



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: August 28, 2018
Placement: Administrative
Estimated Time: 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, Deputy Director, General Services Support Services
Division (805) 568-3083
Don Grady, Real Property Manager (805) 568-3065
SUBJECT: Third Amendment 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

Auditor-Controller Concurrence

As to form: Yes

Other Concurrence: Risk Manager

As to form: Yes

Recommended Actions:

That the Board of Supervisors:

- a) Approve and authorize the Chair to execute the attached original and duplicate original Third Amendment to 2007 Lease Agreement (hereinafter "Amendment") (Attachment 1) 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 two (2) years, through September 30, 2020; continuing the monthly fixed rental rate of \$23,659.71; and granting the General Services Director, or their designee, to approve amendments within this extension capping costs for tenant improvement in the amount of \$45,000 annually (Second District); 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 direct staff to file and post the attached Notice of Exemption (Attachment 2) on that basis.

Summary Text:

This item is on the agenda for approval of the Third Amendment 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 two years, through September 30, 2020. The continued fixed rental rate of \$23,659.71 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 five-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 Property Office 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 Second Amendment term will expire on September 30, 2018. VA and County have negotiated a two (2)-year extension through September 30, 2020, based on VA indicating that preliminary plans to construct a large VA complex in Oxnard have commenced. Until the VA hears definitively on these plans, they will remain at the County Clinic space at the Calle Real Campus under the terms of this Third Amendment. County Real Property staff will remain in constant contact with the VA regarding their plans.

This Third Amendment 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:

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.

Special Instructions:

After Board action, please distribute as follows:

Original and Duplicate Original Third Amendment to Lease Agreement & Minute Order to Real Property, Attn: Connie Smith. Once VA signature is obtained, a fully executed Third Amendment 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 Amendment to Lease Agreement; one (1) original and one (1) duplicate original
2. CEQA - Notice of Exemption

Authored by:

CS, Real Property