County of Los Angeles
CHIEF EXECUTIVE OFFICE
Kenneth Hahn Hall of Administration
500 West Temple Street, Room 713, Los Angeles, California 90012
(213) 974-1101
http://ceo.lacounty.gov

WILLIAM T FUJIOKA
Chief Executive Officer

"To Enrich Lives Through Effective And Caring Service""

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July 08, 2014

ADOPTED
BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES
11 July 8, 2014
SACHI A. HAMAI
EXECUTIVE OFFICER

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:

AMENDMENT NO. 1 TO LEASE NO. 71917
DEPARTMENT OF PUBLIC SOCIAL SERVICES
4680 SAN FERNANDO ROAD, GLENDALE
(FIFTH DISTRICT)
(3 VOTES)

SUBJECT

An amendment to eliminate the cancellation provision in exchange for a reduction in the purchase price under the existing lease purchase option for the 80,000 square foot office building, and parking structure occupied by the Department of Public Social Services.

IT IS RECOMMENDED THAT THE BOARD:

1. Find that the lease 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 the lease amendment with Chase Glendale Services, LLC (Lessor) to remove the cancellation provision and reduce the purchase price for the 80,000 square foot office building, and parking structure located at 4680 San Fernando Road, Glendale, occupied by the Department of Public Social Services.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

The Department of Public Social Services (DPSS) has occupied the 80,000 square foot office building and parking structure (Facility) since September 2000, and the initial term will terminate in September 2025. The Facility functions as DPSS' Glendale District office, serving the Glendale, Burbank, and La Canada-Flintridge geographic area. DPSS provides CalWORKS, Cal Fresh, Medi-Cal, General Relief, and Refugee Employment programs at this location. The Facility is occupied by 362 DPSS staff, 22 contractors, and 10 security personnel for a combined total of 394 occupants. The parking structure provides 404 parking spaces and free street parking is also available.

The proposed amendment is in response to the Lessor's request to eliminate the right to terminate the lease currently held by the County of Los Angeles (County) under the existing lease. Lessor wishes to refinance the existing loan to reduce the interest rate and has submitted a written request to remove the cancellation option in exchange for a reduction in the option purchase price. Substantial savings will be achieved when the purchase option is exercised at the reduced price as proposed in the amendment. DPSS administration has reviewed the Lessor's offer, and provided clearance to proceed with the proposed amendment. As information, the County intends to exercise the purchase option at the expiration of the original term.

Implementation of Strategic Plan Goals

The Countywide Strategic Plan Goal of Fiscal Sustainability (Goal 2) directs that we strengthen and enhance the County's capacity to sustain essential County services through proactive and prudent fiscal policies and stewardship. The proposed lease amendment supports this goal by fostering a more prudent financial arrangement for the County to exercise a purchase option at a reduced price. The proposed lease amendment is in conformance with the Asset Management Principles as outlined in Attachment A.

FISCAL IMPACT/FINANCING

The reduction in purchase price provides a savings of approximately 9.85 percent in the amount of $1,233,800 at the end of the original term. The proposed amendment reduces the option purchase price from $12,525,000 to $11,291,200 at the end of the original 25-year term. The option price is reduced from $6,412,000 to $5,991,505 at the expiration of the first five-year option period, and is further reduced from $3,307,000 to $3,100,957 at the expiration of the second five-year option term. Attachment B is an overview of the lease costs.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

The proposed lease amendment includes the following provisions:

- Deletion of the cancellation option now available on or after September 11, 2015, upon one-year prior written notice.

- The reduced option purchase price is as follows: $11,291,200 at the expiration of the original 25-year term; $5,991,505 at the expiration of the first five-year option period; and $3,100,957 at the expiration of the second five-year option period.

- Lessor will pay in full, for any remaining cost of the solar panels, at the time of the County

purchase of the Facility. The solar panels are the Lessor's property and will become the County's property upon exercising the purchase option.

ENVIRONMENTAL DOCUMENTATION

The CEO has concluded that this lease is exempt from California Environmental Quality Act (CEQA) as specified in Class 1 of the Environmental Document Reporting Procedures and Guidelines adopted by the Board, and Section 15301 of the State SEQA Guidelines (Existing Facilities).

IMPACT ON CURRENT SERVICES (OR PROJECTS)

The proposed lease amendment will provide significant savings for the County, and DPSS concurs with the proposed recommendation.

CONCLUSION

It is requested that the Executive Office, Board of Supervisors return three originals of the executed lease amendment, two certified copies of the Minute Order and the adopted, stamped Board letter to the CEO, Real Estate Division at 222 South Hill Street, 4th Floor, Los Angeles, CA 90012.

Respectfully submitted,

WILLIAM T FUJIOKA
Chief Executive Officer

WTF:RLR:CMM
CEM:MK:gw

Enclosures

c: Executive Office, Board of Supervisors
County Counsel
Auditor-Controller
Public Social Services

ATTACHMENT A

DEPARTMENT OF PUBLIC SOCIAL SERVICES
4680 SAN FERNANDO ROAD, GLENDALE
Asset Management Principles Compliance Form[1]

			Yes	No	N/A
1.	**Occupancy**				
	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.	**Capital**				
	A	Is it a substantial net County cost (NCC) program?		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?			X
3.	**Portfolio Management**				
	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?			
		1. ____ The program clientele requires a "stand alone" facility.			
		2. ____ No suitable County occupied properties in project area.			
		3. __X__ 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]	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?			

ATTACHMENT B

FISCAL IMPACT/FINANCING
OVERVIEW OF THE PROPOSED LEASE

4680 San Fernando Road, Glendale	**Existing Lease**	**Proposed Lease Amendment No. 1**	**Changes**
Total Area	80,000 rentable sq.ft.	80,000 rentable sq.ft.	None
Term	Twenty-five years (9/12/2000-9/11/2025)	Twenty-five years (9/12/2000-9/11/2025)	None
Annual Base Rent	$1,573,860 ($19.67 per sq. ft.)	$1,573,860 ($19.67 per sq. ft.)	None
Annual Operating Expense Rent	$997,066.80 ($12.46 per sq. ft.)	$997,066.80 ($12.46 per sq. ft.)	None
Annual Capital Improvement Reserve Amount	$28,800 ($0.36 per sq. ft.)	$28,800 ($0.36 per sq. ft.)	None
Maximum Annual Lease Cost	$2,599,727 ($32.50 per sq. ft.)	$2,599,727 ($32.50 per sq. ft.)	None
Option Purchase Price	$12,525,000 (1) $6,412,000 (2) $3,307,000 (3)	$11,291,200 (1) $5,991,505 (2) $3,100,957 (3)	- $1,233,800 (1) - $420,495 (2) - $206,043 (3)
Cancellation	County may cancel at any time after 9/11/2015 with 1 year prior written notice.	None	No cancellation option
Parking	404 parking spaces	404 parking spaces	None
Rental adjustment(4)	Operating Expenses and Capital Replacement Reserve pass through capped at 5% annually.	Operating Expenses and Capital Replacement Reserve pass through capped at 5% annually.	None

(1) At the expiration of the original 25-year term
(2) At the expiration of the first 5-year option period
(3) At the expiration of the second 5-year option period
(4) Base rent fixed for the entire term of the lease

AMENDMENT NO. 1 TO COUNTY LEASE NO. 71917
4680 SAN FERNANDO ROAD, GLENDALE

This Amendment No. 1 to Lease No. 71917 ("Amendment No. 1") is made and entered into this 8th day of July, 2014, by and between CHASE GLENDALE SERVICES, LLC, a California limited liability company ("Lessor") and the COUNTY OF LOS ANGELES, a body politic and corporate ("Lessee").

RECITALS:

WHEREAS, Lessor and Lessee entered into that certain County Lease No. 71917, dated January 19, 1999 (the "Lease"), whereby Lessor leased to Lessee approximately 80,000 rentable square feet of office space in the building located at 4680 San Fernando Road, Glendale, California ("Premises"), for a term of twenty-five (25) years from September 12, 2000 to September 11, 2025; and

WHEREAS, Lessor and Lessee desire to amend the terms of the Lease to provide for (i) certain monetary payments by Lessor to Lessee and (ii) the elimination of Lessee's rights to cancel the Lease set forth in paragraph 5 of the Lease; and

WHEREAS, the terms of this Amendment No. 1, will not become effective until such time that said Amendment is executed by the Board of Supervisors of the County of Los Angeles (such time being hereinafter referred to as the "Effective Date").

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 hereinafter contained, Lessor and Lessee hereby agree to amend the Lease as follows:

1. Paragraph 5. CANCELLATION, is hereby deleted in its entirety.

2. Paragraph 20. b. PRICE, is hereby deleted in its entirety and replaced with the following:

   The applicable option prices for the Premises at the end of the Original Term shall be $11,291,200, at the end of the first Option Period $5,991,505 and at the end of the second Option Period $3,100,957.

3. A new Paragraph 33 is hereby added as follows:

   Lessor shall pay in full, for the remaining cost of the solar panels,. If Lessee exercises its option to acquire the Premises, the solar panels will transfer free and clear to Lessee at the time of the purchase of the Premises.

4. Unless otherwise expressly provided in this Amendment No. 1, all of the terms and conditions contained in the Lease shall remain in full force and effect.

5. Each of the undersigned signatories for the Lessor personally covenant, warrant, and guarantee that each of them, jointly and severally, have the power and authority to execute this Lease upon the terms and conditions stated herein and each agrees to indemnify and hold harmless the Lessee from all damages, costs, and expenses, which result from a breach of this representation.

71917, Supplement 1

6. In the event a conflict between the terms of this Amendment and the terms of the Lease, the terms of this Amendment shall control.

7. All undefined terms when used herein shall have the same respective meanings as are given under the Lease unless expressly provided otherwise in this Amendment No. 1.

IN WITNESS WHEREOF, the Lessor has executed this Amendment No. 1 or caused it to be duly executed, and the County of Los Angeles by order of its Board of Supervisors, has caused this Amendment No. 1 to be executed on its behalf by the Chairman of said Board this day, month, and year first above written.

LESSOR:

CHASE GLENDALE SERVICES, LLC
a California Limited Liability Company

By: _____

Name: _____ Chase Glendale Services, LLC

Its: _____ By: David A. Parker
Managing Member

LESSEE:

COUNTY OF LOS ANGELES
a body politic and corporate

By: _____
DON KNABE
Chairman, Board of Supervisors

ATTEST:

Sachi A. Hamai
Executive Officer-Clerk
of the Board of Supervisors

By: _____
Deputy

I hereby certify that pursuant to
Section 25103 of the Government Code,
delivery of this document has been made

SACHI A. HAMAI
Executive Officer
Clerk of the Board of Supervisors

By _____
Deputy

APPROVED AS TO FORM:

JOHN F. KRATTLI
County Counsel

By: _____
Deputy

ADOPTED
BOARD OF SUPERVISORS

#11 JUL 08 2014

SACHI A. HAMAI
EXECUTIVE OFFICER

71917 Supplement No. 1