

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

855



FORM APPROVED COUNTY COUNSEL
BY: PATRICIA MUNROE 5/8/13
Departmental Concurrence DATE

FROM: Economic Development Agency / Facilities Management

SUBMITTAL DATE:
June 6, 2013

SUBJECT: Second Amendment to Lease – Department of Public Social Services

RECOMMENDED MOTION: That the Board of Supervisors:

1. Approve the attached Second Amendment to Lease and authorize the Chairman to execute the same on behalf of the County; and
2. Find that the project is exempt from The California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines Section 15301, Existing Facilities.

BACKGROUND: (Commences on Page 2)

FISCAL PROCEDURES APPROVED
PAUL ANGULO, CPA, AUDITOR-CONTROLLER
BY: Samuel Wong 6/5/13
SAMUEL WONG

Robert Field
Assistant County Executive Officer/EDA

FINANCIAL DATA	Current F.Y. Total Cost:	\$ (9,149)	In Current Year Budget:	Yes
	Current F.Y. Net County Cost:	\$ (260)	Budget Adjustment:	No
	Annual Net County Cost:	\$ 25,350	For Fiscal Year:	2012/13

COMPANION ITEM ON BOARD AGENDA: No

SOURCE OF FUNDS: 55.83% Federal; 24.18% State; 2.84% County; 4.39% Realignment; 12.40% Realignment 2011; 0.36% Other

Positions To Be Deleted Per A-30	<input type="checkbox"/>
Requires 4/5 Vote	<input type="checkbox"/>

C.E.O. RECOMMENDATION:

APPROVE

County Executive Office Signature

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

3.22 of 8/29/00; 3.18 of 5/15/07; 3.22 of 10/30/07
DISTRICT: 2/2
AGENDA NUMBER: 3-30

Prev. Agn. Ref.: 3.22 of 8/29/00; 3.18 of 5/15/07; 3.22 of 10/30/07

District: 2/2

Agenda Number:

BACKGROUND:

The County of Riverside has been under lease at 731 Palmyrita in Riverside since 2001. The facility is utilized by the Department of Public Social Services' (DPSS) facilities planning staff, warehouse operations, and materials management. The office and warehouse space continues to meet the needs of DPSS and this Second Amendment to Lease extends the lease five years and includes a rent reduction of \$.11 per square foot.

Location: 731 Palmyrita
Riverside, CA 92507

Lessor: Koch Palmyrita Investments, LLC
1000 S. Santa Fe Avenue, Mezzanine Level
Los Angeles, CA 90021

Term: Five years commencing June 1, 2013.

Option to Renew: One five-year option to renew.

Size: 81,206 square feet.

Rent:

	Current	New
	\$.87 per sq. ft.	\$.76 per sq. ft.
	\$70,920.01 per month	\$62,116.56 per month
	\$851,040.12 per year	\$745,398.72 per year

Increases: Two percent annually.

Tenant Improvements: Lessor shall replace 5 air conditioning units as well as flooring in three office areas at Lessor's sole cost and expense.

The attached Second Amendment to Lease has been reviewed and approved by County Counsel as to legal form.

FINANCIAL DATA:

All associated costs for this Second Amendment to Lease will be fully funded through the DPSS budget. While the Economic Development Agency (EDA) will front the costs for this Second Amendment to Lease with the property owner, DPSS will reimburse EDA for all associated lease costs. DPSS and EDA anticipated the lease extension and budgeted these costs in FY 2012/13.

Attachments:
Exhibit A
Exhibit B
Second Amendment to Lease

Exhibit A

DPSS Lease Cost Analysis FY 2012/13 731 Palmyrita, Riverside, California

Total Square Footage to be Leased:

EXPECTED AMOUNTS

Current office:	81,206 SQFT	
Total Expected Lease Cost for FY 2012/13		\$ 851,040.12

ACTUAL AMOUNTS

Current Office:	81,206 SQFT	
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Approximate Cost per SQFT (July - May)	\$ 0.87	
Approximate Cost per SQFT (June)	\$ 0.76	

Lease Cost per Month (July - May)	\$ 70,920.01	
Lease Cost per Month (June)	<u>\$ 62,116.56</u>	

Total Lease Cost (July - May)	\$ 780,120.11	
Total Lease Cost (June)	<u>\$ 62,116.56</u>	
Total Actual Lease Cost for FY 2012/13		\$ 842,236.67
Total Lease Cost Variance for FY 2012/13		\$ (8,803.45)

Estimated Additional Costs:

EXPECTED AMOUNTS

Utility Cost per Square Foot	\$ 0.12	
Estimated Utility Costs per Month (July - June)	\$ 9,744.72	

Total Estimated Utility Cost for FY 2012/13	\$ 116,936.64	
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RCIT	\$ -	
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Tenant Improvements	\$ -	
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EDA Lease Management Fee (Based @ 3.93%)	<u>\$ 33,445.88</u>	
Total Estimated Expected Cost for FY 2012/13		\$ 150,382.52

ACTUAL AMOUNTS

Utility Cost per Square Foot	\$ 0.12	
Costs per Month (July - June)	\$ 9,744.72	

Total Estimated Actual Utility Cost for FY 2012/13	\$ 116,936.64	
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RCIT	\$ -	
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Tenant Improvements	\$ -	
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EDA Lease Management Fee (Based @ 3.93%)	<u>\$ 33,099.90</u>	
Total Estimated Actual Cost for FY 2012/13		\$ 150,036.54

Total Estimated Cost Variance for FY 2012/13		\$ (345.98)
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TOTAL ESTIMATED COST FOR FY 2012/13		\$ (9,149.43)
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TOTAL COUNTY COST: 2.84%		\$ (259.84)
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Exhibit B

DPSS Lease Cost Analysis FY 2013/14 731 Palmyrita, Riverside, California

Current Square Feet Occupied:

Current Office:	81,206	SQFT	
Approximate Cost per SQFT (July - May)	\$0.76		
Approximate Cost per SQFT (June)	\$0.78		
Lease Cost per Month (July - May)		\$	62,116.56
Lease Cost per Month (June)		\$	63,350.89
Total Lease Cost (July - May)		\$	683,282.16
Total Lease Cost (June)		\$	63,350.89
Total Expected Lease Cost for FY 2013/14		\$	746,633.05

Estimated Additional Costs:

Utility Cost per Square Foot	\$	0.12	
Estimated Utility Costs per Month (July - June)		\$	<u>9,744.72</u>
Total Estimated Utility Cost for FY 2013/14		\$	116,936.64
EDA Lease Management Fee (Based @ 3.89%)		\$	<u>29,044.03</u>
TOTAL ESTIMATED COST FOR FY 2013/14		\$	<u>892,613.72</u>
TOTAL COUNTY COST: 2.84%		\$	25,350.23

1 **SECOND AMENDMENT TO LEASE**

2 (Department of Public Social Services,
3 731 Palmyrita Avenue
4 Riverside, California)
5

6 This SECOND AMENDMENT to Lease ("Second Amendment") is made as of
7 _____, 2013 by and between the **COUNTY OF RIVERSIDE**, a
8 political subdivision of the State of California ("County"), as Lessee, and **KOCH**
9 **PALMYRITA INVESTMENTS, LLC**, a California limited liability company ("Lessor")
10 and, sometimes collectively referred to as the Parties.

11 **Recitals**

12 a. Koch Palmyrita Investments, LLC, successor-in-interest to Koch
13 Investments LP and Gregory G. Koch, Trustee of the Gregory G. Koch Trust, as
14 Lessor, and County entered into that certain Lease dated May 15, 2007, ("Original
15 Lease") pertaining to the premises located at 731 Palmyrita Avenue, Riverside,
16 California, as more particularly described in the Lease.

17 b. The Original Lease has been amended by:

18 i. That certain First Amendment to Lease dated October 30,
19 2007, by and between County of Riverside and Koch Investments LP and Gregory G.
20 Koch, Trustee of the Gregory G. Koch Trust ("First Amendment").

21 c. The Original Lease, as heretofore, currently, or hereafter
22 amended, shall hereafter be referred to as the "Lease."

23 d. County and Lessor desire to further amend the Lease by extending
24 the lease term and modifying the rent.

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

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1 **1. Term.** Section 3 of the Lease shall be amended as follows:

2 (a) The term of this Lease shall be extended for a period of
3 five (5) years commencing June 1, 2013, and expiring May 31, 2018 (the "Extension
4 Term").

5 (d) Lessor grants to County one (1) option to extend the
6 Lease term ("Extension Option") for a period of five (5) years ("Extended Term").

7 The Extension Option shall be exercised by County delivering to Lessor written
8 notice thereof ("Option Notice") no later than six (6) months prior to the expiration of the
9 Extension Term.

10 The rent payable by County during the Extended Term shall be increased by
11 two (2%) annually.

12 **2. Rent.** Section 4 of the Lease shall be amended as follows: The monthly
13 rent shall be increased two percent (2%) annually and payable as follows during the
14 extended lease term:

15 June 1, 2013 through May 31, 2014	\$61,716.56 per month
16 June 1, 2014 through May 31, 2015	\$62,950.89 per month
17 June 1, 2015 through May 31, 2016	\$64,209.91 per month
18 June 1, 2016 through May 31, 2017	\$65,494.11 per month
19 June 1, 2017 through May 31, 2018	\$66,803.99 per month

20 **3. Mezzanine Maintenance.** Section 8(a) of the lease shall be deleted in
21 its entirety and replaced with the following: Lessor shall provide maintenance of the
22 mezzanine system. Notwithstanding the provisions of Section 7 of the lease, the cost
23 of the monthly maintenance shall be paid by County to Lessor and reconciled annually.
24 County's cost for mezzanine maintenance, as defined in Section 8(b) of the lease shall
25 be Four Hundred Dollars (\$400.00) per month. Within sixty (60) days of each
26 anniversary date of the Lease, Lessor shall prepare an itemized expense statement of
27 the actual costs for mezzanine maintenance services for the previous year. County
28 shall receive a credit for the amount overpaid, or a check for reimbursement in the

1 event the lease has expired and County has vacated. In the event costs exceed Four
2 Hundred Dollars (\$400.00) per month, County shall reimburse Lessor, within sixty (60)
3 days, the amount paid and the actual cost. Lessor to inform County in advance of any
4 required maintenance that exceeds the annual budget by more than \$1,000.00.

5 **4. Improvements by Lessor.** Section 9 shall be amended to add
6 subsection 9 (h) as follows:

7 9 (h). **Additional Improvements by Lessor.** Lessor shall, at Lessor's
8 sole expense not subject to reimbursement, complete the following improvements prior
9 to December 31, 2013:

10 a. Install five (5) new Samsung Split System air conditioning units
11 for Communications Rooms and related electrical upgrades to include a 1 ton wall unit
12 for the warehouse communications room (#AQV12NSDX), and 3 ton wall and ceiling
13 units for each of two office communications rooms (#CHI05CAU/UH105CAV and
14 #AQV36JA).

15 b. Replace flooring in Mail Room, Supply Office, and Inserter
16 Room with carpet tiles or VCT. Lessor's responsibility shall include lifting of
17 workstations. County responsibility shall include moving office furniture and equipment
18 where needed.

19 **5. Notice.** Section 13 of the Lease shall be amended as follows:

20 **County's Notification Address:**

21 County of Riverside
22 Economic Development Agency
23 3403 Tenth Street, Suite 500
24 Riverside, CA 92501
25 Attn: Deputy Director of Real Estate
26 Telephone: (951) 955-4820

Lessor's Notification Address:

Koch Palmyrita Investments, LLC
1000 S. Santa Fe Ave. Mezz. Level
Los Angeles, CA 90021
Telephone: (213) 627-3617

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1 **6. County's Representative.** Section 19 of the lease shall be amended as
2 follows: County hereby appoints the Assistant County Executive Officer of the
3 Economic Development Agency as its authorized representative to administer this
4 Lease.

5 **7. Second Amendment to Prevail.** The provisions of this Second
6 Amendment shall prevail over any inconsistency or conflicting provisions of the Lease,
7 as heretofore amended, and shall supplement the remaining provisions thereof. Unless
8 defined herein or the context requires otherwise, all capitalized terms herein shall have
9 the meaning defined in the Lease, as heretofore amended.

10 **8. Miscellaneous.** Except as amended or modified herein, all the terms of
11 the Original Lease shall remain in full force and effect and shall apply with the same
12 force and effect. If any provisions of this Amendment or the Lease shall be determined
13 to be illegal or unenforceable, such determination shall not affect any other provision of
14 the Lease and all such other provisions shall remain in full force and effect. The
15 language in all parts of the Lease shall be construed according to its normal and usual
16 meaning and not strictly for or against either Lessor or Lessee. Neither this
17 Amendment, nor the Original Lease, nor any notice nor memorandum regarding the
18 terms hereof, shall be recorded by Lessee.

19 **9. Effective Date.** This Second Amendment to Lease shall not be binding
20 or consummated until its approval by the Riverside County Board of Supervisors and
21 fully executed by the Parties.

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IN WITNESS WHEREOF, the Parties have executed this Amendment as
of the date first written above.

LESSEE:
COUNTY OF RIVERSIDE

By: _____
John J. Benoit, Chairman
Board of Supervisors


LESSOR:
KOCH PALMYRITA INVESTMENTS, LLC, a
California limited liability company

By:  _____
Gregory G. Koch, Managing Member

ATTEST:
Kecia Harper-Ihem
Clerk of the Board

By: _____
Deputy

APPROVED AS TO FORM:
Pamela J. Walls
County Counsel

By:  _____
Patricia Munroe
Deputy County Counsel