



COUNTY OF HUMBOLDT

For the meeting of: 10/16/2018

File #: 18-1265

To: Board of Supervisors

From: Public Works

SUBJECT:

Request to Approve the Second Amendment to the Lease with A&K Investments, LLC for property at 507 F Street, Eureka

RECOMMENDATION(S):

That the Board of Supervisors approve and authorize the Chair to execute the Second Amendment to extend the Lease Term at 507 F Street, Eureka with A&K Investments, LLC through September 30, 2023; direct the Clerk of the Board to return one (1) executed Second Amendment to Public Works - Real Property Division - for transmittal to the Lessor; and direct the Clerk of the Board to return one executed agenda item to Public Works - Real Property Division.

SOURCE OF FUNDING:

Social Services Fund

DISCUSSION:

On January 14, 2003 (item C-6), the Department of Health and Human Services (DHHS) entered in a Lease (Attachment 1) with Kramer Properties, Inc. for space at 507 F Street, Eureka. DHHS occupancy of the site commenced on 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, and 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 improvement to the property was completed. On May 21, 2013, (Item C-8), the Board of Supervisors approved the First Option to Extend the Lease (Attachment 3), exercising the first of two (2) five (5) year options to extend the lease up to September 30, 2018. On June 26, 2018, (Item C-15), the Board of Supervisors approved the Second Option to Extend the Lease (Attachment 4), exercising the second of two (2) five (5) year options to extend the lease up to September 30, 2023. As a condition of the second option, it is required that an Amendment to the Lease also be completed to continue with the current rent calculation. The second amendment does not change the rates but rather affirms the rates as established.

Annual Rent calculations for the last five (5) years of the first option based on adjustment by the Consumer Price Index (CPI), with an increase in any given year not to exceed 3 percent. The second option will continue this type of calculation with an increase in any given year not to exceed 3 percent.

FINANCIAL IMPACT:

The cost of the Lease is \$2.30 per square foot, \$57,768.61 per month. Lease costs includes 25,132 square feet of space, eighty (80) dedicated parking spaces, and janitorial and maintenance services. The current monthly rent is included in the approved budget for Fiscal Year (FY) 2018-2019 in Funds 1160, Budget Unit 516.

Costs for the Administrative space will be charged to DHHS entities (DHHS - Administrative, Social Services, Mental Health, Public Health) by a cost allocation plan and claimed to various state and federal funding sources as appropriate to each of these DHHS entities. The majority of the Lease cost of the space will be claimed to the state through the Administrative Claim. There is no impact on the County General Fund.

This action supports the Board's Strategic Framework by managing resources to ensure sustainability.

OTHER AGENCY INVOLVEMENT:

Public Works - Real Property Division

ALTERNATIVES TO STAFF RECOMMENDATIONS:

The Board could choose not to approve the Amendment for the second option, resulting in vacating the premises - which is 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 at 507 F Street
- Attachment 4: Authorization to exercise the Second Option to Extend the Lease

PREVIOUS ACTION/REFERRAL:

Board Order No.: C-6, C-16, C-8, C-15
Meeting of: 1/14/2003, 11/18/2003, 5/21/2013, 6/26/2018