

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



ITEM: 3.25
(ID # 12727)

MEETING DATE:

Tuesday, August 04, 2020

FROM: FACILITIES MANAGEMENT:

SUBJECT: FACILITIES MANAGEMENT-REAL ESTATE (FM-RE): Approval of Seventh Amendment to Lease with Spruce Street Professional Building, LLC, Housing, Homelessness Prevention, and Workforce Solutions (HHPWS), Riverside, 6 Year Lease Extension, CEQA Exempt, District 1 [\$5,079,529] 100% Federal Funds(Clerk to file Notice of Exemption)

RECOMMENDED MOTION: That the Board of Supervisors:

1. Find that the project is exempt from the California Environmental Quality Act (CEQA) pursuant to State CEQA Guidelines Section 15301, Existing Facilities exemption and Section 15061 (b)(3) Common Sense exemption;
2. Ratify and approve the attached Seventh Amendment to Lease with Spruce Street Professional Building, LLC, and authorize the Chairman of the Board to execute the same on behalf of the County; and
3. Direct the Clerk of the Board to file the Notice of Exemption with the County Clerk within five (5) days of approval by the Board.

ACTION: Policy, CIP

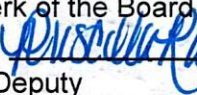

Rose Salgado, Director of Facilities Management 7/14/2020


Heidi Marshall, Director of Housing, Homelessness Prevention 7/14/2020

MINUTES OF THE BOARD OF SUPERVISORS

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

Ayes: Jeffries, Spiegel, Washington, Perez and Hewitt
Nays: None
Absent: None
Date: August 4, 2020
xc: FM-RE

Kecia R. Harper
Clerk of the Board
By: 
Deputy

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

FINANCIAL DATA	Current Fiscal Year:	Next Fiscal Year:	Total Cost:	Ongoing Cost
COST	\$963,170	\$938,746	\$5,079,529	N/A
NET COUNTY COST	\$0	\$0	\$0	N/A
SOURCE OF FUNDS: Federal 100%			Budget Adjustment: No	
			For Fiscal Year: 2020/21 – 2026/27	

C.E.O. RECOMMENDATION: Approve.

BACKGROUND:

Summary

The County of Riverside has been under lease at 1325 Spruce Street since 2006 and for use by the Workforce Development Division of the Housing, Homelessness Prevention, and Workforce Solutions Department (HHPWS). Over time, the lease terms have been modified multiple times to accommodate changes in use, space expansions, and space reductions. The lease is set to expire September 30, 2021, and the attached Seventh Amendment to Lease (Seventh Amendment) is for a 6-year lease extension commencing prior to the current lease expiration and which also captures a negotiated substantial reduction in rent, and reduction in annual rental rate increase percentage. This location and office continue to meet the needs of the HHPWS and of the Community.

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

This Seventh Amendment is summarized below:

Lessor: Spruce Street Professional Building, LLC
815 Marlborough Street, Suite 200
Riverside, CA 92507

Premises Location: 1325 Spruce Street
Riverside, CA 92507

Size: 36,371 square feet

Term: Six years commencing October 1, 2020, and expiring September 30, 2026

Rent:	<u>Current</u>	<u>New</u>
	\$ 2.02 per sq. ft.	\$ 1.90 per sq. ft.
	\$ 73,525.61 per month	\$ 69,104.90 per month
	\$882,307.32 per year	\$829,258.80 per year

**SUBMITTAL TO THE BOARD OF SUPERVISORS COUNTY OF RIVERSIDE,
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Savings per month: \$ 4,420.71
Savings per year: \$53,048.52

Increases: 2.5% Annually (reduced from 3% annually)

Utilities: Lessor provides

Custodial: Lessor provides

Interior/Exterior
Maintenance: Lessor provides

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

Impact on Residents and Businesses

The Workforce Development Center in Riverside provides the community with vocational training, job readiness workshops, on the job training and employment opportunities to individuals who are underemployed, unemployed, low-income, disabled and/or veterans. The continued occupancy of this facility provides a positive economic impact to this area's residents and businesses.

SUPPLEMENTAL

Additional Fiscal Information

See attached Exhibits A, B, & C

HHPWS will budget these costs in FY2020/21 through FY2026/27 and will reimburse (FM-RE) for all associated lease costs.

Contract History and Price Reasonableness

The long-term occupancy by the County will continue with a substantial reduction in rent to align with current real estate market conditions.

Attachments:
Exhibit A, B, & C
Aerial Image
Seventh Amendment to Lease
Notice of Exemption

TK:dr/07062020/RV391/30.196



Marcus Maltese 7/27/2020



Gregory L. Priamos, Director County Counsel 7/23/2020

County of Riverside
Facilities Management
3133 Mission Inn Avenue, Riverside, CA

FOR COUNTY CLERK USE ONLY

Original Negative Declaration/Notice of
Determination was routed to County
Clerks for posting on.

8/5/20
Date

YPR
Initial

NOTICE OF EXEMPTION

May 26, 2020

Project Name: HHPWS Spruce Street Professional Building 7th Amendment to Lease

Project Number: FM042611039100

Project Location: 1325 Spruce Street, west of Iowa Avenue, Riverside, California 92507; Assessor's Parcel Number (APN) 249-110-064; (See Attached Exhibit)

Description of Project: The County of Riverside (County) has a Lease Agreement with Spruce Street Professional Building, LLC, a California limited liability company, (Lessor) which was entered into in 2006 for the purpose of providing office space for the Department of Housing, Homelessness Prevention, and Workforce Solutions (HHPWS). The leased facility consists of 36,371 square feet and is located at 1325 Spruce Street, Riverside, California. Six previous amendments to the Lease have been approved for terms extensions, rental amounts, tenant improvements, and increases/decreases in occupied square footage. The location and office continue to service the needs of the community and HHPWS is seeking to amend the lease for an additional term extension. The lease was originally set to expire September 30, 2021, and the attached Seventh Amendment to Lease is for a six-year term commencing prior to the current lease expiration to capture a negotiated substantial reduction in rent. The Seventh Amendment to Lease will expire on September 30, 2026 and is identified as the proposed project under the California Environmental Quality Act (CEQA). No expansion of an existing use will occur. The operation of the facility will continue to provide workforce development services and will not result in an increase in the intensity of the use of the site. No additional direct or indirect physical environmental impacts are anticipated.

Name of Public Agency Approving Project: Riverside County

Name of Person or Agency Carrying Out Project: Riverside County Facilities Management

Exempt Status: State CEQA Guidelines Section 15301, Class 1, Existing Facilities Exemption; Section 15061(b) (3), General Rule or "Common Sense" Exemption. Codified under California Code of Regulations Title 14, Article 5, Section 15061.

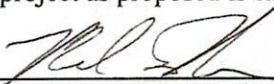
Reasons Why Project is Exempt: The proposed project is categorically exempt from the provisions of CEQA specifically by the State CEQA Guidelines as identified below. The project will not result in any specific or general exceptions to the use of the categorical exemption as detailed under State CEQA Guidelines Section 15300.2. The project will not cause an impact to an environmental resource of hazardous or critical concern nor would the project involve unusual circumstances that could potentially have a significant effect on the environment. The project would not result in impacts to scenic highways, hazardous waste sites, historic resources, or other sensitive natural environments, or have a cumulative effect to the environment. No significant environmental impacts are anticipated to occur with the Seventh Amendment to the Lease Agreement.

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- **Section 15301 – Class 1 Existing Facilities Exemption:** This categorical exemption includes the operation, repair, maintenance, leasing, or minor alteration of existing public or private structures or facilities, provided the exemption only involves negligible or no expansion of the previous site's use. The project, as proposed, is an amendment to the Lease that is limited to an extension of term and rent reduction. The Seventh Amendment to the Lease will not increase or expand the use of the site, and is limited to the continued use of the site in a similar capacity; therefore, the project is exempt as it meets the scope and intent of the Categorical Exemption identified in Section 15301, Article 19, Categorical Exemptions of the CEQA Guidelines.
- **Section 15061 (b) (3) – “Common Sense” Exemption:** In accordance with CEQA, the use of the Common Sense Exemption is based on the “general rule that CEQA applies only to projects which have the potential for causing a significant effect on the environment.” State CEQA Guidelines, Section 15061(b) (3). The use of this exemption is appropriate if “it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment.” *Ibid*. This determination is an issue of fact and if sufficient evidence exists in the record that the activity cannot have a significant effect on the environment, then the exemption applies and no further evaluation under CEQA is required. See *No Oil, Inc. v. City of Los Angeles* (1974) 13 Cal. 3d 68. The ruling in this case stated that if a project falls within a category exempt by administrative regulation or 'it can be seen with certainty that the activity in question will not have a significant effect on the environment', no further agency evaluation is required. With certainty, there is no possibility that the project may have a significant effect on the environment. The proposed Seventh Amendment to the Lease Agreement will not result in any direct or indirect physical environmental impacts. The use and operation of the facility will be substantially similar to the existing use and will not create any new environmental impacts to the surrounding area. No impacts beyond the ongoing, existing use of the site would occur. Therefore, in no way, would the project as proposed have the potential to cause a significant environmental impact and the project is exempt from further CEQA analysis.

Therefore, the County of Riverside Facilities Management hereby concludes that no physical environmental impacts are anticipated to occur and the project as proposed is exempt under CEQA. No further environmental analysis is warranted.

Signed: _____



Date: _____

5/26/20

Mike Sullivan, Senior Environmental Planner
County of Riverside, Facilities Management

THIS SEVENTH AMENDMENT TO LEASE ("Seventh Amendment"), dated as of August 4, 2020, is entered into by and between **SPRUCE STREET PROFESSIONAL BUILDING, LLC**, a California limited liability company ("Lessor"), and the **COUNTY OF RIVERSIDE**, a political subdivision of the State of California ("County"), as Lessee, and sometimes collectively referred to as the "Parties" or individually as a "Party".

A. Lessor and County have entered into that certain Lease, dated June 13, 2006, ("Original Lease") pursuant to which Lessor has agreed to lease to County and County has agreed to lease from Lessor a portion of that certain building, more commonly known as the Spruce Street Professional Building, located at 1325 Spruce Street, in the City of Riverside, State of California, ("Building"), consisting of 36,371 gross square feet, as more particularly described in the Lease (the "Original Premises").

1. That certain First Amendment to Lease dated December 12, 2006, by and between Lessor and County (the "First Amendment") whereby, the Parties agreed to, among other things, increase the leased gross square footage of the Building by an additional 7,654 square feet gross square feet on the second floor of the Building and adjust the rent.

2. That certain Second Amendment to Lease dated July 12, 2007, by and between Lessor and County (the "Second Amendment") whereby, the Parties agreed to, among other things, increase the leased gross square footage of the Building by an additional 2,147 gross square feet on the second floor of the Building and adjust the rent.

1 3. That certain Third Amendment to Lease dated February 9, 2010, by
2 and between Lessor and County (the "Third Amendment") whereby, the Parties agreed
3 to, among other things, increase the leased gross square footage of the Building by an
4 additional 11,303 gross square feet on the first floor of the Building and adjust the rent.

5 4. That certain Fourth Amendment to Lease dated January 8, 2013, by
6 and between Lessor and County ("Fourth Amendment") whereby the Parties agreed to,
7 among other things, reduce the occupied square footage of the Building and
8 corresponding rent.

9 5. That certain Fifth Amendment to Lease dated January 5, 2016, by
10 and between Lessor and County ("Fifth Amendment") whereby the Parties agreed to,
11 among other things, reduce the occupied square footage of the Building and
12 corresponding rent.

13 6. That certain Sixth Amendment to Lease dated January 17, 2017, by
14 and between Lessor and County ("Sixth Amendment") whereby the Parties agreed to,
15 among other things, extend the term of the lease agreement and amend the
16 corresponding rent.

17 C. The Original Lease, as heretofore, currently, or hereafter amended, shall
18 hereafter be referred to as the "Lease".

19 D. County desires to extend the lease.

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

22 **1. Term.** Section 4.1 of the Lease is hereby amended as follows:

23 The term of this Lease shall be extended for a period of five (5) years beyond
24 the original expiration date of September 30, 2021, commencing October 1, 2020, and
25 terminating September 30, 2026 (the "Extension Term"), for a total term of six (6) years.

26 **2. Rent.** Section 5.1 of the Lease is hereby amended by the following:
27
28

1 **5.1 Rent.** Rent under this Seventh Amendment to Lease shall be increased
2 two and a half percent (2.5%) annually, and commence per the revised rent under the
3 Extension Term as indicated below:

<u>Monthly Amount</u>	<u>Year</u>	<u>Commencing</u>
\$ 69,104.90	First	October 1, 2020
\$ 70,832.52	Second	October 1, 2021
\$ 72,603.34	Third	October 1, 2022
\$ 74,418.42	Fourth	October 1, 2023
\$ 76,278.88	Fifth	October 1, 2024
\$ 78,185.85	Sixth	October 1, 2025

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

16 **3. Alterations and Additions.** Section 11 of the Lease is amended to remove
17 subsection 11.1.8 in its entirety, and replace it as follows:

18 **11.1 Improvements by Lessor during the Extension Term.**

19 **11.1.8** During the Extended Term, Lessor shall, at its total cost and
20 expense, not subject to reimbursement by County, paint the premises and replace the
21 flooring upon request by County. Lessor's responsibility shall include lifting of
22 workstations utilizing appropriate jacks designed for systems furniture, color selected by
23 County. County's responsibility shall include packing of files, moving of files and
24 personal effects. All work stated herein shall be completed after hours, including
25 weekends. Work to commence within sixty (60) days upon County's request during the
26 Extension Term.

27 **4. Notice for downsizing.** Section 6.4.1 of the Lease, and as amended
28 thereto, is hereby deleted in its entirety. For purposes of clarity, this Section 6.4.1

1 supersedes and prevails over any other statement of Notice for Downsizing in the
2 Original Lease or any amendment thereto.

3 **5. Notices.** Section 19.18 of the Lease shall be amended as follows:

4 **County's Notification Address:**

5 County of Riverside
6 Facilities Management
7 3133 Mission Inn Ave.
8 Riverside, CA 92507
9 Attn: Deputy Director of Real Estate
10 Telephone: (951) 955-4820
11

12 **Lessor's Notification Address:**

13 Mr. David Stapley
14 Spruce Street Professional Building, LLC
15 c/o The Magnon Companies
16 1325 Spruce Street #100
17 Riverside, CA 92507

18 **6. Miscellaneous.** Except as amended or modified herein, all the terms of
19 the Lease shall remain in full force and effect and shall apply with the same force and
20 effect. If any provisions of this Amendment or Lease shall be determined to be illegal or
21 unenforceable, such determination shall not affect any other provision of the Lease and
22 all such other provisions shall remain in full force and effect. The language in all parts of
23 the Lease shall be construed according to its normal and usual meaning and not strictly
24 for or against either Lessor or Lessee. Neither this Amendment, nor the Original Lease,
25 nor any notice nor memorandum regarding the terms hereof, shall be recorded by
26 Lessee.

27 **7. Capitalized Terms: Seventh Amendment to Prevail.** Unless defined
28 herein or the context requires otherwise, all capitalized terms herein shall have the

1 meaning defined in the Lease, as heretofore amended. The provisions of this Seventh
2 Amendment shall prevail over any inconsistency or conflicting provisions of the Lease.
3 Any capitalized terms shall have the meaning defined in the Lease, unless defined herein
4 or context requires otherwise.

5 **6. Effective Date:** This Seventh Amendment to Lease shall not be
6 binding or consummated until its approval by the Riverside County Board of Supervisors
7 and fully executed by the Parties.

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9 (Signature on the following page)
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1 **IN WITNESS WHEREOF**, the Parties have executed this Amendment as of the
2 date first written above.

3 Dated: AUG 04 2020

4
5 **LESSEE:**
6 County of Riverside

LESSOR:
Spruce Street Professional Building, LLC

7 By: 
8 V. Manuel Perez, Chairman
9 Board of Supervisors

By: 
Deanna Magnon, Managing Member

10
11 **ATTEST:**
12 Kecia R. Harper
13 Clerk of the Board

14 By: 
15 Deputy

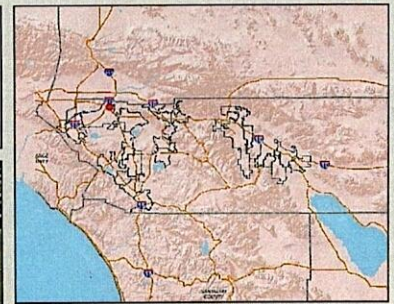
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17 **APPROVED AS TO FORM:**
18 Gregory P. Priamos, County Counsel

19 By: 
20 Wesley W. Stanfield
21 Deputy County Counsel

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27 TK:dr/05182020/RV391/30.195
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EDA Workforce Development Center

1325 Spruce Street, Riverside



Legend



0

292

584 Feet



IMPORTANT Maps and data are to be used for reference purposes only. Map features are approximate, and are not necessarily accurate to surveying or engineering standards. The County of Riverside makes no warranty or guarantee as to the content (the source is often third party), accuracy, timeliness, or completeness of any of the data provided, and assumes no legal responsibility for the information contained on this map. Any use of this product with respect to accuracy and precision shall be the sole responsibility of the user.

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Notes

APN: 249-110-064
District 1

Exhibit A

FY 2020/21

Housing, Homelessness Prevention, and Workforce Solutions (HHPWS)

1325 Spruce Street, Riverside

ESTIMATED AMOUNTS

Total Square Footage to be Leased:

Current Office:	36,371 SQFT	
Approximate Cost per SQFT (Oct-Jun)	\$ 1.90	
Lease Cost per Month (Oct-Jun)	\$ 69,104.90	
Total Lease Cost (Oct-Jun)		\$ 621,944.10
Total Estimated Lease Cost for FY 2020/21		\$ 621,944.10

Estimated Additional Costs:

Utility Cost per SQFT	\$ 0.12	
Estimated Utility Costs per Month	\$ 4,364.52	
Total Estimated Utility Cost (Oct-Jun)		\$ 39,280.68
Total Estimated Utility Cost for FY 2020/21		\$ 39,280.68

FM Lease Management Fee as of 10/01/2020	5.28%	\$ 32,838.65
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TOTAL ESTIMATED COST FOR FY 2020/21		\$ 694,063.43
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Amount in FY 2020/21 for New Amendment		\$ 694,063.43
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TOTAL COUNTY COST	0%	\$ -
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Exhibit B

FY 2021/22

Housing, Homelessness Prevention, and Workforce Solutions (HHPWS)

1325 Spruce Street, Riverside

ESTIMATED AMOUNTS

Total Square Footage to be Leased:

Current Office:	36,371	SQFT	
Approximate Cost per SQFT (Jul-Sep)	\$ 1.90		
Approximate Cost per SQFT (Oct-Jun)	\$ 1.95		
Lease Cost per Month (Jul-Sep)		\$ 69,104.90	
Lease Cost per Month (Oct-Jun)		\$ 70,832.52	
Total Lease Cost (Jul-Sep)			\$ 207,314.70
Total Lease Cost (Oct-Jun)			\$ 637,492.68
Total Estimated Lease Cost for FY 2021/22			\$ 844,807.38

Estimated Additional Costs:

Utility Cost per SQFT	\$ 0.12		
Estimated Utility Costs per Month		\$ 4,364.52	
Total Estimated Utility Cost (Jul-Jun)			\$ 52,374.24
FM Lease Management Fee as of 10/01/2020	5.28%		\$ 44,605.83
TOTAL ESTIMATED COST FOR FY 2021/22			\$ 941,787.45
TOTAL COUNTY COST	0%	\$	-

Exhibit C

FY 2022/23 to 2025/26

Housing, Homelessness Prevention, and Workforce Solutions (HHPWS)

1325 Spruce Street, Riverside

ESTIMATED AMOUNTS

Total Square Footage to be Leased:

Current Office: 36,371 SQFT

	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26
Approximate Cost per SQFT (Jul-Sep)	\$ 1.95	\$ 2.00	\$ 2.05	\$ 2.10
Approximate Cost per SQFT (Oct-Jun)	\$ 2.00	\$ 2.05	\$ 2.10	\$ 2.15
Lease Cost per Month (Jul-Sep)	\$ 70,832.52	\$ 72,603.33	\$ 74,418.41	\$ 76,278.87
Lease Cost per Month (Oct-Jun)	\$ 72,603.33	\$ 74,418.41	\$ 76,278.87	\$ 78,185.84
Total Lease Cost (July - Sep)	\$ 212,497.56	\$ 217,809.99	\$ 223,255.23	\$ 228,836.61
Total Lease Cost (Oct - June)	\$ 653,429.97	\$ 669,765.69	\$ 686,509.83	\$ 703,672.56
Total Estimated Lease Cost for FY 2022/23 to 2025/26	\$ 865,927.53	\$ 887,575.68	\$ 909,765.06	\$ 932,509.17

Estimated Additional Costs:

Utility Cost per SQFT	\$ 0.12	\$ 0.12	\$ 0.12	\$ 0.12
Estimated Utility Costs per Month	\$ 4,364.52	\$ 4,364.52	\$ 4,364.52	\$ 4,364.52
Total Estimated Utility Cost	\$ 52,374.24	\$ 52,374.24	\$ 52,374.24	\$ 52,374.24
FM Lease Management Fee as of 10/01/2020 5.28%	\$ 45,720.97	\$ 46,864.00	\$ 48,035.60	\$ 49,236.48
TOTAL ESTIMATED COST FOR FY 2022/23 to 2025/26	\$ 964,022.74	\$ 986,813.92	\$ 1,010,174.90	\$ 1,034,119.89

F11 Total Cost \$ 5,630,982.33
F11 Total County Cost 0% \$ -