



COUNTY OF HUMBOLDT

AGENDA ITEM NO.
C15

For the meeting of: June 26, 2018

Date: 6/18/2018

To: Board of Supervisors

From: Connie Beck, Director
 Department of Health and Human Services

Subject: Second Option to Extend the Lease with A&K Investments, LLC at 507 F St, Eureka

RECOMMENDATION(S):

That the Board of Supervisors:

1. Approve exercising the second option to extend the Lease at 507 F Street, Eureka with A&K Investments, LLC through September 30, 2023.
2. Authorize Public Works – Real Property Division to send a notice to Lessor that the County is exercising the first second option to extend the Lease, and
3. Direct the Clerk of the Board to return one executed agenda item to Public Works – Real Property Division.

SOURCE OF FUNDING:

Social Services Fund.

Prepared by Haley Schandelmier AAIL

CAO Approval

REVIEW:

Auditor

County Counsel

Human Resources

Other

TYPE OF ITEM:

- Consent
- Departmental
- Public Hearing
- Other

PREVIOUS ACTION REFERRAL:

Board Order No. C-6, C-16 & C-8

Meeting of: 01:14:03, 11:18:03 & 5:21:13

BOARD OF SUPERVISORS, COUNTY OF HUMBOLDT

Upon motion of Supervisor Bass Seconded by Supervisor Fennell

Ayes: Bass, Fennell, Sundberg, Bohn

Nays:

Abstain:

Absent: Wilson

and carried by those members present, the Board hereby approves the recommended action contained in this Board report.

Dated: 6/26/18

By

Kathy Hayes, Clerk of the Board

DISCUSSION:

On January 14, 2003 (item C-6), the Department of Health and Human Services (DHHS) entered into a Lease (Attachment 1) with Kramer Properties, Inc. for space at 507 F Street, Eureka. DHHS occupancy of the site commenced October 1, 2003 after substantial improvements had been made to the property. On November 18, 2003 (Item C-16), DHHS entered into an assignment and First Amendment (Attachment 2) with A&K Investments, LLC, successors in interest to Kramer Properties, Inc. to adjust and lower the rentable square footage and rent of the Lease and to assign the Lease from Kramer Properties, Inc. to A&K Investments, LLC. The square footage was adjusted after the improvements to the property was completed. On May 21, 2013 (Item C-8), the Board of Supervisors approved (Attachment 3) exercising the first of two (2) five (5) options to extend the Lease, and approved sending a notice to the Lessor that the County is exercising this option. The Lease will expire on September 30, 2018. By exercising the second and final option, the Lease will be extended through September 30, 2023.

DHHS continues to utilize this location to co-locate DHHS administrative and support services staff. Co-location and centralization of DHHS staff serves to further the County's goal of consolidation and integration across branches to enhance services and maximize revenue funding strategies. DHHS personnel located at this site include Administrative staff and support services staff for various divisions, such as Financial Services, Employees Services, Information Services, and Integrated Services.

DHHS recommends the Board approves exercising the second and final option to extend the Lease for five years, authorize the Public Works – Real Property Division to send a notice to Lessor that the County is exercising the second option to extend the Lease, and directs the Clerk of the Board to return one executed agenda item to Public Works – Real Property Division.

FINANCIAL IMPACT:

The original costs established in 2003 was \$1.79 per square foot - \$45,815.00 per month, with subsequent annual rent increases based on the Consumer Price Index. The cost of the Lease for the final term of first option - October 1, 2017 to September 30, 2018 - is \$2.23 per square foot - \$56,086.03 per month. A provision in the Lease states the Landlord will submit a new cost of the Lease for the second option within thirty (30) days after receiving the second option notice from the County. If the Landlord and County agrees on the rent for the second option, a Second Amendment will be prepared by the Landlord specifying the rent. The Second Amendment will therefore be submitted in a new Agenda Item for future requested approval of execution. If the Landlord and County does not agree on the rent for the second option, independent commercial appraisers will be utilized to establish the rent. Lease costs include 25,132 square feet of space, 80 dedicated parking spaces, janitorial and maintenance services.

OTHER AGENCY INVOLVEMENT:

Public Works – Real Property Division
County Administrative Office

ALTERNATIVES TO STAFF RECOMMENDATIONS:

The Board could choose a) not to approve exercising the second option to extend the Lease and b) not approve the County to send a notice to the Landlord that exercises its option to extend the Lease. If the notice is not sent within ninety (90) days of the end of the first option (September 30, 2018), the Landlord will subsequently issue a notice of termination and ninety (90) day notice to the County to vacate. DHHS will therefore have to find another site within these ninety (90) days, or dismantle their activities - which are not feasible.

ATTACHMENTS:

Attachment 1: Lease for 507 F Street with Kramer Properties, Inc.

Attachment 2: Assignment and First Amendment to Lease for 507 F Street

Attachment 3: First Option to Extend the Lease for 507 F Street