

April 30, 2002

The Honorable Board of Supervisors  
County of Los Angeles  
383 Kenneth Hahn Hall of Administration  
500 West Temple Street  
Los Angeles, CA 90012

Dear Supervisors:

**FIVE-YEAR RE-LEASE  
DEPARTMENT OF MENTAL HEALTH  
25050 PEACHLAND AVENUE, SANTA CLARITA  
(FIFTH) (3 VOTES)**

**IT IS RECOMMENDED THAT YOUR BOARD:**

1. Approve and instruct the Chairman to sign the attached five-year re-lease with Plaza Posada, Lessor, for 7,030 rentable square feet of office and clinic space and 24 parking spaces for the Department of Mental Health (DMH) Santa Clarita Outpatient Clinic at 25050 Peachland Avenue, Santa Clarita, at a maximum initial annual cost of \$136,663. These costs are funded by State and Federal funds.
2. Authorize the Lessor and/or the Director of the Internal Services Department (ISD) at the direction of the Chief Administrative Office (CAO) to refurbish the premises and acquire furniture systems for the DMH at a cost not to exceed \$350,000. At the discretion of the CAO, a portion of the refurbishment costs and furniture systems in the amount of \$289,401 shall be paid in lump sum. Payment for the balance of the Tenant Improvement (TI) allowance is provided under the lease.
3. Authorize the Lessor and/or the Director of the ISD at the direction of the CAO to acquire or expand a telephone system for the DMH at a cost not to exceed \$35,000. The full cost of the telephone, data, and low voltage systems will be paid in a lump sum by the DMH.

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4. Find that the proposed lease is categorically exempt from the provisions of the California Environmental Quality Act (CEQA) pursuant to Class 1, Section r, of the Environmental Document Reporting Procedures and Guidelines adopted by your Board on November 17, 1987, and Section 15061(b)(3) of the State CEQA Guidelines.
5. Approve the attached appropriation adjustment for \$290,000 to transfer an appropriation from the DMH's 2001-02 operating budget to the Project and Facility Development budget for payment of tenant improvement costs.
6. Approve the project and authorize the CAO, ISD and DMH to implement the project. The lease will become effective upon approval by your Board.

#### **PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION**

Approval of the proposed action will allow DMH to continue operating its outpatient clinic with 30 full-time employees at this location.

- DMH has operated a clinic at this location since 1991. This continued occupancy allows DMH to provide continuity of service to its clients.
- By keeping the clinic at this location, relocation costs and service disruptions will be minimized or obviated. Except for a minimal disruption during the installation of the new tenant improvements, the vast majority of the proposed TI work will be performed after-hours and on weekends to minimize its impact on daily operations.

#### **Implementation of Strategic Plan Goals**

The Countywide Strategic Plan directs that we invest in public infrastructure in order to strengthen the County's fiscal capacity. The lease of property supports this strategy by complying with the Strategic Asset Management Principles (Goal 4, Strategy 2, Objective 2). The proposed lease will house subvended programs in leased space as further outlined in Attachment A.

**FISCAL IMPACT/FINANCING**

The initial annual cost of this lease will be \$136,663. However, in 2002-03 up to an additional \$289,401 will be paid for refurbishment and furniture. This consists of \$224,960 for additional tenant improvements to the Lessor, up to \$62,687 which may be paid to ISD for additional work and/or furniture, and up to \$1,754 could be paid to Lessor as an incentive to the contractor for early completion.

<b>25050 Peachland Ave.</b>	<b>Existing Lease</b>	<b>Re-Lease</b>	<b>Change</b>
Area	5,581 sq. ft.	7,030 sq. ft.	1,449 sq. ft.
Term	7/25/86 - 7/24/01 Month-to-month since 7/25/01	5 years	Additional 5 years
Annual Base Rent	\$71,412 (\$12.79/sq.ft.)	\$136,663 (\$19.44/sq.ft.)	\$65,251
Base TI Allowance Included	None	\$60,599 (\$8.62 sq.ft.)	\$60,599
Maximum Additional TI**	None	\$224,960 (\$32.00 sq.ft.)	\$224,960
Maximum Annual Rent	\$71,412	\$136,663	\$65,251
Option to Renew	None	One 5-year option.	One 5-year option
Cancellation	Anytime upon 90 days notice	Anytime after 3 <sup>rd</sup> year upon 90 days notice	After 3 <sup>rd</sup> year
Parking Included in Rent	17 spaces	24 spaces	7 spaces

\* The area being added to the space currently under lease is only 480 sq. ft. The discrepancy results from the fact that the old measurement was for useable space and the new measurement reflects rentable space under the new BOMA standard adopted by the County for all its leases.

\*\* The maximum amount of additional TI dollars available for the project under the lease is \$224,960, which must be reimbursed via a lump sum payment within 60 days of TI completion and acceptance by the County. Additionally, the County may incur up to \$62,687 for refurbishment, and up to \$1,754 in early completion incentive.

Sufficient funding for the proposed lease is included in the 2001-02 Rent Expense Budget and will be charged back to DMH. Sufficient funding is available in DMH's 2001-02 budget to cover the projected lease costs.

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The lease costs are funded through a combination of Federal and State funds including Sales Tax Realignment revenue. Therefore, the entire cost associated with the subject lease, including the increased TI cost, would be funded through these revenues with no additional net County cost.

Tenant improvements to the leased space are estimated to cost \$350,000. The department has identified \$290,000 in its operating budget that will not be expended in the current fiscal year and is available to fund the majority of the planned improvements. Approval of the attached appropriation adjustment will transfer \$290,000 from the department's operating budget to the Project and Facility Development Budget to partially fund the improvements. Under the lease, the remaining \$60,599 in tenant improvement costs will be funded by the Lessor as a consideration for County re-leasing the space.

The monthly rent under the proposed lease is subject to an annual adjustment based on the Consumer Price Index not to exceed four percent.

The total estimated purchase cost for the telephone, data, and low voltage systems is not to exceed \$35,000 and shall be paid in a lump sum by the department. Should the Lessor be able to provide the aforementioned costs at or below the County's cost, the recommendation herein allows for the payment of these costs to the Lessor and, at the discretion of the CAO, all or part of these costs may be paid direct on a lump sum basis.

#### **FACTS AND PROVISIONS/LEGAL REQUIREMENTS**

DMH has been at this location since 1991. The current lease expired July 24, 2001, and occupancy has continued on a month-to-month basis since July 25, 2001. The Outpatient Clinic currently provides counseling, crisis walk-in, intervention, case management, rehabilitation, and individual and group therapy services. Pursuant to the expired lease, the space was measured at 5,581 sq. ft. to reflect the net useable space. The County will be acquiring a new area of approximately 480 sq. ft., but the entire space is now being measured according to the new BOMA standard adopted by the County for all its leases, therefore, the space is now shown at 7,030 sq. ft. Additionally, the proposed five-year lease contains the following provisions:

- The term commences upon approval by your Board and terminates five years thereafter.
- The lease is full service gross whereby the Lessor will be responsible for all operating and maintenance expenses.
- The lease may be cancelled at or anytime after the third year upon providing the Lessor with 90 days prior written notice.
- The County has the option to renew for a period of five years at the same terms, conditions and rental rate, subject to Board approval.
- A \$60,599 or \$8.62 per square foot TI allowance is included in the base rental rate.
- An additional TI allowance up to \$224,960 or \$32.00 per square foot for additional TIs, which is reimbursable in a lump sum within 60 days of TI completion.
- A TI performance clause whereby the Lessor will pay a penalty of \$379.62 per day for every day that the TI work exceeds the 90-day construction schedule and the County will pay a bonus of \$125.27 per day for every day that the TI work is completed ahead of schedule, after the 60th day, up to a maximum of 14 days, i.e., a maximum of \$1,754.
- The Lessor will provide 24 parking spaces included in the rental rate, which is sufficient to meet the staff's parking needs. Moreover, there are sufficient on-site parking spaces to accommodate clients and visitors.
- All TI expenditures shall be approved in writing by the CAO. All construction shall be in compliance with Paragraph 25, "Tenant Improvements" and the Tenant Improvement Work Letter attached as Exhibit G, and referenced in Paragraph 25, Section A of the proposed lease.

- No County Project Manager or employee, including the CAO, is authorized to approve any expenditure not expressly pre-approved by the Board of Supervisors. The Board of Supervisors will not approve retroactive expenditures. Any unapproved expenditure by the Lessor, even if it benefits the County, shall not be recovered by Lessor who shall solely bear the risk of loss for incurring such liability as stated in Paragraph 30 of the lease.

CAO Real Estate staff surveyed the Santa Clarita, Newhall, and Valencia areas as specified by DMH to determine the availability of comparable and more economical sites. Staff was unable to identify any sites in the surveyed areas that could accommodate this requirement more economically. Attachment B shows all County-owned and leased facilities within the search areas for these programs. There are no County-owned or leased facilities available for this program.

Based upon a survey of similar properties within the specified area, staff has determined that base rental range including parking is between \$19.80 and \$27.00 per square foot per year, full service gross. Thus, the base annual rent of \$19.44 per square foot of the proposed lease represents a below-market rental rate.

The proposed lease has been administratively reviewed and approved by your Board's appointed Real Estate Management Commission.

The Department of Public Works has inspected this facility and found it suitable for the County's occupancy.

The leased area is too small to accommodate a child care center. Additionally, the placement of a child care facility at/or in close proximity to a mental health outpatient clinic could be problematic. Therefore, inclusion of a child care facility is not recommended.

#### **NEGATIVE DECLARATION/ENVIRONMENTAL IMPACT REPORT**

The CAO has made an initial study of environmental factors and has concluded that this project is exempt from CEQA pursuant to Class 1, Section r, of the Environmental Document Reporting Procedures and Guidelines adopted by your Board on November 17, 1987, and Section 15061 (b) (3) of the State CEQA Guidelines.

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**IMPACT ON CURRENT SERVICES (OR PROJECTS)**

It is the finding of the CAO that the proposed lease is in the best interests of the County and will adequately provide the necessary space for this County requirement. In accordance with your Board's policy on the housing of any County offices or activities, DMH concurs in this lease recommendation.

**CONCLUSION**

It is requested that the Executive Officer, Board of Supervisors, return three original copies of the executed Lease, and three certified copies of the Minute Order, and the adopted, stamped Board letter to the CAO Real Estate Division at 222 South Hill Street, 4<sup>th</sup> Floor, Los Angeles, CA 90012 for further processing.

Respectfully submitted,

DAVID E. JANSSEN  
Chief Administrative Officer

DEJ:SNY  
CWW:KW:hd

Attachments (3)

c: County Counsel  
Auditor-Controller  
Department of Mental Health

**DEPARTMENT OF MENTAL HEALTH  
SANTA CLARITA CLINIC  
25050 PEACHLAND AVENUE, SANTA CLARITA**

Asset Management Principles Compliance Form<sup>1</sup>

1.	<b>Occupancy</b>	Yes	No	N/A
A	Does lease consolidate administrative functions? <sup>2</sup>			<b>X</b>
B	Does lease co-locate with other functions to better serve clients? <sup>2</sup> <b>The Clinic is operated as a stand alone function.</b>		<b>X</b>	
C	Does this lease centralize business support functions? <sup>2</sup>			<b>X</b>
D	Does this lease meeting the guideline of 200 sf of space per person? <sup>2</sup> <b>Lease meets guideline of 250 sq. ft. per person for clinic space. (7,030 sf/30 fte - 234 sq. ft.)</b>		<b>X</b>	
2.	<b>Capital</b>			
A	Should program be in leased space to maximize State/Federal funding?	<b>X</b>		
B	If not, is this a long term County program?			<b>X</b>
C	Is it a net County cost (NCC) program? <b>0.00%</b>		<b>X</b>	
D	If yes to 2 B or C; capital lease or operating lease with an option?			<b>X</b>
E	If no, are there any suitable County-owned facilities available?		<b>X</b>	
F	If yes, why is lease being recommended over occupancy in County-owned			<b>X</b>
G	Is Building Description Report attached as Attachment B?	<b>X</b>		
H	Was build-to-suit or capital project considered? <b>Project too small to warrant build-to-suit or capital project.</b>		<b>X</b>	
3.	<b>Portfolio Management</b>			
A	Did department utilize CAO Space Request Evaluation (SRE)?	<b>X</b>		
B	Was the space need justified?	<b>X</b>		
C	If a renewal lease, was co-location with other County departments	<b>X</b>		
D	Why was this program not co-located?			
	1. The program clientele requires a "stand alone" facility.			
	2. <b>X</b> No suitable County occupied properties in project area.			
	3. <b>X</b> No County-owned facilities available for the project.			
	4. Could not get City clearance or approval.			
	5. The Program is being co-located.			
E	Is lease a full service lease? <sup>2</sup>	<b>X</b>		
F	Has growth projection been considered in space request?	<b>X</b>		
G	Has the Dept. of Public Works completed seismic review/approval?	<b>X</b>		
	<sup>1</sup> As approved by the Board of Supervisors 11/17/98			
	<sup>2</sup> If not, why not?			

Please **bold** any written responses

**DEPARTMENT OF MENTAL HEALTH  
25050 PEACHLAND AVENUE, SANTA CLARITA**

**SPACE SEARCH-CITIES OF VALENCIA, SANTA CLARITA, AND NEWHALL**

LACO	FACILITY NAME	ADDRESS	SQ. FT. GROSS	SQ. FT. NET	OWNERSHIP	SQ. FT. AVAILABLE
0090	PUBLIC WORKS-ROAD MAINTENANCE YARD	17931 SIERRA HWY, SANTA CLARITA 91351	820	738	OWNED	NONE
A526	PUBLIC LIBRARY-CANYON COUNTRY BRANCH-JO ANNE DARCY LIBRARY	18601 SOLEDAD CANYON RD, SANTA CLARITA 91351	12500	11250	PERMIT	NONE
F487	PUBLIC WORKS-FLOOD CONTROL YARD	21014 GOLDEN TRIANGLE RD, SANTA CLARITA 91351	125	112	OWNED	NONE
4085	PUBLIC LIBRARY-NEWHALL BRANCH	22704 W. 9TH STREET, SANTA CLARITA 91351	4842	3432	OWNED	NONE
X298	SANTA CLARITA SENIOR CENTER	22900 MARKET ST, SANTA CLARITA 91351	12120	10512	OWNED	NONE
A156	DCFS-SANTA CLARITA OFFICE	23502 LYONS AVE, SANTA CLARITA 91321	12892	10958	LEASED	NONE
5541	PUBLIC LIBRARY-VALENCIA BRANCH	23743 W. VALENCIA BLVD, SANTA CLARITA 91355	24144	19245	OWNED	NONE
5543	SANTA CLARITA COURTHOUSE	23747 W. VALENCIA BLVD, SANTA CLARITA 91355	32950	17979	OWNED	NONE
5542	SANTA CLARITA ADMINISTRATIVE OFFICE	23757 W. VALENCIA BLVD, SANTA CLARITA 91355	22767	20427	OWNED	NONE
A920	BOARD OF SUPERVISORS-FIELD OFFICE	23920 W. VALENCIA BLVD, SANTA CLARITA 91355	1224	1026	LEASED	NONE
4284	HART-PARK OFFICES	24151 FERNANDO RD, SANTA CLARITA 91321	2916	1901	OWNED	NONE
D143	DCSS-SANTA CLARITA CENTER	24269 FERNANDO RD, SANTA CLARITA 91321	1942	1554	LEASED	NONE
A510	DCSS-SANTA CLARITA APS CENTER	26705 BOUQUET CANYON RD, SANTA CLARITA 91354	288	270	PERMIT	NONE
A341	DPSS-SANTA CLARITA BRANCH	27233 CAMP PLENTY RD, SANTA CLARITA 91351	8400	5610	LEASED	NONE