



MEMORANDUM

To: California State Lottery Commission Date: July 16, 2008

From: Joan M. Borucki
Director

Prepared By: Terry Murphy, Acting Deputy Director
Operations Division

Subject: Item 8(a) - Central Valley District Office Lease Extension Agreement

ISSUE

Should the California State Lottery Commission (Commission) approve a five-year lease extension expiring June 30, 2011?

RECOMMENDATION

Staff recommends that the Commission approve the lease extension for the Central Valley District Office.

BACKGROUND

The California State Lottery has occupied its current facility at 750 W. Pinedale Ave., Fresno, California, since 2000. The current lease is scheduled to expire July 31, 2008. The Lottery and the owner have experienced a good working relationship over the past eight years and it is agreeable to all parties that the Lottery continue to occupy said space.

DISCUSSION

Pursuant to California Government Code Section 8880.64 and the California State Lottery's (Lottery) Omnibus Regulations at Section S.13, the Lottery Director is authorized to enter into leases as she deems necessary to accomplish the business

needs of the Lottery. The regulations require the Commission's consent for leases or lease amendments exceeding \$250,000.

While long-term leases (10 - 15 years) are generally more advantageous than short-term leases, the Lottery is exploring options that may include purchasing space, rather than leasing. A five-year lease (with option to terminate after three years) gives the Lottery the necessary time to assess and pursue purchase options without being encumbered by a long-term lease, at the same time securing favorable terms over the next five years.

The Pinedale site continues to meet the needs of the Central Valley District Office, Additionally, it is centrally located with easy public access. Lottery staff have negotiated a favorable lease with the owners that is competitive in the marketplace and satisfies the continued operational needs of the Central Valley District Office and the Lottery.

The lease extension is for a five-year term at a cost not to exceed \$866,771. The cost is \$2.25 per square foot, including CAM (Common Area Maintenance) charges, and is typical for the area. Leasing authority is pursuant to Lottery Regulations S.13.