



File ID 15-0618 No. 65

Monterey County

Board Order

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

Agreement No.: A-10907

Upon motion of Supervisor Potter, seconded by Supervisor Phillips and carried by those members present, the Board of Supervisors hereby:

- a. Approved and authorized 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. Directed the Auditor-Controller to make lease payments of \$227,121.90 per month and in accordance with the terms of the agreement.

PASSED AND ADOPTED on this 9th day of June 2015, by the following vote, to wit:

AYES: Supervisors Armenta, Phillips, Salinas, Parker and Potter

NOES: None

ABSENT: None

I, Gail T. Borkowski, Clerk of the Board of Supervisors of the County of Monterey, State of California, hereby certify that the foregoing is a true copy of an original order of said Board of Supervisors duly made and entered in the minutes thereof of Minute Book 78 for the meeting on June 9, 2015.

Dated: June 17, 2015
File ID: 15-0618

Gail T. Borkowski, Clerk of the Board of Supervisors
County of Monterey, State of California

By

Deputy



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

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- 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)

SECOND AMENDMENT TO COUNTY OF MONTEREY STANDARD LEASE
AGREEMENT

1000 SOUTH MAIN STREET, SALINAS, CA

THIS SECOND AMENDMENT TO COUNTY OF MONTEREY STANDARD LEASE AGREEMENT (the "Amendment") is made by and between the County of Monterey ("LESSEE") and the Life Foundation Monterey, LLC ("LESSOR"), with reference to the following facts:

- A. LESSOR and LESSEE have previously entered into that certain County of Monterey Standard Lease Agreement dated on or about June 5, 2007 (the "Lease"), for the lease of real property, located in the City of Salinas, County of Monterey, State of California, commonly known as 1000 South Main Street; and
- B. LESSOR and LESSEE now desire to amend the Lease, as more particularly set forth hereinafter.
- C. Unless otherwise defined herein, all capitalized terms used in the Amendment shall bear the same meanings as ascribed to them in the Lease.

NOW THEREFOR, in consideration of the foregoing premises and for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, LESSOR and LESSEE hereby agree as follows:

1. **Lease Term:** The Lease term set forth in Article 2.1 shall be extended five years from June 20, 2027 to June 20, 2032. The term under this Amendment shall be from July 1, 2015 through June 20, 2032. This Amendment shall be subject to and contingent upon LESSOR placing \$1,500,000 into the Article 34 Future General Building Maintenance Account by August 1, 2015. In the event that the funds are not placed in the account by August 1, 2015 the Lease terms and conditions shall be unchanged by this Amendment.
2. **Annual CPI/Cost of Living Adjustment-Article 4:** The rent adjustment set forth in Article 4 shall be reduced from 3.3% to 2.75% effective as of the July 1, 2015 adjustment and continuing each year for the remainder of the lease term.
3. **Department of Social Services Suites 205, 302, and 313- Article 1.7 Right of First Refusal:** LESSEE shall lease 7,955 rentable square feet of space located in suites 205, 302 and 313 commencing on July 1, 2015 pursuant to Article 1.7 of the Lease entitled "Right of First Refusal". Monthly rent for suites 205, 302, and 313 shall be at the same rent and subject to all other terms and conditions set forth in Article 3 of the Lease as LESSEE's other space in the Building through December 31, 2023 and at the same 2.75% annual increase. This space shall become base rent-free and only billed for the Expense Stop payments at the same rate as other space under the Lease during the Extended Terms effective as of January 1, 2024. The initial free base rent term shall be from January 1,

2024 through the end of the initial Lease term (June 2032). Subsequent free base rent shall coincide with the remainder of the space under the Lease for each of the Extended Terms exercised by LESSEE.

4. **Article 2.2 First and Second Extended Terms.** The initial free base rent term for suites 205, 302, and 313 shall be from January 1, 2024 through the end of the initial Lease term or June 2032. Subsequent free base rent shall coincide with the remainder of the space under the Lease for each of the Extended Terms exercised by LESSEE. The Expense Stop payments for all space during the Extended Terms shall be subject to the same payments into each of the Article 34 and Article 35 reserves as LESSEE's other space to cover suites 205, 302 and 313 share of expenses based upon the percentage of occupancy. Any shortfall for necessary capital repairs during the Extended Terms shall be passed through to and paid by LESSEE with no markup by LESSOR.
5. **Lessor Funding Article 34 Future Capital and Tenant Improvements-** In exchange for the extension of the Lease Term LESSOR shall increase the Article 34 Future General Building Maintenance Account by \$1,500,000 as of August 1, 2015. The \$1,500,000 deposit shall bring all of the Lease reserve accounts (Articles 7, 34, and 35) current as of July 1, 2015 and provide funds for expansion of the lobby. All future deposits shall be made in accordance with the terms of the Lease beginning with the July 2015 expense stop.
6. **Management of the Article 34 and Article 35 Reserve Accounts by the Property Manager-** Future monthly deposits of funds to the Article 34 and Article 35 reserve accounts shall be made by the property manager within 30 days of final reconciliation of the expense stop as set forth in Article 33. Use of funds in the Article 34 and 35 reserve accounts shall be under the sole discretion of the LESSEE. The professional property management company for the Premises shall be in charge of the monthly accounting for said accounts and provide LESSOR and LESSEE with accounting reports on a monthly basis. Disbursement shall require LESSOR and LESSEE to jointly notify the property manager to make a disbursement, and the property manager shall then authorize the bank to make the respective disbursement. LESSOR will obtain three (3) bids from reputable contractors for any such improvements unless authorized by LESSEE to proceed without such bids, and LESSOR and LESSEE will jointly select the contractor to do the work. Upon LESSEE'S written direction, which direction shall evidence LESSEE'S approval of expenditures from the Article 34 and 35 reserve accounts, the property manager will enter into an agreement with the contractor for the work, and will submit a copy of the contractor's invoice to the LESSEE. The property manager will pay the contractor out of the account. The property manager shall be subject to LESSEE's approval in its sole discretion and may be replaced at LESSEE's request if unsatisfactory again in LESSEE's sole discretion.

7. **Estoppel Certificate:** Lessee will provide LESSOR with an estoppel certificate setting forth the new term, base rental rate and expense stop rate as of July 1, 2015 based upon this Amendment by June 20, 2015. As of July 1, 2015 (a) the new square footage shall be 89,832 (81,877 + 7,955); (b) the new base rent shall be \$1.69 per rentable square foot ($134,628/81,877 \times 1.0275$ rounded to the nearest 100th); (c) the new base rent shall be \$151,816.08 per month ($\$1.69 \times 89,832$); (d) the new expense stop shall be \$0.83829615 per rentable square foot ($\$0.81586 \times 1.0275$); and (e) the new expense stop shall be \$75,305.82 ($89,832 \times \0.83829615) per month.
8. **Reaffirmation.** Except as amended by this Amendment all of the terms and conditions of the Agreement shall remain in full force and effect and are hereby reaffirmed and ratified.
9. **Counterparts.** This Amendment may be executed in counterparts, each of which when taken together shall be deemed one in the same instrument. An executed facsimile of the Amendment shall have the same force and effect as an original executed copy thereof.

IN WITNESS WHEREOF, LESSOR and LESSEE have executed this agreement as of the date set forth below.

LESSEE (The County of Monterey)

By: 

Title: Contracts/Purchasing Officer

Date: 6-24-15

Approved as to Form (Monterey County Counsel)

By: 

Title: Assistant County Counsel

Date: 6-3-15

LESSOR (Life Foundation Monterey, LLC)

By: 

Title: Barnett Davis II, Executive Director

Date: 5/22/2015