

## **Title**

- a. Approve and authorize the Contracts/Purchasing Officer to execute Amendment No. 1 to Lease Agreement No. A-12467 with Community Hospital Properties, a California non-profit corporation and a division of Community Hospital of the Monterey Peninsula (CHOMP) for approximately 19,962 rentable square feet of space located at 1150-1154 Fremont Boulevard, Seaside, California for use by the Health Department's Clinic Services Bureau, to take effect no later than October 1, 2014; and
- b. Authorize the Auditor-Controller to make lease payments in an amount not to exceed \$25,551.36 per month and in accordance with the terms of the Lease Agreement and Amendment No. 1.

## **RECOMMENDATIONS:**

It is recommended that the Board of Supervisors:

- a. Approve and authorize the Contracts/Purchasing Officer to execute Amendment No. 1 to Lease Agreement No. A-12467 with Community Hospital Properties, a California non-profit corporation and a division of Community Hospital of the Monterey Peninsula (CHOMP) for approximately 19,962 rentable square feet of space located at 1150-1154 Fremont Boulevard, Seaside, California for use by the Health Department's Clinic Services Bureau, to take effect no later than October 1, 2014; and
- b. Authorize the Auditor-Controller to make lease payments in an amount not to exceed \$25,551.36 per month and in accordance with the terms of the Lease Agreement and Amendment No. 1.

## **SUMMARY/DISCUSSION:**

Lease Agreement A-12467 was executed on June 11, 2013 authorizing occupancy of approximately 25,000 rentable square feet of medical space to be used by the Health Department's Clinic Services Bureau (Bureau) at 1150-1154 Fremont Boulevard in Seaside. There have been delays in finalizing the Tenant Improvement (TI) plans due to the significantly higher than originally estimated costs for improvements. Due to this delay, CHOMP finds itself at the end of its escrow extension options for the property on which this facility is located. Your approval of Amendment No. 1 assures provisions in the approved Lease Agreement are amended to reflect current known facts, provides deadlines by which the County through its Health Department will need to comply with for finalization of TI plans, and provides assurances needed for CHOMP to proceed with final purchase of the property.

Amendment No. 1 revises the following provisions within the Lease Agreement:

- Section 1.1 Description: Rentable square feet revised to 19,962 square feet comprised of 11,372 square feet of general office/clinic space and 8,590 square feet of residential space
- Section 1.3 Parking Areas: Number of parking spaces revised to reasonable number of exclusive parking spaces based on the size and scope of Premise Improvements and not to exceed one-hundred fifty five spaces
- Section 1.8 Lease Contingency: Agreement and Amendment No. 1 contingent upon Lessor's

successful acquisition of property facility is located on and neighboring property for additional parking

- Article 3 Rent: Monthly rental revised to \$25,551.36
- Section 7.1 Premise Improvements: Revised to include timelines for approval of TI plans by Lessor and Lessee by June 14, 2015, approval by City of Seaside no later than September 14, 2015, and commencement of construction of TIs no later than March 14, 2016
- Section 7.4 Future Premise Improvements: Revised to clarify that future premise improvements will be completed by Lessor within the first six (6) months of the 11<sup>th</sup> year following the date upon which all of the Premise Improvement are completed.
- Article 17 Assignment and Subletting: Revised to remove subletting of 810 square feet by Lessor for use as a laboratory
- Addition of Article 35 Residential Space (Apartments): The current premises has eight apartment dwellings on the second floor and the County through its Health Department will be responsible for leasing and management of these apartments
- All other terms and conditions of the Lease Agreement remain in full force and effect

Approval of Amendment No. 1 will provide additional time necessary to finalize the TI plans which will ultimately allow the Health Department to provide expanded services for the residents of Seaside and neighboring areas. Upon approval of Amendment No. 1, the Health Department will begin contract negotiations with a Property Management company to lease and manage the apartments.

#### **OTHER AGENCY INVOLVEMENT:**

The Office of the County Counsel has reviewed and approved Amendment No. 1 as to form and legality.

#### **FINANCING:**

There is no financial impact to the General Fund resulting from approval of this Amendment No. 1. Sufficient funds are available in the Health Department, Clinic Services Bureau (001-4000-HEA007) FY 2014-15 Adopted Budget. The first-year leasing cost will not exceed \$307,000, excluding janitorial, disposal, water, PG&E, patrolled security, and phone/data services. On-going occupation of the leased premises and future extensions of the Lease Agreement will be based on the continued availability of funding. The Lease Term or any Extended Term will be subject to a 1% increase to the base rent at the end of each lease anniversary year.

Prepared by: Elsa Jimenez, Assistant Director of Health, 4743

Approved by: Ray Bullick, Director of Health, 4526

Attachments: Lease Agreement No. A-12467 and Amendment No. 1 are on file with the Clerk of the Board.