



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 15, 2020
Placement: Administrative
Estimated Tme: N/A
Continued Item: No
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors
FROM: General Services Janette D. Pell, Director (805) 560-1011
Contact Info: Skip Grey, Assistant Director of General Services (805) 568-3083
Carlo Achdjian, Real Property Manager (805) 568-3081
SUBJECT: **First Amendment to the Lease Agreement Between the County of Santa Barbara and the Santa Barbara County Air Pollution Control District, Second District (Real Property File # 003410)**

County Counsel Concurrence

As to form: Yes

Auditor-Controller Concurrence

As to form: Yes

Other Concurrence: Risk Management

As to form: Yes

Recommended Actions: That the Board of Supervisors:

- a) Approve and authorize the Chair to execute the original and duplicate original First Amendment to the Lease Agreement ("First Amendment") between the County of Santa Barbara and the Santa Barbara County Air Pollution Control District ("District") to: reduce the size of the District's leased premises from a total of 14,139 square feet to 9,881 square feet; add an option to extend the term of the lease for an additional seven (7) years with monthly rent adjusted to fair market rent amounts; and provide for the Lease Agreement to renew annually thereafter subject to termination on 90 days written notice;
- b) Approve, authorize and direct the Director of General Services, or designee, in accordance with Section 4, RENT, of the First Amendment, to adjust the monthly rent to the then fair market rent amount for the 7-year option period and again for the annual tenancy; and
- c) Determine that the proposed action is exempt from the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines Section 15301, Existing Facilities, finding that the action consists of the operation, repair, maintenance, and leasing of existing public or private structures involving negligible or no expansion of existing or former use.

Summary Text:

The Board's action to approve and authorize the Chair to execute the First Amendment (Attachment 2) will reduce the District's leased space in the building known as "Casa Nueva" on the Calle Real Campus. The First Amendment will provide one option to extend the term of the lease for an additional seven (7) years after the current term expires on April 30, 2033. The First Amendment will also provide that the lease renews annually after the 7-year option period, subject to termination on 90 days notice from either party. The Board's action will authorize the Director of General Services, or designee, to adjust the rent amount to reflect the fair market value at the time of the option and again before the lease switches to annually renewing. If the District fails to accept the adjusted rent amount at either juncture, the lease would expire at the end of the then-current term. Once the lease switches to annually renewing, the rental amount would increase annually at a rate of 3%. In accordance with Section 4, RENT, the Director of General Services will base the adjustment(s) to fair market value on a fair market rental analysis and, if necessary, work with a third party appraiser.

The reduction in leased space will reduce the District's current rental payment from \$18,278.90 per month to \$12,774.16 per month and lower its share of operating and maintenance costs. It will also allow a County Department or other agency to occupy the vacated space. Should the parties elect to exercise the 7-year extension period beginning in 2033, the Board's action will ensure that the rent for the extension period will be adjusted to the then-current fair market rate.

Background:

The District has leased a portion of Casa Nueva since the building was first constructed and available for occupancy in May of 2002. The building has approximately 28,274 square feet of commercial office space, and the District's portion consists of 14,139 square feet, or about 50% of the building, which includes both exclusive and shared common areas. The current lease (Attachment 1) is for a term of 30 years and will expire on April 30, 2033. Rent is currently \$18,278.90 per month, based on a fixed rate of \$1.2928 per square foot per month. In addition to rent, the District pays its proportionate share of actual maintenance and operation of the property, which includes an amount that is allocated to a reserve fund for the replacement of capital items. This replacement reserve payment is subject to an annual cost of living adjustment and is currently \$2,108.89 per month.

In October 2019, the District notified the County General Services Department of its desire to reconfigure part of its leased premises, as permitted by the lease, and thereafter vacate other portions of its space. The Director of General Services approved the District's request subject to specific terms and conditions, including that the District obtain all necessary permits and approvals, pay for all construction costs, and continue to cooperate with the County to complete the project. Since that time, the District has submitted construction plans to the General Services Capital Improvements Division, which will oversee all work on the premises. Once alterations are complete, the District will relinquish a different portion of its leased space, thereby reducing its rent and replacement reserve payments.

The First Amendment provides that the reduced leased premises will consist of 9,881 square feet at a fixed monthly rent of \$12,774.16 (calculation: $9,881 \times \$1.2928$ per square foot = \$12,774.16). In addition, the District's proportionate share of operating costs will be reduced to \$1,474.25 per month through May 1, 2021 (calculation: current reserve amount \$0.1492 per sq. ft. x 9,881 sq. ft. = \$1,474.25), and will be subject to an annual cost of living adjustment thereafter. The First Amendment

also provides the District with an option to extend the term of the lease for an additional seven (7) years upon written notice to the County. After the 7-year option period, the lease would annually renew subject to termination upon 90 days written notice. Rent for the option period and annual extensions would be adjusted as discussed above.

Execution of the First Amendment provides for the continued operation, repair, and maintenance of a portion of Casa Nueva, an existing public structure. The action will not involve an expansion of use and is unlikely to have a significant environmental impact. 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: N/A

The District will pay for all construction and improvement costs related to this project and will compensate the County for staff time incurred while preparing the amendment and overseeing construction. Once the District vacates a portion of its leased space, its annual rent and replacement reserve obligations will be reduced from a total of \$244,653.48 to \$170,980.92, thereby reducing the County's annual revenue by \$73,672.56. This amount may be offset depending upon the County's future use of the premises such as leasing to an outside entity or utilizing the space for a County department.

Special Instructions:

Clerk of the Board, please distribute as follows:

1. Return one (1) original and one (1) duplicate original fully-executed First Amendment to the Lease to General Services Real Property Division, Attn. Susan Freebourn
2. Maintain one (1) duplicate original, fully-executed First Amendment to the Lease for the Official File.
3. Forward a copy of the Minute Order to General Services Real Property Division, Attn. Susan Freebourn

Attachments:

1. Lease Agreement
2. First Amendment to the Lease

Authored by:

Susan Freebourn, Real Property Agent II, Real Property Division