



Monterey County

168 West Alisal Street,
1st Floor
Salinas, CA 93901
831.755.5066

Board Report

Legistar File Number: 15-0618

Consent

June 09, 2015

Introduced: 6/2/2015

Version: 1

Current Status: Agenda Ready

Matter Type: General Agenda Item

- a. Approve and authorize the Contracts/Purchasing Officer to execute the Second Amendment to Lease Agreement A-10907, effective July 1, 2015, with the Low Income Family Enrichment Foundation, a California limited liability company, at 1000 South Main Street in Salinas, California, to provide \$1,500,000 in Lessor funding for tenant improvements, add three suites, thereby increasing the leased square footage from 81,877 to 89,832 for use by the Department of Social Services, reducing the annual cost of living adjustment from 3.3% to 2.75%, and extending the term an additional five (5) years from June 20, 2027 to June 20, 2032; and
- b. Direct the Auditor-Controller to make lease payments of \$227,121.90 per month and in accordance with the terms of the agreement.

RECOMMENDATION:

It is recommended that the Board of Supervisors:

- a. Approve and authorize the Contracts/Purchasing Officer to execute the Second Amendment to Lease Agreement A-10907, effective July 1, 2015, with the Low Income Family Enrichment Foundation, a California limited liability company, at 1000 South Main Street in Salinas, California, to provide \$1,500,000 in Lessor funding for tenant improvements, add three suites, thereby increasing the leased square footage from 81,877 to 89,832 for use by the Department of Social Services, reducing the annual cost of living adjustment from 3.3% to 2.75%, and extending the term an additional five (5) years from June 20, 2027 to June 20, 2032; and
- b. Direct the Auditor-Controller to make lease payments of \$227,121.90 per month and in accordance with the terms of the agreement.

SUMMARY/DISCUSSION:

In June 2007, the County entered into a 20 year lease with the Low Income Family Enrichment (LIFE) Foundation for the 1000 S. Main Street, Salinas building to house functions of the Department of Social Services (DSS). Approval of this Amendment will provide \$1,500,000 in initial lessor funding for Tenant Improvements to remodel the entry and lobby of the facility to improve safety and operational efficiency. The amendment will extend the initial lease term another five (5) years from June 20, 2027 to June 20, 2032 and reduce the annual cost-of-living increase from 3.3% to 2.75%. Additionally, the amendment will include an additional 7,955 rentable square feet of space located in suites 205, 302, and 31. This additional space was not available at the time the Board approved the underlying 20 year Lease Agreement on June 5, 2007 and was leased separately under Agreement A-11637 in January 2010. Beginning in January 2024, the additional suites will become base-rent free and will be billed only for

expense stop payments to cover maintenance and repair costs.

Beginning July 1, 2015 the rent (including base and expense stop) for the 89,832 square feet will be \$227,121.90 per month. The Lease Agreement provides for two, ten-year extension options of free base rent for the entire 89,832 rentable square feet commencing in 2032. The Lease Agreement also includes a termination clause if federal and state funding is no longer available to the DSES. The identified facility continues to offer convenient proximity and access to a majority of DSS customers.

OTHER AGENCY INVOLVEMENT:

The Department of Social Services concurs with this Second Amendment to the Lease Agreement. County Counsel, Auditor-Controller and Contracts/Purchasing have reviewed and approved the Second Amendment to Lease Agreement as to form and fiscal provisions, respectively.

FINANCING:

There is no impact to the General Fund. Sufficient funds are available in the FY 2015-16 Recommended Budget for the Department of Social Services. In the first year, the lease amount under the amendment will be \$227,121.90 per month or \$2,725,462.80 per year. The lease includes a termination clause if federal and state funding is no longer available to the DSS.

The amendment shall take effect July 1, 2015 contingent upon the LIFE Foundation providing \$1.5 Million for tenant improvements by August 1, 2015. In exchange for the tenant improvements, the lease extends the initial full rent term for the original 81,877 square feet of space for an additional five years. The total rent paid by DSS for those five years will be approximately \$12.1 Million. However, the LIFE Foundation will also include the 7,955 square feet of additional DSS space (included in this amendment) and 9,490 square feet of Health Department space (amended in their lease) in the free base rent extended terms beginning in 2024. It is estimated that the elimination of base rent for these spaces could result in as much as \$15 Million in savings over the 28 year period of the lease from 2024 to 2052.

Prepared by: John Guertin, Acting RMA Deputy Director

Approved by: Carl P. Holm, AICP, Acting RMA Director

Attachments: Second Amendment to Lease Agreement; Lease Agreement A-10907 (On file with the Clerk of the Board)