



Board Agenda Item 55

DATE: June 12, 2018

TO: Board of Supervisors

SUBMITTED BY: Delfino E. Neira, Director of Social Services
Robert W. Bash, Director of Internal Services/Chief Information Officer

SUBJECT: First Amendment to Lease Agreement 17-519

RECOMMENDED ACTION(S):

Approve and authorize the Chairman to execute First Amendment to Lease Agreement with Pontiac 7, LLC, at 205 W. Pontiac Way, Fresno, CA 93612, for Tenant Improvements, increasing the office space from 101,696 square feet to 140,142 square feet and reducing the warehouse space from 49,897 square feet to 12,127 square feet, and Renewing the lease for one (1) nineteen-year period upon completion of Tenant Improvements, total not to exceed (\$96,704,502.32).

Approval of the recommended action will amend the current agreement to create a nineteen-year lease for 152,269 square feet of office (\$1.25/square foot) for the Department of Social Services (DSS). The Agreement maximum for the first year is \$4,628,028, with no increase in Net County Cost. This item pertains to a location in District 3.

ALTERNATIVE ACTION(S):

Your Board could direct the Department of Social Services to not renovate the building. However, this would result in an office space which does not meet the long term operational needs of the Department and would result in decreased operational efficiencies for the programs and services provided to the residents of Fresno County.

FISCAL IMPACT:

There is no increase in Net County Cost associated with the recommended action. The total cost of the recommended Lease Amendment (\$96,704,502.32) will be fully offset with State and Federal Social Services Allocations (\$83,347,893.41) and 2011 Realignment (\$8,445,370.63) in lieu of State General Funds for Child Welfare Services and Adult Protective Services Programs that were realigned to counties through Assembly Bill (AB) 118, 1991 Social Services Realignment (\$4,085,938.20) and the required Net County Cost (\$825,300.08) which offsets the General Relief Program share of cost. Sufficient appropriations have been included in the FY 2017-18 Adopted Budget for the Department of Social Services, Organization 5610, and will be included in subsequent budgets.

As stated below, if the County terminates this Lease prior to the completion of the amortization period to pay for the Tenant Improvements, then the County must pay to the Lessor, in one lump sum, an amount equal to the unamortized principal balance of the County's share of the cost of the Tenant Improvements (\$22,859,267) within forty-five (45) days after the Lease termination date. It is the opinion of the DSS Finance Chief that any lump sum payments caused by the County terminating a lease early would not be claimable to State and Federal funding, and would need to be paid through the County General fund.

DISCUSSION:

The Department of Social Services' (DSS) Strategic Plan places emphasis on enhancing Department performance and improving client experience. A key component of the strategic plan is streamlining business and administrative functions to increase efficiency and operational effectiveness. Approval of the recommended lease amendment is essential for DSS to implement its Strategic Plan.

On September 26, 2017, your Board approved the lease for office space at 205 W. Pontiac Way, Clovis, CA 93612 as this property satisfies the needs and requirements of DSS and its' operations. DSS and the property owner engaged in developing plans for renovations to the internal layout of the office space that will make the building operationally functional for long-term use by the Department. All parties have agreed to the building plans and associated renovation costs.

At the conclusion of the renovations, the property will enable DSS to co-locate all administrative staff and programs who provide back office programmatic support into one building. Approximately 480 staff provide DSS administrative and back office functions will work from this facility and are currently located in seven different buildings throughout metro-Fresno. This will allow for greater operational efficiency and increased communication, which will enable the Department to provide higher quality services to the residents of Fresno County.

The Lease includes insurance language (notably a mutual hold harmless provision and waiver of subrogation) that deviates somewhat from the typical provisions found in leases where the County is the lessor; however, Risk Management has deemed these provisions as acceptable for the purposes of this Triple Net lease.

It should be noted that this Lease Amendment contains a provision that if the County terminates this Lease prior to the completion of the amortization period to pay for the Tenant Improvements, then the County must pay to the Lessor, in one lump sum, an amount equal to the unamortized principal balance of the County's share of the cost of the Tenant Improvements (\$22,859,267) within forty-five (45) days after the Lease termination date. It is the opinion of the DSS Finance Chief that any lump sum payments caused by the County terminating a lease early would not be claimable to State and Federal funding, and would need to be paid through the County General fund.

REFERENCE MATERIAL:

BAI #58, September 26, 2017

ATTACHMENTS INCLUDED AND/OR ON FILE:

On file with Clerk - First Amendment to Lease

CAO ANALYST:

Ronald Alexander