



# Board Agenda Item 49

DATE: January 28, 2025

TO: Board of Supervisors

SUBMITTED BY: Edward Hill, Chief Operating Officer/Interim Director of Internal Services/Chief Information Officer  
Sally Gomez, County Librarian

SUBJECT: Retroactive Amendment No. 1 to Sunnyside Library Branch Lease

RECOMMENDED ACTION(S):

1. **Approve and accept the Assignment of Lease Agreement No. 22-099 from Sunnyside Square Investments, Inc. to Sage Kings Fresno, LLC for 18,033 square feet of office space and adjacent parking stalls located at 5566 E. Kings Canyon Road, Fresno, CA 93727, retroactively effective September 23, 2022;**
2. **Approve and authorize the Chairman to execute retroactive Amendment No. 1 to Lease Agreement No. 22-099 with Sage Kings Fresno, LLC, to extend the term by two years to a total of seven years, from April 1, 2022, through March 31, 2029, add improvements to the restrooms, increase the maximum base rent by \$696,108 to \$1,709,628, and increase the estimated possible additional rent by \$247,015 to \$343,213, for a total estimated maximum rent of \$2,052,841;**
3. **Authorize the Director of Internal Services/Chief Information Officer, or their designee, to approve and execute, upon review and approval as to legal form by County Counsel, an Estoppel Certificate, and Subordination and Non-Disturbance Agreement relating to the recommended Lease Agreement, if County is so requested by Sage Kings Fresno, LLC, to sign such documents;**
4. **Authorize the Director of Internal Services/Chief Information Officer, or their designee, to approve and execute (or accept, as applicable), (a) upon review and approval as to legal form by County Counsel, the Memorandum of Lease, and any notices, instruments, certificates, and documents, relating to the consummation of the recommended Lease Agreement, and (b) any notices and documents relating to the County's administration of the leased premises under the recommended Lease Agreement; and**
5. **Adopt Budget Resolution increasing FY 2024-25 appropriations for Measure B Fund 0107, Library Org 7511 in the amount of \$110,000 for the retroactive cost of the amended rent effective April 1, 2024 (4/5 vote).**

There is no additional Net County Cost associated with the recommended actions, which will accept the Assignment of Lease Agreement No. 22-099 from Sunnyside Square Investments, Inc. (Sunnyside, Inc.) to Sage Kings Fresno, LLC (Sage Kings) (Assignment), and retroactively amend the Lease Agreement No. 22-099 (Lease Agreement) for 18,033 square feet of office space located at 5566 E. Kings Canyon Road,

Fresno, California 93727 (Property) to extend the lease term to a total of seven years. The maximum total payable for lease of the Property (Base Rent) is \$1,709,628, and the estimated total payable for common area maintenance fees related to the Property (Additional Rent) is \$343,213, for a total possible maximum rent amount of \$2,052,841 for the seven-year lease term. The recommended Amendment will also provide for improvements to the restrooms and allow the library to continue using the existing library space at this location. This item pertains to a location in District 5.

ALTERNATIVE ACTION(S):

Not approving the recommend actions would result in the loss of the location as a library and the disruption of other library services at the Property.

RETROACTIVE AGREEMENT:

The recommended Amendment is retroactive to April 1, 2024 to ensure continuity of the lease. The lease negotiations regarding this site took significantly longer than anticipated as staff explored several different options for the site, including a potential purchase of the shopping center, throughout 2023 and 2024. Ultimately, a purchase was deemed not viable, and the lessor was not willing to sign a one-year extension during these negotiations. The recommended Amendment includes language to fully reinstate the lease through the previous expiration date. The Library has continued to pay rent on the space throughout this time.

FISCAL IMPACT:

There is no increase in Net County Cost associated with the recommended actions. The Base Rent for the Property under the Lease Agreement started at \$16,230 per month, effective April 1, 2022, with 2% annual increases. Costs for Additional Rent for common area maintenance is billed at \$1,603 per month with no increases.

The recommended Amendment will increase the Base Rent closer to market rate at \$20,659 per month, effective April 1, 2024, followed by 3% annual increases. The Additional Rent, which includes estimated costs for property tax, insurance, maintenance, and a 3% management fee, is estimated to be \$55,150 beginning April 1, 2024, and is anticipated to increase by approximately 5% each year. At the end of each calendar year, Sage Kings shall provide a cost statement to the County, detailing the actual cost for Additional Rent. Any amounts underpaid by the County shall be paid to Sage Kings, and any amount overpaid by the County shall be credited to the following year's Additional Rent expenses.

The last recommended action will increase the FY 2024-25 appropriations in the Department's Org 7511 for the retroactive increase in Base Rent effective April 1, 2024 and additional rent costs. There are sufficient estimated revenues to cover the additional appropriations.

The maximum compensation payable under the recommended Amendment for the seven-year period is \$1,709,628 in Base Rent and an estimated \$343,213 in Additional Rent, for a total of \$2,052,841 in rent. The costs associated with the Lease Agreement will be funded through Measure B library sales tax and property tax revenue. Sufficient appropriations and estimated revenues will be included in subsequent budget requests.

DISCUSSION:

Since 1965, the County has leased the Property for the operation of the Sunnyside Library branch. This location includes library services and several meeting and quiet rooms, serves as a major distribution hub for books throughout the library system, and performs other library operations.

On March 22, 2022, the Board approved the Lease Agreement for an initial term of one year, from April 1,

2022, through March 31, 2023, with four additional one-year extensions, not to exceed March 31, 2027.

On September 23, 2022, Sage Kings purchased the property from Sunnyside, Inc., executed an Assignment, and assumed all rights, responsibilities, and interests related to the Property. The County was not notified of the change in ownership until after the Assignment had already been executed and the grant deed recorded. Your Board's approval of the first recommended action will accept the Assignment from Sunnyside Inc. to Sage Kings. A redacted and undated version of the Assignment, including a copy of the recorded grant deed are included for your Board's consideration and acceptance.

Approval of the second recommended action will retroactively amend the Lease Agreement to increase the Base Rent to bring the rental rates more in line with a market-rate rent, increase Additional Rent to bring common area maintenance costs closer to actual costs, and ensure continuity of the Lease Agreement. In exchange for the rental increase, Sage Kings will renovate the restrooms to be compliant with the Americans with Disabilities Act at no additional cost to the County.

Approval of the third and fourth recommended actions will authorize the Director of Internal Services, or their designee, upon review and approval as to legal form by County Counsel, to execute various documents as necessary to administer the Lease Agreement.

REFERENCE MATERIAL:

BAI #46, March 22, 2022

ATTACHMENTS INCLUDED AND/OR ON FILE:

On file with Clerk - Assignment of Lease Agreement & Grant Deed  
On file with Clerk - Amendment No. 1 to Agreement with Sage Kings  
On file with Clerk - Budget Resolution

CAO ANALYST:

Amy Ryals