

**SUBMITTAL TO THE BOARD OF SUPERVISORS  
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**

151



**FROM:** Executive Office

**SUBMITTAL DATE:**  
May 14, 2007

**SUBJECT:** Assumption of Monroe Property Debt as a part of Building & Land Purchase

**RECOMMENDED MOTION:** That the Board of Supervisors approve Resolution No. 2007-268 authorizing the purchase of an undivided interest in certain real property and improvements located in the City of Indio, authorizing the expenditure of county funds to accomplish such purchase, authorizing and approving the execution and delivery of a purchase agreement, a lease agreement and other related documents, and approving and authorizing other matters related thereto.

Departmental Concurrence

**BACKGROUND:** The county has an opportunity to purchase the property at 44199 Monroe Ave. in Indio for \$10 million in cash and the assumption of \$6 million in debt. The CIP fund will pay some incidental and closing costs, estimated at \$50,000. Several county departments together lease about 90 percent of the space available in this privately-owned building.

(continued on next page)

Christopher Hans, Deputy CEO

<b>FINANCIAL DATA</b>	Current F.Y. Total Cost:	\$ 100,000	In Current Year Budget:	Yes
	Current F.Y. Net County Cost:	\$ 100,000	Budget Adjustment:	No
	Annual Net County Cost:	\$ 531,552	For Fiscal Year:	2007/08

<b>SOURCE OF FUNDS:</b> CIP; CORAL with repayment from occupying departments	Positions To Be Deleted Per A-30	<input type="checkbox"/>
	Requires 4/5 Vote	<input type="checkbox"/>

**C.E.O. RECOMMENDATION:**

APPROVE

BY:   
Bill Luha

County Executive Office Signature

Policy

Consent

4ep1Recomm.:  
Per Exec. Ofc.:

Prev. Agn. Ref.: 3.8 1/30/07

District: All

Agenda Number:

3.43a

The land and 102,400 square foot building have been appraised at \$16 million, or \$156 per square foot of office space. The building underwent an extensive remodel in 2001, is well-maintained, and is estimated by County Facilities Management to have a useful life in excess of 30 years.

There are several advantages to maintaining the current note, though the interest rate is somewhat unattractive. Principally, this approach is quicker and speed was important both to the county and to the seller. Additionally, interest costs are reimbursable for departments occupying the building. Finally, assuming the note avoids substantial penalties for the seller.

This purchase and financing plan have been approved by both the Debt Advisory Committee and the CORAL Board. The Palm Desert Finance Authority approved the use of \$5 million for this purchase. In the 2007 midyear report, the County Board approved the use of \$5 million in designated general funds for this purchase. Other incidental acquisition costs will be paid out of the CIP budget – no other budget adjustments are needed.

Particulars of the proposed purchase plan and arrangement include:

- a) CORAL will assume debt of about 6,005,000 and the county will contribute \$10 million cash toward the purchase;
- b) CORAL and the county will share ownership of the facility split at 6/16 CORAL and 10/16 county;
- c) Rent costs paid by occupying departments will cover maintenance, custodial, utility, and the CORAL lease payment;
- d) The note carries 6.6 percent interest and early payment penalties; interest escalates to prime+1 after December 2012, however prepayment without any penalty is allowed after December 2010;
- e) The county plans to pay off the note in December 2010;
- f) Lease payments are level through December 2010 at \$44,296 per month.

The county's Debt Advisory Committee and the CORAL Board have both reviewed the details of this transaction and both voted to approve the purchase.

**RESOLUTION NO. 2007-268**

**RESOLUTION OF THE BOARD OF SUPERVISORS OF THE COUNTY OF RIVERSIDE AUTHORIZING THE PURCHASE OF AN UNDIVIDED INTEREST IN CERTAIN REAL PROPERTY AND IMPROVEMENTS LOCATED IN THE CITY OF INDIO, AUTHORIZING THE EXPENDITURE OF COUNTY FUNDS TO ACCOMPLISH SUCH PURCHASE, AUTHORIZING AND APPROVING THE EXECUTION AND DELIVERY OF A PURCHASE AGREEMENT, A LEASE AGREEMENT AND OTHER RELATED DOCUMENTS, AND APPROVING AND AUTHORIZING OTHER MATTERS RELATED THERETO**

**WHEREAS**, the County of Riverside (the "County") has determined that it is in the County's best interest to undertake the purchase of an undivided interest (the "County Interest") in the real property and improvements located at 44199 Monroe Street, Indio, California (the "Property");

**WHEREAS**, the remaining undivided interest in the Property (the "Corporation Interest") will be acquired by the County of Riverside Asset Leasing Corporation, a California nonprofit corporation (the "Corporation");

**WHEREAS**, the ownership of the Property shall be held by the County and the Corporation, as tenants-in-common (hereinafter referred to as, the "Property Owner") in such percentages as shall be determined by the County and the Corporation and set forth in a tenants in common agreement (the "Tenants in Common Agreement") between the County and the Corporation;

**WHEREAS**, the Property is currently owned by Indio-Monroe Street Associates, LLC, a California limited liability company (the "Seller"), and the Seller has agreed to sell the Property to the Property Owner, pursuant to an Agreement of Purchase and Sale and Joint Escrow Instructions (the "Purchase Agreement"), by and between the Seller and the Property Owner;

**WHEREAS**, the Property is currently encumbered by that certain Deed of Trust, Assignment of Leases and Rents, and Security Agreement, dated as of November 15, 2002, and recorded on November 21, 2002, as instrument number 2002-688356 in the Official

1 Records of Riverside County (the "Deed of Trust"), executed by the Seller for the  
2 benefit of Western-Southern Life Assurance Company, an Ohio corporation (the "Lender");

3 **WHEREAS**, the Deed of Trust secures the Seller's obligations to the Lender pursuant  
4 to that certain Promissory Note, dated November 15, 2007, in the original principal amount of  
5 \$6,500,000 (the "Note"),

6 **WHEREAS**, the Note is currently outstanding in the principal amount of \$6,005,409.09;

7 **WHEREAS**, in consideration for the Corporation's acquisition of the Corporation  
8 Interest in the Property, the Corporation shall assume the Note and the Lender and Seller  
9 have consented to such assumption of the Note by the Corporation;

10 **WHEREAS**, the Property Owner has determined that it would be in its best interests to  
11 lease the Property to the County and for the County to lease the Property from the Property  
12 Owner;

13 **WHEREAS**, the County proposes to use the Property to house the Department of  
14 Public Social Services, the Economic Development Agency and various other County  
15 departments and functions that are essential for the County to carry out its governmental  
16 functions;

17 **WHEREAS**, the Property Owner and the County will enter into a lease agreement (the  
18 "Lease Agreement") pursuant to which the Property Owner will lease the Property to the  
19 County in consideration for which the County has agreed to make certain payments of base  
20 rental ("Base Rental");

21 **WHEREAS**, the Property Owner will assign and transfer to the Lender certain of its  
22 right, title and interest in and to the Lease Agreement, including its right to receive payments  
23 of Base Rental thereunder, and the County will acknowledge such assignment all pursuant to  
24 an assignment agreement (the "Assignment Agreement") between the Property Owner and  
25 the Lender, and acknowledged by the County;

1           **WHEREAS**, as a condition precedent to the assumption of the Note by the  
2 Corporation, the Lender has requested that the County execute and deliver an assignment,  
3 assumption and subordination agreement (the "Subordination Agreement"); and

4           **WHEREAS**, the County is authorized to undertake all of the above pursuant to Chapter  
5 5, Part 2, Division 2, Title 3 of the Government Code of the State of California.

6           **NOW, THEREFORE, THE BOARD OF SUPERVISORS OF THE COUNTY OF**  
7 **RIVERSIDE**, does hereby resolve, determine and order as follows:

8           **Section 1.** The County hereby approves and authorizes the purchase from the Seller  
9 of the County Interest in the Property and approves of the payment of an amount not to  
10 exceed \$10,500,000 for the purchase of the County Interest in the Property pursuant to the  
11 Purchase Agreement. The proposed form of Purchase Agreement by and between the Seller  
12 and the Property Owner, on file with the Clerk of the Board of Supervisors, is hereby  
13 approved. The County Executive Officer and any other authorized officers of the County  
14 acting on behalf of the County Executive Officer (each an "Authorized Representative" and,  
15 collectively, the "Authorized Representatives") are, and each of them acting alone is, hereby  
16 authorized and directed, for and in the name of and on behalf of the County, to execute and  
17 deliver the Purchase Agreement substantially in said form, with such changes therein as such  
18 Authorized Representative executing and delivering such document may require or approve,  
19 such requirement or approval to be conclusively evidenced by the execution and delivery  
20 thereof.

21           **Section 2.** The County hereby approves and authorizes the lease of the  
22 Property from the Property Owner to the County and the payment by the County of  
23 Base Rental thereunder all pursuant to the terms and provisions of the Lease  
24 Agreement. The proposed form of Lease Agreement by and between the Property  
25 Owner and the County, on file with the Clerk of the Board of Supervisors, is hereby  
26 approved. The Authorized Representatives are, and each of them acting alone is,  
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1 hereby authorized and directed, for and in the name of and on behalf of the County, to  
2 execute and deliver the Lease Agreement substantially in said form, with such  
3 changes therein as the Authorized Representative executing and delivering such  
4 document may require or approve, such requirement or approval to be conclusively  
5 evidenced by the execution and delivery thereof. The County hereby approves and  
6 authorizes the execution and delivery of a memorandum of the Lease Agreement by  
7 the Authorized Representatives and the recording of such memorandum in the Official  
8 Records of Riverside County.  
9

10 **Section 3.** The proposed form of Subordination Agreement by and among the  
11 Property Owner, the County and the Lender, on file with the Clerk of the Board of Supervisors,  
12 is hereby approved. The Authorized Representatives are, and each of them acting alone is,  
13 hereby authorized and directed, for and in the name of and on behalf of the County, to  
14 execute and deliver the Subordination Agreement substantially in said form, with such  
15 changes therein as the Authorized Representative executing and delivering such document  
16 may require or approve, such requirement or approval to be conclusively evidenced by the  
17 execution and delivery thereof.

18 **Section 4.** The proposed form of Assignment Agreement by and among the Property  
19 Owner, the County and the Lender, on file with the Clerk of the Board of Supervisors, is  
20 hereby approved. The Authorized Representatives are, and each of them acting alone is,  
21 hereby authorized and directed, for and in the name of and on behalf of the County, to  
22 execute and deliver the Assignment Agreement substantially in said form, with such changes  
23 therein as the Authorized Representative executing and delivering such document may  
24 require or approve, such requirement or approval to be conclusively evidenced by the  
25 execution and delivery thereof.

26 **Section 5.** The proposed form of Tenants In Common Agreement by and among the  
27 Property Owner, the County and the Lender, on file with the Clerk of the Board of Supervisors,  
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1 is hereby approved. The Authorized Representatives are, and each of them acting alone is,  
2 hereby authorized and directed, for and in the name of and on behalf of the County, to  
3 execute and deliver the Tenants In Common Agreement substantially in said form, with such  
4 changes therein as the Authorized Representative executing and delivering such document  
5 may require or approve, such requirement or approval to be conclusively evidenced by the  
6 execution and delivery thereof.

7 **Section 6.** All actions heretofore taken by any officer or officers of the County with  
8 respect to the acquisition of the County Interest in the Property, the lease of the Property by  
9 and from the Property Owner to the County or in connection with or related to any of the  
10 agreements referenced herein, are hereby approved, confirmed and ratified.

11 **Section 7.** The Authorized Representatives are, and each of them acting alone is,  
12 authorized and directed to take any and all such actions, and to execute any and all such  
13 documents, agreements or certificates as may be necessary or desirable to effectuate the  
14 purposes of this Resolution, including, without limitation, an acknowledgement of any  
15 amendment or modification to the Deed of Trust.

16 **Section 8.** The Clerk of the Board of Supervisors shall certify to the passage of this  
17 Resolution, shall transmit a copy hereof to the Corporation, and shall cause the action of the  
18 Board of Supervisors in adopting the same to be entered in the official minutes of this Board  
19 of Supervisors.

20 **INTRODUCED AND ADOPTED** at a meeting of the Board of Supervisors of the  
21 County of Riverside on the \_\_\_\_ day of May, 2007.

22 COUNTY OF RIVERSIDE

23  
24 By \_\_\_\_\_  
Chairman, Board of Supervisors

25 ATTEST:  
NANCY ROMERO  
26 Clerk of the Board

27 By \_\_\_\_\_  
Deputy

STATE OF CALIFORNIA            )  
  ) ss.  
COUNTY OF RIVERSIDE        )

I, NANCY ROMERO, Clerk of the Board of Supervisors of the County of Riverside, DO HEREBY CERTIFY that the foregoing Resolution was introduced at a regular meeting of the Board of Supervisors duly held on the \_\_\_\_\_ day of May, 2007, and was duly passed and adopted by such Board of Supervisors, and signed and approved by the Chair of such Board of Supervisors and that the foregoing Resolution was passed and adopted by the following vote:

AYES:           Supervisors:

NAYS:           Supervisors:

ABSENT:        Supervisors:

NANCY ROMERO,  
Clerk of the Board of Supervisors

By \_\_\_\_\_  
Deputy