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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WILLIAM T FUJIOKA
Chief Executive Officer

"To Enrich Lives Through Effective And Caring Service"

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October 21, 2014

ADOPTED
BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

12 October 21, 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. 76617
DEPARTMENT OF MENTAL HEALTH
10515 BALBOA BOULEVARD, GRANADA HILLS
(FIFTH DISTRICT)
(3 VOTES)

SUBJECT

A seven-year lease amendment for 3,588 square feet for the Department of Mental Health to provide continued use of existing office space and 17 parking spaces.

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 the seven-year amendment to the lease agreement with DMP Real Estate Investors, LLC (Lessor) for the Department of Mental Health to continue occupancy of 3,588 square feet of office space and 17 parking spaces located at 10515 Balboa Boulevard, Granada Hills, at an initial annual rental cost of $88,265. The lease costs are 100 percent funded by State and federal revenue.

3. Authorize the Chief Executive Officer and the Director of Mental Health to implement the project. The lease amendment will be effective upon approval by the Board.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

Under the State Proposition – Mental Health Services Act (MHSA), the Department of Mental Health (DMH) was mandated to formulate a plan for the expeditious implementation of various mental health services across the County.

The proposed lease amendment herein will continue to provide DMH with a satellite office for the Field Capable Clinical Services (FCCS) program to augment the existing San Fernando Mental Health Center (Center) at 10605 Balboa Boulevard, Granada Hills, located adjacent to the facility. FCCS replaced the Wellness Center program at this location which was transferred to the Center to provide more effective intake services to Wellness Center clients.

The FCCS program provides direct service to clients that suffer mental illness and need case management and medication services as part of their treatment. The FCCS is one of the available programs offered by DMH with an emphasis on supportive and recovery-based services that assist adult clients with mental illness to live independently and become employed and live more enriching lives. By allowing for the continuation of the satellite office as proposed, DMH will be able to provide enhanced services in a more expeditious manner to its target population.

The proposed lease amendment will provide FCCS the continued occupancy of the facility with the uninterrupted delivery of services to the affected constituency within the vicinity of the surrounding Service Area 2. The facility houses 18 staff positions and provides services to approximately 175 clients.

Parking is provided in the facility parking lot with sufficient appurtenant parking available nearby. The facility is in proximity to local public transportation routes.

Implementation of Strategic Plan Goals

The Countywide Strategic Plan Goal of Integrated Services Delivery (Goal 3) directs that we maximize opportunities to measurably improve client and community outcomes and leverage resources through the continuous integration of health, community, and public safety services. In this case, the County is supporting this goal by providing an office in or near the community it serves to increase effectiveness, enhance customer service, and provide responsive services to the public. The lease amendment is in conformance with the Asset Management Principles as outlined in Attachment A.

FISCAL IMPACT/FINANCING

The proposed lease amendment will provide the County uninterrupted use of 3,588 square feet of office space and 17 on-site parking spaces at a monthly base rent of $7,355.40 per month, or $88,265 annually, i.e., $2.05 per square foot per month. The base rental rate reduction of $0.59/$7.08 per square foot monthly/annually from the existing rent will represent potential savings of approximately $177,821 over the term of the lease amendment. In addition, a Tenant Improvement (TI) allowance of $35,880 included in the rent was negotiated for new carpet, paint, and other improvements as needed within the facility. Attachment B is an overview of the changes in the lease.

This is a full-service gross lease whereby the Lessor is responsible for all operating costs associated with the County's occupancy. The rent is subject to Consumer Price Index (CPI) increases capped at 3 percent in lieu of the previous annual fixed increases of 3 percent. A total of 17 parking spaces are included in the rental rate, and will be provided in the on-site parking lot.

Sufficient funding for the proposed lease costs is included in the Fiscal Year (FY) 2014-15 Rent Expense budget and will be billed back to DMH. DMH has sufficient funding in its FY 2014-15 operating budget to cover the projected lease costs.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

The proposed lease amendment will provide uninterrupted use of 3,588 square feet of office space and 17 parking spaces, and contains the following provisions:

- Commencement of new rent and seven-year term upon approval by the Board.

- A full-service gross basis with the Lessor responsible for all operational and maintenance costs.

- A TI provision of $35,880 allowing for new carpet, paint, and miscellaneous improvements included in the base rent.

- A cancellation provision allowing the County to cancel any time after four years with 150 days prior written notice.

- Annual rental rate adjustments based upon CPI with a maximum increase of 3 percent per annum, and no floor.

The Chief Executive Office (CEO) Real Estate Division staff conducted a survey within the search area to determine the availability of comparable and more economical sites. Staff was unable to identify any sites in the surveyed area that could accommodate this requirement more economically, nor are there any County-owned or leased facilities available for this program. Based upon said survey, staff has established that the rental range for similar space is between $21 and $30 per square foot per year on a full service basis, excluding parking. Thus, the base annual rent of $24.60 per square foot per year on a full-service basis, including parking, for the proposed lease amendment represents a rate within the market range for the area. Attachment C shows County-owned or leased facilities in the proximity of the service area and there are no suitable County-owned or leased facilities available for the program.

The Department of Public Works has inspected this facility and found it suitable for the County's occupancy. Notification letters have been sent pursuant to Government Code Sections 25351 and 65402.

ENVIRONMENTAL DOCUMENTATION

The CEO has concluded that this project is exempt from the 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 CEQA Guidelines (Existing Facilities).

IMPACT ON CURRENT SERVICES (OR PROJECTS)

The proposed lease amendment will adequately provide the necessary office space for this County requirement. DMH concurs with the proposed recommendation.

CONCLUSION

It is requested that the Executive Office, Board of Supervisors, return five 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 for further processing.

Respectfully submitted,

WILLIAM T FUJIOKA
Chief Executive Officer

WTF:RLR:CMM
CEM:TS:NCH:gw

Enclosures

c: Executive Office, Board of Supervisors
County Counsel
Auditor-Controller
Mental Health

ATTACHMENT A

DEPARTMENT OF MENTAL HEALTH
10515 BALBOA BOULEVARD, GRANADA HILLS
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] **Satellite office to San Fernando Valley Mental Health Center.**		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] **Ratio is approximately 224 square feet per person allowing for conference and other related interview rooms.**		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? **The proposed building is offered at a competitive market rate and County already occupies the facility.**		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?			X
		1. ___ The program clientele requires a "stand alone" facility.			
		2. _X_ 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]	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 LEASE CHANGES

10515 Balboa Blvd., Granada Hills	**Existing Lease**	**Proposed Lease/ Amendment No. 1**	**Change**
Area (square feet)	3,588	3,588	None
Term	(02/01/2009-01/31/2014) currently on month-to-month holdover	Seven years upon Board adoption	+7 years
Annual Rent	$113,881 ($31.74/sq.ft.)	$88,265* ($24.60/sq.ft.)	-$25,616 ($7.14/sq.ft.)
Base TI Allowance (non-reimbursable)	$53,820 ($15.00/sq.ft.)	$35,880 ($10.00/sq.ft.)	-$17,940 (-$5.00/sq.ft.)
Cancellation	County after 3 years with 180 days notice	County after 4 years with 150 days notice	+1 year -30 days notice
Parking (included)	17 spaces	17 spaces	None
Option to Renew	One five-year option	None	None
Rental Adjustment	Automatic 2 percent increases per year	Consumer Price Index (CPI) increases capped at 3 percent, no floor.	-2 percent auto increase; CPI with 3 percent cap

* Lease comprised of 3,588 square feet of office space at new rate of $2.05/sq.ft. monthly.

ATTACHMENT C

DEPARTMENT OF MENTAL HEALTH
SPACE SEARCH - 5-MILE RADIUS OF 10515 BALBOA BOULEVARD, GRANADA HILLS

LACO	Facility Name	Address	Ownership	Gross SQFT	Net SQFT	Vacant SQFT
A549	MENTAL HEALTH- SAN FERNANDO MENTAL HEALTH SVCS	10605 BALBOA BLVD, GRANADA HILLS 91344	LEASED	25,996	23,396	NONE
A671	DMH-WELLNESS CENTER	10515 BALBOA BLVD, GRANADA HILLS 91344	LEASED	7,991	7,592	NONE
A316	SHERIFF-NORTH HILLS T.R.A.P. UNIT	8353 N SEPULVEDA BLVD, NORTH HILLS 91343	LEASED	1,500	1,500	NONE
A637	DPSS - MEDI CAL (NORTHRIDGE)	9451 CORBIN AVE, NORTHRIDGE 91324	LEASED	57,799	54,909	NONE
X165	CHATSWORTH COURTHOUSE	9425 PENFIELD AVE, CHATSWORTH 91311	FINANCED	302,435	182,589	NONE
A652	DCFS-SAN FERNANDO VALLEY/ WEST SFV (SPA 2)	20151 NORDHOFF ST, CHATSWORTH 91311	LEASED	73,595	69,915	NONE
5858	PH-PACOIMA PUBLIC HEALTH CENTER	13300 VAN NUYS BLVD, PACOIMA 91331	OWNED	5,404	3,098	NONE
A577	DCFS - (KINSHIP RESOURCE CTR PACOIMA)	11251 GLENOAKS BLVD, PACOIMA 91331	PERMIT	50	50	NONE
D310	DPSS-EAST VALLEY WS DISTRICT OFFICE	14545 LANARK ST, PANORAMA CITY 91402	OWNED	96,360	39,588	NONE
T599	FIRE-PACOIMA VEGETATIVE MANAGEMENT TRAILER#1	12605 OSBORNE ST, PACOIMA 91331	OWNED	625	563	NONE
T600	FIRE-PACOIMA VEGETATIVE MANAGEMENT TRAILER#2	12605 OSBORNE ST, PACOIMA 91331	OWNED	625	563	NONE
T601	FIRE-PACOIMA OFFICE TRAILER#1	12605 OSBORNE ST, PACOIMA 91331	OWNED	625	604	NONE
T602	FIRE-PACOIMA OFFICE TRAILER#2	12605 OSBORNE ST, PACOIMA 91331	OWNED	625	604	NONE
Y582	FIRE-PACOIMA FORESTRY DIV OFFICE	12605 OSBORNE ST, PACOIMA 91331	OWNED	612	551	NONE
Y658	FIRE-PACOIMA OFFICE TRAILER	12605 OSBORNE ST, PACOIMA 91331	OWNED	600	580	NONE
A213	PH-NORTH DISTRICT HEALTH FACILITIES OFFICE	15643 SHERMAN WAY, VAN NUYS 91406	LEASED	3,712	3,600	NONE

AMENDMENT NO. 1 TO LEASE NO. 76617
DEPARTMENT OF MENTAL HEALTH
10515 BALBOA BOULEVARD, GRANADA HILLS

This AMENDMENT NO. 1 to LEASE NO. 76617 ("Amendment " or "Amendment No. 1") is made, entered and dated as of this 21st day of October, 2014, by and between DMP Real Estate Investors, LLC, a California limited liability company ("Lessor") and the COUNTY OF LOS ANGELES, a body corporate and politic ("Lessee").

RECITALS:

WHEREAS, Lease No. 76617 (the "Lease") was executed by and between Lessor and Lessee on June 17th, 2008, whereby the Lessor leased to Lessee those certain premises containing approximately 3,588 rentable square feet of office space in a building located at 10515 Balboa Boulevard, Granada Hills, ("Premises"), for a term of five (5) years, and;

WHEREAS, Lessor and Lessee further desire to extend the Lease Term and amend the Lease under this Amendment No. 1, and;

WHEREAS, the terms of this Amendment No. 1 shall not become effective until such time that said Amendment is executed by all the parties herein.

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

1. **EXTENSION OF THE LEASE TERM:** Lessor and Lessee acknowledge that Lessee's lease of the Premises entered into a month-to-month tenancy as of February 1, 2014, pursuant to the Holdover provision of Paragraph 7 of the Lease. Notwithstanding anything to the contrary in the Lease, Paragraph 1.1(e) of the Lease is hereby amended to extend the Lease term for an additional seven (7) years commencing upon the full execution of this Amendment No. 1 ("Extension Commencement Date"). The period of time commencing on the Extension Commencement Date and terminating on the last day of the seventh year following the Commencement Date shall be referred to herein as the "Extension Term".

2. **RENT:** Effective upon the Extension Commencement Date and for remainder of the Extension Term but not retroactively, Paragraph 5, RENT, of the Lease is hereby deleted in its entirety and the following substituted therefor:

   Lessee hereby agrees to pay as rent for the Premises during the Extension Term the sum of seven thousand three-hundred fifty-five and 40/100 dollars ($7,355.40) per month, i.e., two dollars five cents ($2.05) per rentable square foot per month, for 3,588 square feet of office space and seventeen (17) parking spaces payable in

76617, Supplement 1

advance by Auditor's General Warrant. Rental payments shall be payable within fifteen (15) days after the first day of each and every month of the Extended Term, provided Lessor has caused a claim therefor for each such month to be filed with the Auditor of the County of Los Angeles prior to the first day of each month.

Beyond the first year of the Extended Term, the rental rate shall be adjusted as follows:

(a) CPI. Commencing after the first anniversary of the Extension Commencement Date , on the first day of the first full calendar month thereafter (the "Adjustment Date") and on every anniversary of the Adjustment Date thereafter, Basic Rent shall be adjusted by applying the CPI Formula set forth below. The "Basic Index" shall be the Index published for the month the Lease commences.

(b) CPI Formula. The "Index" means the Consumer Price Index ("CPI") for all Urban Consumers for the Los Angeles-Anaheim-Riverside area, all items published by the United States Department of Labor, Bureau of Labor Statistics (1982-84=100). The "CPI Formula" means Basic Rent multiplied by a fraction, the numerator being the Index published for the month immediately preceding the month the adjustment is to be effective, and the denominator being the Basic Index. If the Index is changed so that the Index differs from that used as of the Extension Commencement Date , the Index shall be converted in accordance with the conversion factor published by the United States Department of Labor, Bureau of Labor Statistics. If the Index is discontinued or revised during the Extension Term, such other governmental index or computation with which it is replaced shall be used in order to obtain substantially the same results as would be obtained if the Index had not been discontinued or revised.

(c) Illustration of Formula. The formula for determining the new rent shall be as follows:

$$\frac{\text{New Index}}{\text{Basic Index}} \times \$7{,}355.40 \text{ (Basic Rent)}$$
= Monthly Basic Rent

(d) Limitations on CPI Adjustment. In no event shall the monthly Basic Rent adjustment based upon the CPI Formula result in an annual increase greater than three percent (3%) per year of the Basic Rent.

In no event shall the monthly rent be adjusted by the CPI Formula to result in a lower monthly Basic Rent than was payable during the previous year of the Lease.

3. **CANCELLATION:** Effective on the Extension Commencement Date, and for the remainder of the Extension Term, Paragraph 1.1(j), CANCELLATION, of the Lease is hereby deleted in its entirety and the following is substituted therefor:

Lessee shall have a continuous right to cancel this Lease with regard to the entire Premises or a portion thereof, at or any time after the fourth (4th) year of the Extension Term by providing Lessor not less than one hundred fifty (150) days prior written notice by Chief Executive Office letter. Should the Lease be terminated with regard to a portion of the Premises, Basic Rent shall be adjusted proportionately.

4. **NOTICES:** Effective upon execution of this Amendment No. 1 by the parties hereto, Paragraph 1.1(a), NOTICES, is hereby amended to replace the existing Lessor copy notification address as follows:

DMP Real Estate Investors
c/o Medical Asset Management
4910 Van Nuys Boulevard, Suite 209
Van Nuys, CA 91403

5. **TENANT IMPROVEMENTS:** Effective upon the Extension Commencement Date, and for the remainder of the Extension Term, Paragraph 1.2(a), TENANT IMPROVEMENTS, of the Lease is hereby deleted and the following substituted therefor:

Lessor, within thirty (30) days after receipt of a duly executed copy of this Amendment, shall begin work on tenant improvements per forthcoming County plans and specifications, up to a maximum cost of $35,880, i.e., ten dollars and zero cents ($10.00) per rentable square foot (the "Tenant Improvement Allowance"). Said improvements shall be to improve the Premises related to paint, carpet and other deferred maintenance items in the Premises as the Lessee desires ("Improvements"). The Improvements will be completed by Lessor, or its authorized agent, and approved by an assigned representative of Lessee's Chief Executive Office. Any unused portion of the Tenant Improvement Allowance may be used to offset Basic Rent per an itemized breakdown of such Improvements. The Tenant Improvement Allowance is not subject to reimbursement by Lessee. Any Improvements shall be in compliance with all current laws, codes, and ordinances, including the Americans with Disabilities Act (ADA).

6. Lessor represents and warrants that the signatories for Lessor have the power and authority to execute this Amendment No. 1 upon the terms and conditions stated herein, and each agrees to indemnify and hold harmless Lessee from all damages, costs, and expenses, which result from a breach of this representation.

7. In the event of a conflict between the terms and conditions of this Amendment No.1 and the terms and conditions of the Lease, this Amendment No. 1 shall prevail. All other terms and conditions of the Lease shall remain in full force and effect.

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

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

Executive Officer
Clerk of the Board of Supervisors

By _____
Deputy

LESSOR

DMP Real Estate Investors, LLC

By: _____

Name: John Putzig

Title: Manager

LESSEE

COUNTY OF LOS ANGELES
a body politic and corporate

By _____
Supervisor Don Knabe
Chairman, Board of Supervisors

ATTEST:

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

By _____
Deputy

APPROVED AS TO FORM:

MARK J. SALADINO
County Counsel

By _____
Deputy

ADOPTED
BOARD OF SUPERVISORS

#12 OCT 21 2014

SACHI A. HAMAI
EXECUTIVE OFFICER

766117 Supplement No. 1

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