

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

To: **BOARD OF SUPERVISORS**

Date: **NOVEMBER 7, 2006**

From: **JAMES DURFEE / MARY DIETRICH**

Subject: **LEASE AGREEMENT - 49 FITNESS, INC., DBA COURTHOUSE ATHLETIC CLUB**

ACTION REQUESTED / RECOMMENDATION: Approve a Lease Agreement between the County of Placer and the 49 Fitness, Inc., dba Courthouse Athletic Club, for the facility located in the Placer County Government Center at 11558 F Avenue Auburn, CA, and authorize the Chairman to execute this Agreement on behalf of your Board.

BACKGROUND: The Courthouse Athletic Club (CAC) has occupied the health club facility under the terms of a triple-net Lease Agreement since March of 1980. Under terms of this Lease, CAC has been solely responsible for all maintenance and repairs, insurance and utilities. In accordance with those terms, CAC has performed many tenant improvements to this aging facility. The existing lease term ended on April 30, 2006, and has continued on a month-to-month holdover. While Facility Services believed continuation on a month-to-month basis would be advantageous to the County, CAC requested a lease term with concessions that would allow the club to remain fiscally solvent until its closure. Their request included a defined term allowing CAC to market longer-term memberships thus achieving a more stable cash flow, and a 75% rental reduction during the final six months of the term in recognition that revenues would continue to fall as closure comes near. CAC also requested a payment plan to allow for the payment over time of the accumulated past due balances for July and August rents, the new security deposit, and miscellaneous service charges and interest. CAC has remitted its September and October rent payments and has committed to maintain current status through the new term.

The Property Management Division negotiated a three year agreement commencing on the date your Board approves the agreement. This lease will terminate no later than October 31, 2009 or an earlier date if the past due balance has been remitted and CAC provides a nine-month advance written notification. The monthly rent of \$13,580 will be adjusted annually by the Consumer Price Index. As a condition of the Lease, CAC will make nineteen consecutive installments of \$2,589 towards the \$49,203 unpaid balance which includes interest. To authorize the continued occupancy by CAC of the facility, your Board's approval of this Agreement is required. A copy of this Agreement is available for review at the Clerk of the Board's office.

ENVIRONMENTAL CLEARANCE: The lease of this facility is Categorically Exempt from review pursuant to Section 15301 of the California Environmental Quality Act that provides for activities, including leasing of facilities, when there is no expansion of use beyond that previously existing.

FISCAL IMPACT: This Agreement will generate over \$165,800 during its first year and, taking into consideration the 75% rent reduction during the last six months, the County will realize approximately \$490,280 over the three year term. The rent received will be deposited into the DeWitt Enterprise Fund and used towards the ongoing operation and maintenance of DeWitt facilities.

JD:MD:MR:LM

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

cc: COUNTY EXECUTIVE OFFICE

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