



COUNTY OF HUMBOLDT

For the meeting of: 10/16/2018

C20

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

SECOND AMENDMENT TO LEASE

This Second Amendment to the Lease entered on January 14, 2003 by and between Kramer Properties, Inc., a California Corporation, hereinafter called KRAMER, and A&K Investments, LLC, an Alaska limited liability company, and the COUNTY OF HUMBOLDT, a political subdivision of the State of California, hereinafter called LESSEE, is entered into this 16 day of October, 2018.

WHEREAS, on January 14, 2003, KRAMER and LESSEE entered into a Lease (LEASE) for the use of the premises at 507 F Street, Eureka, for the purpose of Department of Health and Human Services, Administration offices; and

WHEREAS, on November 18, 2003, A&K Investments, LLC (hereinafter called LESSOR), KRAMER, and LESSEE entered into an Assignment and First Amendment (FIRST AMENDMENT) for the purpose of assigning the lease from KRAMER to LESSOR with the LESSEE'S approval, and to change the rentable square footage of the Lease Premises with a reduction of rent.

WHEREAS, on May 21, 2013, the Humboldt County Board of Supervisors approved exercising the first option to extend the LEASE for the term beginning on October 1, 2013 and ending on September 30, 2018.

WHEREAS, LESSEE desires to exercise the Second and Final Option to extend the LEASE for the term beginning on October 1, 2018 and ending on September 30, 2023, which will require an Amendment (SECOND AMENDMENT) to specify rent calculations.

NOW, THEREFORE, it is mutually agreed as follows:

AMENDMENT TO LEASE

1. Paragraph 2.5.2.2 of the LEASE is amended to read as follows:

2.5.5.2 Second Option Term. Commencing on the first day of Second Option Term and continuing each year thereafter of the Second Option Term, annual rent shall be adjusted by the percentage increase in the revised Consumer Price Index for all items (1967=100) U.S. City Average, West Cities Size B-C, as published by the United States Department of Labor, Bureau of Labor Statistics (called "the Index" in this SECOND AMENDMENT) for the prior calendar year. In calculating his percentage increase, the most current Index immediately preceding the date of annual adjustment during the extended term shall be used. In the event the Index is either unavailable, is no longer published, or is calculated on a significantly different basis following the date of this Second Amendment, the most comprehensive official Index published which most closely approximates the rate of inflation shall be substituted in place of the Index. July 2018 shall be the base month for this adjustment. On adjustment of the rent in accordance with this paragraph, LESSOR shall execute a letter stating the adjustment. In no event shall the rent be less than Forty Four Thousand Nine Hundred Eighty Six Dollars (\$44,986.00) per month. Regardless of the CPI percentage change, the increase or decrease for any one year will be no more than three percent (3%).

2. In all other respects the LEASE and FIRST AMENDMENT shall remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have executed this SECOND AMENDMENT to the LEASE on the date indicated above.

(SEAL)

ATTEST:

CLERK OF THE BOARD

By 

Ryan Sharp, Deputy

COUNTY OF HUMBOLDT

By 

Chair, Board of Supervisors
County of Humboldt
State of California

LESSOR

A & K INVESTMENTS, LLC.

By: 

Title: General Manager

By: 

Title: CONTROLLER