



WILLIAM T FUJIOKA
Chief Executive Officer

County of Los Angeles
CHIEF EXECUTIVE OFFICE

Kenneth Hahn Hall of Administration
500 West Temple Street, Room 713, Los Angeles, California 90012
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<http://ceo.lacounty.gov>

"To Enrich Lives Through Effective And Caring Service"

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August 13, 2013

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

Dear Supervisors:

**FIVE-YEAR LEASE AMENDMENT
INTERNAL SERVICES DEPARTMENT
1400 SOUTH GRAND AVENUE, SANTA ANA
ALL DISTRICTS
(3 VOTES)**

SUBJECT

This is a joint recommendation with Internal Services Department for a proposed five-year lease amendment for the continued use of 4,801 square feet of data center space for the Internal Services Department's Local Recovery Center at the Orange County Santa Ana Data Center.

IT IS RECOMMENDED THAT THE BOARD:

1. Find that the proposed lease amendment is categorically exempt from the provisions of the California Environmental Quality Act pursuant to Class 1 of the Environmental Document Reporting Procedures and Guidelines adopted by the Board, per Section 15301 of the State of California Environmental Quality Act Guidelines (Existing Facilities).
2. Approve and instruct the Chairman to sign a five-year lease amendment with the County of Orange (Lessor), for the continued use of approximately 4,801 useable square feet of data center space and four surface parking spaces for the Internal Services Department (Lessee) Local Recovery Center, at the initial annual base rent of \$781,224, plus the annual cost of separately metered electricity estimated to be \$216,931, based upon the Lessee's actual cost of electricity for the previous twelve months ending March 2013. The lease costs will be 100 percent offset by income received from Lessee's customer computer utilization rates.
3. Approve the project and authorize the Chief Executive Officer and the Director of Internal Services

to implement the project. The lease amendment will be effective upon approval by the Orange County Board of Supervisors.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

Since November 1, 2005, the facility located at 1400 South Grand Avenue, in the City of Santa Ana, County of Orange, has been utilized to house the Internal Services Department (ISD) Local Recovery Center (LRC) as an emergency contingency site for the County of Los Angeles primary data center located at 9150 Imperial Highway, Downey. A 2004 independent analysis that incorporated FEMA data determined that in all probability no single seismic event would render both data centers inoperable.

The LRC provides the County of Los Angeles the ability to restore critical computer systems operating in the Downey facility in the event of a disaster. The premises provide space for ISD-owned equipment including computer servers and storage, network routers and switches, internet, and external connections, as well as redundancy for Voice over IP and centralized emergency contact centers.

Orange County technical staff performs the routine maintenance pursuant to a separate service agreement, while ISD staff operates the premises in the event of a disaster. Workspace for up to ten staff is provided although staff is not permanently located at the premises.

The premises originally contained 1,791 square feet and was expanded to 2,422 square feet effective February 1, 2008, via the expansion right provided in the lease approved by the Board on June 21, 2005. The lease was later amended and approved by the Board on August 18, 2009, to expand the premises further to contain the current 4,801 square feet. The proposed amendment will provide ISD uninterrupted use of this essential facility.

Implementation of Strategic Plan Goals

The Countywide Strategic Plan Goal of Fiscal Sustainability (Goal 2) directs that we strengthen the County's capacity to sustain essential County services through proactive and prudent fiscal policies and stewardship. The proposed lease supports this goal with an essential facility to continue housing the LRC as an emergency contingency site for the County of Los Angeles primary data center as further outlined in Attachment A.

FISCAL IMPACT/FINANCING

The initial annual lease cost will be \$781,224, plus the annual cost of separately metered electricity estimated to be \$216,931, based on Lessee's actual cost of electricity for the previous twelve months ending in March 2013. The lease costs reflect an increase of \$14,400 or \$3.00 per square foot from the previous lease term.

Sufficient funding for the proposed lease amendment is included in the Fiscal Year (FY) 2013-14 Rent Expense budget and will be charged back to ISD. ISD has sufficient funding in its FY 2013-14 operating budget to cover the projected lease costs. All costs associated with the proposed amendment are offset 100 percent by customer utilization rates. Attachment B is an overview of the lease changes.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

The amendment provides the County of Los Angeles uninterrupted use of an alternate data center facility of sufficient distance to the main data center in the event of a disaster in the greater Los Angeles area. The amendment provides the following:

- A five-year lease term commencing December 1, 2013, and ending November 30, 2018.
- A monthly base rent of \$65,102 that will remain fixed throughout the five-year lease term with four non-exclusive surface parking spaces included in the rent.
- A Lessee right to lease additional space within 30 days of Lessor's notice.
- Pursuant to the existing lease, as amended, a modified-gross lease structure with separately metered electricity paid by the Lessee and a mutual option to terminate the lease at any time upon 180 days prior written notice.
- Two one-year renewal options exercisable by the Chief Executive Officer upon 60 days prior written notice.

The Chief Executive Office (CEO) Real Estate Division staff surveyed the County of Los Angeles area specified by ISD. Staff was unable to identify any sites in the surveyed area that could accommodate this requirement more economically. A Building Description Report is not provided as there are no County-owned or leased facilities currently available to accommodate this program. Based upon a market survey of similar properties throughout the County of Los Angeles, staff has determined that the base rental range including parking for similar properties is between \$180 and \$220 per square foot per year modified full-service gross. Thus, the base annual rent of \$163 per square foot provided in the proposed amendment represents a market rental rate slightly below the range.

The Department of Public Works inspected the premises for seismic safety and has no objection for occupancy by the County. The premises are part of a high security data center facility and are not an appropriate site to operate a child care center. No tenant improvements will be provided as part of this amendment.

CEO, ISD, and the Chief Information Office (CIO) are continuing their efforts to identify a County-owned Disaster Recovery Data Center (DRDC) site within the County of Los Angeles. If a site is selected, the CEO will exercise the option to terminate the lease with 180 days prior written notice. Sufficient time will be provided for ISD to transition operations from the LRC to the DRDC.

ENVIRONMENTAL DOCUMENTATION

The CEO has concluded that this project is exempt from the provisions of the California Environmental Quality Act (CEQA) pursuant to Class 1 of the Environmental Document Reporting Procedures and Guidelines adopted by your Board, and Section 15301 of the State of California CEQA Guidelines (Existing Facilities).

IMPACT ON CURRENT SERVICES (OR PROJECTS)

It is the finding of the CEO that the proposed amendment will allow ISD to continue uninterrupted use of the LRC. ISD concurs with the proposed recommendation. The CIO has reviewed this Board

letter and recommends approval. It determined that because this recommended action simply amends the existing lease agreement with the County of Orange and does not constitute a technology related acquisition, a formal CIO Analysis is not required.

CONCLUSION

It is requested that the Executive Officer, Board of Supervisors return two original leases and two certified copies of the Minute Order and adopted stamped Board letter to the CEO, Real Estate Division, 222 South Hill Street, 4th Floor, Los Angeles, CA 90012.

Respectfully submitted,



WILLIAM T FUJIOKA
Chief Executive Officer



TOM TINDALL
Director

WTF:TT:CMM
CEM:MM:ls

Enclosures

c: Executive Office, Board of Supervisors
County Counsel
Auditor-Controller
Chief Information Office
Internal Services

**INTERNAL SERVICES DEPARTMENT
1400 SOUTH GRAND AVENUE, SANTA ANA**

Asset Management Principles Compliance Form¹

1.	<u>Occupancy</u>	Yes	No	N/A
A	Does lease consolidate administrative functions? ²			X
B	Does lease co-locate with other functions to better serve clients? ²			X
C	Does this lease centralize business support functions? ²			X
D	Does this lease meet the guideline of 200 sq. ft of space per person? ²			X
2.	<u>Capital</u>			
A	Is it a substantial net County cost (NCC) program? 100% NCC. The lease costs will be 100 percent offset by income received from ISD customer computer utilization rates.	X		
B	Is this a long term County program?			X
C	If yes to 2 A or B; is it a capital lease or an operating lease with an option to buy?			X
D	If no, are there any suitable County-owned facilities available?		X	
E	If yes, why is lease being recommended over occupancy in County-owned space?			X
F	Is Building Description Report attached as Attachment C?		X	
G	Was build-to-suit or capital project considered? ² The building is a special use facility, and is available at a competitive market rate.		X	
3.	<u>Portfolio Management</u>			
A	Did department utilize CEO Space Request Evaluation (SRE)?	X		
B	Was the space need justified?	X		
C	If a renewal lease, was co-location with other County departments considered?			X
D	Why was this program not co-located?			X
	1. ____ The program clientele requires a "stand alone" facility.			
	2. <u>X</u> No suitable County occupied properties in project area.			
	3. ____ 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 Pursuant to the existing lease, the Lessee will remain responsible for separately metered electricity.		X	
F	Has growth projection been considered in space request?	X		
G	Has the Dept. of Public Works completed seismic review/approval?	X		
¹ As approved by the Board of Supervisors 11/17/98				
² If not, why not?				

**FISCAL IMPACT/FINANCING
OVERVIEW OF LEASE CHANGES**

1400 SOUTH GRAND AVENUE	EXISTING LEASE AS AMENDED	PROPOSED AMENDMENT	CHANGE
Area (Square feet)	4,801	4,801	None
Term	12/01/09-11/30/13	12/01/13-11/30/18	+Five years
Annual Base Rent*	\$766,824 (\$159.72/sq. ft., net electricity)	\$781,224 (\$162.72/sq. ft., net electricity)	+ \$14,400 + \$3.00/sq. ft.
Options to Extend Term	One two-year option	Two one-year options	None
Cancellation	At any time after November 30, 2010, upon 180 days notice	At any time after November 30, 2010, upon 180 days notice	None
Parking (included in rent)	Four	Four	None
Annual Base Rental Adjustment	None	None	None
Expansion Right	Right of first refusal	Right of first refusal	None

*Base rent includes 24/7/365 security, facility engineers, and remote services.



RDMD/RLS/CEO-07-007
Data Center – County of Los Angeles
1400 S. Grand Avenue, Rooms 122 – 124
Santa Ana, CA 92705

FOURTH AMENDMENT TO LEASE

THIS IS A FOURTH AMENDMENT TO LEASE (“**Fourth Amendment**”) made _____, 2013, by and between the County of Orange, a political subdivision of the State of California, (hereinafter referred to as “**COUNTY**”) and the County of Los Angeles (hereinafter referred to as “**LESSEE**”), without regard to number and gender.

RECITALS

- I. Pursuant to a lease dated July 26, 2005 (“**Lease**”), COUNTY leases to LESSEE a portion of the building at 1400 North Grand Avenue, Santa Ana, California (the “**County Data Center**”), which space is more particularly described on Exhibit “A” and Exhibit “B” of the Lease.
- II. The parties executed a First Amendment to Lease on February 5, 2008 (“**First Amendment**”), to expand the Premises by 588 useable square feet (u.s.f.) from 1,791 u.s.f. to a total of 2,379 u.s.f., which space is more particularly described on Revised Exhibit “A” and Revised Exhibit “B” of the First Amendment.
- III. The parties executed a Second Amendment to Lease (“**Second Amendment**”) on November 24, 2009, to expand the Premises by adding 2,422 u.s.f. for a total of 4,801 u.s.f., which space is more particularly described on Revised Exhibit “A-2” and Revised Exhibit “B-2” of the Second Amendment, and to convert the lease terms to modified gross by requiring LESSEE to reimburse COUNTY for its separately metered electrical use.
- IV. The parties executed a Third Amendment to Lease (“**Third Amendment**”) on March 15, 2011, to extend the term of the Lease through November 30, 2013.
- V. LESSEE now desires to extend the term of the Lease for an additional five (5) years through November 30, 2018.

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1 VI. COUNTY and LESSEE are willing to enter into this Fourth Amendment to extend the term through
2 November 30, 2018, on the terms and conditions, below.

3
4 NOW THEREFORE, COUNTY and LESSEE do hereby agree that effective December 1, 2013, the
5 Lease shall be amended as follows:

6
7 A. Clause 7. TERM (AM 2.3 N) is deleted from the Lease and the following is substituted:

8
9 "7. TERM (AM 2.3 N)

10
11 The term of this Lease commenced on November 1, 2005 ("**Commencement Date**"), and will
12 terminate on November 30, 2018."

13
14 B. Clause 8. OPTION TO EXTEND TERM (N) is deleted from the Lease and the following is
15 substituted:

16
17 "8. OPTION TO EXTEND TERM (N)

18
19 LESSEE shall have the option to extend the term of this Lease after November 30, 2018 for two
20 additional one (1) year periods, on the same terms and conditions, except at a future negotiated
21 rental rate. Notification of said exercise of option shall be made in writing from LESSEE by
22 letter from LESSEE's Chief Executive Office to COUNTY at least sixty (60) days prior to the
23 Lease termination date."

24
25 C. Clause 10. LESSEE'S RIGHT TO LEASE ADDITIONAL SPACE (AMC 2.5 S) is deleted from the
26 Lease and the following is substituted:

27
28 D. "10. LESSEE'S RIGHT TO LEASE ADDITIONAL SPACE (AMC 2.5 N)

29
30 Throughout the original lease term and any renewal or extension thereof, COUNTY may elect to
31 offer LESSEE the right to lease up to 9,000 square feet of additional space in the County Data
32 Center. LESSEE's right shall extend for a period of thirty (30) days following LESSEE's receipt of
33 COUNTY's written notice of the availability of said space. LESSEE's occupancy of said space shall
34 be subject to the terms and conditions of this Lease and rental for said space shall be determined by
35 COUNTY based on the location and condition of the floor space offered and LESSEE-required
36 power and improvements to said space. The Parties agree to execute an amendment to this Lease to
37 more fully set out the new terms and description of said space."

1 E. Clause 11 RENT (AMC 1.1 S) is deleted from the Lease and the following is substituted:

2
3 "11. RENT (AMC 1.1 N)

4
5 LESSEE agrees to pay the following monthly rent in accordance with the schedule below, which
6 shall be payable monthly in advance on the first day of each month so long as tenancy continues.
7 In the event the obligation to pay rent terminates on some date other than the last day of the
8 month, the rent shall be prorated to reflect the actual period of tenancy and shall be paid on the
9 first day of the following month.

10

<u>Commencing</u>	<u>Monthly Rental</u>
11 November 1, 2005	\$21,205.00
12 December 1, 2007	\$28,167.00
13 November 1, 2008	\$35,209.00
14 December 1, 2009	\$63,902.00
15 December 1, 2013	\$65,102.00

16

17
18 Payment of Rent. Rent payments shall be made in accordance with the provisions of the Clause
19 entitled RENT PAYMENT PROCEDURE of this Lease.”

20
21 F. Clause 16. UTILITIES (AM6.1 N) is deleted from the Lease and the following is substituted:

22
23 "16. UTILITIES (AM6.1 N)

24
25 COUNTY shall be responsible for and pay all utility services supplied to the Premises.
26 LESSEE's actual electrical usage shall be calculated and reimbursed by LESSEE to COUNTY.
27 COUNTY and LESSEE agree that LESSEE's electrical usage will be calculated according to the
28 following formula:

29
30
$$\text{Monthly Reimbursement} = (\text{Monthly KWH used}) \times (\text{Current average monthly KWH cost})$$

31
32 The current average KWH cost ("**KWH Cost**") is \$0.12 per KWH. Said KWH Cost will increase
33 if the California Public Utilities Commission authorizes a rate increase that increases the cost to
34 COUNTY as determined by COUNTY. COUNTY will provide thirty (30) days advance notice of
35 said KWH Cost increase.

36 //

37 //

COUNTY shall provide written monthly readings to LESSEE for each reimbursement requested. LESSEE shall have the right to verify said readings or be present for said readings. Said reimbursement for electrical services shall be paid in addition to the rent specified in the clause entitled RENT, and shall be payable in the same manner as with the rent payment for the subsequent month for which the meter readings are provided.

The total power draw for LESSEE's use shall not exceed 200 KW of uninterrupted power supply ("UPS") supported power without COUNTY's prior written approval. LESSEE may draw up to an additional 150 KW of non-UPS supported, generator backed-up power without COUNTY's prior written approval.

Should COUNTY elect to add additional conditioned power and cooling capacity to the County Data Center, COUNTY may elect to offer LESSEE up to 350KW of additional conditioned power or unconditioned power with generator backup and associated cooling. If LESSEE accepts COUNTY's offer for additional power, the cost for LESSEE's use of said additional power will be reimbursed to COUNTY under the terms and rate as specified in this Clause 16."

G. Wherever a conflict in the terms or conditions of this Fourth Amendment and the Lease exists, the terms or conditions of this Fourth Amendment shall prevail.

H. In all other respects, the terms and conditions of Lease not specifically changed by the First Amendment, Second Amendment, Third Amendment, or this Fourth Amendment shall remain in full force and effect.

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1 IN WITNESS WHEREOF, the parties have executed this Fourth Amendment the day and year first
2 above written.

3
4 APPROVED AS TO FORM:
5 COUNTY COUNSEL.

LESSEE

COUNTY OF LOS ANGELES
MARK RIDLEY-THOMAS, Chairman, Board of
Supervisors

8 BY: _____
9 Deputy

10 BY: _____

11 DATE: _____

APPROVED AS TO FORM:

13 RECOMMENDED FOR APPROVAL:

JOHN F. KRATTLI

15 County Executive Office/Information Technology

County Counsel, County of Los Angeles

18 BY: _____

17
18 BY: 
19 Deputy

20 County Executive Office/Corporate Real Estate

ATTEST:
Sachi A. Hamai
Executive Officer-Clerk of the Board of
Supervisors, County of Los Angeles

23 BY: _____
24 John Beck, Administrative Manager

26 SIGNED AND CERTIFIED THAT A COPY OF
27 THIS DOCUMENT HAS BEEN DELIVERED TO
28 THE CHAIR OF THE BOARD OF
29 SUPERVISORS PER GC § 25103, RESO. 79-1535

BY: _____
Deputy

31 ATTEST:

COUNTY

COUNTY OF ORANGE

34 _____
35 SUSAN NOVAK
36 Clerk of the Board of Supervisors
37 of Orange County, California

BY: _____
Chair, Board of Supervisors
Orange County, California