

MEMORANDUM
DEPARTMENT OF FACILITY SERVICES
COUNTY OF PLACER

TO: Honorable Board of Supervisors

DATE: June 3, 2014

FROM: *MD* Mary Dietrich, Facility Services Director
By: Laurie Morse, Property Manager *LM*

SUBJECT: 1000 Sunset Operating Expense Lease Amendments

ACTION REQUESTED / RECOMMENDATION:

1. Authorize the Director of Facility Services, or designee, to complete negotiations and execute Lease Amendments between the County of Placer and Sunset Commercial Center, LLC, to modify operating expense provisions in the County leases at 1000 Sunset Boulevard in Rocklin, following approval by County Counsel and Risk Management.
2. Approve the payment of past operating expenses associated with the County leases totaling \$50,520.87 with funding from Federal, State, and previously budgeted net county cost.

BACKGROUND / DISCUSSION: In 2009, the Department of Child Support Services (CSS), Health and Human Services (HHS) Human Services (HS), and Veteran's Services Office (VSO) began occupancy of premises at 1000 Sunset Boulevard in Rocklin (1000 Sunset). This occupancy was followed by the HS Work Experience Production Center (WEX) in 2010 and the HHS Children's System of Care, Women Infants and Children, and Public Health Nursing programs in late 2013 (CSOC/WIC/PHN). These occupancies are addressed in five separate Lease Agreements (Leases).

These Leases require the County's payment of Base Rent of which a component covers the Landlord's operating expenses that include utilities, maintenance and janitorial services, insurance and other expenses associated with the first full calendar year of the Lease (Base Year OE). The Leases also contain a provision requiring the County to pay the Landlord actual operating expenses that exceed the Base Year OE. To affect his accounting, the Landlord is required to provide annual statements and reconciliations at the end of every calendar year. The Base Year OE for CSS is set at calendar year 2009 and the HS, VSO, and WEX leases are set at calendar year 2010. The CSOC/WIC/PHN lease is set as calendar year 2014.

In 2010, Property Management received the first operating expense statement for County occupancies, which established the Base Year OE amount at \$495,518. Property Management reviewed the operating expense statement to validate and verify the expenses. Through this process, additional Landlord expenses were identified which ultimately established the Base Year OE cost at \$655,000. Furthermore, the Landlord agreed to set this singular Base Year OE amount for the CSS, HS, VSO, and WEX leases (The CSOC/WIC/PHN lease will remain set as calendar year 2014). Due to this ongoing issue related to the establishment of the Base Year OE, County occupants have not made payments on their excess operating expenses. The County's outstanding obligation is \$50,520.87.

To complete the reconciliation, Property Management is recommending your Board's approval to pay \$50,520.87 for actual operating expenses from 2010 to 2013. Your Board's authorization is also needed for the Director's negotiation and execution of Lease Amendments to the four leases documenting that future annual operating expense statements will be reconciled against the Base Year OE cost of \$655,000. These amendments will include language that clearly define the timing and process for submittal of the future operating expense statements and will be finalized subject to review and approval by County Counsel and Risk Management.

ENVIRONMENTAL CLEARANCE: This action is categorically exempt from the California Environmental Quality Act (CEQA) under CEQA Guidelines Section 15378(b)(5) which excludes organizational or administrative activities that do not result in direct or indirect physical change in the environment.

FISCAL IMPACT: Funding associated with the \$50,520.87 in operating expense payments for the calendar years 2010-2013 are available in the CSS (\$18,626.78), HS (\$28,898.08), VSO (\$1,600.86), and WEX (\$1,395.15) FY 2013-14 Budgets. This funding comes from a mixture of Federal and State sources, and previously budgeted net county cost.

MD:MR:LM:NT

AVAILABLE FOR REVIEW AT THE CLERK OF THE BOARD'S OFFICE:
LEASE AGREEMENTS NUMBERED: CN028093, CN028106, CN028115, CN028129

CC: COUNTY EXECUTIVE OFFICE
CHILD SUPPORT SERVICES
HEALTH AND HUMAN SERVICES DEPARTMENT
VETERANS SERVICES OFFICE

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