement allowance of $17.50 per square foot, to be spent at Metropolitan's discretion, as well as a termination option at the end of the sixtieth month of the lease term. The ability to lease a small amount of office space close to the Capitol makes this an attractive offer to Metropolitan. The building is a certified green building that has been upgraded to the "Gold" rating level with the Leadership in Energy and Environmental Design (LEED) program. The proposal also offers useful amenities including access to the north rooftop terrace for special events and the building's conference center. This office has provided Metropolitan's Legislative Representatives and visiting board members a place to meet with legislators with close proximity to the Capitol Building. The proposed lease space is also close to congressional offices, Washington's Union Station, and hotel accommodations.

Alternatives to renewing our current lease are few, as small office space satisfactory to Metropolitan's business needs is scarce in the Washington D.C. area. Staff investigated and obtained a proposal for a 1,718-square foot space located at 440 First Street N.W., directly across the street from our current office. That proposal offered an initial annual base rent rate of $56.00 per square foot with an annual rent escalation of 2.5 percent The minimum lease term offered for the 440 First Street N.W. building was 10 years and 10 months.

Extending the current lease would avoid the cost of relocating staff to new office space, including considerable staff involvement in designing and supervising tenant improvements for the new leased space.

Policy

Metropolitan Water District Administrative Code Section 8201: Acquisition of Real Property

California Environmental Quality Act (CEQA)

CEQA determination for Option #1 and Option #2:

The proposed action is not defined as a project under CEQA because it involves continuing administrative activities (Section 15378(b)(2) of the State CEQA Guidelines). In addition, the proposed action is not subject to CEQA because it involves other government fiscal activities, which do not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment (Section 15378(b)(4) of the State CEQA Guidelines).

The CEQA determination is: Determine that the proposed action is not defined as a project under CEQA and is not subject to the provisions of CEQA pursuant to Sections 15378(b)(2) and 15378(b)(4) of the State CEQA Guidelines.

CEAQ determination for Option #3:

None required

Board Options

Option #1

Adopt the CEQA determination, and authorize the General Manager to

a. Renew the exisiting Legislative Affairs Office Lease in Washington D.C. at 500 New Jersey Avenue NW, Washington D.C.; and

b. Execute an amendment to the lease dated March 23, 2006 in a form approved by the General Counsel.

Fiscal Impact: $664,750 in estimated total rent over an 86-month lease term averaging approximately $7,730 per month over the lease term

Business Analysis: This option would have the lowest overall cost when the internal cost of moving is factored in.

Option #2

Adopt the CEQA determination that the proposed action is not defined as a project and is not subject to CEQA, and authorize the General Manager to negotiate terms of a new lease at 440 First Street, N.W. Washington D.C. and execute a new lease in a form approved by the General Counsel.

Fiscal Impact: $1,043,000 in estimated total rent over a 130-month lease term averaging approximately $8,020 per month over the lease term

Business Analysis: This alternative would involve substantial staff time in negotiating a new lease, administrating buildout of tenant improvements, and moving equipment and furniture to the new location.

Option #3

Continue to search for new suitable office space.

Fiscal Impact: Unknown

Business Analysis: This alternative could impact business continuity in the Washington D.C. area.

Staff Recommendation

Option #1

John Clairday 9-23-15
Manager, Real Property Development and Management
Date

Jeffrey Kightlinger 9/23/15
General Manager
Date

Attachment 1 – Map of Proposed Lease Space

Ref# 12639211

Location and Site Maps