

FORM APPROVED COUNTY COUNSEL
BY: GREGORY P. PRIAMOS DATE 3/24/16

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

910



FROM: Economic Development Agency

SUBMITTAL DATE:
March 24, 2016

SUBJECT: Third Amendment to Lease, Department of Public Social Services, Desert Hot Springs, 10 Year Lease, CEQA Finding of Nothing Further is Required, District 4 [\$3,597,222] Federal 58.3%, State 39.2%, County DPSS Budget 2.5%

RECOMMENDED MOTION: That the Board of Supervisors:

1. Find that nothing further is required pursuant to CEQA because all potentially significant effects have been adequately analyzed in an earlier adopted Negative Declaration; and
2. Approve the attached Third Amendment to Lease and authorize the Chairman of the Board to execute the same on behalf of the County.

BACKGROUND:

Summary

(Commences on Page 2)

FISCAL PROCEDURES APPROVED
PAUL ANGULO, CPA, AUDITOR-CONTROLLER
BY: Susana Garcia-Bocanegra 3/24/16

Robert Field
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	\$	\$ 207,358	\$ 3,597,222	\$ 0	Consent <input type="checkbox"/> Policy <input checked="" type="checkbox"/>
NET COUNTY COST	\$	\$ 5,184	\$ 89,931	\$ 0	

SOURCE OF FUNDS: Federal 58.3%; State 39.2%, County DPSS Budget 2.5%

Budget Adjustment: No
For Fiscal Year: 2016/17-2026/27

C.E.O. RECOMMENDATION:

REVIEWED BY CIP

APPROVE

Ivan M. Chand

Rohini Dasika

County Executive Office Signature

Ivan M. Chand

BY:

Rohini Dasika

MINUTES OF THE BOARD OF SUPERVISORS

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

Prev. Agn. Ref.: 3-17 of 5/14/13; 3-25 of 8/18/15
3-33 of 9/9/14

District: 4

Agenda Number:

3-14

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

Economic Development Agency

FORM 11: Third Amendment to Lease, Department of Public Social Services, Desert Hot Springs, 10 Year Lease, CEQA Finding of Nothing Further is Required, District 4 [\$3,597,222] Federal 58.3%, State 39.2%, County DPSS Budget 2.5%

DATE: March 24, 2016

PAGE: 2 of 3

BACKGROUND:

Summary

On May 14, 2013, the County entered into a lease with Pierson Professional Plaza, L.P., for a 10 year lease for a 38,084 square foot build to suit office for use by the Department of Public Social Services. The required development approvals, including financing, have taken longer than anticipated affecting the construction completion timeline. To facilitate the requirements of the Lessor's current lender who has provided construction financing, a revision to the Delay in Delivery language within the lease is requested. The attached Third Amendment to Lease modifies the term dates for completion within the fiscal year 2016/17. Currently, construction has commenced with an expected completion date of September, 2016.

In accordance with the California Environmental Quality Act (CEQA) Guidelines and Riverside County CEQA implementing procedures, an Initial Study was prepared to analyze the Lease to determine if any potential significant impacts upon the environment would result from the Lease. The lease was found to not have a significant effect on the environment and the Board adopted a Negative Declaration on May 14, 2013, item #3-17. The Third Amendment to Lease was reviewed and determined that nothing further is required pursuant to CEQA because the terms remain consistent with what has been previously analyzed nor does it substantially change or increase the intensity of use, it merely makes a few minor changes to the delivery date.

The Third Amendment modifies the Lease as follows:

Lessor:	Pierson Professional Plaza, L.P. 5150 E. Pacific Coast Hwy, Suite 605 Long Beach, CA 90804
Premises Location:	65753 Pierson Boulevard Desert Hot Springs, CA
Size:	38,084 square feet
Rent:	\$2.17 per sq. ft. modified gross \$82,642.28 per month \$991,707.36 per year
Rental Adjustments:	Commencing year four, 2% annually
Term:	Ten years
RCIT:	\$383,890.00
Options to Extend:	Two, five-year options
Option to Terminate:	After the fifth year for reduced funding with 150 days' notice

(Continued)

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

Economic Development Agency

FORM 11: Third Amendment to Lease, Department of Public Social Services, Desert Hot Springs, 10 Year Lease, CEQA Finding of Nothing Further is Required, District 4 [\$3,597,222] Federal 58.3%, State 39.2%, County DPSS Budget 2.5%

DATE: March 24, 2016

PAGE: 3 of 3

BACKGROUND:

Summary: (Continued)

Utilities:	All interior utilities, including electricity, water, and gas, will be placed on account directly in County's name for payment
Custodial:	Included in rent
Day Porter:	\$3,427.56 per month effective approximately September, 2016.
Parking:	Approximately 237 total parking spaces
Improvements:	Not to exceed \$2,500,000.00. County to reimburse Lessor in three equal payments over three fiscal years with first payment being paid in fiscal year 2016/17 as indicated on attached exhibits.

The attached Third Amendment to Lease has been reviewed and approved by County Counsel.

Impact on Citizens and Businesses

After completion of this long-term effort, with expected occupancy in September, 2016, DPSS will have one full-service facility providing all temporary assistance programs, including CalWORKS, Food Stamps, and MediCal, as well as Welfare to Work (GAIN) services to facilitate individuals and families to become self-sufficient.

Additional Fiscal Information

See attached Exhibits A, B, & C

Although previous agenda item 3-25 of August 18, 2015 reference an amount of \$1,455,463 for FY 15/16, the delay in construction has resulted in the costs commencing in approximately September 2016. Therefore, no cost will be incurred for FY 15/16. DPSS will budget the costs shown in the Exhibits for FY2016/17 thru FY2026/27 and will reimburse EDA for all lease costs on a monthly basis.

Attachments:

Exhibits A, B, & C

Third Amendment to Lease

Aerial Image

Notice of Determination

Exhibit A

FY 2015/16

DPSS Lease Cost Analysis

65753 Pierson Blvd., Desert Hot Springs, California

ESTIMATED AMOUNTS

Total Square Footage to be Leased:

Current Office: 38,084 SQFT

Approximate Cost per SQFT \$ -

Lease Cost per Month (July - June) Third Amendment \$ -

Total Lease Cost (July - June) Third Amendment \$ -

Total Estimated Lease Cost for FY 2015/16 \$ -

Estimated Additional Costs:

Utility Cost per Square Foot \$ 0.12
Estimated Utility Costs per Month \$ -

Total Estimated Utility Cost - Third Amendment \$ -

Day Porter - Third Amendment \$ -

EDA Lease Management Fee - 4.12% - Third Amendment \$ -

TOTAL ESTIMATED COST FOR FY 2015/16 \$ -

Amount Approved in Previous Agreement \$ 1,455,462.50

Amount of FY15/16 \$ (1,455,462.50)

TOTAL COUNTY COST 2.50% - Third Amendment \$ (36,386.56)

Exhibit B

FY 2016/17

DPSS Lease Cost Analysis

65753 Pierson Blvd., Desert Hot Springs, California

ESTIMATED AMOUNTS

Total Square Footage to be Leased:

Current Office: 38,084 SQFT

Approximate Cost per SQFT \$ 2.17

Lease Cost per Month (July - Aug) Third Amendment	\$ -
Lease Cost per Month (Sep - June) Third Amendment	\$ 82,642.28
Total Lease Cost (July - Aug) Third Amendment	\$ -
Total Lease Cost (Sep - June) Third Amendment	\$ 826,422.80
Total Estimated Lease Cost for FY 2016/17	\$ 826,422.80

Estimated Additional Costs:

Utility Cost per Square Foot	0.12
Estimated Utility Costs per Month	\$ 4,570.08

Total Estimated Utility Cost - Third Agreement	\$ 45,700.80
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Day Porter (July-June) Third Amendment	\$ 34,275.60
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Tenant Improvements - Third Amendment	\$ 833,333.33
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RCIT - Third Amendment	\$ 383,890.00
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EDA Lease Management Fee - 4.92% - Third Amendment	\$ 81,660.00
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TOTAL ESTIMATED COST FOR FY 2016/17	<u>\$ 2,205,282.54</u>
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Amount Approved in Previous Agreement	\$ 1,997,924.99
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Amount of FY16/17	<u><u>\$ 207,357.54</u></u>
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TOTAL COUNTY COST 2.50% - Third Amendment	\$ 5,183.94
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Exhibit C

FY 2017/18 to FY 2026/27 DPSS Lease Cost Analysis 65753 Pierson Blvd., Desert Hot Springs, California

ESTIMATED AMOUNTS

	FY 2017/18	FY 2018/19	FY2019/20- FY2026/27
<u>Total Square Footage to be Leased:</u>			
Current Office:	38,084	38,084	
Approximate Cost per SQFT (July - Aug) Third Amendment	\$ 2.17	\$ 2.17	
Approximate Cost per SQFT (Sept -June) Third Amendment	\$ 2.17	\$ 2.17	
Lease Cost per Month (July - Aug) Third Amendment	\$ 82,642.28	\$ 82,642.28	\$ 709,316.13
Lease Cost per Month (Sep - June) Third Amendment	\$ 82,642.28	\$ 82,642.28	\$ 626,673.85
Total Lease Cost (July - Aug) Third Amendment	\$ 165,284.56	\$ 165,284.56	\$ 1,418,632.26
Total Lease Cost (Sep - June) Third Amendment	\$ 826,422.80	\$ 826,422.80	\$ 6,266,738.51
Total Estimated Lease Cost for FY 2017/18 to FY 2026/27	\$ 991,707.36	\$ 991,707.36	\$ 7,685,370.78
<u>Estimated Additional Costs:</u>			
Utility Cost per Square Foot	\$ 0.12	\$ 0.12	\$ 0.12
Estimated Utility Costs per Month	\$ 4,570.08	\$ 4,570.08	\$ 4,570.08
Total Estimated Utility Cost - Third Amendment	\$ 54,840.96	\$ 54,840.96	\$ 429,587.52
Day Porter (July-June) - Third Amendment	\$ 41,130.72	\$ 41,130.72	\$ 322,190.64
Tenant Improvements - Third Amendment	\$ 833,333.33	\$ 833,333.33	
EDA Lease Management Fee - 4.92% - Third Amendment	\$ 89,792.00	\$ 89,792.00	\$ 378,120.24
Amount Approved in Previous Agreement	\$ 2,018,610.72	\$ 1,172,043.51	\$ 4,800,897.13
TOTAL ESTIMATED COST FOR FY 2017/18 to FY 2026/27	\$ 2,010,804.38	\$ 2,010,804.38	\$ 8,815,269.18
Amount of FY17/18-26/27	\$ (7,806.34)	\$ 838,760.87	\$ 4,014,372.05
TOTAL COUNTY COST 2.50%	\$ (195.16)	\$ 20,969.02	\$ 100,359.30

F11: Cost - Total Cost \$ 3,597,221.61
F11: Net County Cost - Total Cost \$ 89,930.54

1 **THIRD AMENDMENT TO LEASE**

2 **65753 Pierson Boulevard**

3 **Desert Hot Springs, California**

4
5 This **THIRD AMENDMENT TO LEASE** ("Third Amendment"), dated as of
6 _____ 2016, is entered by and between the **COUNTY OF**
7 **RIVERSIDE**, a political subdivision of the State of California ("County"), as Lessee, and
8 **PIERSON PROFESSIONAL PLAZA, L.P.**, a California limited partnership ("Lessor")
9 and, sometimes collectively referred to as the "Parties".

10 **RECITALS.**

11 **A.** Lessor and County entered into that certain Lease dated May 14, 2013,
12 ("Original Lease") pursuant to which Lessor has agreed to lease to County and County
13 has agreed to lease from Lessor that certain building located at 65753 Pierson
14 Boulevard, Desert Hot Springs, California, as more particularly described in the
15 Original Lease.

16 **B.** The Original Lease has been amended by:

17 **1.** That certain First Amendment to Lease dated September 9, 2014, by and
18 between Pierson Professional Plaza, L.P., and County of Riverside, a political
19 subdivision of the State of California ("First Amendment") whereby the Parties
20 amended the Lease to extend the term period.

21 **2.** That certain Second Amendment to Lease dated August 18, 2015, by and
22 between Pierson Professional Plaza, LP, and County of Riverside, a political
23 subdivision of the State of California ("Second Amendment") whereby the Parties
24 amended the Lease by revising the leased premises description, extended the term,
25 amended the rent and terms for custodial services.

26 **C.** The Original Lease, together with this Third Amendment, is collectively
27 referred to hereinafter as the "Lease."
28

1 **D.** County and Lessor desire to further amend the Lease by extending the
2 term period.

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

5 **1. Term.**

6 Section 4.1 of the Original Lease is hereby amended by the following:

7 Deleting the Third sentence and replacing it as follows: The Term of
8 this Lease shall be for a period of ten (10) years ("Original Term") commencing no
9 earlier than July 1, 2016, and no later than December 31, 2016, on the earlier of (a) the
10 date County staff occupies the Premises, or (b) the date on which County accepts the
11 Premises for occupancy, which shall occur only after Lessor delivers to County a copy
12 of the Certificate of Occupancy executed by the appropriate governing authority, if
13 applicable, and provided that County, in its sole discretion, is satisfied that all leasehold
14 improvements have been completed, excepting minor punch list items
15 ("Commencement Date").

16 Section 4.3 of the Lease shall be deleted in its entirety and replaced as
17 follows: If the Original Term of this Lease has not commenced between July 1, 2016,
18 and December 31, 2016, County may, at its sole option, either: (a) deduct from any
19 rents that may become due hereunder the sum of \$2,508.00 for each day the
20 Premises are not substantially complete and available for occupancy as per paragraph
21 2.4, after said date, as liquidated damages for failure to provide occupancy in a timely
22 manner as prescribed hereunder. Lessor and County agree that such damages are to
23 be one of the mutually exclusive remedies, as prescribed in this Section 4, for such
24 failure, in that at the time of entering into this Lease it would be impractical and
25 extremely difficult to fix the actual damages that would flow from Lessor's failure to
26 provide occupancy in a timely manner, including, but not limited to, the difference in
27 money between the total sum to be paid by County to another party for rent to Lease
28 such party's real property, if the rental hereunder is less than the rental to be paid

1 such other party; or if the Original Term of this Lease has not commenced by
2 December 31, 2016, or (b) cancel this Lease, and Lessor hereby waives any and all
3 rights that it may have against County for any costs, expenses and/or charges that
4 Lessor may have incurred as a result of preparing the Premises for occupancy.

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

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

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

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

3 **LESSOR:**

4 Pierson Professional Plaza, L.P.,
5 a California limited partnership

6 By: Terra Partners Builders, Inc., its
7 General Partner

8
9 By: 
10 Aleksandra Lyons,
11 President of General Partner

LESSEE:

County of Riverside

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

12 **ATTEST:**
Kecia Harper-Ihem
Clerk of the Board

13 By: _____
14 Deputy

15 **APPROVED AS TO FORM:**
16 Gregory P. Priamos, County Counsel

17
18 By: 
19 R. Todd Fraum
20 Deputy County Counsel