



Board Agenda Item 56

DATE: November 6, 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 17-646

RECOMMENDED ACTION(S):

Approve and authorize the Chairman to execute First Amendment to Lease Agreement No. 17-646 with Pontiac 2, LLC, at 3500 Pelco Way, Clovis, CA 93612, for Tenant Improvements, increasing the office space from 21,966 square feet to 172,000 square feet and reducing the warehouse space from 87,117 square feet to 0 square feet, and Renewing the lease for one (1) nineteen-year period upon completion of Tenant Improvements, total not to exceed (\$146,277,990).

Approval of the recommended action will amend the current agreement to create a nineteen-year lease for 172,000 square feet of office (\$1.35/square foot, with increases every year) for the Department of Social Services (DSS). The Agreement maximum for the first year is \$ 7,135,614, with no increase in Net County Cost. This item pertains to a location in District 3.

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 (\$40,932,435) 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.

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 (\$146,277,990) will be fully offset with State and Federal Social Services Allocations (\$125,738,385) and 2011 Realignment (\$13,051,906) 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 (\$6,396,490) and the required Net County Cost (\$1,091,209) which offsets the General Relief Program share of cost. Sufficient appropriations will be included in the FY 2019-20 Recommended 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 (\$40,932,435) 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 December 12, 2017, your Board approved the lease for office space at 3500 Pelco 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 metro-Fresno based client service programs into one building. Approximately 750 staff provide direct client contact services to more than 1500 clients per day from this location. Presently, DSS clients have to go to one of 15 or more metro-Fresno locations to receive direct client contact services. This location will allow for greater operational efficiencies for staff and clients as well as increased communication for our staff who support our clients, 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 (\$40,932,435) 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 #45, December 12, 2017

ATTACHMENTS INCLUDED AND/OR ON FILE:

On file with Clerk - First Amendment to Lease

CAO ANALYST:

Ronald Alexander