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

FROM: Economic Development Agency / Facilities Management

SUBMITTAL DATE:
April 21, 2011

SUBJECT: Second Amendment to Lease – Transportation Land Management Agency

RECOMMENDED MOTION: That the Board of Supervisors:

1. Approve the attached Second Amendment to Lease and authorize the Chairman of the Board to execute the same on behalf of the county; and
2. Approve and direct the Auditor-Controller to make the budget adjustments as shown on Schedule A, attached.

BACKGROUND: (Commences on Page 2)

FISCAL PROCEDURES APPROVED
 PAUL ANGULO, CPA, AUDITOR-CONTROLLER
 BY Samuel Wong 4/20/11
 SAMUEL WONG

Lisa Brandl for
 Robert Field
 Assistant County Executive Officer/EDA
 By Lisa Brandl, Managing Director

FINANCIAL DATA	Current F.Y. Total Cost:	\$ 21,626	In Current Year Budget:	No
	Current F.Y. Net County Cost:	\$ 0	Budget Adjustment:	Yes
	Annual Net County Cost:	\$ 0	For Fiscal Year:	2010/11

COMPANION ITEM ON BOARD OF DIRECTORS AGENDA: No

SOURCE OF FUNDS: Deposit Based Fees and Permit Fees.	Positions To Be Deleted Per A-30	<input type="checkbox"/>
	Requires 4/5 Vote	<input checked="" type="checkbox"/>

C.E.O. RECOMMENDATION: APPROVE

BY: *Jennifer L. Sargent*
 Jennifer L. Sargent

County Executive Office Signature

MINUTES OF THE BOARD OF SUPERVISORS

On motion of Supervisor Stone, seconded by Supervisor Benoit and duly carried by unanimous vote, IT WAS ORDERED that the above matter is approved as recommended.

Ayes: Buster, Tavaglione, Stone, Benoit and Ashley
 Nays: None
 Absent: None
 Date: May 3, 2011
 xc: EDA, Auditor, Transp., EO

Kecia Harper-Ihem
 Clerk of the Board
 By: *Kecia Harper-Ihem*
 Deputy

Prev. Agn. Ref.: 3.12 of 4/2/07; 3.45 of 9/29/09 District: 4 Agenda Number: **3.20**

ATTACHMENTS FILED WITH THE CLERK OF THE BOARD

FORM APPROVED COUNTY COUNSEL
 BY: *Synthia M. Gunzel*
 SYNTHIA M. GUNZEL
 DATE: 3-22-11
 Concurrent Approval of Agency Director
 George Johnson, Director
 Transportation Land Management Agency

Policy
 Consent
 Policy
 Consent
 Dept's Recomm.:
 Per Exec. Ofc.:

BACKGROUND: The county entered into a five year lease agreement for 21,372 square feet of office space located at 38-686 El Cerrito Road in Palm Desert in April 2007. The Transportation Land Management Agency's (TLMA) Permit Assistance Center occupied the office to provide a full complement of permitting services to the desert community.

In September 2009, declining permit activity resulted in the need to implement cost saving measures throughout TLMA. As a result, a reduction in occupied square footage from 21,372 sq. ft. to 11,755 sq. ft., and a rental rate reduction from \$2.41 per sq. ft. to \$1.75 per sq. ft. was negotiated under the First Amendment to Lease. This action resulted in a savings of more than \$550,000 during the past 18 months.

County economic and budgetary conditions continue to decline and the lessor, DBP Office II, LLC has once again agreed to another favorable lease restructuring to assist the County of Riverside. The Second Amendment to Lease presented for approval includes a further rent rate reduction from \$2.48 per sq. ft. to \$1.45 per sq. ft. TLMA will reoccupy the entire building's 21,372 sq. ft.

Again in recognition of the current economic and budgetary conditions reducing available departmental revenue, TLMA has determined it is fiscally prudent to consolidate its desert office by relocating the County of Riverside Code Enforcement Department from their Thousand Palms office located at 31-290 Plantation Drive, to the Palm Desert facility. This action will result in the closure of the Thousand Palms office and termination of its lease.

The consolidation of the two offices and the reduction in the rental rate in Palm Desert results in a savings of approximately \$43,431 over the remainder of the 18 month lease term.

Location: 38-686 El Cerrito Road
 Palm Desert, California

Lessor: DBP Office II, LLC
 c/o Investco Financial Corporation
 1302 Puyallup Street
 Sumner, Washington

Size: Increased from 11,755 to 21,372 square feet.

Term: 18 months, commencing May 1, 2011 – October 31, 2012.

Rent:	<u>Unamended Rent</u>	<u>1st Amendment</u>	<u>New - 2nd Amendment</u>
	\$ 2.48 per sq.ft.	\$ 1.75 per sq. ft.	\$ 1.45 per sq.ft.
	\$ 53,074.84 per month	\$ 20,571.25 per month	\$ 30,989.40 per month
	\$636,898.08 per year	\$246,855.00 per year	\$371,872.80 per year

Savings per square foot: Overall 41.5% reduction in rate per square foot
 Consolidated savings: \$43,431.00

Rent Adjustments: None for the remaining term

Utilities: Paid by county

(Continued)

BACKGROUND: (Continued)

Custodial: Provided by Lessor three times per week

Interior/Exterior
Maintenance: Provided by Lessor

Termination Fee: If county does not exercise its option to extend the term, county agrees to pay to Lessor a payment of \$100,257.00 as consideration for entering into this Second Amendment to Lease for the reduced rental amount.

Market Data:	44200 Town Center Plaza, Palm Desert	\$1.75 SF
	73-550 Alessandro Drive, Palm Desert	\$1.55 SF
	74245 Highway 111, Palm Desert	\$1.85 SF

FINANCIAL DATA:

All associated costs for this lease will be fully funded through the TLMA budget. TLMA has budgeted for these costs in FY 2010/11; however, the Economic Development Agency (EDA) requires a budget adjustment to its FY 2010/11 budget to cover related transactional costs with the property owner. While EDA will front the costs for this lease with the property owner, TLMA will reimburse EDA for all associated lease costs.

Attachments:

Schedule A
Exhibit A
Second Amendment to Lease, 36-686 El Cerrito Rd., Palm Desert

Schedule A

Increase Appropriations:

47220-7200400000-526700 – Rent/Lease Buildings	\$ 20,836
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Increase Estimated Revenues:

47220-7200400000-777330 – Leasing Services	\$ 20,836
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Exhibit A

TLMA Lease Cost Analysis FY 2010/11 68686 El Cerrito Road, Palm Desert, California

Total Square Footage to be Leased:

BUDGETED AMOUNTS

Current office: 68686 El Cerrito Road, Palm Desert	11,755 SQFT	
Cost Per Sq. Ft: 68686 El Cerrito Road	\$ 1.75	
Lease Cost per Month: 68686 El Cerrito Road		20,571.25
Total Lease Cost included in Budget for FY 2010/11		\$ 246,855.00

ACTUAL AMOUNTS

Current office:	11,755 SQFT	
Revised office:	21,372 SQFT	
Approximate Cost per SQFT (July - Apr)	\$ 1.75	
Approximate Cost per SQFT (May - June)	\$ 1.45	
Lease Cost per Month (July - Apr)	\$ 20,571.25	
Lease Cost per Month (May - June)	\$ 30,989.40	
Total Lease Cost (July - Apr)	\$ 205,712.50	
Total Lease Cost (May - June)	\$ 61,978.80	
Total Lease Cost for FY 2010/11		\$ 267,691.30
TOTAL LEASE COST INCREASE FOR FY 2010/11		\$ 20,836.30
EDA Lease Management Fee (Based @ 3.79%)		\$ 789.70
TOTAL ESTIMATED ADDITIONAL LEASE COST FOR FY 2010/11		\$ 21,626.00

1 e. County and Lessor desire to further amend the Lease, among
2 other things, to provide terms and conditions concerning the term, the rent and
3 termination fee. **NOW, THEREFORE**, for good and valuable consideration the
4 receipt and adequacy of which is hereby acknowledged, the parties agree as follows:

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

12 **3. Premises.** Section 1 of the First Amendment to Lease shall be amended
13 as follows: For the period commencing May 1, 2011, through October 31, 2012, the
14 premises occupied shall be increased from 11,755 square feet to 21,372 square feet as
15 originally provided in Section 2.2 of the Lease.

16 **4. Term.** The term of this Lease shall be extended through October 31,
17 2012.

18 **5. Rent.** Section 5 of the Lease shall be amended as follows:
19 Notwithstanding anything contained in Section 5, the rent commencing January 1,
20 2011, through April 30, 2011, shall continue as amended under the First Amendment to
21 Lease at \$20,571.25 per month. Commencing May 1, 2011, through October 31, 2012,
22 the rent for the Leased Premises shall be increased from \$20,571.25 per month to
23 \$30,989.40 per month.

24 **6. Termination Fee.** In the event that County does not exercise its
25 Extension Option(s) granted pursuant to Section 6.1 of the Lease, County agrees to
26 pay and Lessor agrees to accept a payment in the amount of One Hundred Thousand
27 Two Hundred Fifty Seven Even Dollars, (\$100,257.00), ("Termination Fee"), as
28 consideration for entering into this Second Amendment to Lease for the reduced rental

1 amount provided herein. The Termination Fee shall be due and payable by County on
2 or before December 31, 2012.

3 **7. Renewal Term.** Notwithstanding Section 5 above, in the event County
4 elects to exercise its Extension Option, or if, in the alternative County and Lessor elect
5 to extend the Lease Term beyond October 31, 2012 for a term that would equal or
6 exceed the total value of the Termination Fee, and provided County pays Rent and
7 occupies the Leased Premises for the entirety of the extended term, Lessor agrees to
8 waive the Termination Fee and forgive County its obligation to pay said Termination
9 Fee.

10 **8. Notices.** Section 20.19 of the Lease shall be amended as follows: Any
11 notices required or desired to be served by either party upon the other shall be
12 addressed to the respective parties as set forth below:

13
14 **COUNTY:**

15 Economic Development Agency
16 County of Riverside
17 3403 Tenth Street, Suite 500
18 Riverside, California 92501

LESSOR:

DBP Office II, LLC
c/o IFC California Corporation
1302 Puyallup Street
Sumner, Washington 98390

19
20 **9. County's Representative.** Section 19.7 of the Lease shall be amended
21 as follows: County hereby appoints the Assistant County Executive Officer of the
22 Economic Development Agency as its authorized representative to administer this
23 Lease.

24 **10.** Except as modified or supplemented by this Second Amendment to
25 Lease, All other provisions of the Lease remain the same and shall remain in full force
26 and effect.

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28 ///

1 10. This Second Amendment to Lease shall not be binding or consummated
2 until its approval by the Board of Supervisors for the County of Riverside.
3

4 Dated: _____

5 **DBP Office II, LLC**, a Washington limited
6 liability company

7 By: IFC California Corporation, it's
8 Manager

9 By: Marsha R. Vincelette
10 Marsha R. Vincelette, Vice President

11 **COUNTY OF RIVERSIDE**, a political
12 subdivision of the State of California

13
14 By: Bob Buster
15 Bob Buster, Chairman
16 Board of Supervisors

17 **ATTEST:**
18 Kecia Harper-Ihem
19 Clerk of the Board

20
21 By: Kecia Harper-Ihem
22 Deputy

23 **APPROVED AS TO FORM:**
24 PAMELA J. WALLS, County Counsel

25 By: Synthia M. Gunzel
26 Deputy

27 **SYNTHIA M. GUNZEL**

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