# FISCAL PROCEDURES APPROVED ROBERTYE. BYRD, AUDITOR-DON'T

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





FROM: Economic Development Agency

SUBMITTAL DATE: December 10, 2009

SUBJECT: Third Amendment to Lease - Economic Development Agency, Riverside

17	SUS	RECOMMENDED MOTION: That the Board of Supervisors:	
NB 70-84	currenc	Approve the attached Third Amendment to Lease and authorize the Chairman to exert the same on behalf of the County; and	cute
	<b>PANTE</b>	Authorize the Auditor-Controller to adjust the Economic Development Agency's FY 2009 budget as set out on Schedule A.	9/10
ED COUNTY COUNSEL	sus GUNZÉDepartmenta Dencurrence	Robert Field Assistant County Executive Officer/EDA	
PPROV	MTHIA M	FINANCIAL DATA  Current F.Y. Total Cost: (\$78,978) In Current Year Budget: Yes Sudget Adjustment: Yes Annual Net County Cost: \$ -0- For Fiscal Year: 09/10	<i>त्रष्ट</i> )
FORMAP	BY: SY SY	SOURCE OF FUNDS: Workforce Investment Act Funds – Positions To Be 100% Federal Funds Deleted Per A-30	]
		C.E.O. RECOMMENDATION: APPROVE	<u>1</u>
Policy	Policy	County Executive Office Signature Jennifer L. Sargent	
$\boxtimes$	V		
Consent	Consent		

Dep't Recomm.: Per Exec. Ofc.:

**Prev. Agn. Ref.:** 9/13/05, 3.20; 6/13/06, 3.13; 12/12/06, 3.10; 07/03/07, 3.12

District: 1

Agenda Number:

3.24

Economic Development Agency Third Amendment to Lease – Economic Development Agency, Riverside December 10, 2009 Page 2

### **BACKGROUND:**

With the merger of the Department of Facilities Management and the Economic Development Agency (EDA), staff from both departments are in the process of being integrated together. With this integration, the relocation of staff into available County owned space is currently underway, which provides the ability to eliminate some existing leasehold obligations. Specifically, since 1994 the County has leased office space located at 1151 Spruce Street for the EDA's Workforce Development Center (WDC). Additionally, a lease at 1325 Spruce Street has been occupied by EDA staff, and expires in 2017. It was determined the staff occupying 1325 Spruce Street could suitably be relocated into various county buildings with the WDC moving from 1151 Spruce Street to 1325 Spruce Street. This fulfills the leasehold obligation at 1325 Spruce Street and utilizes the space to provide workforce services to the community. This Third Amendment to Lease is an expansion of space to accommodate the WDC occupancy at 1325 Spruce. The Amendment was negotiated during the term of the existing lease and the Lessor will pay for the needed tenant improvements, resulting in savings to the County. The terms are as follows:

Location:

1325 Spruce Street

Riverside, CA

Lessor:

Spruce Street Professional Building, LLC

815 Marlborough Street, Suite 200

Riverside, CA 92507

Size:

Increased by 11,303 square feet for a total of 51,511 square feet.

Term:

In year 3 of an existing 10 year term.

Rent:

 Current
 New

 \$ 2.23 per sq.ft.
 \$ 2.23 per sq. ft.

 \$ 89,579.00 per month
 \$ 114,760.84 per month

 \$1,074.948.00 per year
 \$1,377.130.08 per year

Increases:

Rent increases have been renegotiated to remain at \$114,760.84 per month for the balance of years 3, 4 and 5. Beginning in the 6<sup>th</sup> year of the lease, rent will be paid as set forth in the lease. This equates to a

savings of \$65,464.00.

Utilities:

Included in Rent.

Custodial:

Included in Rent.

Maintenance:

Included in Rent.

Improvements:

Included in Rent.

Economic Development Agency Third Amendment to Lease – Economic Development Agency, Riverside December 10, 2009 Page 3

(Continued)

### BACKGROUND:

Space Reduction: After 5 years from the original lease commencement date of April 2007,

County may downsize up to 50% of the gross square footage (25,756

sq.ft.) with 60 days written notice.

Termination: After 7 years from the original lease commencement date of April 2007,

County may terminate for funding, or any reason, with 60 days written

notice.

RCIT: \$161,700.00 (To be paid by EDA, with WIA funds)

Furniture: Included in this relocation will be the purchase of \$229,000.00 worth of

sole source furniture to modify the existing furniture at 1325 Spruce Street

for the Business/Career/Resource Center.

Market Data: 1420 Iowa, Riverside \$2.25 FSG

4204 Riverwalk Parkway, Riverside \$2.85 MG

3450 14th Street, Riverside \$3.10 FSG

The attached lease amendment has been reviewed and approved by County Counsel as to legal form.

### FINANCIAL DATA:

All associated costs for this Lease Amendment will be fully funded through EDA Workforce Division's budget. EDA Workforce Division has budgeted for these costs in FY 2009/10; however, EDA requires a budget adjustment to its FY 2009/10 budget to cover related transactional costs with the property owner. While EDA will front the costs for this Lease with the property owner, EDA Workforce Division will reimburse EDA for all associated lease costs.

Economic Development Agency Third Amendment to Lease – Economic Development Agency, Riverside December 10, 2009 Page 4

### **SCHEDULE A**

### <u>Decrease Revenues</u>:

10000-7200400000-778150 – Inter – Leases 10000-7200600000-778350 – Inter – Utilities	\$214,697 \$ 31,424
Decrease Appropriations:	
10000-7200400000-526700 – Rent/Lease Buildings	\$214,697
10000-7200600000-529540 - Utilities	\$ 31,424

### Exhibit A

### EDA Lease Cost Analysis for FY 2009/10 1325 Spruce Street, Riverside, California

### Total Proposed Square Footage to be Leased and Cost:

Current office:		40,208	SQFT
Proposed additional space:		11,303	
Total proposed office space:		51,511	
		,	
Approximate Cost Per Sq. Foot:	\$	2.23	
Approximate Cost Per Month:	\$	114,760.84	
Approximate Cost Per Year:	\$	1,377,130.08	
DUDOFTED L			
BUDGETED Lease Cost for FY 2009-2010:			
1151 Spruce Street (\$65,212.07 per month)	\$	782,544.84	
1325 Spruce Street (\$89,579 per month)	\$	1,074,948.00	
TOTAL BUDGETED LEASE COSTS			\$ 1,857,492.84
ACTUAL Lease Cost for FY 2009-2010:			
July 1, 2009 - Feb 28, 2010			
1151 Spruce St Jul-Oct (\$65,212.07 per month)	\$	260,848.28	
1151 Spruce St Nov-Feb(\$51,568.09 per month)	\$	206,272.36	
1325 Spruce St Jul-Feb (\$89,579 per month)	\$	•	
Total Lease Cost from Jul 1 to Feb 28	<u> </u>		- \$ 1,183,752.64
March 1, 2010 - June 30, 2010			. ,
1325 Spruce St Mar-Jun (\$114,760.84 per month)	\$	459,043.36	
Total Lease Cost from Mar 1 to Jun 30			\$ 459,043.36
TOTAL ACTUAL LEASE COSTS			\$ 1,642,796.00

### **TOTAL LEASE COST SAVINGS**

\$ (214,697)

### **Additional Costs:**

<b>BUDGETED Utility</b>	Cost FY	2009-2010	(12c per sa ft)	١.
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1151 Spruce Street (52,120 sq ft) \$ 75,052.80

### ACTUAL Utility Cost for FY 2009-2010 (12c per sq ft):

July 1, 2009 - Feb 28, 2010

 1151 Spruce St Jul-Oct (52,120)
 \$ 25,017.60

 1151 Spruce St Nov-Feb (38,773)
 \$ 18,611.04

Total Utility Costs from Jul 1 to Feb 28 \$ 43,628.64

### **TOTAL UTILITY COST SAVINGS**

BUDGETED MANAGEMENT FEES (3.79%):					
1151 Spruce Street (\$782,544.84)			\$	29,658.45	
ACTUAL MANAGEMENT FEES (3.79%):					
July 1 , 2009 - Feb 28 , 2010					
1151 Spruce St Jul-Oct (\$260,848.28)	\$	9,886.15			
1151 Spruce St Nov-Feb (\$206,272.36)	\$	7,817.72	_		
Total Management Fees from Jul 1 to Feb 28			\$	17,703.87	
March 1, 2010 - June 30, 2010					
1325 Spruce St Mar-Jun (\$459,043.36)			\$	17,397.74	
TOTAL ACTUAL MANAGEMENT FEES			\$	35,101.62	
TOTAL MANAGEMENT FEES					\$ 5,443
TOTAL RCIT COSTS					\$ 161,700
TOTAL ESTIMATED LEASE COSTS FOR F	Y 20	09-2010			\$ (78,978)

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set forth herein. The Original Premises and the Additional Space are collectively referred to herein as the "Premises." The Original Lease together with this Amendment are collectively referred to herein as the "Lease."

NOW THEREFORE, for good and valuable consideration the receipt and adequacy of which is hereby acknowledged, the parties agree as follows:

Section 1. Premises. Section 2.2 of the Lease is hereby replaced in its entirety by the following:

2.2 **Defined.** The Premises shall consist of that certain real property, including all improvements therein or to be provided by Lessor under the terms of this Lease, and commonly known as a portion of The Spruce Street Professional Building located in the City of Riverside, State of California, and generally described as a free standing building consisting of approximately seventy seven thousand (77,000) square feet; fifty one thousand five hundred eleven (51,511) gross square feet of exclusive space for the County with thirty thousand four hundred seven (30,407) gross square feet of exclusive space on the fourth and fifth floors (the Original Space), nine thousand eight hundred one (9,801) gross square feet of exclusive space on the second floor (7,654 gross square feet of exclusive space from the First Amendment of "Additional Space" and 2,147 gross square feet of additional exclusive space from the Second Amendment of "Additional Space") and eleven thousand three hundred three (11,303) square feet of exclusive space on the First Floor from the Third Amendment of "Additional Space", with one hundred eighty six (186) unreserved and unassigned parking spaces and three (3) reserved parking spaces for the County and top-of-the-building signage, all as shown on the site plan attached as Exhibit "A" in the Lease. It is understood that the Premises include all appurtenances and easements thereto and the non-exclusive right of ingress and egress at all times to and from the public streets and highways for County, its employees and invitees.

**Section 2.** Exhibit A. Exhibit A of the Original Lease is hereby deleted in its entirety and replaced with Exhibit A attached hereto and incorporated herein by this reference.

**Section 3. Term Commencement.** Section 4.1.1 of the Lease is hereby amended by the following:

**4.1.1.** This Third Amendment shall be effective upon the date of its full execution by the Parties hereto which includes approval by the County of Riverside Board of Supervisors. The Third Amendment "Additional Space" of eleven thousand three hundred three (11,303) gross square feet of exclusive space which shall be ready and available for move in by County on March 1, 2010.

**Section 4. Delay in Delivery of Premises.** Section 4.3.1 of the Lease is hereby amended as follows:

4.3.1. Provided County has executed plans and specifications to Lessor by December 31, 2009, and the "Additional Space" occupancy has not commenced by March 1, 2010. County may, at its sole option, either: (a) deduct from any rents that may become due hereunder the sum of Two Hundred Fifty Dollars (\$250) for each day the eleven thousand three hundred three (11,303) gross square feet of additional exclusive space on the first floor Premises are not substantially complete and available for occupancy as per paragraph 2.4 (except if delay is due to change orders in the tenant improvement construction that delay delivery and are requested by the County, unforeseeable government regulatory action or, weather related factors, or the delay is caused by the sole negligence or misconduct of the County) after said date, as damages for failure to provide occupancy in a timely manner as prescribed hereunder. Lessor and County agree that such damages are to be one of the mutually exclusive remedies, as prescribed in this Section 4, for such failure, in that at the time of entering into this Third Amendment it would be impractical and extremely difficult to fix the actual damages that would flow from Lessor's failure to provide occupancy in a timely manner,

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including, but not limited to, the difference in money between the total sum to be paid by County to another party for rent to Lease such party's real property if the rental hereunder is less than the rental to be paid such other party: or if the Original Term of this Third Amendment for the first floor addition has not commenced by March 1, 2010, or (b) cancel this Third Amendment, and Lessor hereby waives any and all rights that it may have against County for any costs, expenses and/or charges that Lessor may have incurred as a result of preparing the Third Amendment Additional Space Premises of eleven thousand three hundred three (11,303) gross square feet of exclusive space for occupancy.

Section 5. Rent. Section 5.1 of the Lease is hereby amended in its entirety by the following:

5.1 **RENT.** Rent under this Third Amendment to Lease shall commence no earlier than March 1, 2010. Effective March 1, 2010 (unless there are Lessor delays), if the Third Amendment suite expansion is available for occupancy (available for occupancy is defined as Lessor receiving a building permit final and release of utilities by the City of Riverside for the Third Amendment expansion and in compliance with Section 2.4 of the Lease), County shall pay \$114,760.84 per month to Lessor as rent for the Premises for fifty one thousand five hundred eleven (51,511) total square feet during the term of this Lease as indicated below:

19	Monthly		
20	Amount	Year	
	\$ 84,436.80	First	April 1, 2007
21	\$ 86,969.90	Second	April 1, 2008
	\$ 114,760.84	Third -balance of thir	d (and current) year April 1, 2009
22	\$ 114,760.84	Fourth	April 1, 2010
	\$ 114,760.84	Fifth	April 1, 2011
23	\$ 123,822.69	Sixth	April 1, 2012
	\$ 127,537.36	Seventh	April 1, 2013
24	\$ 131,363.49	Eighth	April 1, 2014
	\$ 135,304.39	Ninth	April 1, 2015
25	\$ 139,363.52	Tenth	April 1, 1016

Said monthly sums shall be payable, in advance, on the first day of the month or as soon thereafter as a warrant can be issued in the normal course of County's business; provided, however, in the event rent for any period during the term hereof which is less than one (1) full calendar month said rental shall be pro-rated based upon the actual number of days of said month.

**Section 6. Tenant Improvements.** Section 5.2 of the Lease is hereby replaced in its entirety by the following:

- 5.2 Tenant Improvements ("TI"). Tenant improvement costs are those costs for customizing and configuring the County's eleven thousand three hundred three (11,303) square feet of gross Additional Space on the First Floor per the County's space plan for the Third Amendment expansion. County TIs shall include: construction drawings and engineering costs, carpeting, flooring, paint, hard walled offices, break rooms, data rooms, HVAC, heat pumps, ducting, conference rooms, storage and supply rooms with locking hardware, electrical to office and modular furniture. Note: data lines and connectivity will be contracted with County Vendors at County cost. County will provide the electrical whips for Lessor's electrical contractor to connect. County's tenant improvement (TI) costs per mutually agreed upon plans and specifications shall be borne by Spruce Street Professional Building, LLC.
- Section 7. County's Right to Termination After Seven Years of Occupancy. The title for Section 6.4 is hereby amended as follows:
  - 6.4 County's Right to Termination After Seven Years of Occupancy.
  - **Section 8. Notice.** Section 6.4.1 is hereby replaced in its entirety by the following:
- **6.4.1 Notice for downsizing.** After five (5) years from the commencement date of the Original Lease, County may provide Lessor with written notification of its election to downsize up to a maximum of fifty percent of the gross square footage (25,756 gross square

feet). The rent shall be adjusted based on the per square foot rental rate in Section 5.1 (equal to the rental rate in 5.1 divided by the gross footage of 51,511 square feet), by providing Lessor with at least sixty (60) days written notice prior to the date of the downsizing.

Section 9. Notice. Section 6.4.2 is hereby added as follows:

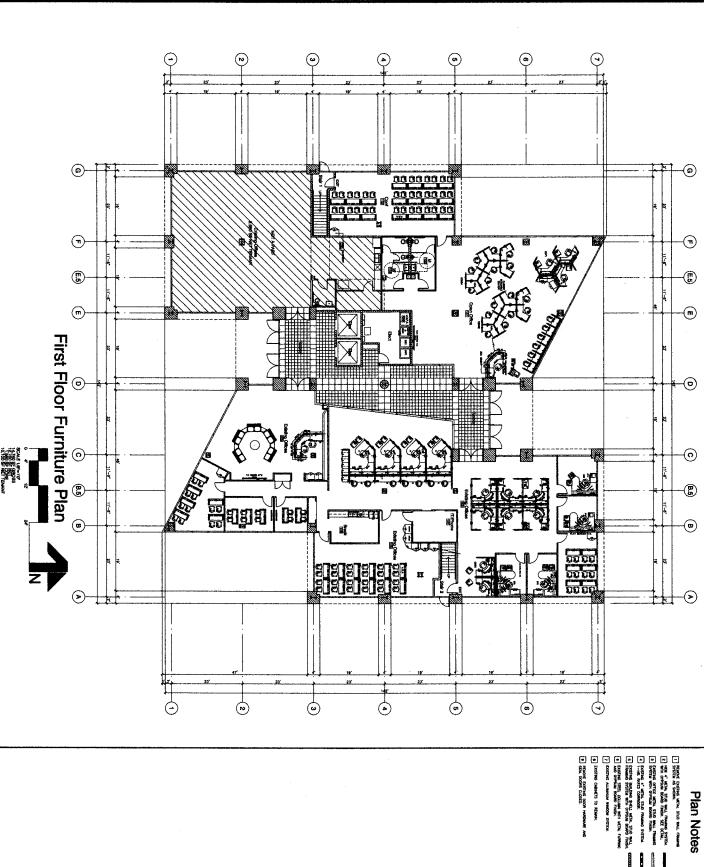
**6.4.2 Notice for termination.** After seven (7) years from the commencement date of the original Lease, County may provide Lessor with written notification of its election to terminate this Lease, per Section 6.4, by providing Lessor with at least sixty (60) days written notice prior to the date of the termination.

**Section 10. Improvements by Lessor.** Section 11.1.2 is hereby amended as follows:

Certain Classifications of Labor under this contract may be subject to prevailing wage requirements. It is anticipated that TI work will or may be performed which may be subject to payment of prevailing wage when performed. Pursuant to Section 1773 of the Labor Code, the general prevailing wage rates, including the per diem wages applicable to the work, and for noliday and overtime work, including employer payments for health and welfare, pension, vacation, and similar purposes, in the county in which the work is to be done have been determined by the Director of the California Department of Industrial Relations. These wages are available from the California Department of Industrial Relations' Internet website at <a href="http://www.dir.ca.gov">http://www.dir.ca.gov</a>, and are available at the main office of Agency.

Section 11. Capitalized Terms: Third Amendment to Prevail. Unless defined herein or the context requires otherwise, all capitalized terms herein shall have the meaning defined in the Lease, as heretofore amended. The provisions of this Third Amendment shall prevail over any inconsistency or conflicting provisions of the Lease, as heretofore amended, and shall supplement the remaining provisions thereof. The Lease remains in full force and effect except to the extent amended by this Third Amendment. This Third Amendment shall

1	not be binding or deemed consummated until	approved and executed by the County's Board
2	of Supervisors.	
3		
4	IN WITNESS WHEREOF, the Count	of Riverside and Spruce Street Professional
5	Building, LLC, have executed this Third Amen	dment to the Lease on the date provided above.
6		
7	Dated	
8	Dated:	SPRUCE STREET PROFESSIONAL
9	•	BUILDING, LLC
10		By: Raymond Magnon, Managing Member
11		Rayinond Magnon, Managing Member
12		COUNTY OF RIVERSIDE
13		D
14		By: Marion Ashley, Chairman
14		
15	ATTEST:	Board of Supervisors
	ATTEST: Kecia Harper-Ihem Clerk of the Board	
15	Kecia Harper-Ihem Clerk of the Board	
15 16	Kecia Harper-Ihem	
15 16 17	Kecia Harper-Ihem Clerk of the Board  By:	
15 16 17	Kecia Harper-Ihem Clerk of the Board  By: Deputy  APPROVED AS TO FORM:	
15 16 17 18	Kecia Harper-Ihem Clerk of the Board  By: Deputy	
15 16 17 18 19	Kecia Harper-Ihem Clerk of the Board  By: Deputy  APPROVED AS TO FORM: Pamela J. Walls County Counsel	
15 16 17 18 19 20 21	Recia Harper-Ihem Clerk of the Board  By: Deputy  APPROVED AS TO FORM: Pamela J. Walls County Counsel  By:Hina M. Gunzel	
15 16 17 18 19 20 21	Recia Harper-Ihem Clerk of the Board  By: Deputy  APPROVED AS TO FORM: Pamela J. Walls County Counsel  By:Hina M. Crwcel	







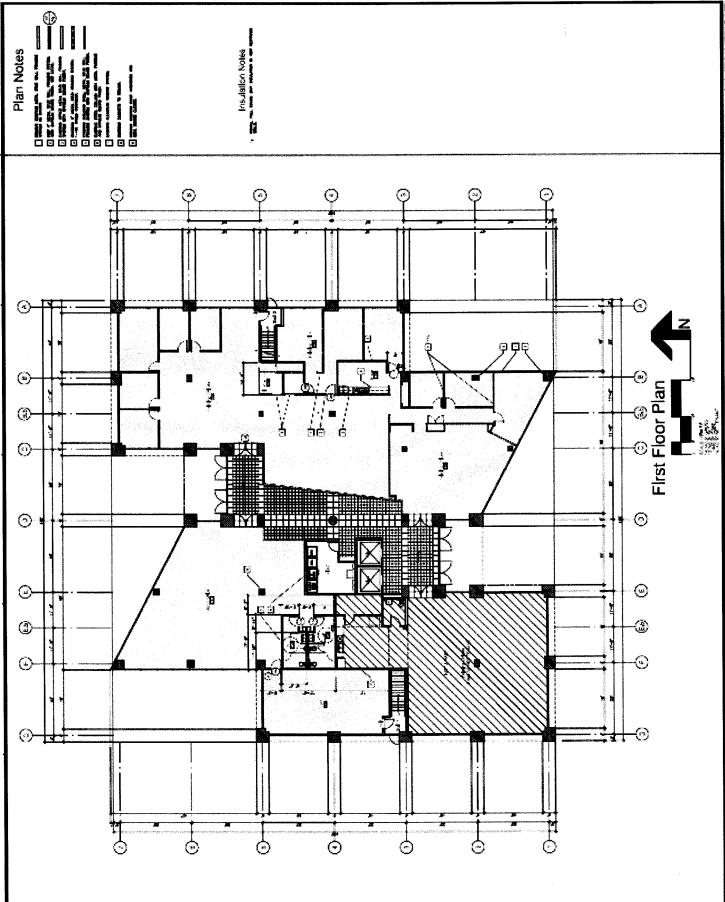
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El Camino Real
Suite F
San Clemente
CA 92672 949 498 3883 E MAIL TEL 9494983535 FAX ARCHITECTS INC.

project SPRUCE 2
WORKFORCE
TENANT 815 Mertborough Avenue Riverside, CA 82507 951 684 0860 FAX 951 784-2545 MAGNON COMPANIES

IMPROVEMENT

1325 Spruce Street Riverside, CA 92507

First Floor Furniture Plan





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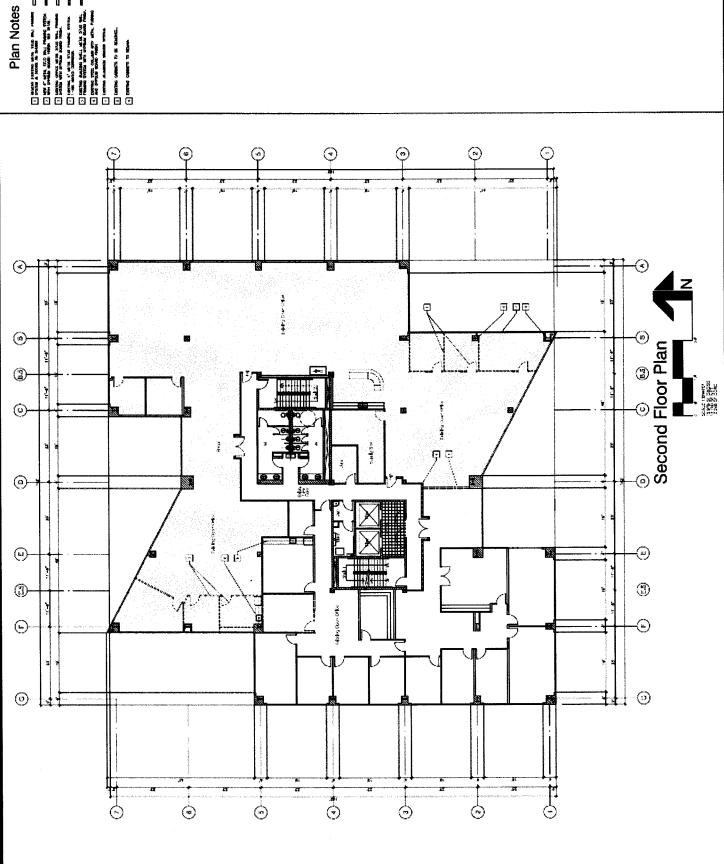
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Ens Marporougn Avenue Afertales Cr. 60507 950 NOS 1980 FAX 551 734-5345

SPRUCE 2 WORKFORCE TENANT IMPROVEMENT

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First Floor Plan



# Plan Notes

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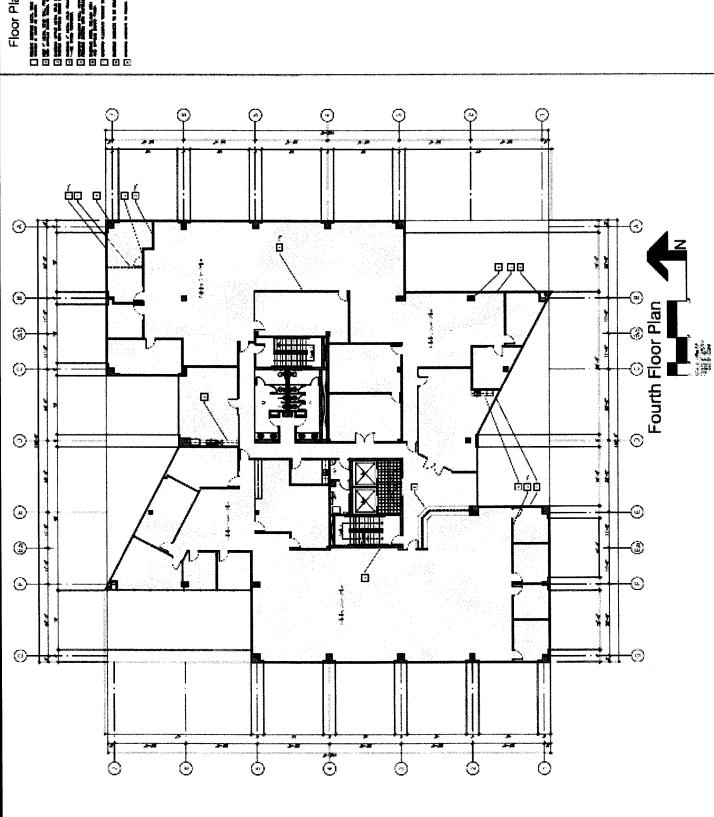
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IMPROVEMENT

1576 Spransa Sesse Rhumbla, CA 82537

Second Floor Plan







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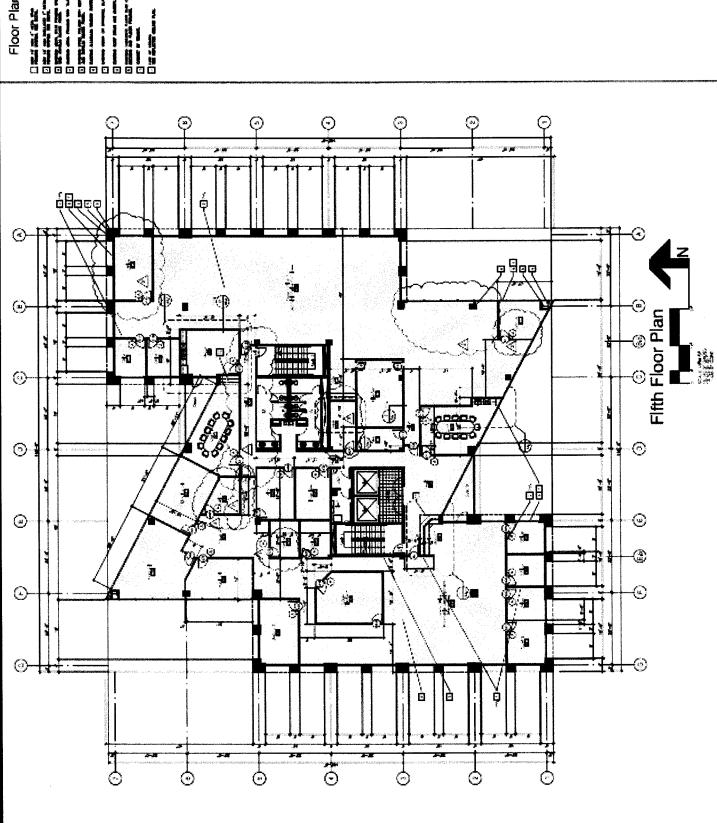
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Fourth Floor Plan





Floor Plan Notes

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Fifth Floor Plan

