



County of Monterey

Board of Supervisors
Chambers
168 W. Alisal St., 1st Floor
Salinas, CA 93901

Board Report

File #: A 16-223, Version: 1

- a. Approve and authorize the Contracts/Purchasing Officer to execute the Second Amendment to Lease Agreement A-10907, effective July 1, 2016 (Second Amendment), with the Low Income Family Enrichment Foundation (LIFE) LLC, a not for profit 503c3 California Public Benefit Corporation, dba Life Foundation Monterey, LLC By Low Income Family Enrichment Corporation, Its Sole Member (Lessor), at 1000 South Main Street, Salinas, California, to provide a reduction in rent from \$2.63 per square foot to \$2.40 per square foot, Capital Improvement Funding in the amount of \$250,000, consolidate all leased space by all County departments, thereby increasing the leased square footage from 81,877 to 99,322 for use by the Department of Social Services, and Health Department, reduce the annual cost of living adjustment from 3.3% to 2.50%, and extend the term an additional three (3) years from June 20, 2027 to June 30, 2030; and
- b. Authorize the Auditor-Controller to make payments of \$238,372 per month and in accordance with the terms of the Second Amendment to Lease Agreement A-10907.

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, 2016 (Second Amendment), with the Low Income Family Enrichment Foundation (LIFE) LLC, a not for profit 503c3 California Public Benefit Corporation, dba Life Foundation Monterey, LLC By Low Income Family Enrichment Corporation, Its Sole Member (Lessor), at 1000 South Main Street, Salinas, California, to provide an annual reduction in rent from \$2.63 per square foot to \$2.40 per square foot, Capital Improvement Funding in the amount of \$250,000, consolidate all leased space by all County departments, thereby increasing the leased square footage from 81,877 to 99,322 for use by the Department of Social Services, and Health Department, reduce the annual cost of living adjustment from 3.3% to 2.50%, and extend the term an additional three (3) years from June 20, 2027 to June 30, 2030; and
- b. Authorize the Auditor-Controller to make payments of \$238,372 per month and in accordance with the terms of the Second Amendment to Lease Agreement A-10907.

SUMMARY/DISCUSSION:

The proposed Second Amendment (Attachment 1) to Lease Agreement No. A-10907 (Attachment 2) will consolidate three (3) County leases at 1000 S. Main Street, Salinas, at the Building, which is commonly known as the Quadrangle. In June 2007, the County entered into a 20 year lease with the Low Income Family Enrichment (LIFE) Foundation (Lessor) for 81,877 rentable square feet at 1000 S. Main Street, Salinas for occupancy by the Department of Social Services (DSS) (Lease Agreement No. A-10907)(hereafter, "the 2007 Lease"). On March 14, 2008 County and Lessor entered into a First Amendment to the 2007 Lease which provided for an additional 2,027 square feet (Attachment 3) (First Amendment to the 2007 Lease). On June 24, 2015 County and Lessor entered into a subsequent amendment (the DSS 2015 Amendment) which is null and void, and of no force and effect according to the terms of that DSS 2015 Amendment (Attachment 4).

In March 2010, the County and Lessor entered into a two (2) year lease, with two (2), two (2) year extensions with Lessor for 7,955 rentable square feet for occupancy by DSS (Agreement No. A-11637) (Attachment 5). On July 31, 2013, the County and Lessor entered into a ten (10) year lease with Lessor for 9,490 rentable

square feet for occupancy by the Health Department, Behavioral Health Children's Services (Agreement No. A-12539)(Attachment 6) as amended by that First Amendment to Lease Agreement A-12539, effective July 1, 2015 (Health Department 2015 Amendment)(Attachment 7) which is null and void, and of no force and effect according to the terms of that Health Department 2015 Amendment. Approval of this Second Amendment to the 2007 Lease as amended by the First Amendment to the 2007 Lease will combine three (3) County Leases into one (1) Lease and provide for 99,322 rentable square feet for occupancy by DSS and the Health Department, Behavioral Health Children's Services.

The Second Amendment will extend the initial lease term of Agreement No. 10907 (the 2007 Lease) another three (3) years from June 20, 2027 to June 30, 2030 and reduce the annual cost of living adjustment from 3.3% to 2.50%. The Second Amendment will consolidate two (2) DSS Leases and one (1) Health Department, Behavioral Health Children's Services Lease into one (1) Lease subject to the same terms and conditions pursuant to Agreement No. A-10907 (the 2007 Lease) as amended by the First Amendment to the 2007 Lease, and the subject Second Amendment. This Second Amendment will include the space which is the subject of existing leases between the County and Lessor for occupancy by the Health Department, Behavioral Health Services for Suites 105, 210, 311 (Agreement A-12539), and occupancy by DSS for Suites 205, 302, and 313 (Agreement A-11637).

Lease Agreement No. A-12539 (Health Department/Behavioral Health Children's Services) and Lease Agreement No. A-11637 (DSS) shall terminate on July 1, 2016, the effective date of this Second Amendment, when all three (3) County Leases are combined into one (1) Lease (A-10907) pursuant to the 2007 Lease as amended by the First Amendment to the 2007 Lease. The Second Amendment provides an option to purchase the Building, and appurtenant rights to the Parking Lot Association for the following prices, at their respective time intervals as follows: After June 2026, for Seven Million Dollars (\$7,000,000) as of July 1, 2026; for Five Million Dollars (\$5,000,000) as of July 1, 2027; for Three Million Dollars (\$3,000,000) as of July 1, 2028; for One Million Dollars (\$1,000,000) as of July 1, 2029; and, for One Dollar (\$1) as of July 1, 2030.

Beginning July 1, 2016 the rent (including the base rent and Expense Stop) for the 99,322 square feet will be \$238,372 per month. The Lease Agreement provides for two (2), five (5) year extension options of free base rent for the entire 99,322 rentable square feet commencing on July 1, 2030. The Lease Agreement also includes a termination clause if federal and state funding is no longer available to the County. The identified facility continues to offer convenient proximity and access to a majority of DSS customers.

OTHER AGENCY INVOLVEMENT:

The Department of Social Services and the Health Department concur with the Second Amendment to the 2007 Lease Agreement which consolidates three (3) existing Lease Agreements into one (1) Lease (A-10907) for both County Departments. The Offices of the County Counsel, Auditor-Controller, Contracts/Purchasing and the County Administrative Office, Budget Analysis Division have reviewed and approved the Second Amendment to the 2007 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 2016-17 Recommended Budget for the Department of Social Services 001-5010-8262-SOC005 and Health Department 023-4000-8410-HEA012-FASTTEAM. In the first year, the lease amount under the Second Amendment will be \$238,372 per month or \$2,860,464 per year. The Lease includes a termination clause if federal and state funding is no longer available to the County.

The Second Amendment shall take effect July 1, 2016 contingent upon the LIFE Foundation providing Two Hundred Fifty Thousand Dollars (\$250,000) into the Future Capital Improvement Account within thirty (30) days of financing contemplated by this Second Amendment but no later than August 30, 2016 to complete a roof upgrade prior to the end of Calendar Year 2017. In exchange for the reduced rent, options to purchase, and reduction in the annual rent adjustment, the Second Amendment extends the initial full rent term for the total 99,322 square feet of space for an additional three (3) years through June 30, 2030.

Prepared by: George K. Salcido & Brett G. Fulgoni, Real Property Specialists

Approved by: Benny J. Young, Interim Director of Public Works & Facilities

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

Attachments:

- Attachment 1 - Second Amendment to Lease Agreement
- Attachment 2 - 2007 Lease Agreement A-10907
- Attachment 3 - First Amendment to 2007 Lease Agreement No. A-10907
- Attachment 4 - DSS 2015 Amendment
- Attachment 5 - Lease Agreement No. A-11637 (DSS Suite Nos. 205, 302, and 313)
- Attachment 6 - Lease Agreement A-12539 (Health Department Suite Nos. 105, 210, 311)
- Attachment 7 - Health Department 2015 Amendment
- Attachment 8 - Location Map

cc: Elliott Robinson, Director of Social Services; Elsa Jimenez, Director of Health