



BOARD OF SUPERVISORS
AGENDA LETTER

Agenda Number:

Clerk of the Board of Supervisors
105 E. Anapamu Street, Suite 407
Santa Barbara, CA 93101
(805) 568-2240

Department Name: General Services
Department No.: 063
For Agenda Of: September 20, 2022
Placement: Administrative
Estimated Tme:
Continued Item: No
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors
FROM: Department Janette D. Pell, General Services Director (805) 560-1011
Director(s)
Contact Info: Skip Grey, Assistant Director, General Services (805) 568-3083
SUBJECT: **Third Standstill Agreement to Lease Agreement for Veterans Administration Outpatient Clinic at 4440 Calle Real, Santa Barbara, RP File #003527; Second District**

County Counsel Concurrence

As to form: Yes

Other Concurrence: Risk Management

As to form: Yes

Auditor-Controller Concurrence

As to form: Yes

Recommended Actions: It is recommended that the Board of Supervisors:

- a) Approve and authorize the Chair to execute the attached original and duplicate original Third Standstill Agreement to the 2007 Lease Agreement between the County of Santa Barbara and the United States of America, Department of Veterans Affairs (hereinafter "VA"), for the VA's continued use of approximately 6,700 square feet of medical office space in the County-owned building located at 4440 Calle Real, on the County's Calle Real Campus, for a period of one (1) year, through September 30, 2023, at a fixed monthly rental rate of \$25,344.28 per month; and
- b) Determine that the proposed action consists of the operation and leasing of existing public or private structures or facilities involving negligible or no expansion of use and therefore is exempt from the California Environmental Quality Act (CEQA), pursuant to CEQA Guidelines Section 15301, Existing Facilities, and approve and direct staff to file and post the attached Notice of Exemption on that basis.

Summary Text: This item is on the agenda for approval of the Third Standstill Agreement to the 2007 Lease Agreement for the VA to continue leasing the approximate 6,700 square foot portion of the building they have occupied since 1980, for an extended period of one year, through September 30, 2023. The four percent (4%) annual increase rental rate of \$25,344.28 per month or approximately \$0.15 per square foot more per month is still within market rate. County will continue to provide maintenance and repairs to the County-owned facility and provide tenant improvements for an annual amount of up to \$45,000 with approval from the General Services Director, or their designee, and will provide for the continued operation of the Clinic serving our local veterans.

Background:

In May of 1980, the Board executed a lease with the United States of America, Department of Veterans Affairs. That lease granted use of approximately 21,663 square feet of the building located at 4440 Calle Real to the VA. The VA has continuously occupied that space to operate a medical clinic at the facility since that time, providing necessary medical services to our local veterans.

In 2007, a new Community-based outpatient clinic was constructed in Santa Maria to serve the veterans of Santa Barbara County. Subsequently, a new 2007 Lease Agreement was executed whereby the VA reduced their leased space at the Calle Real Clinic to approximately 6,700 square feet. The Clinic continues to provide limited services to our local veterans from that reduced space. The 2007 Lease Agreement set forth three (3) five (5)-year options to extend the Lease that could be exercised by the local contracting officer for the VA, each subject to approval by County. This lease provided that the annual rent would increase by three percent (3%) each year during the five-year extension periods.

The First Amendment to the Lease Agreement exercised the first of those options and made certain changes. First, the VA informed the County that their contracting officer's authority to execute contracts on behalf of the VA is limited to ten years. Therefore, the second and third option periods were deleted from the Lease Agreement. The VA also requested that the County reconsider the automatic three percent annual rent increase for the final four years of the extended term in light of the decline in the real estate rental market. The County's Real Estate Services Division agreed that, based on market conditions, it would be fair and reasonable for the rent for each of the final four years to increase by one- and one-half percent (1.5%).

The Second Amendment, for a period of one (1) year beyond the expiration of the current term on September 30, 2017, was intended to allow both parties to negotiate a longer lease term and to evaluate the fair market rent for the leased premises. Therefore, the extended term from October 1, 2017 through September 30, 2018, remained at the current fixed monthly rate of \$23,659.71 (calculation: $\$23,659.71 \div 6,700 = \3.5313 or approximately \$3.53 per square foot. The Third Amendment provided a twenty-four (24) month extension from October 1, 2018 through September 30, 2020, at the current fixed monthly rate of \$23,659.71. Santa Barbara County provided touch-up paint and flooring replacement as needed to maintain building standards during the term of this extension. Tenant improvements authority for approval signatory shall be the County of Santa Barbara Director of General Services or Designee and not exceed \$45,000 annually.

The First Standstill Agreement provided a temporary agreement for a period of one (1) year from October 1, 2020 to September 30, 2021, that preserved the leaseholder interest for the VA while the VA Strategic Capital Investment Planning (SCIP) application was being approved. Additionally, it gave time to develop the requirements and put into place the acquisition planning for the succeeding lease. All provisions of the Lease by operation of this Standstill Agreement were applicable during the Standstill Period except: (1) Rent at a fixed rental rate of \$23,659.71 per month; (2) The parties agreed to actively negotiate towards

a succeeding lease for the premises; and (3) The County will not evict the VA, interfere with use, quiet enjoyment, occupancy, or interrupt operations, building services or utilities of the VA.

Similar to the First Standstill Agreement, the Second Standstill Agreement provided a temporary agreement for a period of one (1) year from October 1, 2021 to September 30, 2022, that preserved the leaseholder interest for the VA while a succeeding lease was negotiated and executed. All provisions of the Lease by operation of this Standstill Agreement were applicable during the Standstill Period except: (1) Rent at a fixed rental rate subject to a three percent (3%) fixed CPI increase equaling \$24,369.50 per month; (2) The parties agreed to actively negotiate towards a succeeding lease for the premises; and (3) The County will not evict the VA, interfere with use, quiet enjoyment, occupancy, or interrupt operations, building services or utilities of the VA.

The VA requests a Third Standstill Agreement for a period of one (1) year from October 1, 2022 to September 20, 2023, as more time is needed to complete the pending Succeeding Lease and prevent Holdover. The VA experienced delays due to workload in preparing the Request for Lease Proposal. As with the First and Second Standstill Agreements, the Third Standstill is a temporary agreement that preserves the leaseholder interest for the VA while a succeeding lease is negotiated and executed. During the twelve (12) month standstill period, a succeeding lease can be executed at any time. All provisions of the Lease by operation of this Third Standstill Agreement will be applicable during the Standstill Period except: (1) Rent at a fixed rental rate subject to a four percent (4%) fixed CPI increase equaling \$25,344.28 per month or approximately \$3.78 per square foot; (2) The parties agree to actively negotiate towards a succeeding lease for the premises; and (3) The County will not evict the VA, interfere with use, quiet enjoyment, occupancy, or interrupt operations, building services or utilities of the VA.

The Third Standstill Agreement continues to provide for the operation, repair, maintenance and leasing of the Clinic, a public structure. Therefore, this project is exempt from environmental review in accordance with the California Environmental Quality Act (CEQA) Guidelines, Section 15301 – Class 1, which consists of the operation, repair, maintenance, permitting, leasing, licensing, or minor alterations of existing public or private structures, facilities, mechanical equipment, or topographical features involving negligible or no expansion of use beyond that existing at the time of the lead agency's determination.

Fiscal and Facilities Impacts:

Budgeted: Yes

The monthly rent will be deposited to Fund 0001; Budget Unit 063; Account 3409; and Program 1207. VA will remain responsible for janitorial services at the Clinic. There will be no direct facility impacts.

Staffing Impacts: None

Special Instructions:

Upon Board approval and execution, please distribute as follows:

Original and Duplicate Original Third Standstill Agreement to Lease Agreement & Minute Order to the Real Property Division, Attn: Alanna Chumney. Once VA signature is obtained, a fully executed Third Standstill Agreement to Lease Agreement will be returned to the Clerk of the Board's Office for the official file. (Message to COB: Please keep a temporary copy of the signed agreement until the fully executed copy is delivered.)

Attachments:

1. Third Standstill Agreement to Lease Agreement; one (1) original and one (1) duplicate original

2. CEQA - Notice of Exemption

Authored by:

Alanna Chumney, Real Property Supervisor, Real Property Division