

# Department of Public Works

Richard M. Jones, P.E.  
Commissioner of Public Works

Thomas M. Eeg, P.E.  
Assistant Commissioner of Public Works



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November 25, 2008

Alderman Gregory Holding  
Chairman, Public Works  
and Services Committee  
Racine, Wisconsin

**RE: 2009 Lease Agreements for Office Space**

Dear Alderman Holding:

Submitted for your review and approval are lease agreements for the use of office space in City Hall, City Hall Annex and the Safety Building. These leases are with entities outside the City and City-functions that are either grant-funded or enterprise functions.

With the exception of organizations that enjoy either a rent-free or low cost lease in the City Hall Annex, I am proposing that all leases be increased by 4.4% over the 2008 rates based upon the Consumer Price Index variances between 2007 and 2008. This percentage is based on the difference between September 2007 (206.5) and September 2008 (215.5), which is a 4.4% difference.

In the City Hall Annex, we have the Racine Arts Council, Toys for Tots and the Racine Boxing Club that receive free office space in the lower level. Also, on the first floor is the Racine Symphony and Choral Arts Society and on the third floor is Neighborhood Watch which are the non-profit organizations that have lower cost lease agreements. While we have typically increased these rental rates by the Consumer Price Index, the original lease agreements were based on costs for utilities, capital improvement projects and building maintenance and since we have seen an increase in utility costs that far exceeds the Consumer Price Index, I reviewed the associated costs and came up with the following numbers:

\$1.78 / SF	Utilities (2009 budget of \$142,200 – increase of 65% since 2004)
\$0.60 / SF	CIP (2004 – 2009 average of \$48,333)
<u>\$1.53 / SF</u>	Building Maintenance (City Staff plus Maintenance Budget)
<b>\$3.91 / SF</b>	<b>Total Cost</b>

Utilizing the cost of \$3.91 per square foot results in a \$1.52, or 63.5%, increase over the current rate of \$2.39 per square foot, so would increase the revenue from these 3 leases from \$4,402.38 in 2008 to \$7,202.22 in 2009, or \$2,799.84.

The attached summary lists the various lessees, space occupied and proposed rate for each of the leases being considered for renewal. The biggest change over last year is that Housing and Fair Housing offices will be moved to City Hall in 2009 and will result in 1,130 square feet of space being available in the City Hall Annex. I recommend that their lease agreement cover the City Hall Annex monthly until the City Hall renovation is completed for their new office location. I estimate that this move will be around April 1, 2009 for the revenue estimate, but may vary based on the renovation project.

I would recommend that the remainder of the leases be renewed for the time period of January 1, 2009 to December 31, 2009 at the rates listed.

These leases will generate a total annual revenue of \$85,548.15 in 2009.

Sincerely,

A handwritten signature in black ink that reads "Thomas M. Eeg". The signature is written in a cursive style with a large, looping initial 'T'.

Thomas M. Eeg  
Assistant Commissioner of Public Works

Attachment

cc: Richard M. Jones  
Ben Hughes  
Dave Brown