

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



ITEM: 3.22
(ID # 21951)

MEETING DATE:
Tuesday, August 29, 2023

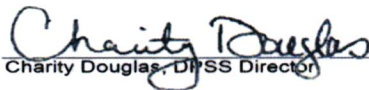
FROM : FACILITIES MANAGEMENT:

SUBJECT: FACILITIES MANAGEMENT - REAL ESTATE (FM-RE) AND DEPARTMENT OF PUBLIC SOCIAL SERVICES: Ratification and Approval of the Fourth Amendment to Lease with Koch Palmyrita Investments, LLC, Riverside, Seven-Year Lease Extension, California Environmental Quality Act Exempt pursuant to State CEQA Guidelines Sections 15301 and 15061(b)(3); District 1. [Total Cost: \$12,241,458 - Federal 54%, State 19%, County 6%, Realignment 21% - 100% DPSS Budget - General Fund 10000] (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, Class 1 - Existing Facilities Exemption and Section 15061(b)(3) "Common Sense" Exemption;
2. Ratify and approve the attached Fourth Amendment to Lease and authorize the Chairman of the Board to execute the same on behalf of the County;
3. Authorize the Director of Facilities Management, or designee, to execute any other documents and administer all actions necessary to complete this transaction; and
4. Direct the Clerk of the Board to file the Notice of Exemption with the County Clerk within five (5) working days of approval by the Board.

ACTION:Policy, CIP


Charity Douglas, DPSS Director

8/2/2023


Rose Salgado, Director of Facilities Management

8/3/2023

MINUTES OF THE BOARD OF SUPERVISORS

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

Ayes: Jeffries, Spiegel, Perez, Washington, and Gutierrez
Nays: None
Absent: None
Date: August 29, 2023
xc: FM-RE, DPSS, Recorder

Kimberly A. Rector
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	\$1,535,096	\$1,577,641	\$12,241,458	\$0
NET COUNTY COST	\$92,106	\$94,658	\$734,487	\$0
SOURCE OF FUNDS: Federal 54%; State 19%; County 6%; Realignment 21% - DPSS General Fund 10000			Budget Adjustment:	No
			For Fiscal Year:	22/23 – 29/30

C.E.O. RECOMMENDATION: Approve

BACKGROUND:

Summary

The County of Riverside has been under lease at 731 Palmyrita Avenue, Riverside since 2001, for use by the Department of Public Social Services' (DPSS) Administrative Services Division. The facility continues to meet the needs of DPSS and this proposed Fourth Amendment will extend the lease seven (7) years. The leased premises consists of approximately 1/3 office and 2/3 warehouse space, and the monthly rent is a blended rate of these two types of real estate market rates. During the past five (5) years, there has been an overall market increase in warehouse lease rates which has affected the increased blended rent rate that has been negotiated for the new lease term being proposed. Included as an offset is a negotiated three-months of free rent during the lease term.

Pursuant to the California Environmental Quality Act (CEQA), the Fourth Amendment was reviewed and determined to be categorically exempt from CEQA under State CEQA Guidelines Section 15301, Class 1 – Existing Facilities Exemption and Section 15061(b)(3) – “Common Sense” Exemption. The proposed project, the Fourth Amendment, is the continuation of the letting of property involving existing facilities with no significant physical changes, and no expansion of an existing use occurring.

County Counsel has approved the Fourth Amendment as to form.

The Fourth Amendment is summarized below:

Lessor: Koch Palmyrita Investments, LLC
P.O. Box 23166
Los Angeles, CA 90023

Location: 731 Palmyrita Avenue
Riverside, CA 92507

Size: 81,206 square feet (office and warehouse space)

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

Term: Seven (7) years commencing June 1, 2023 and terminating May 31, 2030.

Option to Extend: One, 3-year option to extend with 90-day advance written notice.

Rent:

	<u>Current</u>	<u>New</u>
	\$1.03 per sq. ft.	\$1.51 per sq. ft.
	\$83,504.98 per month	\$122,613.89 per month
	\$1,002,059.76 per year	\$1,471,366.68 per year

Rent Abatement: June 2023, July 2023, and July 2024

Rent Adjustment: 3% annually commencing June 1, 2024

Interior/Exterior Maintenance: Provided by Lessor

Custodial: Provided by Lessor

Utilities: County pays electric, gas, and trash removal. Lessor pays water and sewer.

Improvements: Lessor to provide an allowance of \$350,000.00 for improvements during the extension term upon request by County. Lessor and County to each contribute 50% of the cost of the total allowance used.

Impact on Residents and Businesses

DPSS will continue to operate and provide services out of this facility that assists the functions of County social services programs by the Department. The facility will provide a positive economic and social impact to the community.

SUPPLEMENTAL:

Additional Fiscal Information

See attached Exhibits A, B & C.

DPSS will budget these costs in FY22/23 through FY29/30 and will reimburse FM monthly for all associated lease costs.

Contract History and Price Reasonableness

The leased facility consists primarily of warehouse space for logistics operations since the inception of the lease in 2001. The fair market rental value of the warehouse space has

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

increased substantially over the past five years as shown with the new rent rate. The lease rate is a blended rate which includes both office space and warehouse space values.


Attachments

- Exhibits A, B, & C
- Fourth Amendment to Lease
- Notice of Exemption
- Aerial Map

Veronica Santillan
Veronica Santillan, Principal Management Analyst 8/21/2023

Aaron Gettis
Aaron Gettis, Deputy County Counsel 8/16/2023

County of Riverside
Facilities Management
3450 14th Street, Second Floor, Riverside, CA

FOR COUNTY CLERK USE ONLY		
FILED / POSTED		
County of Riverside Peter Aidana Assessor-County Clerk-Recorder		
E-202300906 08/29/2023 12:47 PM Fee: \$ 50.00 Page 1 of 2		
Removed:	By:	Deputy
		

NOTICE OF EXEMPTION

June 21, 2023

Project Name: Riverside County Department of Public Social Services (DPSS) Fourth Amendment to Lease with Koch Palmyrita Investments, LLC, Riverside

Project Number: FM042611023300

Project Location: 731 Palmyrita Avenue, west of Michigan Avenue, Riverside, California 92507 Assessor's Parcel Number (APN): 255-120-034

Description of Project: The County of Riverside has been under lease at 731 Palmyrita Avenue, Riverside since 2001, for use by the DPSS Logistics Division. The leased premises consists of approximately 1/3 office space and 2/3 warehouse space, and the monthly rent rate is a blend of these two types of real estate market rates. DPSS is seeking a Fourth Amendment to the Lease, which will extend the Lease for an additional seven years.

The Fourth Amendment to the Lease Agreement which will commence June 1, 2023 and terminate on May 31, 2030, 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 public social services for DPSS 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

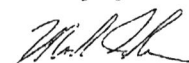
Name of Person or Agency Carrying Out Project: Riverside County Facilities Management

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 Fourth Amendment to the Lease Agreement.

- **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 limited to an Amendment to a Facilities Lease Agreement to extend the term of the Lease. The revision will result in the continued use, operation, and maintenance of the facility. The use of the facility would not result in any physical changes and no expansion of public services would occur as a result of the Fourth Amendment. Therefore, the project is exempt as the project meets the scope and intent of the Class 1 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 Fourth Amendment, which will extend the term of the Lease, 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: 6-21-2023
Mike Sullivan, Senior Environmental Planner
County of Riverside, Facilities Management

1 **FOURTH AMENDMENT TO LEASE**

2 **731 Palmyrita,**

3 **Riverside, California**

4
5 This **FOURTH AMENDMENT TO LEASE** ("Fourth Amendment") dated as of
6 August 29, 23, is entered by and between **KOCH PALMYRITA**
7 **INVESTMENTS, LLC**, a California Limited Liability Corporation ("Lessor"), and the
8 **COUNTY OF RIVERSIDE**, a political subdivision of the State of California ("County"),
9 sometimes collectively referred to as the "Parties".

10 **RECITALS**

11 a. **KOCH PALMYRITA INVESTMENTS, LLC**—successor-in-interest
12 to Koch Investments LP and Gregory Koch, Trustee of the Gregory Koch Trust—as
13 Lessor, and County entered into that certain Lease dated May 15, 2007 ("Original
14 Lease"), whereby Lessor agreed to lease to County and County agreed to lease from
15 Lessor that certain building located at 731 Palmyrita, Riverside, California 92507 (the
16 "Building"), as more particularly described in the Lease ("the Premises").

17 b. The Original Lease has been amended by:

18 1. The Certain First Amendment to Lease dated as of October
19 30, 2007, by and between the County and Lessor (the "First Amendment") whereby the
20 Parties amended the Lease to account for tenant improvements performed by Lessor
21 at the Premises.

22 2. The Certain Second Amendment to Lease dated as of June
23 18, 2016, by and between the County and Lessor (the "Second Amendment") whereby
24 the Parties amended the Lease to extend the lease term, modify the rent amount, and
25 provide for additional improvements by Lessor.

26 3. The Certain Third Amendment to Lease dated as of July 31,
27 2018, by and between the County and Lessor (the "Third Amendment") whereby the
28 Parties amended the Lease to extend the term, amend the rent amount, and account

1 for tenant improvements performed by Lessor.

2 c. County and Lessor desire to amend the Lease with this Fourth
3 Amendment to extend the term, amend the rental amount, amend the option to extend,
4 update the Notice section, include additional tenant improvements, and delete the
5 option to terminate.

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

8 **1. Term.** Section 3 of the Original Lease is amended by the following:

9 (a) The term of the Lease shall be extended for a period of
10 seven (7) years commencing June 1, 2023 and expiring May 30, 2030 (the "Extension
11 Term").

12 (d) Lessor grants to County one (1) option to extend the Lease
13 term ("Extension Option") for a period of three (3) years ("Option Term"). The Extension
14 Option shall be exercised by County delivering to Lessor written notice thereof ("Option
15 Notice") no later than ninety (90) days prior to the expiration of the Extension Term.
16 The rent payable by County during the Option Term shall be increased three percent
17 (3%) annually on each anniversary date of the Lease during the Option Term.

18 **2. Rent.** Section 5 of the Original Lease is amended by the following:

19 (a) Commencing June 1, 2023, County shall pay the sum of
20 One Hundred Twenty-Two Thousand, Six Hundred Thirteen and 89/100 Dollars
21 (\$122,613.89) per month to Lessor as rent for the Leased Premises.

22 (b) Rent during the Extension Term shall increase three
23 percent (3%) annually on each anniversary date of the Lease during the Extension
24 Term.

25 (c) Lessor shall waive the collection of rent for the months of
26 June 2023, July 2023, and July 2024.

27 **3. Improvements By Lessor.** Section 9 of the Original Lease shall be
28 amended to add subsection (i) as follows:

1 (i) **Additional Improvements by Lessor.** Lessor shall provide
2 an allowance of up to Three Hundred Fifty Thousand Dollars (\$350,000.00) for tenant
3 improvements requested by the County and to be completed by Lessor during the
4 Extension Term. Lessor and County shall each pay fifty percent (50%) of the total
5 allowance utilized. County shall reimburse Lessor its fifty percent (50%) portion upon
6 completion of any improvements and within thirty (30) days of receipt of invoicing.

7 **4. Option to Terminate.** Section 12 of the Lease shall be deleted in its
8 entirety.

9 **5. Notices.** Section 13 of the Lease shall be amended as follows:

10 **County's Notification Address:**

11 County of Riverside
12 Facilities Management
13 Real Estate Division
14 3450 14th St., Suite 200
15 Riverside, CA 92501
16 ATTN: Deputy Director of Real Estate
17 Telephone: (951) 955-4820
18 Other Inquiries - FM-Leasing@Rivco.org

19 **Lessor's Notification Address:**

20 Koch Palmyrita Investments, LLC
21 P.O. Box 23166
22 2155 East 7th Street, #413
23 Los Angeles, CA 90023
24 Attn: Mike Daugherty
25 Telephone: (213) 447-4806

26 **6. County's Representative.** Section 6 of the Second Amendment to Lease
27 shall be deleted in its entirety with reinstatement of Section 19 of the Original Lease.
28

DEB A YR 1980

1 **In Witness Whereof**, the Parties have executed this Fourth Amendment as of
2 the date first written above.


3 Dated: 8/29/23
4

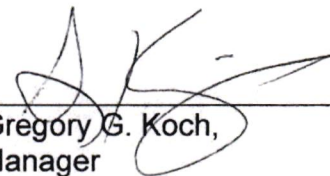
5 **COUNTY:**

6 County of Riverside, a political
7 subdivision of the State of California

LESSOR:

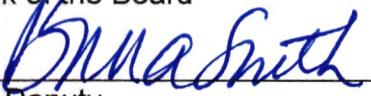
Koch Palmyrita Investments, LLC, a
California limited liability company

8
9 By: 
10 Kevin Jeffries, Chair
11 Board of Supervisors

By: 
Gregory G. Koch,
Manager


12
13 **ATTEST:**

14 **KIMBERLY A. RECTOR**
15 Clerk of the Board

16 By: 
17 Deputy

18 **APPROVED AS TO FORM:**

19 Minh C. Tran
20 COUNTY COUNSEL

21 By: 
22 Ryan Yabko
23 Deputy County Counsel

24
25
26
27
28 HR:kl/07182023/RV233/30.949

FINANCIAL DATA	Current Fiscal Year:	Next Fiscal Year:	Total Cost:
COST	\$ 1,535,096	\$ 1,577,641	\$ 10,445,515
NET COUNTY COST	\$ 92,106	\$ 94,658	\$ 626,731

*Complete all yellow highlighted fields.

Last updated on 6/12/2019

Current Fiscal Year:	7/1/2023	through	6/30/2024
Name:	DPSS		
Premises:	731 Palmyrita, Riverside, CA 92507		
Term:	7	years	84
Effective Date	6/1/2023		
Termination Date	5/31/2030		
Fiscal Year Split:	(Jul - May)	11	
	(June)	1	
		<u>12</u>	Months (Cell E19 must always equal 12)
Size:	81,206	SQFT	
Rent:	<u>Current</u>		<u>New</u>
	\$ -	SQFT	\$ -
	\$ 83,505	per month	\$ 122,614
	\$ 1,002,060	per year	\$ 1,471,367
Rental Adjustment %:	3.00%		
Estimated Additional Costs:			
Utility Cost per SQFT	\$ 0.12		
RCIT			
Tenant Improvement			
Lease Management Fee	4.86% New agreement		
Total County Cost %	6.00%		

Exhibit A

FY 2023/24

DPSS

731 Palmyrita, Riverside, CA 92507

ESTIMATED AMOUNTS

Total Square Footage to be Leased:

Current Office:	81,206 SQFT	
Approximate Cost per SQFT(Jul - May)	\$ -	
Approximate Cost per SQFT(June)	\$ 1.56	
Lease Cost per Month(Jul - May)	\$ 122,613.89	
Lease Cost per Month(June)	\$ 126,292.31	
Total Lease Cost(Jul - May)		\$1,226,138.90
Total Lease Cost(June)		\$126,292.31
Total Estimated Lease Cost for FY 2023/24		\$ 1,352,431.21

Estimated Additional Costs:

Utility Cost per SQFT	\$ 0.12	
Estimated Utility Costs per Month	\$ 9,744.72	
Total Estimated Utility Cost(Jul - Jun)		\$ 116,936.64
Total Estimated Utility Cost for FY 2023/24		\$ 116,936.64
Additional Parking Spaces per Month	\$ -	
Total Estimated Utility Cost(Jul - Oct)		\$ -
Total Estimated Utility Cost(Nov - Jun)		\$ -
FM Lease Management Fee as of 7/1/2023	4.86%	\$ 65,728.16
TOTAL ESTIMATED COST FOR FY 2023/24		\$ 1,535,096.01
TOTAL COUNTY COST	6%	\$ 92,105.76

EXHIBIT B

FY 2024/25

DPSS

731 Palmyrita, Riverside, CA 92507

ESTIMATED AMOUNTS

Total Square Footage to be Leased:

Current Office:	81,206 SQFT	
Approximate Cost per SQFT(Jul - May)	\$ 1.56	
Approximate Cost per SQFT(June)	\$ 1.60	
Lease Cost per Month(Jul - May)	\$ 126,292.31	
Lease Cost per Month(June)	\$ 130,081.08	
Total Lease Cost(Jul - May)		\$1,262,923.10
Total Lease Cost(June)		\$ 130,081.08
Total Estimated Lease Cost for FY 2024/25		\$ 1,393,004.18

Estimated Additional Costs:

Utility Cost per SQFT	\$ 0.12	
Estimated Utility Costs per Month	\$ 9,744.72	
Total Estimated Utility Cost(Jul - Jun)		\$ 116,936.64
Total Estimated Utility Cost for FY 2024/25		\$ 116,936.64
Additional Parking Spaces per Month	\$ -	
Total Estimated Utility Cost(Jul - Jun)		\$ -
FM Lease Management Fee as of 7/1/2022	4.86%	\$ 67,700.00
TOTAL ESTIMATED COST FOR FY 2024/25		\$ 1,577,640.82
TOTAL COUNTY COST	6%	\$ 94,658.45

Exhibit C

**FY 2025/26 to 2030/31
DPSS
731 Palmyrita, Riverside, CA 92507**

ESTIMATED AMOUNTS

Total Square Footage to be Leased:

Current Office: 81,206 SQFT

	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29
Approximate Cost per SQFT(Jul - May)	\$ 1.60	\$ 1.65	\$ 1.70	\$ 1.75
Approximate Cost per SQFT(June)	\$ 1.65	\$ 1.70	\$ 1.75	\$ 1.80
Lease Cost per Month(Jul - May)	130,081.08	\$ 133,983.51	\$ 138,003.02	\$ 142,143.11
Lease Cost per Month(June)	133,983.51	138,003.02	142,143.11	146,407.40
Total Lease Cost(Jul - May)	\$ 1,430,891.88	\$ 1,473,818.64	\$ 1,518,033.20	\$ 1,563,574.19
Total Lease Cost(June)	\$ 133,983.51	\$ 138,003.02	\$ 142,143.11	\$ 146,407.40
Total Estimated Lease Cost for FY 2025/26 to 2030/31	\$ 1,564,875.39	\$ 1,611,821.65	\$ 1,660,176.30	\$ 1,709,981.59
<u>Estimated Additional Costs:</u>				
Utility Cost per SQFT	\$ 0.12	\$ 0.12	\$ 0.12	\$ 0.12
Estimated Utility Costs per Month	\$ 9,744.72	\$ 9,744.72	\$ 9,744.72	\$ 9,744.72
Total Estimated Utility Cost for FY 2024/25 to 2027/28	\$ 116,936.64	\$ 116,936.64	\$ 116,936.64	\$ 116,936.64
Additional Parking Spaces per Month	\$ -	\$ -	\$ -	\$ -
Total Estimated Utility Cost for FY 2024/25 to 2027/28	\$ -	\$ -	\$ -	\$ -
FM Lease Management Fee as of 7/1/2021 4.86%	\$ 76,052.94	\$ 78,334.53	\$ 80,684.57	\$ 83,105.11
TOTAL ESTIMATED COST FOR FY 2025/26 to 2030/31	\$ 1,757,864.98	\$ 1,807,092.83	\$ 1,857,797.51	\$ 1,910,023.34

F11 Total Cost		\$ 10,445,515.48
F11 Total County Cost	6%	\$ 626,730.93

Department of Public Social Services

731 Palmyrita, Riverside, CA 92507



Legend

County Centerline Names



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.

0 376 752 Feet

REPORT PRINTED ON... 6/21/2023 8:59:03 AM

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Notes

District 1
Parcel outlined in black
Occupied space outlined in red
Blue dot on building
APN: 255-120-034