

**MEMORANDUM
DEPARTMENT OF FACILITY SERVICES
COUNTY OF PLACER**

To: **BOARD OF SUPERVISORS**

Date: **MARCH 27, 2012**

From:  **JAMES DURFEE / MARK RIDEOUT**

Subject: **AMENDMENT TO A&G DEVELOPMENT COMPANY LEASE**

ACTION REQUESTED / RECOMMENDATION: Approve the Fifth Amendment to Lease Agreement No. 75.144 between the County of Placer and A&G Development Company to establish a June 30, 2012 lease termination date and to compensate A & G for management of the Bell Garden Apartments in an amount not anticipated to exceed \$9,000 once eleven units become vacant.

BACKGROUND: In 1998, A&G Development Company (A&G) assumed the Bell Garden Apartments Lease Agreement, dated September 20, 1975 (Lease), which was originally entered into between Placer County and Ler-Nor Development Company, Inc. Due to the high cost of operating and maintaining the Bell Garden Apartments buildings, this assignment included an amendment that allowed A&G to vacate two of the six buildings and changed the term to month-to-month. In 2001, the Lease was amended to allow for vacation of two more apartment buildings through attrition, and as a result four of the original six buildings were eventually vacated and demolished. At present, the two remaining apartment buildings contain 28 units.

On July 12, 2011, staff reported to your Board that due to the age and condition of these buildings, staff and A&G agree that ongoing occupancy is not sustainable. At this meeting, your Board authorized the preparation of a Relocation Plan (Plan), and approved a Lease amendment to offset A&G's reduced rental income and the ongoing costs for units vacated during the Plan preparation. These provisions incrementally reduce A&G's rent by \$300 per month for each vacant unit, up to a maximum ten units or \$3,000 per month. During negotiations for this amendment, the County and A&G agreed that given the Lease's current month-to-month status, this arrangement would continue until such time as either party terminates the lease with 30-days advance written notice.

During the January 10, 2012 report to your Board on Plan adoption, staff anticipated that A&G was prepared to issue a 30-day notice of termination. This action would have required the County's consultant, Overland Pacific & Cutler, Inc. (OPC), to provide residential property management services until the Bell Garden Apartments were completely vacated. Subsequently A&G has agreed to continue its lease, and provide management as tenants vacate the facility. Staff developed the proposed Fifth Amendment to establish a June 30, 2012 termination date, and compensate A&G for management expenses once eleven units are vacant.

On March 9, 2012, there were five vacant apartment units. This Amendment provides for early termination by the County on 30-days advance notice, or the Lease may be extended by mutual agreement of the parties. The Amendment also allows A&G to terminate with 30-days notice should the operation be determined unprofitable.

Staff believes that by approving the proposed Amendment, the units will be managed in an orderly and consistent fashion that will benefit the current residents and assist the County until the apartments are vacated. Therefore, in order to apply these modifications to the Lease, your Board must approve the proposed Fifth Amendment. A copy of the Lease Agreement, prior addenda and Amendments and the Fifth Amendment are available for review at the Clerk of the Board's Office.

ENVIRONMENTAL CLEARANCE: The Amendment of the Lease Agreement is Categorically Exempt from environmental review pursuant to Section 15301 of the California Environmental Quality Act. This Section provides for activities, including leasing and repairs of existing facilities, when there is no expansion of use beyond that previously existing.

FISCAL IMPACT: The proposed compensation for A&G's continued management, once eleven apartment units are vacant, is \$3,000 per month. Staff estimates that this expense will not exceed \$9,000, and funding for this is available in Capital Project No. 4606 in the Capital Projects Fund.

JD:MR:LM:NT:DB

AVAILABLE FOR REVIEW AT THE CLERK OF THE BOARD'S OFFICE:

FIFTH AMENDMENT TO LEASE NO 75.144
LEASE ADDENDA AND AMENDMENTS
LEASE AGREEMENT NO 75.144

cc: COUNTY EXECUTIVE OFFICE

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