

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

To: **BOARD OF SUPERVISORS**

Date: **JULY 12, 2011**

From: **JD JAMES DURFEE / MARK RIDEOUT** *WR*

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

ACTION REQUESTED / RECOMMENDATION: Approve the Fourth Amendment to Lease Agreement No. 75.144 between the County of Placer and A & G Development Company to incrementally reduce rent as apartment units become vacant up to an amount not-to-exceed \$3,000 per month, and authorize the Chairman to execute this Lease Amendment on behalf of your Board.

BACKGROUND: On September 20, 1975, the County of Placer (County) and Ler-Nor Development Company, Inc. entered into a Lease Agreement for six apartment buildings at the Placer County Government Center (PCGC), which are commonly referred to as the Bell Garden Apartments. This Lease was subsequently assigned to Gunnar Land and Development Company. In 1998, due to the high operation and maintenance costs, Gunnar Land requested the Lease be amended to allow for vacation of two apartment buildings through attrition. At this time the Lease was also assigned to A & G Development Company (A & G), and the term was amended to create a month-to-month tenancy. As individual units became vacant, A & G's rent payments to the County were proportionately reduced. In 2001, the County and A & G agreed to again amend the Lease to reduce rent on a proportional basis while two more buildings were vacated. The County also contracted with Pacific Relocation Services to facilitate this transition in accordance with State Law. As a result, four of the original six Bell Garden Apartment buildings were eventually vacated and demolished.

At present the two remaining Bell Garden Apartment buildings contain 28 units. As before, due to the age and condition of these buildings, staff and A & G have agreed that the ongoing occupancy of these buildings is not sustainable. Similar to actions taken in 2001, staff proposes to offset the reduction in A & G's rental income and the ongoing costs by incrementally reducing A & G's rent payments to the County. Staff negotiated with A & G to arrive at a reduction of \$300 per month for each unit which is or becomes vacant after May 15, 2011. The monthly reduction will not exceed \$3,000 per month which is comparable to the current monthly rent paid by A & G. To address current vacancies, A & G's rent will be credited based on two vacant units back to May 15, 2011. Given the Lease's current month-to-month status, this arrangement would continue until such time either party terminates the lease with 30-days advance written notice. In order to implement these modifications to the Lease Agreement, your Board's approval is required. A copy of the Lease Agreement, prior addenda and Amendments, and the proposed Fourth 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 rent credits shall not exceed \$3,000 per month, which is comparable to the rent currently paid by A & G. This reduction of rental revenue will be absorbed by the Fiscal Year 2011/2012 DeWitt Development Fund Budget.

JD:MR:LM:NT:DB

AVAILABLE FOR REVIEW AT THE CLERK OF THE BOARD'S OFFICE: LEASE AGREEMENT NO 75.144
LEASE ADDENDA AND AMENDMENTS
FOURTH AMENDMENT TO LEASE NO. 75.144

cc: COUNTY EXECUTIVE OFFICE

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