



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: December 7, 2010  
Placement: Administrative  
Estimated Tme:  
Continued Item: No  
If Yes, date from:  
Vote Required: Majority

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**TO:** Santa Barbara County Redevelopment Agency, Board of Directors  
**FROM:** Department Glenn Russell, Director (568-3096)  
Director(s): Planning and Development Department  
Contact Info: Nathan Eady, Interim Program Manager (568-2019)  
Santa Barbara County Redevelopment Agency  
**SUBJECT: Medical Clinic Lease Amendment at 970 Embarcadero Del Mar, Third District**

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**County Counsel Concurrence**

As to form: Yes

Other Concurrence: Risk Management

As to form: Yes

**Auditor-Controller Concurrence**

As to form: Yes

**Recommended Actions:**

That the Board of Directors of the Santa Barbara County Redevelopment Agency:  
As lessor, approve and execute the Second Amendment to the Lease Agreement between the Santa Barbara County Redevelopment Agency and the Santa Barbara Neighborhood Clinic (Clinic), to reduce the rental rate from \$6,598.80 per month to \$3,110.00 per month and reduce the lease term from approximately 8-years to one-year; for the Clinic's use of approximately 3,110 square feet of office space located on the first floor of the Redevelopment Agency-owned property located at 970 Embarcadero Del Mar, in Isla Vista.[**Attachment A**]

**Summary Text:**

The subject property, located at 970 Embarcadero Del Mar, is owned by the Santa Barbara County Redevelopment Agency (RDA), which currently leases a portion of the building to Santa Barbara Neighborhood Clinic (Clinic). The Clinic's existing lease includes a remaining 8-year term at a lease rate of \$2.00 per square foot. The Clinic has the ability to terminate this lease agreement upon issuance of a 90-day written notice.

The Clinic has requested a reduction of this rental rate due to a reduction of funding support from the State of California and other sources which has jeopardized their ability to provide non-profit medical care in the Isla Vista community. Upon receipt of this request, RDA staff conducted a rental survey of commercial office space available in Isla Vista and the surrounding areas of Goleta. This survey

indicates that the average “listed” lease rate for office space in the vicinity of Isla Vista is approximately \$1.41 per square foot. Market dynamics indicate that the final negotiated lease rate is usually less than the “listed” lease rate. Thus the average market rate for office space in this vicinity is assumed to be at or below \$1.41 per square foot. The marketability of the rental space in the RDA-owned building is further limited by the fact that the Redevelopment Agency’s purchase of the building was funded through tax exempt bonds. Because of this funding source, Internal Revenue Services rules require that the property be used only by tax exempt organizations. The Clinic is eligible to lease the building because it falls within Section 501(c)(3) of the Internal Revenue Code.

As a result of this rental analysis the RDA recommends that the lease rate for the Clinic be reduced to \$1.00 per square foot. In view of the recently conducted rental analysis and the added limitations pertaining to the use of the property only by tax exempt organizations, RDA staff recommends this new rental rate is considered fair market value for an office suite of this size and location. As part of this lease amendment negotiation, the RDA and Clinic have agreed to additional terms which include a reduction of the remaining lease term from 8-years to one-year. After the completion of this one-year lease term the Clinic’s lease term would become month-to-month. This change in terms will facilitate the Clinic and RDA’s ability to work cooperatively towards finding an alternative location for the Clinic in the near future and allow the property to be redeveloped in a manner consistent with the Isla Vista Master Plan.

**Background:**

The Redevelopment Agency purchased the subject property in June of 2008, from Santa Barbara Neighborhood Clinics. The Clinic is leasing the aforementioned portion of the building back from the Agency and is continuing to operate the Isla Vista Medical Clinic.

**Fiscal and Facilities Impacts:**

Budgeted: Yes

**Fiscal Analysis:**

The Agency does not rely on rental income from this property to service the debt service and operations of the Agency. The rental income was ancillary to the purpose of the property which to have the site redeveloped.

**Special Instructions:**

After Board action, the Clerk should distribute as follows:

- |  |                         |
|--|-------------------------|
| 1. Original executed Lease Amendment                     | Board’s Official File   |
| 2. Dupl. orig. executed Lease Amendment and Minute Order | GS/Real Estate Services |

**Attachments:**

- Attachment A- Second Amendment to the Lease Agreement (Original)
- Attachment B- Second Amendment to the Lease Agreement (Duplicate Original)

**Authored by:**

Nathan Eady, Interim Program Manager, Redevelopment Agency

**Attachment A- Second Amendment to the Lease Agreement (Original)**

**Attachment B- Second Amendment to the Lease Agreement (Duplicate Original)**