

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

516



FORM APPROVED COUNTY COUNSEL
 BY: Patricia Munroe 1/14/13
 DATE: _____
 PATRICIA MUNROE
 Departmental Concurrence

FROM: Economic Development Agency/Facilities Management

SUBMITTAL DATE:
November 20, 2013

SUBJECT: Second Amendment to Lease – O'Reilly Public Relations, Five Year Lease Renewal, CEQA Exempt, District 2, [\$0]

RECOMMENDED MOTION: That the Board of Supervisors:

1. Ratify the attached Second Amendment to Lease;
2. Authorize the Chairman of the Board to execute the same on behalf of the County; and
3. Find that the leasing of the building and improvements are exempt from CEQA pursuant to CEQA guidelines section 15601 (b) (3) as it can be seen with certainty that there is no possibility the activity in question may have a significant effect on the environment; and section 15301, Class 1, as the project involves negligible or no expansion of an existing use or alterations.

BACKGROUND:

Summary

(Commences on Page 2)

Robert Field
Assistant County Executive Officer/EDA

FINANCIAL DATA	Current Fiscal Year:	Next Fiscal Year:	Total Cost:	Ongoing Cost:	POLICY/CONSENT (per Exec. Office)
COST	\$ 0	\$ 0	\$ 0	\$ 0	Consent <input type="checkbox"/> Policy <input checked="" type="checkbox"/>
NET COUNTY COST	\$ 0	\$ 0	\$ 0	\$ 0	
SOURCE OF FUNDS: Revenue Lease				Budget Adjustment: No	
				For Fiscal Year: 2013/14	

C.E.O. RECOMMENDATION:

APPROVE

BY:

Rohini Dasika

County Executive Office Signature

MINUTES OF THE BOARD OF SUPERVISORS

- A-30
- 4/5 Vote
- Positions Added
- Change Order

Prev. Agn. Ref.: 3.18 of 6/9/09

District: 2/2

Agenda Number:

3-9

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

Economic Development Agency/Facilities Management

FORM 11: Second Amendment to Lease – O'Reilly Public Relations, Five Year Lease Renewal, CEQA Exempt, District 2, [\$0]

DATE: November 20, 2013

Page 2 of 3

BACKGROUND:

Summary

The O'Reilly Public Relations Company, tenant, currently occupies Riverside Centre, a County owned facility pursuant to the terms of their current lease agreement. The original lease agreement is a full service gross lease agreement which includes all facility expenses including maintenance, custodial, utilities and property taxes. Since this is a County owned facility, property taxes are not payable by the County however a possessory interest tax is assessed and collected by the Tax Collector on entities which occupy County facilities. The possessory interest tax payments are billed annually by the Tax Collector and they are not a part of the rental billed by County to the Tenant. This lease amendment provides the necessary modifications to delete the property tax payment requirements and require the tenant to pay the possessory interest tax.

The current rental paid by the tenant is \$2.38 per square foot which excludes the possessory interest tax payment. This payment is estimated to be approximately \$.30 per square foot, which when added to the current rental equates to a total estimated monthly rental of \$2.68 per square foot. An analysis of the market rates in downtown Class A office buildings resulted in the market rate of comparable space to be approximately \$2.30 - \$2.40 per square foot, which includes payment of taxes, therefore a downward adjustment in tenant's base rent is necessary to bring the rent in line with comparable market rents. The new base rental rate recommended is \$2.00 per square foot, which when added to the estimated possessory interest tax amount of \$.30 per square foot, equates to a total rental of \$2.30 per square foot. In addition to the tax language changes and adjustment of the rent, this amendment provides one option to extend the lease for a period of five years.

Pursuant to the California Environmental Quality Act (CEQA), the Lease was reviewed and determined to be categorically exempt from CEQA under CEQA Guidelines 15301, Class 1 – Existing Facilities. The proposed project, the Lease, is the letting of property involving existing facilities and no expansion of an existing use will occur.

The terms of the lease amendment are set forth in the summary below:

Lessor: County of Riverside
3403 10th Street, Suite 400
Riverside, California 92501

Premises Location: 3403 10th Street, Suite 110
Riverside, California 92501

Size: 4,452 square feet

Rent:	Current	New
	\$2.38 per sq. ft.	\$2.00 per sq. ft.
	\$10,595.76 per month	\$8,904.00 per month
	\$127,149.12 per year	\$106,848.00 per year

Possessory Interest Tax: In addition to the new rent Lessee to pay Possessory Interest Tax to be billed by Tax Collector and estimated to be approximately \$.30 per square foot.

Term: Extended five years effective August 1, 2013, expires July 31, 2018

(Continued)

BACKGROUND:
Summary (continued)

Option to Extend: One additional five year option to renew the lease.
Rental Adjustment: Rent to be increased 3% annually during the Option Term.
Custodial: Provided by County
Maintenance: Provided by County
Utilities: Provided by County

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

Impact on Residents and Businesses

An impact on private residents or private businesses is not expected.

SUPPLEMENTAL:

Additional Fiscal Information

The Economic Development Agency anticipated the lease extension and budgeted the revenue in FY 2013/2014.

Contract History and Price Reasonableness

This lease commenced in 2006 and was extended in 2009 on the same terms. Since this time, there has been no renegotiation of the lease rate or its terms. During this period, market lease rates have declined; therefore the rental rate has been renegotiated as stated above.

Attachment:
Second Amendment to Lease

1 2. **BASE RENT.** The Base Rent shall be modified to \$8,904.00 per
2 month commencing August 1, 2013.

3 3. **OPTION TO EXTEND; OPTION NOTICING REQUIREMENTS.**
4 Section 36.1 of Section 6 of the Lease Addendum is hereby deleted and the following
5 Section substituted:

6 "Section 36.1 Subject to the provisions thereof, Tenant shall be entitled
7 to one (1) five year option (an Extension Option) to extend the Term for one additional
8 period of five (5) years (an Option Term). The Option Term shall commence August 1,
9 2018 and shall expire July 30, 2023. The Extension Option shall be exercised only by
10 written notice delivered to Landlord (Tenant's Notice of Exercise of Option) not less
11 than six (6) months and not more than twelve (12) months prior to the expiration of the
12 Lease Term. If Tenant fails to deliver to Landlord written notice of the exercise of the
13 Option within the prescribed time period, the Extension Option shall lapse, and there
14 shall be no further right to extend the term of the Lease."

15 4. **LEASE TERMS AND CONDITIONS DURING OPTION TERM.**
16 Section 36.3 of Section 6 of the Lease Addendum is hereby deleted and the following
17 Section substituted:

18 "36.3 All terms and conditions of the Lease (other than the provisions of
19 this amendment and related changes to paragraph 36) shall apply to and during each
20 Option Term, except that the rent shall be adjusted as set forth in Section 5 of this
21 Second Amendment to Lease."

22 5. **OPTION TERM RENT AND RENTAL ADJUSTMENTS.** Section
23 36.5 of Section 6 of the Lease Addendum is hereby deleted and the following language
24 substituted:

25 "Section 36.5 For the Option Term, the Rent to be paid shall be three
26 (3%) percent greater than the monthly rent paid in the last year of the Lease Term
27 Extension, thereafter increased three (3%) percent annually increases thereafter during
28 the Option Term.

1 6. OTHER TAXES. The language in Section 7 of the Lease is
2 hereby deleted and the following language substituted:

3 “Tenant shall be responsible for payment of the annual Possessory
4 Interest Tax levied on the premises upon assessment and billing by the County
5 Assessor’s office and Tax Collector’s office. The Possessory Interest Tax shall be paid
6 by Tenant directly to the County Tax Collector. Failure to pay shall result in fines or
7 fees levied by the Tax Collector’s office. In addition Tenant shall be responsible to pay,
8 or cause to be paid, before delinquency, any and all taxes levied or assessed against
9 Tenant’s personal property or trade fixtures.”

10 7. NOTICES. The Landlord’s name and address in Section 2.19 of
11 the Lease shall be deleted and the following language substituted:

12 LANDLORD
13 County of Riverside/EDA
14 Real Estate Division
15 3403 10th Street, Suite 400
16 Riverside, California 92501

17 8. SECOND AMENDMENT TO PREVAIL. The provisions of this
18 Second Amendment shall prevail over any inconsistency or conflicting provisions of the
19 Lease. Any capitalized terms shall have the meaning defined in the Lease, unless
20 defined herein or context requires otherwise.

21 9. MISCELLANEOUS. Except as amended or modified herein, all
22 terms of the Lease shall remain in full force and effect. If any provisions of this
23 Amendment shall be determined to be illegal or unenforceable, such determination
24 shall not affect any other provision of the Lease. Neither this Amendment nor the
25 Lease shall be recorded by the Lessee.

26 10. EFFECTIVE DATE. This Second Amendment to Lease shall not
27 be binding or consummated until its approval by the Riverside County Board of
28 Supervisors and fully executed by the Parties.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

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

LESSOR:

LESSEE:

COUNTY OF RIVERSIDE

O'REILLY PUBLIC RELATIONS, INC.
a Nevada corporation

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

By: 
Patrick J. O'Reilly, President/CEO

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

TW:mr/080913/RV422/15.671 S:\Real Property\TYPING\Docs-15.500 to 15.999\15.671.doc