

Office of Audit and Control

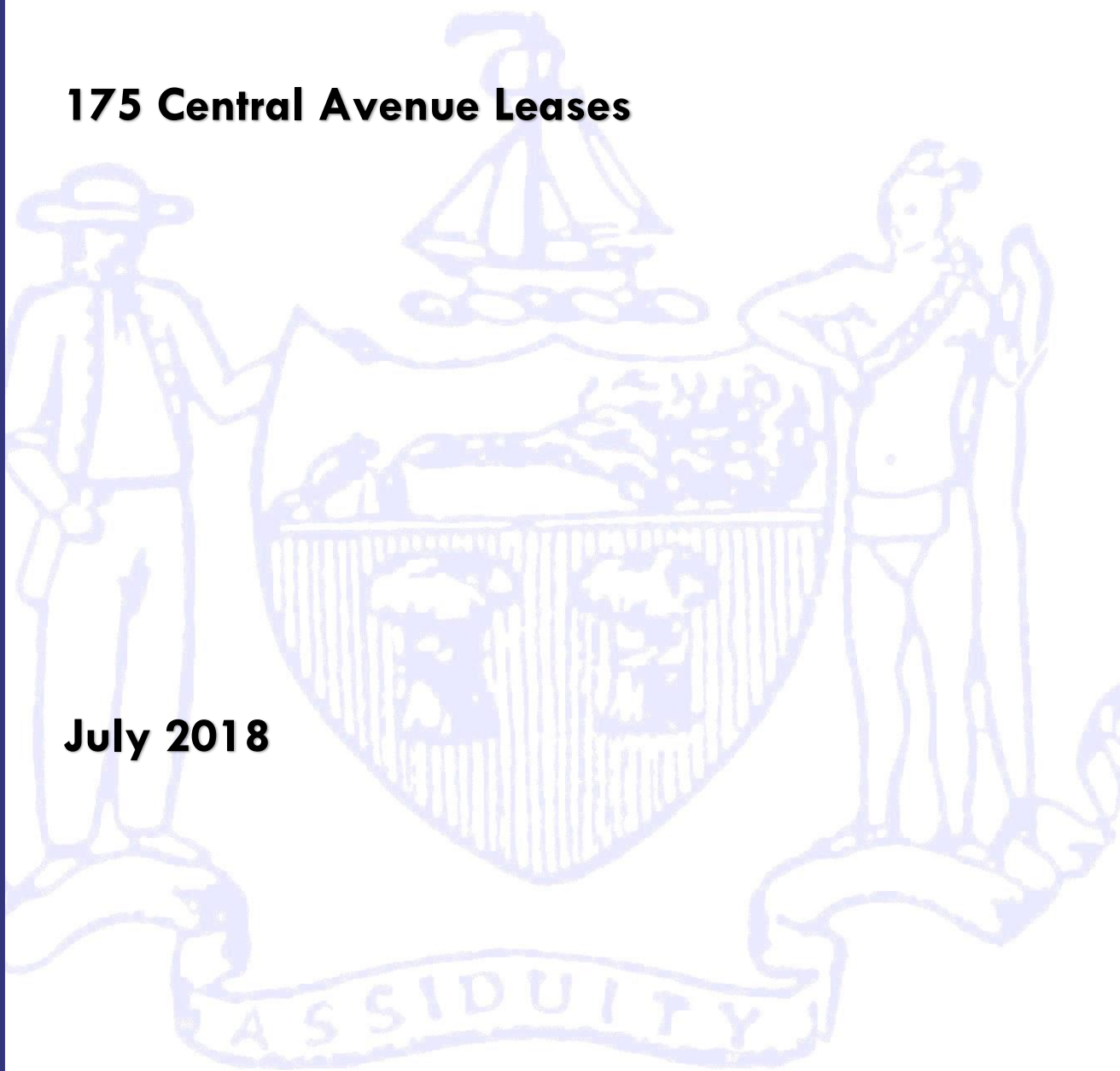
AUDIT REPORT

175 Central Avenue Leases

July 2018

Susan Rizzo

Chief City Auditor



Audit Team

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www.albanyny.gov/Government/Departments/OfficeofAuditandControl

You may also contact our office by email at srizzo@albanyny.gov

Preface

The Office of Audit and Control (OAC) exists to provide oversight, transparency and public accountability as a means to improve the City of Albany Administration accountability. This audit is a part of that function.

When the OAC takes on an audit subject and, setting aside issues of misconduct, the City department(s) or entities concerned respond positively to address the audit's findings, it is the commitment of the OAC to support and encourage use of the audit process by City departments as a means to improve their operations.

This audit was conducted with the full cooperation of the Department of Youth & Workforce Services and Jonathan Jones, the Department's Commissioner. The City of Albany Administration and the Department of Youth & Workforce Services have committed to addressing any findings.

The proper use of the audit findings in these circumstances is to provide for the oversight of the resulting changes and to be the basis for informed public policy discussions.

Given that the New York State Department of Labor (DOL) and the City of Albany Department of Youth & Workforce Services have given their full cooperation, it would be unfair and damaging to the audit process for this audit's findings to be used for political gain. As such, the OAC will view the political use of this audit's findings as detrimental to our mission.

We thank the New York State Department of Labor and the Department of Youth & Workforce Services employees for their cooperation and commitment.

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Background

Each month, the Office of Audit and Control (“OAC”) reviews and approves two vouchers for the City of Albany to pay rent for space occupied by the Department of Youth and Workforce Services (“the Department”), at 175 Central Avenue and 184 Sherman Street. Each month, one voucher is payable to CMcD Properties, LLC (“CMcD”) and the second is to reimburse the Department of Labor (“DOL”). In the process of reviewing these vouchers, it was noted that the contract providing for payment to DOL had expired in 2011.

CMcD owns 175 Central Ave and 184 Sherman St. The two properties are connected to create, in essence, one building. For the purposes of this report, the two properties will be referred to collectively as “175 Central Avenue.”

The City of Albany and the DOL both lease space at 175 Central Avenue from CMcD. Additionally, DOL sub-leases a portion of their space to the City of Albany for use by the Department of Youth and Workforce Services. The lease with CMcD is for the term November 1, 2013 – October 31, 2018. The sublease with the DOL is the contract which had expired in 2011. The City has continued to pay monthly rent to DOL since the expiration of the sublease.

Introduction

In initiating this audit, our larger goal was to preserve more of the limited funding available for the valuable programs conducted by the City of Albany Department of Youth and Workforce Services, which serve City residents in a direct and meaningful way, and improve the quality of life of our community.

The primary objective of this audit was to confirm the amount of space occupied by the Department at 175 Central Avenue, and to assure that The City of Albany has documentation of such leased space. Additionally, we sought to determine whether it may be possible to reduce the City’s rental expense at 175 Central Avenue without compromising the operation of the Department.

The OAC requested all past and present leases for 175 Central Avenue from the City’s Corporation Counsel. An analysis was done of the varying costs incurred, over the years, by the City in the rental of this space. The Chief City Auditor and the Commissioner of Youth and Workforce Services jointly

conducted an examination of the physical space at 175 Central Avenue and the ways in which it is utilized by the Department.

The audit findings are as follows:

1. The lease with CMcD properties began in 2000 and was amended in 2002, 2010, 2011 and 2013. As noted, this lease expires on October 31, 2018.
2. The City has been paying rent on underutilized space at 175 Central Avenue. It will be cost-efficient to reduce some of the space occupied by the Department at this location. As a result, and during the course of this audit, as of December 22, 2017, the Department vacated some of the space it had occupied at 175 Central Avenue via the aforementioned sublease with the DOL. This sublease expired on December 31, 2011, but was implicitly extended by tacit agreement of both parties.

Scope, Objective and Methodology

Scope

The Audit was focused on the sublease with the DOL, which expired in 2011.

Objectives

The objectives of this audit were as follows:

1. Determine whether the City has an agreement with CMcD Properties;
2. Determine whether the City has an agreement with the Department of Labor;
3. Review and analyze the history of the City's leases and subleases at this address; and
4. Determine if the space is currently being fully utilized and complete a thorough analysis of the shared costs charged to the City that are reimbursable.

Methodology

The overall audit methodology consisted of the following:

- Examination of the space utilized by the Department under the existing tacit agreement, by working with the Department to assess the use of the occupied space at 175 Central Avenue, with the goal of reducing its office space to be more cost efficient.
- Collecting, reviewing, and evaluating all historic rental and escalation costs related to the property.

CMcD Properties' Lease

As part of this audit, the OAC reviewed the City's rates per square foot paid in prior leases of 175 Central Avenue from CMcD. Please refer to the table below for the summary of lease agreements.

Lease Type and Year	Lease Term	Square Ft.	Monthly Rent	Annual Rent	Price per Sq. Ft. per year	Escalation per Sq. Ft. per year	Total Price per Sq. Ft. per year
2000 Lease	July 1, 2000 to June 30, 2010	12,200	\$6,666.67	\$80,000.00	\$6.56		
2002 Lease Modification	Effective April 1, 2002	13,000	\$7,643.34	\$91,720.00	\$7.06		
2010 Lease Modification	July 1, 2010 to April 30, 2011	10,700	\$5,416.66	\$65,000.00	\$6.07		
2011 Lease Modification	Effective May 1, 2011, month-to-month	6,046	\$3,879.51	\$46,554.20	\$7.70		
2013 Lease Modification and Renewal	November 1, 2013 to October 31, 2018	6,046	\$3,879.51	\$46,554.20	\$7.70	\$4.96	\$12.66

The current monthly payment to CMcD is \$6,379.79, which includes \$3,879.51 that is listed in the 2013 lease modification and renewal plus \$2,500.28 in escalation charges, which is 47% of the monthly gas and electric charges for the property.

Escalation Charges

The CMcD lease escalation charges include taxes, building maintenance, labor, water, and pest control fees. The current charges are \$2,500.28 per month and are detailed in a letter dated December 13, 2016 from Charles A. DiGangi of Campito Properties (on behalf of CMCD Properties) to Douglas Lansing, Director of Enrollee Services for the Department of Youth and Workforce Services.

The \$2,500.28 per month charge totals \$30,003.36 per annum. The escalation charges' price per square foot is \$4.96 per year. The current total price per square foot, including monthly lease and escalation charges, is \$12.66.

The letter dated December 13, 2016 states, "The appropriate adjustments will be made at the end of the lease term and shall be based on the actual expenses incurred for period 11/1/15 through

10/31/16.” However, the OAC has found that there is no record of adjustments in expenses made at the end of the 2017 term.

The letter, which includes a breakdown of expenses, states that the escalation charges are “In accordance with Section 4, Paragraph ‘a’ entitled ‘Operating Expenses, Taxes and Insurance’ of the City of Albany lease for property at 175 Central Ave...” See Section 4, Paragraph ‘a’ of the original 2000 lease agreement in Appendix.

DOL Sublease Agreement

As of February 10, 2011, the City and the DOL made and entered into an office space permit agreement for January 1, 2010 through December 31, 2011. The agreement states that the City is thereby a tenant at 175 Central Avenue, and grants a permit to use and occupy 5,733.9 square feet of space. The City agreed to pay the DOL a permit fee of \$20.33 per square foot, equal to \$116,570.19 per annum, to be paid in equal monthly installments of \$9,714.18.

During the course of this audit, the Chief City Auditor and the Commissioner of Youth and Workforce Services conducted a walkthrough of 175 Central Avenue. They examined the space occupied at 175 Central Avenue and its functions. As a result of this analysis, as of December 22, 2017, the Department elected to move out of some of the space it had occupied at 175 Central Avenue via the tacit extension of the sublease from DOL.

The renegotiated DOL sublease, referred to as the Shared One Stop Costs Contract was executed on May 1, 2018, between the DOL and the City, for December 1, 2017 through November 30, 2022. The new contract reduces the amount of rented space from 5,733.9 square feet to 1,187.0 square feet. The new contract will cost the City \$21.00 per square foot, totaling \$24,927.00 per annum to be paid in equal monthly installments of \$2,077.25. The rent also covers operating expenses (janitorial, HVAC, electricity, fuel, parking, and grounds maintenance). In addition to the monthly rent, the Department will pay for its communication expenses. This consists of 16 VOIP phones at a cost of \$16.57 each, per month, for a total of \$265.12 per month. The total monthly payment payable to DOL is \$2,342.37.

Audit Results

New Proposed Contract

Since the expiration of a lease on December 31, 2011, the City has been paying \$20.33 per square foot for rent. Working with DOL, the new proposed Addendum “A” was executed at \$21.00 per square foot. This agreement covers all operating expenses, plus communications expense of \$265.12 per month. On May 1, 2018, the City signed a contract with DOL, which is attached to the report. In the attached Addendum “A” of the contract, DOL states that the City will be credited \$14,743.62 for invoices paid based on the prior monthly rent cost of \$9,714.18. The contract failed to include the additional four invoices paid from February 1, 2018 to May 31, 2018, totaling \$29,487.24 for four months of rent. OAC determined that the City should be credited \$44,230.86, instead of the \$14,743.62. The contract total price of \$125,798.58 should be \$96,311.34 for the five year term. Please see the attached OAC’s Proposal for [Revision of Addendum “A”](#) on page 16.

The previous lease total cost was \$116,570.16 per annum. With the new proposed DOL contract, the City will save \$88,461.72 per year.

The new contract states the term as “beginning on December 22, 2017 and ending on November 30, 2022”. The DOL has agreed to credit the City for its overpayment of rent during the months following the vacating of space at 175 Central Avenue, but prior to the establishment of the new sublease contract. The OAC calculates this credit to be \$44,230.66. The City should have this credit applied toward future rent payments.

Recommendations

Recommendation #1 - For the CMcD Lease, the OAC recommends the City request documentation of the actual amount of operating expenses incurred instead of paid each month for year-end 2017.

Recommendation #2 - The OAC recommends the City amend the contract that was signed and executed on May 1, 2018, to credit the appropriate amount of \$44,230.86 versus the \$14,743.62 credit as noted on page 15, [DOL Addendum “A” Contract Cost Breakdown](#) and revised on page 16. The City should look at [APPENDIX II - Executed DOL One Stop Costs Contract “revision”](#) on page 11 that is attached as an example. This analysis was calculated by the OAC.

Recommendation #3 - The OAC recommends that the City review its rent expense on a regular basis with the goal of eliminating over-payment in this area. Based on the table on page 6, the City has a contract price of \$12.66 per square foot with CMcD, which includes escalation. In comparison, the City is paying DOL \$21.00 per square foot. The only difference is that DOL shared cost contract includes parking. The City should identify why the rate with DOL is higher than the CMcD direct lease. If the only difference is parking, the City should compare this to the market rate for parking spaces.

Recommendation #4 - The OAC recommends that the City adopt the practice of maintaining valid, current leases for all rented spaces. All existing leases should be reevaluated and renegotiated prior to the date of expiration.

Conclusion

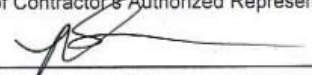
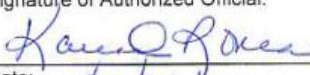
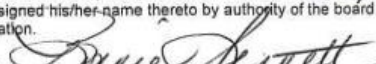
The City of Albany often needs to rent space for its different operations. Many of these rentals consist of an agreement between the City and New York State entities. The City should periodically review its rental agreements with the goal of reducing expense whenever possible. In some cases, space may have become redundant since the rental agreement was executed. A department may have changing needs and/or staffing levels, which leads to a decrease in the office size necessary.

During the course of this audit, the OAC, the Department and the City Administration agreed that the Department should vacate some of the rented space within the building to occupy a lesser portion of 175 Central Avenue. As stated previously, this reduction was finalized during the course of this audit.

With the cooperation of DOL, the City's Corporation Counsel, and the Department of Youth and Workforce Services, a new sublease contract was executed and signed. The addendum to the contract reflects a \$14,743.62 credit, whereas the credit should be \$44,230.86 due to rent payments made during contract negotiations. With the new proposed DOL contract, the City will save \$88,461.72 per year.

Appendix I

Executed DOL One Stop Costs Contract

<p align="center">New York State Department of Labor Governor W. Averell Harriman State Office Building Campus, Building 12 Albany, NY 12240</p> <p align="center">Agency Code 14000</p>	<p>Contract Number: A2018-002</p> <p>Amount of Agreement: \$426,798.58 Change to \$96,311.34</p> <p>CFDA # (If Applicable):</p> <p>Contract Period: to</p> <p>Multi-Year Term (if applicable) From: 12/1/17 To: 11/30/22</p>
<p>Contractor Name/Project Sponsor: City of Albany (Youth and Workforce Services)</p> <p>Street: 175 Central Ave. City: Albany State: NY Zip: 12206</p> <p>Billing Address (if different from above): Street: 24 Eagle Street City: Albany State: NY Zip: 12207</p> <p>Title/Description of Project: Cost sharing agreement for office space and services located at Career Central in Albany, NY.</p>	<p>Federal Tax Identification Number: 146002058</p> <p>Vendor Identification Number:</p> <p>Contractor is a Sectarian Entity <input type="checkbox"/> Check if Yes</p> <p>Check ONLY ONE of the Following Three Choices: Contractor is a Municipality <input checked="" type="checkbox"/> Check if Yes</p> <p>MUNICIPALITY # (If Applicable): _____ or Contractor is a For-Profit Organization <input type="checkbox"/> Check if Yes or Contractor is a Not-For-Profit Organization <input type="checkbox"/> Check if Yes</p>
<p>THIS AGREEMENT INCLUDES THE FOLLOWING:</p> <p><input checked="" type="checkbox"/> This Face Page and Standard Agreement</p> <p><input checked="" type="checkbox"/> Appendix A - Standard Clauses for all New York State Contracts <input type="checkbox"/> Appendix B - Project Budget and Program Narrative</p> <p><input type="checkbox"/> Appendix C - The Department's General Conditions <input type="checkbox"/> Appendix D - Certifications (as applicable) <input type="checkbox"/> Appendix E - Other Conditions, if applicable <input type="checkbox"/> Appendix X - Modification Agreement Form (to accompany modified appendices for changes in term or consideration on an existing period or for renewal periods)</p>	<p>If Not-For-Profit:</p> <p>Charities Registration Number: Or Exempt Code:</p> <p>Contractor has timely filed with the Attorney General's Charities Bureau all required periodic or annual written reports.</p> <p>Yes <input type="checkbox"/> or No <input type="checkbox"/></p>
<p align="center">The Contractor and the Department agree to be bound by the terms and conditions contained in this Agreement</p>	
<p align="center">CONTRACTOR</p>	<p align="center">NYS DEPARTMENT OF LABOR</p>
<p>Signature of Contractor's Authorized Representative:</p> <p></p> <p>Date: <u>May 24, 2018</u></p>	<p>Signature of Authorized Official:</p> <p></p> <p>Date: <u>5/31/18</u></p>
<p>Type or Printed Name of Above Representative: <u>KATHY M. SHEEHAN</u></p> <p>Title of Authorized Representative: <u>MAYOR</u></p>	<p>Type or Printed Name of Above Official: Karen D. Ronca</p> <p>Title of Authorized Representative: Director of Agency Budget Services</p>
<p>Notary Public: State of New York County of <u>ALBANY</u> On the <u>24th</u> day of <u>MAY</u>, 20 <u>18</u>, before me personally appeared <u>Kathy M. Sheehan</u> to me known, who being by me duly sworn, did depose and say that he/she resides at <u>Albany, NY</u> and that he/she is the <u>MAYOR</u> of the <u>CITY of Albany</u> the corporation described herein which executed the foregoing instrument; and the he/she signed his/her name thereto by authority of the board of directors or said corporation.</p> <p>(Notary) </p>	<p>State Agency Certification: In addition to the Acceptance of this contract, I also certify that original Copies of this signature page will be attached to all Other exact copies of this contract.</p>
<p>Attorney General:</p>	<p>Office of the State Comptroller:</p>

BONNIE SENNETT
 Notary Public, State of New York
 Qualified in Schenectady County
 No. 01SE6277257
 My Commission Expires 03-04-2021

New York State Department of Labor
W. Averell Harriman State Office Campus
Building 12, Room 436, Albany, NY 12240
www.labor.ny.gov

SHARED ONE STOP COSTS CONTRACT

THIS CONTRACT, made and entered into this 1st day of May 2018, between THE STATE OF NEW YORK, acting and through the DEPARTMENT OF LABOR, hereinafter referred to as "NYSDOL", with offices located at the State Office Campus Building 12, Albany, New York 12240 and City of Albany Youth in Workforce Services, whose address is: 24 Eagle Street, Albany, NY hereinafter referred to as the "PARTNER,"

WITNESSETH

WHEREAS, NYSDOL has the right to use and occupy space at 175 Central Avenue, Albany, New York ("the Premises") pursuant to a New York State Office of General Services lease with landlord C-McD Properties, LLC c/o Campito Properties; and

WHEREAS, the Workforce Investment Act of 1998 ("WIA") and the Workforce Innovation and Opportunity Act of 2014 ("WIOA") require that each state form a universal delivery system of state and local workforce development services ("Employment Services"); and

WHEREAS, PARTNER desires to use and occupy a portion of the Premises for Employment Services; and

WHEREAS, NYSDOL desires to grant to PARTNER the right to use and occupy a portion of the Premises as set forth in Addendum A hereto ("Contract Space") for such purposes;

Now, in consideration of the mutual covenants, terms, and conditions set forth below, the parties hereto agree as follows:

1. NYSDOL grants to the PARTNER a Contract (the "Contract") to use and occupy the Contract Space.
2. NYSDOL expressly warrants to PARTNER, that it has the authority to enter into this Contract with PARTNER for the full term set forth herein.
3. This Contract shall be for a term beginning on December 1st, 2017 (the "Commencement Date") and ending on November 30th, 2022.
4. The PARTNER shall use and occupy the Contract Space for Employment Services and such other services as are agreed to by the parties. NYSDOL agrees that in addition to PARTNER, said Contract Space shall be used and occupied by PARTNER's agents, invitees and business guests as approved/agreed to by NYSDOL.
5. The hours of operation of this Contract shall be from 8:30 a.m. – 5:00 p.m., Monday through Friday; any deviations from these hours would need written approval from NYSDOL.
6. The PARTNER shall pay to the NYSDOL a Contract Fee for office space, use of common areas at the Premises and operating expenses as set forth in Addendum A, to be paid in equal monthly installments, on or before the first day of each month during the term of this Contract and mailed to: NYS Department of Labor, SOBC-

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Building 12-Rm. 464, Albany, New York 12240. The remittance check shall be made payable to the "New York State Department of Labor" and contain the statement: "Fee for Space, Use and Occupancy of Department of Labor, Career Central, Albany, NY." Such Contract Fee shall be inclusive of the cost of all utilities.

7. If NYSDOL has a change/escalation of Premise lease costs or operating expenses, NYSDOL shall, with PARTNER'S consent, adjust/increase the payment schedule in a proportional amount at any time during said Contract term, except that NYSDOL may adjust/increase the payment schedule without PARTNER's consent if PARTNER unreasonably withholds consent.
8. The PARTNER shall comply with all Federal, State, and local laws, ordinances, rules and regulations, and if the PARTNER fails to so comply, NYSDOL shall have the right to take whatever steps may be necessary to achieve compliance. Any cost or expense incurred by NYSDOL shall be added to the next installment of the Contract Fee coming due, including interest thereon, and all remedies herein affecting such fee shall also apply to such added amounts.
9. NYSDOL shall have the right to enter the Premises at any time for the purpose of making an inspection.
10. If the PARTNER: (a) deserts the Contract Space; (b) defaults in the payment of the Contract Fee or any part thereof; (c) sells, assigns, mortgages, pledges or sublets this Contract; (d) defaults in the performance of any of the terms, conditions or covenants of this Contract which the PARTNER is to keep and perform; (e) fails to comply with any Federal, State, or local law, ordinance rule or regulation applicable to the Contract Space after written notice by NYSDOL; or (f) files a petition in bankruptcy or is adjudicated a bankrupt or makes an assignment for the benefit of creditors, or takes advantage of any insolvency act, NYSDOL may, at any time thereafter terminate this Contract and the term thereof, on giving to the PARTNER or the legal representatives of the PARTNER and any person occupying the Premises, thirty (30) days prior written notice of its intention to terminate this contract. Upon the giving of such notice, this Contract and the term thereof shall terminate on the date fixed in such notice as if such date were the date originally fixed in this Contract for the termination or expiration thereof. Such notice addressed to the PARTNER at the Contract Space location may be given by first class mail to the PARTNER, or the legal representatives of the PARTNER.
11. In addition to any other remedies which NYSDOL may have, NYSDOL may apply for and obtain an injunction to enforce NYSDOL's rights.
12. NYSDOL shall not be liable for any damage to personal property or injury by elements or rain or storm water, which may be sustained by the PARTNER or other person or for any damage or injury resulting from the carelessness, negligence or improper conduct on the part of any person, or by reason of the breaking, leakage or obstruction of the water or soil pipes, or other leakage in or about any structure on the Premises.
13. The PARTNER shall save harmless and indemnify the State of New York, the NYSDOL, their officers and employees from and against any and all claims, suits, actions, cost and expense involving injury to person or property arising out of the use and occupancy of the Premises. The PARTNER, if not a self-insured governmental entity, agrees to obtain and maintain in force throughout the duration of this Contract a General Hazard and Comprehensive Public Liability Insurance Policy having coverage limits of not less than One Hundred Thousand Dollars (\$100,000.00) in the event of injury to any one person, and Three Hundred Thousand Dollars (\$300,000.00) in the event of injury to two or more persons while in and about the demised area. The PARTNER shall deliver certificates of such insurance to the NYSDOL prior to the beginning of the term of this Contract and thereafter not less than thirty (30) days prior to the expiration of any such policy. All such policies shall contain a provision that NYSDOL shall receive at least thirty (30) days notice prior to material change or cancellation.
14. PARTNER understands and agrees that, pursuant to law, all employees in the hire of the PARTNER shall be adequately and properly covered by Workers' Compensation Insurance and Disability Benefits coverage in all

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work concerned in and about the Contract Space or the building in which such Contract Space is located. The PARTNER shall notify NYSDOL at least thirty (30) days prior to material change or cancellation of such coverage.

15. NYSDOL may at any time terminate this Contract on giving to the PARTNER, or the legal representatives of the PARTNER, thirty (30) days prior written notice of its intention to terminate this Contract. Upon the giving of such notice, this Contract and the term thereof shall terminate on the date fixed in such notice, as if said date were the date originally fixed in this Contract for the termination or expiration thereof.
16. PARTNER may at any time terminate this Contract on giving to the NYSDOL, or the legal representatives of the NYSDOL, thirty (30) days prior written notice of its intention to terminate this Contract. Upon the giving of such notice, this Contract and the term thereof shall terminate on the date fixed in such notice, as if said date were the date originally fixed in this Contract for the termination or expiration thereof.
17. The PARTNER shall not: (a) sell, assign, mortgage or pledge this Contract; (b) let or sublet the whole or any part of the Contract Space; or (c) occupy or allow the Contract Space to be occupied for any business other than specified herein or for any immoral or illegal purpose.
18. The waiver or breach of any of the terms, conditions or covenants of this Contract by either party shall not be deemed a waiver of any subsequent breach thereof.
19. Holding Over – PARTNER will have no right to remain in possession of all or any part of the Contract Space after the expiration of the term absent the written permission of NYSDOL. If PARTNER remains in possession of all or any part of the Contract Space after the expiration of the term, with or without the consent of NYSDOL: (a) such use and occupancy will be deemed to be a periodic Contract from month to month only; (b) such use and occupancy will not constitute a renewal or extension of this Contract for any further term; and (c) such use and occupancy may be terminated by NYSDOL upon the earlier of thirty (30) days prior written notice or the earliest date permitted by law. If, however, NYSDOL has vacated its portion of the leased space, upon holding over, PARTNER shall be responsible for NYSDOL's total monthly cost of renting the entire space. If, in the alternative, NYSDOL either holds over or enters a new lease, PARTNER'S hold over rent shall be adjusted accordingly.
20. IT IS MUTUALLY UNDERSTOOD AND AGREED that the terms, conditions and covenants contained in this Contract shall be binding upon the parties hereto and upon their respective successors and legal representatives.
21. Appendix A, Standard Clauses for New York State Contracts is incorporated as if fully set forth herein, and shall take precedence in the event of any discrepancy, disagreement or ambiguity with any other contract documents.

DOL Addendum "A" Contract Cost Breakdown

ADDENDUM "A"

Rent: \$24,927.00 per annum

Phones: \$3,181.44 per annum

Rent is based upon the occupied direct square footage and a percentage of both the shared and common square footage at the Premises for a total of 1187 square feet, as well as covered operating expenses at an annual rate of \$21.00 per square foot for a total of \$24,927.00 annually. Divided by twelve (12) this equals a monthly amount of \$2,077.25. Covered operating expenses are: Rent, Janitorial, HVAC (A/C and Heat), Electricity, Fuel, Parking, and grounds maintenance.

Sixteen (16) VOIP phones will also be provided for a cost of \$16.57 each, per month, for a total of \$265.12 per month.

Month	Paid	Rent	Credit
12/1/17 - 12/31/17	\$9,714.18	\$ 2,342.37	\$7,371.81
1/1/18 - 1/31/18	\$9,714.18	\$ 2,342.37	\$7,371.81
			\$14,743.62
2/1/18 - 2/28/18	\$0.00	-\$2,342.37	\$12,401.25
3/1/18 - 3/31/18	\$0.00	-\$2,342.37	\$10,058.88
4/1/18 - 4/30/18	\$0.00	-\$2,342.37	\$7,716.51
5/1/18 - 5/31/18	\$0.00	-\$2,342.37	\$5,374.14
6/1/18 - 6/30/18	\$0.00	-\$2,342.37	\$3,031.77
7/1/18 - 7/31/18	\$0.00	-\$2,342.37	\$689.40
8/1/18 - 8/31/18	\$1,652.97	\$2,342.37	\$0.00
9/1/18 - 9/31/18	\$2,342.37	\$2,342.37	\$0.00
10/1/18 - 10/31/18	\$2,342.37	\$2,342.37	\$0.00
11/1/18 - 11/30/18	\$2,342.37	\$2,342.37	\$0.00

Summary:

Monthly Rent: \$2,077.25

Monthly Phones: \$265.12

Monthly Total: \$2,342.37

Multiplied by: 5yr. term

Total: \$140,542.20

Applied Rent Credit: - \$14,743.62

Contract total: \$125,798.58

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The OAC's Proposal for Revision of Addendum "A"

"Revised Addendum "A" Example"

Rent: \$24,927.00 per annum

Phones: \$3,181.44 per annum

Rent is based upon the occupied direct square footage and a percentage of both the shared and common square footage at the Premises for a total of 1187 square feet, as well as covered operating expenses at an annual rate of \$21.00 per square foot for a total of \$24,927.00 annually. Divided by twelve (12) this equals a monthly amount of \$2,077.25. Covered operating expenses are: Rent, Janitorial, HVAC (A/C and Heat), Electricity, Fuel, Parking, and grounds maintenance.

Sixteen (16) VOIP phones will also be provided for a cost of \$16.57 each, per month, for a total of \$265.12 per month. Total rent plus phones equals \$2,342.37.

Month	Paid	Rent	Credit
12/01/2017 - 12/31/2017	\$ 9,714.18	\$ 2,342.37	\$ 7,371.81
01/01/2018 - 01/31/2018	\$ 9,714.18	\$ 2,342.37	\$ 7,371.81
02/01/2018 - 02/28/2018	\$ 9,714.18	\$ 2,342.37	\$ 7,371.81
03/01/2018 - 03/31/2018	\$ 9,714.18	\$ 2,342.37	\$ 7,371.81
04/01/2018 - 04/30/2018	\$ 9,714.18	\$ 2,342.37	\$ 7,371.81
05/01/2018 - 05/31/2018	\$ 9,714.18	\$ 2,342.37	\$ 7,371.81
			\$ 44,230.86
Month	Paid	Rent	Credit
06/01/2018 - 06/30/2018	\$ -	\$ 2,342.37	\$ 41,888.49
07/01/2018 - 07/31/2018	\$ -	\$ 2,342.37	\$ 39,546.12
08/01/2018 - 08/31/2018	\$ -	\$ 2,342.37	\$ 37,203.75
09/01/2018 - 09/30/2018	\$ -	\$ 2,342.37	\$ 34,861.38
10/01/2018 - 10/31/2018	\$ -	\$ 2,342.37	\$ 32,519.01
11/01/2018 - 11/30/2018	\$ -	\$ 2,342.37	\$ 30,176.64
12/01/2018 - 12/31/2018	\$ -	\$ 2,342.37	\$ 27,834.27
01/01/2019 - 01/31/2019	\$ -	\$ 2,342.37	\$ 25,491.90
02/01/2019 - 02/28/2019	\$ -	\$ 2,342.37	\$ 23,149.53
03/01/2019 - 03/31/2019	\$ -	\$ 2,342.37	\$ 20,807.16
04/01/2019 - 04/30/2019	\$ -	\$ 2,342.37	\$ 18,464.79
05/01/2019 - 05/31/2019	\$ -	\$ 2,342.37	\$ 16,122.42
06/01/2019 - 06/30/2019	\$ -	\$ 2,342.37	\$ 13,780.05
07/01/2019 - 07/31/2019	\$ -	\$ 2,342.37	\$ 11,437.68
08/01/2019 - 08/31/2019	\$ -	\$ 2,342.37	\$ 9,095.31
09/01/2019 - 09/30/2019	\$ -	\$ 2,342.37	\$ 6,752.94
10/01/2019 - 10/31/2019	\$ -	\$ 2,342.37	\$ 4,410.57
11/01/2019 - 11/30/2019	\$ -	\$ 2,342.37	\$ 2,068.20
12/01/2019 - 12/31/2019	\$ 274.17	\$ 2,342.37	\$ -

Summary:

Monthly Rent:	\$ 2,077.25
Monthly Phones:	\$ 265.12
Monthly Total:	\$ 2,342.37
Multiplied by:	5 yr. term
Total:	\$ 140,542.20
Applied Rent Credit:	\$ (44,230.86)
Contract total	\$ 96,311.34

Detailed Annual Savings & Prorated Reimbursement (OAC Analysis)

NYS Dept of Labor Lease - Vendor 2108

Lease Term		Square Ft.	Monthly Rent	Total Price PSF	Annual Rent
Expired 12/31/2011	Tenant at Will (12/31/11 - 12/22/17)	5,733.9	\$ 9,714.18	\$ 20.33	\$116,570.16
Proposed Addendum "A"	Rent	1,187.0	\$ 2,077.25	\$ 21.00	\$ 24,927.00
	Phones		\$ 265.12		\$ 3,181.44
	Total Rent & Phones		\$ 2,342.37		\$ 28,108.44

Total Annual Saving \$88,461.72

Prorated Reimbursement

Invoice Date	Description	Old Lease	New Lease	Reimbursement		Prorated
04/26/2018	May 2018 Rent	\$ 9,714.18	\$ 2,342.37	\$ 7,371.81	100%	\$ 7,371.81
04/26/2018	February to April Rent 2018	\$ 29,142.54	\$ 7,027.11	\$ 22,115.43	100%	\$ 22,115.43
01/08/2018	January 2018 Rent	\$ 9,714.18	\$ 2,342.37	\$ 7,371.81	100%	\$ 7,371.81
12/05/2017	December 2018 Rent	\$ 9,714.18	\$ 2,342.37	\$ 7,371.81	100%	\$ 7,371.81
		\$ 58,285.08		Offset Future Rent		\$ 44,230.86

Appendix II

Department of Youth and Workforce Services' Response

From: Jonathan Jones
Sent: Friday, July 20, 2018 9:30 AM
To: Susan Rizzo
Cc: Raphael Tucker
Subject: RE: 175 Central Avenue Leases - Draft Audit
Importance: High

Sue,

Thank you for the this draft audit and working with our department to finally get some movement with these lease agreements. As you mentioned there is a still an ongoing situation with the credit and that \$29K + are funds that could be used to support our city residents. In regards to the difference between the two lease agreements and parking, this also needs to be continually evaluated. Parking does allow our employees and partner businesses to have a secure location off the street in an area that has tight streets and restricted parking; however, there is a vacant lot next to the parking lot that might be more to our advantage to buy and convert rather than paying a monthly fee. This idea would some due diligence done to properly assess if the juice is worth the squeeze, but surely a viable option to consider. The savings that has been outlined in this new agreement does allow more flexibility in programming and to increase our capacity to support our residents. Thank you for your efforts and diligence as we've worked cooperatively on this project to reduce our footprint in the building.

Jonathan P. Jones, M.S.
Commissioner of Recreation, Youth & Workforce Services
(518) 434-5699 / 447-5977/ 462-7600

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Office of the Corporation Counsel's Response

The Corporation Counsel responded to decline the opportunity to respond.

Office of Administrative Service's Response



CITY OF ALBANY
OFFICE OF ADMINISTRATIVE SERVICES
DEPARTMENT OF BUDGET
24 EAGLE STREET
ALBANY, NEW YORK 12207
TELEPHONE (518) 434-5078

KATHY M. SHEEHAN
MAYOR

MICHAEL WHEELER
BUDGET DIRECTOR

MEMORANDUM

TO: Susan Rizzo, Chief City Auditor
FROM: Michael Wheeler, Budget Director
DATE: September 4, 2018
RE: City Audits

The Budget Department is in receipt of the audit pertaining to 175 Central Avenue Leases. After a more thorough review, the Budget Department will consider and determine the best course of follow up on any recommendations made by the Auditor's Office. We would like to thank the Chief City Auditor and her staff for their efforts, and we look forward to working together to explore even greater opportunities for efficiencies and savings.

Please feel free to contact me if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Mike Wheeler".

Mike Wheeler, Budget Director

Auditor's Response

The Office of Audit and Control will follow-up to verify if recommendations are addressed.