



County of Los Angeles
CHIEF ADMINISTRATIVE OFFICE

713 KENNETH HAHN HALL OF ADMINISTRATION • LOS ANGELES, CALIFORNIA 90012
(213) 974-1101
<http://cao.co.la.ca.us>

DAVID E. JANSSEN
Chief Administrative Officer

July 6, 2004

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:

**AMENDMENT NO. 1 TO LEASE NO. 67293
DEPARTMENT OF MENTAL HEALTH
7621 CANOGA AVENUE, CANOGA PARK
(THIRD DISTRICT) (3 VOTES)**

IT IS RECOMMENDED THAT YOUR BOARD:

1. Approve and instruct the Chairman to execute the attached Amendment with Gelb Enterprises, LLC (Lessor) exercising the option to extend the lease term for an additional five years for 15,900 rentable square feet of office space and parking in the facility located at 7621 Canoga Avenue, Canoga Park at an initial annual cost of \$294,240 on a full-service basis, net utilities. The rental costs are fully funded by State and Federal sources.
2. Find that the project is exempt from the California Environmental Quality Act (CEQA) pursuant to Class 1, Section r, of the Environmental Document Reporting Procedures and Guidelines adopted by your Board and Section 15062 (b)(3) of the State CEQA Guidelines.
3. Authorize the Chief Administrative Officer (CAO) and Department of Mental Health (DMH) to implement the project. Upon Board approval, the Amendment will be effective July 13, 2004.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

Since July 13, 1994, County has leased 15,900 rentable square feet of office space comprising the entire facility located at 7621 Canoga Avenue, Canoga Park, with

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The Honorable Board of Supervisors
July 6, 2004
Page 2

40 parking spaces. The building currently houses DMH's West Valley Mental Health with 72 full-time, part-time and volunteer staff. The facility provides adult outpatient direct services including medication maintenance/evaluation, case management, group treatment, individual treatment, psychological testing, dual diagnosis program, drop-in group program, intensive case management program and crisis intervention.

The subject facility does not fully meet the space and parking needs of the program. However, due to budgetary constraints, limited geographical area available to accommodate this program without infringing on DMH area contractors and rising rental rates in the market, DMH decided to renew the lease for the current facility. The Amendment provides a right to cancel anytime after the third year upon a 90-day written notice to the Lessor and reimbursement of the unearned balance of the Tenant Improvement (TI) cost. This approach would allow the relocation of the program should DMH fiscal resources provide an opportunity to house this program in space that meets the department's operational and on-site parking requirements.

Pursuant to the proposed Amendment, the Lessor has agreed to provide the County with an additional 24 off-site parking spaces, and a shuttle service which will operate during the peak morning and afternoon hours. Additionally, the Lessor agreed to provide the County with a TI allowance to improve the Premises in the amount of \$79,500. This TI allowance is not subject to reimbursement unless the County exercises its option to terminate the lease pursuant to the cancellation provision in the Amendment. There will be no increase in the rental rate from its current level beyond the anticipated Consumer Price Index (CPI) adjustment. Approval of the proposed Amendment will provide DMH continued occupancy of the leased premises with uninterrupted delivery of programs and services to the constituency in this geographic area, and the opportunity to relocate to a larger facility with appurtenant parking if funding becomes available.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

The Countywide Strategic Plan directs that we provide the public with easy access to County services (Goal 1), and ensure that service delivery systems are efficient, effective, and goal oriented (Goal 3). In this case, the proposed action will enable DMH program to continue to provide services to the residents at the same location without interruption and will provide additional staff and clientele parking allowing easier access to the facility.

FISCAL IMPACT/FINANCING

The maximum initial rental cost of the proposed full-service lease, net utilities, will be \$294,240 annually, which is fully offset by Federal and State funds. The following chart delineates the impact of the proposed Amendment on the total space costs.

	Current Lease	Proposed Amendment	Difference
Area	15,900 rentable square feet	15,900 rentable square feet	None
Term	Ten years	Five years; commencing July 13, 2004	+ 5 years
Annual Base Rent	\$288,211	\$294,240	+ \$6,029
Monthly Rent	\$24,018	\$24,520	+ \$502
TI Allowance (included in the rent)	\$397,500 (no TI allowance provided in option period)	\$79,500	+\$79,500
Maximum Annual Rent	\$288,211	\$329,549 (Assuming the maximum increase every year)	+ \$41,338
Rental Adjustment	Annually, capped at 5%	Annually, capped at 3%	- 2%
Cancellation	After the 5 th year upon 120 days notice. No cancellation during the option period.	At any time after the 3 rd year upon a 90 day advance written notice to Lessor and payment of the unearned balance of the TI.	- 2 years
Parking (included in Rent)	A maximum of 40 parking spaces	64 parking spaces with shuttle service for the additional off-site parking.	+ 24 spaces with shuttle

The Honorable Board of Supervisors
July 6, 2004
Page 4

Sufficient funding is included in the 2004-05 Rent Expense Budget and will be charged back to DMH. DMH will have sufficient funds in its 2004-05 operating budget to cover the projected lease costs. The costs associated with the proposed Amendment are fully funded through a combination of Federal and State funds.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

The proposed five-year amendment will provide approximately 15,900 rentable square feet of office space along with a minimum of 64 parking spaces. The Amendment contains the following provisions:

- Five-year term commencing July 13, 2004 upon Board approval.
- An annual rental rate of \$294,240, subject to annual rental adjustments based on the CPI capped at three percent.
- One, five-year option to renew under the same terms, conditions and rental rate as provided in the agreement.
- Cancellation anytime after the third year upon 90 days prior written notice.
- Lessor will provide a base TI allowance of \$79,500, included in the rent.

Based upon a survey of similar properties in the service area, staff has determined that the annual rental range for similar property, on a full-service net utilities basis, is between \$18.50 and \$26.40 per square foot annually. Thus, the annual rental rate of \$18.50 in the Amendment is within the low market range for the area.

ENVIRONMENTAL DOCUMENTATION

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

The Honorable Board of Supervisors
July 6, 2004
Page 5

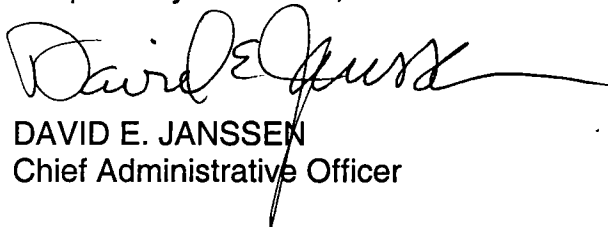
IMPACT ON CURRENT SERVICES (OR PROJECTS)

It is the finding of the CAO and DMH that the proposed Amendment is in the best interest 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 with this recommendation.

CONCLUSION

It is requested that the Executive Officer, Board of Supervisors, return three originals of the executed amendment and two certified copies of the Minute Order, and the adopted, stamped Board letter to the CAO, Real Estate Division at 222 South Hill Street, Fourth Floor, Los Angeles, CA 90012 for further processing.

Respectfully submitted,



DAVID E. JANSSEN
Chief Administrative Officer

DEJ:CWW
CEM:CMB:hd

Attachments (4)

c: County Counsel
Auditor-Controller
Department of Mental Health

DEPARTMENT OF MENTAL HEALTH
7621 CANOGA AVENUE, CANOGA PARK

Asset Management Principles Compliance Form¹

1. Occupancy		YES	NO	NA
A	Does lease consolidate administrative functions? ² Administrative functions will remain centralized at DMH headquarters			<u>X</u>
B	Does lease co-locate with other functions to better serve clients? ² The department has requested to remain at this facility due to budget constraints and the cost of moving to a new facility.		<u>X</u>	
C	Does this lease centralize business support functions? ²			<u>X</u>
D	Does lease meet the guideline of 200 sf of space per person? ² The average is 221 s.f. per employee in this facility. The guideline for DMH clinics is 250 s.f. per employee		<u>X</u>	
2. Capital				
A	Should program be in leased space to maximize State/Federal funding?		<u>X</u>	
B	If not, is this a long term County program?	<u>X</u>		
C	Is it substantially a net County cost (NCC) program? List % NCC		<u>X</u>	
D	If yes to 2 B or C; is it a capital lease or operating lease with an option? See 2H		<u>X</u>	
E	If no, are there any suitable County owned facilities available?		<u>X</u>	
F	If yes, why is lease being recommended over occupancy in County owned space?			<u>X</u>
G	Is Building Description Report attached as Attachment B? ²	<u>X</u>		
H	Was build to suit or capital project considered? ¹ Budget constraints prohibited the consideration of a build-to-suit or capital project.		<u>X</u>	
3. Portfolio Management				
A	Did department utilize CAO Space Request Evaluation(SRE)? ²	<u>X</u>		
B	Was the space need justified?	<u>X</u>		
C	If a renewal lease, was co-location with other County departments considered?	<u>X</u>		
D	Why was this program not co-located?			
1	The program clientele requires a "stand alone" facility.			
2	<u>X</u> No suitable County occupied properties in project area.			
3	<u>X</u> 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? ² County is responsible for all utility costs.		<u>X</u>	
F	Has growth projection been considered in space request?	<u>X</u>		
G	Has the Dept. of Public Works completed seismic review/approval?	<u>X</u>		
¹ As approved by the Board of Supervisors 11/17/98		<i>Please BOLD any written responses</i>		
² If not, why not?				

ATTACHMENT B

**SPACE SEARCH, CITY OF LOS ANGELES
CANOGA PARK AREA
DEPARTMENT OF MENTAL HEALTH
7621 CANOGA AVENUE, CANOGA PARK
SEARCH WITHIN A 2 MILE RADIUS OF FACILITY**

LACO	FACILITY NAME	ADDRESS	GROSS SQ. FT.	NET SQ. FT.	OWNERSHIP	AVAILABLE SQ. FT.
A076	BOARD OF SUP - 5 TH DISTRICT FIELD OFFICE	21949 Plummer St. Building 2 Chatsworth 91311	1,200	1,140	LEASED	NONE
A503	DPSS - WEST VALLEY CALWORKS/GAIN REGION II PROGRAM	21415 Plummer St. Chatsworth 91311	97,280	87,552	LEASED	NONE
A504	DPSS - WEST VALLEY CALWORKS/IHSS PROGRAM OFFICE	21615 Plummer St. Chatsworth 91311	67,220	60,498	LEASED	NONE
A362	DPSS - Canoga Park REGIONAL MEDI-CAL OFFICE	9035 Canoga Ave. Canoga Park 91304	44,835	32,052	LEASED	NONE
X165	CHATSWORTH COURTHOUSE	9425 Penfield Ave. Chatsworth 91311	302,435	165,247	FINANCED	NONE
5872	DHS - CANOGA PARK HEALTH CENTER (P/PP SITE)	7107 Remmet Ave. Canoga Park 91303	5,308	3,094	LEASED	NONE

**AMENDMENT NO. 1 TO LEASE NO. 67296
DEPARTMENT OF MENTAL HEALTH
7621 CANOGA AVENUE, CANOGA PARK**

This Amendment No. 1 to Lease No. 67296 (the "Amendment" or "Amendment No. 1") is made and entered into this _____ day of _____, 2004, by and between Gelb Enterprises, LLC, hereinafter referred to as "Lessor", and the County of Los Angeles, a body politic and corporate, hereinafter referred to as "Lessee".

WHEREAS, Gelb Enterprises, as Lessor, and the County of Los Angeles, as Lessee have entered into that certain Lease and Agreement No. 67296, dated February 1, 1994, hereinafter referred to as "Lease", for those certain premises in the building located at 7621 Canoga Avenue, Canoga Park, more particularly described in the Lease; and

WHEREAS, the Lease grants Lessee an option to renew for an additional five (5) year term at ninety-five percent (95%) of the Fair Market Rental Value; and

WHEREAS, Lessee desires to exercise the option to renew the Lease; and

WHEREAS, Lessor and Lessee are desirous to amend the Lease in certain respects;

NOW, THEREFORE, in consideration of the foregoing recitals, which are hereby deemed a contractual part hereof and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged and the rents, covenants and agreements herein contained, and intended to be legally bound, Lessor and Lessee hereby covenant and agree as follows:

1. Paragraph - 2. **TERM** of the lease is hereby amended by the addition of Subparagraph:

C. **Second Option to Renew:**

Lessee shall have the option to renew this lease for an additional period of five years under the same terms, conditions and rental rate as adjusted pursuant to Paragraph 27 of this Lease. Lessee, by Chief Administrative Office letter shall notify Lessor in writing not less than sixty (60) days prior to expiration of the lease term of Lessee's intention to exercise its option. The actual exercise of the option shall be only by the Board of Supervisors of the County of Los Angeles.

2. Paragraph - 3. **RENT** of the Lease is hereby amended by deleting the sum of \$19,557.00 wherever it appears in said Paragraph and substituting therefore the sum of \$24,520.00.

3. Paragraph - 5. **CANCELLATION** of the Lease is deleted in its entirety and the following is substituted therefore:

"Lessee shall have the right to cancel this Lease at any time after the expiration of the thirty-sixth (36th) month of the Option Period by giving Lessor ninety (90) days prior written notice. In the event Lessee exercises its right to cancel the Lease

during the First Option Period, Lessee shall reimburse Lessor for the unearned portion of the Base Tenant Improvements expended by Lessor at Lessee's request based on 1/60th of \$79,500.00 at no interest for every month less than sixty (60) months for which the Premises was not leased by Lessee. Payment shall be made within sixty (60) days after Lessee's termination of possession of Premises."

4. Paragraph -20. **PARKING SPACES** is deleted in its entirety and the following is substituted therefore:

"During the term of the Lease or any renewal, extension or holdover period as the case may be, Lessor, at its sole cost and expense, shall provide Lessee with sixty-four (64) parking spaces for use by Lessee's employees, agents and invitees. Failure of the Lessor to provide sixty-four (64) parking spaces at all times shall entitle Lessee to cancel this Lease by providing Lessor fifteen (15) days advance written notice of such cancellation; or Lessee, at Lessee's sole option, may elect to negotiate with Lessor for an equitable reduction in the monthly rent based upon the Fair Market Value of the eliminated parking spaces.

Lessee acknowledges that in order for Lessor to provide the number of parking spaces required herein, Lessor may have to provide a portion of the parking spaces (not exceeding forty (40) spaces) "off-site". Lessee concurs with such an arrangement provided Lessor also provides, at its own cost and expense, a shuttle service between the off-site parking location and the Premises. The shuttle service shall run a minimum of two hours in the peak morning hours and two hours in the peak afternoon."

5. Paragraph - 25. **TENANT IMPROVEMENTS**: is deleted in its entirety and the following is substituted therefore:

25. **TENANT IMPROVEMENT DURING FIRST OPTION PERIOD**: Lessor shall provide Lessee with an allowance to improve the Premises in the amount of \$79,500.00. This allowance is not subject to reimbursement by Lessee unless Lessee exercises its option to cancel pursuant to the provision of Paragraphs 3 of this Amendment."

6. Paragraph - 27. **RENTAL ADJUSTMENTS** of the Lease is amended by deleting the sum of \$19,557.00 wherever it appears in said Paragraph and substituting therefore the sum of \$24,520.00.

7. Paragraph - 27 **RENTAL ADJUSTMENTS**: Subparagraph C. 1. **General Provisions**: is deleted in its entirety and the following is substituted therefore:

1. In no event shall the monthly rent adjustment based upon the CPI formula set forth in Paragraph 27B result in an annual increase greater than three percent (3%) per year of the monthly base year rent of \$24,520.00 (i.e.,\$735.60 per month, annually).

8. All other terms and conditions of the Lease shall remain in full force and effect.

IN WITNESS WHEREOF, the Lessor has executed this Amendment and the County of Los Angeles, by order of its Board of Supervisors, has caused this Agreement to be executed on its behalf by the Chairman of said Board and attested by the Clerk thereof the day, month and year first written above.

"Lessor"

Gelb Enterprises

By: 

Rickey M. Gelb

ATTEST:

VIOLET VARONA-LUKENS
Executive Officer-Clerk
of the Board of Supervisors

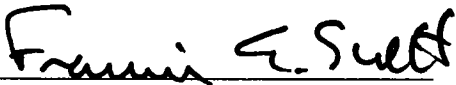
"Lessee"

COUNTY OF LOS ANGELES

By: _____
Deputy

By: _____
Chairman, Board of Supervisors

APPROVES AS TO FORM:
OFFICE OF THE COUNTY COUNSEL

By: 

Francis E. Scott
Principal Deputy