



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: July 14, 2020
Placement: Administrative
Estimated Time: N/A
Continued Item: No
If Yes, date from: N/A
Vote Required: Majority

TO: Board of Supervisors
FROM: General Services Janette D. Pell, Director (805) 560-1011
CEO's Office Barney Melekian, Assistant County Executive Officer
Contact Info: Carlo Achdjian, Real Property Manager, (805) 568-3081
SUBJECT: Sub-Lease Agreement Between the County of Santa Barbara and Rippan Property, LLC; Second District

County Counsel Concurrence

As to form: Yes

Other Concurrence: Risk Manager

As to form: Yes

Auditor-Controller Concurrence

As to form: Yes

Recommended Actions:

That the Board of Supervisors:

- a) Approve and authorize the County CEO to execute a Sub-Lease Agreement between the County of Santa Barbara and Rippan Property, LLC, the Sub-Lessor upon assignment of the existing lease as referenced in the "Background" section of this Board Letter, for a 72,000 rentable-square-foot property located at 3845 State Street to serve as a possible COVID-19 Alternate Care Site, subject to the following:
 - 1) The sublease includes an initial term of six (6) months and an option to extend the term of the Sublease for up to an additional eighteen (18) months beyond the end of the initial six-month term, exercisable in option terms of three (3) months each, on the same terms and conditions;
 - 2) Monthly rent consists of base rent plus a proportionate share of operating costs (triple net) which are estimated at \$10,800/month;
 - 3) The base rent increases from \$21,600/month to \$25,200 upon commencement of tenant improvements and increases to \$28,800/month upon occupancy; and
 - 4) The Sub-Lease Agreement is in a form substantially similar to the attached Sub-Lease Agreement and subject to concurrence from General Services, County Risk Management, County Counsel, and the Auditor-Controller (Attachment A).

- b) Authorize the County CEO to exercise the extension options of three months each, not to exceed eighteen (18) months past the initial Six (6) month term referenced in the Sub-Lease Agreement upon County CEO determination that the extension option is still necessary in order to respond to the pandemic.
- c) Determine that the proposed action is exempt from the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines CEQA Guidelines Section 15269, finding that the action is necessary to prevent or mitigate an emergency, and direct staff to file a Notice of Exemption on that basis.

Summary Text:

This item is on the agenda in order to approve and authorize the Chair to execute a sub-lease agreement with Rippan Property, LLC (This is the Sub-Lessor who will be leasing the premises from the Master-Lessor, Riviera Dairy Property, LLC) to lease a vacant building (previously operating as Sears) at La Cumbre Shopping Center located at 3845 La Cumbre Plaza, Santa Barbara for the Alternate Care Site (ACS) activation and operation. Approval of this item will provide space for temporary and expanded medical facilities for a large number of patients during the COVID-19 pandemic in the event of a major surge in patient volume. The World Health Organization has indicated that there is a possibility that infections could jump up suddenly and significantly. They have suggested that a second peak might not present itself as it did in the initial outbreak, as a gradual wave. A new peak could manifest itself as a sudden spike in cases, which would mean that many more people are infected with coronavirus at the same time, and during flu season, which would overburden health care systems.

Background:

As part of the COVID-19 response, sub-leasing this property will support county wide emergency protective measures during an emergency or disaster for patient healthcare in the event of a surge in COVID-19 cases. The site at La Cumbre Plaza was chosen in part because it is centrally located to strategically serve a highly populated area of the tri-counties region.

This facility will be established as a 200 bed congregate care facility to accommodate COVID positive patients only. The Sears building has been vacant for several years and will require extensive cleaning and possible upgrades to electric, HVAC, and other improvements to make the facility ready to operate. General Services will be assessing the space and coordinating any tenant improvements that will be necessary. General Services has estimated cost of these improvements to be in the range of \$950,000 to \$1,200,000 and will perform the work using the County's Job Order Contractor.

The Letter of Intent to sub-lease the property includes a holding option that grants the County a holding period that expires no later than August 31, 2020. Riviera Dairy Property, LLC, as owner and Master-Lessor of the property is working to complete an assignment from the existing tenant (Lessee), Macerich, a shopping center developer. Once this assignment has been completed, then the County, at its discretion, may exercise its option to shorten the holding period due to any possible need to expedite the execution of the sub-lease should any unforeseen Covid-19 urgencies arise. The assignment between Riviera Dairy Property, LLC and Macerich must be completed prior to the County entering into a sub-lease with Rippan Property, LLC, the Sub-Lessor to be, replacing Macerich as the current Sub-Lessor entity. To allow for as much flexibility as possible, Real Property Division negotiated an initial term of six (6) months and an option to extend the term of the sub-lease for up to an additional eighteen (18) months beyond the end of the initial six-month term, exercisable in option terms of three (3) months each. These options will be

exercised by the Real Property Division upon instruction by the CEO’s Office, and once the County determines whether or not to continue occupation of the premises determined on timely assessment of COVID-19 requirements to use the space.

Fiscal and Facilities Impacts:

Budgeted: Yes

This item will use Department 012 Program 6034 Activation and Disaster Costs appropriated in the FY 2020-21 budget.

Fiscal Analysis:

Upon completion of the negotiations of the terms of the sub-lease, a Letter of Intent was agreed upon by the County and the owner which included an initial holding period during which no rent is paid. The holding period commenced upon the execution of the Letter of Intent to lease, which was executed on June 4, 2020 and expires no later than August 31, 2020. The sub-lease consists of three phases. Phase 1 begins upon execution of the sublease and the completion of Macerich's assignment of the existing Ground Lease to Lessor. This could occur prior to August 31st should the Macerich assignment be completed, and the sublease between the County and Rippan Property, LLC be fully executed. Phase 2 commences upon the County undertaking any tenant improvements to the Premises or storage of any equipment or supplies on the Premises, and Phase 4 commences upon any employees of the County or other licensees or any patients occupying the Premises. The rates for phases 1, 2, and 3 are outlined in the table below and include a \$0.15 per square foot triple net cost to cover the County’s pro-rata share of property taxes, property and liability insurance, parking lot and other exterior and common area maintenance, property management, maintenance and repair, common area utilities, and the expense of security for the Property.

In addition, it is estimated that leasehold improvements to the space will be needed at a cost of \$950,000 to \$1,200,000. Staff will pursue reimbursement of eligible project expenditures from external funding sources.

Lease Phase											
PHASE 1 Upon Sublease Commencement				PHASE 2 Upon Commencement of Tenant Improvements or Storage of Equipment				PHASE 3 Upon Employees / Patients Occupying Premises			
Cost per sf incl \$0.15 NNN	Monthly Cost	6 Months Cost	18 Months Cost	Cost per sf incl \$0.15 NNN	Monthly Cost	6 Months Cost	18 Months Cost	Cost per sf incl \$0.15 NNN	Monthly Cost	6 Months Cost	18 Months Cost
\$0.45	\$32,400	\$194,400	\$583,200	\$0.50	\$36,000	\$216,000	\$648,000	\$0.55	\$39,600	\$237,600	\$712,800

Special Instructions:

After Board action, please distribute as follows:

1. Direct the Clerk of the Board to send the minute order of these actions to the Real Property office: Attn: Carlo Achdjian (x3081)

Attachments:

1. Lease Agreement with Rippan Property, LLC, LLC
2. CEQA Notice of Exemption

Author: Skip Grey, General Services