

**COUNTY OF SAN LUIS OBISPO BOARD OF SUPERVISORS  
AGENDA ITEM TRANSMITTAL**

(1) DEPARTMENT General Services Agency	(2) MEETING DATE 11/5/2013	(3) CONTACT/PHONE Janette Pell, Director 805-781-5200	
(4) SUBJECT Request to approve Lease Amendment No. 3 to the ground lease with the Child Development Resource Center of the Central Coast (CDRC) at 1720 Bishop Street in San Luis Obispo.			
(5) RECOMMENDED ACTION It is recommended that the Board approve and authorize the Chairperson to sign Lease Amendment No. 3 to the ground lease with the Child Development Resource Center of the Central Coast (CDRC) at 1720 Bishop Street in San Luis Obispo.			
(6) FUNDING SOURCE(S) n/a	(7) CURRENT YEAR FINANCIAL IMPACT \$270,689 in back debt forgiveness+ \$10,000 reduced rent	(8) ANNUAL FINANCIAL IMPACT \$10,000 reduced rent paid by CDRC annually	(9) BUDGETED? No
(10) AGENDA PLACEMENT <input checked="" type="checkbox"/> Consent <input type="checkbox"/> Presentation <input type="checkbox"/> Hearing (Time Est. ___) <input type="checkbox"/> Board Business (Time Est. ___)			
(11) EXECUTED DOCUMENTS <input type="checkbox"/> Resolutions <input checked="" type="checkbox"/> Contracts <input type="checkbox"/> Ordinances <input type="checkbox"/> N/A			
(12) OUTLINE AGREEMENT REQUISITION NUMBER (OAR) N/A		(13) BUDGET ADJUSTMENT REQUIRED? BAR ID Number: N/A <input type="checkbox"/> 4/5th's Vote Required <input checked="" type="checkbox"/> N/A	
(14) LOCATION MAP Attached	(15) BUSINESS IMPACT STATEMENT? No	(16) AGENDA ITEM HISTORY <input type="checkbox"/> N/A    Date: <u>11/25/2008; 6/7/1999; 5/11/1999</u>	
(17) ADMINISTRATIVE OFFICE REVIEW  Emily Jackson			
(18) SUPERVISOR DISTRICT(S) District 3 -			

# County of San Luis Obispo



TO: Board of Supervisors

FROM: General Services Agency / Janette Pell, Director  
805-781-5200

DATE: 11/5/2013

SUBJECT: Request to approve Lease Amendment No. 3 to the ground lease with the Child Development Resource Center of the Central Coast (CDRC) at 1720 Bishop Street in San Luis Obispo.

## **RECOMMENDATION**

It is recommended that the Board approve and authorize the Chairperson to sign Lease Amendment No. 3 to the ground lease with the Child Development Resource Center of the Central Coast (CDRC) at 1720 Bishop Street in San Luis Obispo.

## **DISCUSSION**

The San Luis Obispo Child Development Center, Inc., a non-profit 501 (c)(3) charitable organization, subsequently known as the Child Development Resource Center of the Central Coast (CDRC), was established in 1971 and currently provides childcare to children ages 2-5 and operates child abuse intervention and treatment programs at 1720 Bishop Street in San Luis Obispo. CDRC provides financial aid for families who qualify. In addition, CDRC accepts At Risk Referrals and Child Welfare Services referrals from legally qualified programs for low income individuals.

In 1999, CDRC Board members met with members of the County Board of Supervisors (Board) seeking a long-term ground lease on vacant land to place modular buildings financed through the California Department of Education (CDE) for their child abuse intervention and treatment programs.

On May 11, 1999, a "Resolution of Intention to Lease County Real Property for a Facility Center to Serve At-Risk Families and Children near the County General Hospital Site in the Incorporated City of San Luis Obispo" was adopted and signed by the Board.

On June 7, 1999 a 10-year Lease agreement between the CDRC and the County was signed by the Board. Terms and conditions of the Lease agreement set fair market rental value for the parcel at \$60,000 annually, subject to annual Consumer Price Index (CPI) increases.

Concurrently, from 1999 to 2004, the Department of Social Services (DSS) contracted with CDRC for services totaling approximately \$60,000 per year that offset the annual lease amount. At the time, the contracted CDRC services were reimbursable to DSS through State resources.

Lease Amendment No. 1 was signed by the County on October 26, 1999. The purpose of Lease Amendment No. 1 was to extend the lease period from the original term of 10-years to 21-years in order to accommodate revised CDE lending requirements. The expiration date for the lease agreement was extended to June 6, 2020.

Around July 2004, DSS cancelled its contracts with CDRC because it was determined that the contracts no longer met the requirements for State reimbursement. On July 1, 2004, CDRC notified the County that it could no longer make rent payments.

County staff and CDRC worked together to create lease terms and conditions that were manageable and agreeable to both parties. On November 25, 2008, Lease Amendment No. 2 was approved by the Board. In part, the amendment reduced CDRC's annual lease payment to \$20,000 per year subject to annual CPI increases or 3% of CDRC's reimbursements from the California Department of Education (CDE), whichever was more. In addition, CDRC agreed to pay \$10,000 annually towards rent in arrears that totaled \$244,827. The County agreed that if CDRC repaid at least \$10,000 annually towards rent in arrears with full repayment by September 2016, and if CDRC made timely payments of annual rent, the County would forgive the accumulated late fees totaling \$90,862. Since the approval of Lease Amendment No. 2, CDRC has paid \$65,000 for rent in arrears and has remained current on their annual rent payments.

On March 28, 2013 CDRC presented a letter to the County requesting "relief of the back debt and a renegotiated lease for \$1.00 per year for a period of 20-years." County staff reviewed the letter, discussed options and has proposed Lease Amendment No. 3, which would forgive all back debt totaling \$270,689 (\$179,827 rent in arrears and \$90,862 in late fees). However, staff recommends CDRC continue annual rent payments paid quarterly based on the current annual amount of \$22,540 for Fiscal Year 2013-14, subject to annual CPI increases through September 30, 2016 at which time Lease terms will be renegotiated.

The lease revenue budgeted by the General Services Agency for Fiscal Year 2013-14 is \$33,000; \$23,000 for rent and \$10,000 for rent in arrears. With the approval of Lease Amendment No. 3, GSA budgeted revenue will be short by \$10,000.

It is recommended that your Board approve Amendment No. 3 to the ground lease with the Child Development Resource Center (CDRC) at 1720 Bishop Street in San Luis Obispo and authorize the Chairperson to sign the document.

#### **OTHER AGENCY INVOLVEMENT/IMPACT**

County Counsel has approved the Amendment No. 3 as to form and legal effect. The County Administrative Office has assisted in negotiating the amendment. General Services Agency staff has worked with the Child Development Resource Center Executive Director regarding this amendment. Amendment No. 3 is endorsed by the Child Development Resource Center Board.

#### **FINANCIAL CONSIDERATIONS**

Beginning July 1 of Fiscal Year 2013-14, CDRC will pay annual rent payments quarterly based on the current annual amount of \$22,540 subject to annual CPI increases through September 30, 2016 at which time Lease terms will be renegotiated.

The back debt totaling \$270,689 (\$179,827 rent in arrears and \$90,862 in late fees) will be forgiven upon approval of this amendment.

The rent payment amount for Fiscal Year 2013-14 of \$22,540 will be paid into Fund Center 11307 – General Services – Property Management. The lost budgeted amount of \$10,000 for rent in arrears will be backfilled by General Fund Contingencies, if necessary, at the end of the fiscal year.

#### **RESULTS**

Approval of Amendment No. 3 will establish that as of July 1, 2013, CDRC will pay an annual rent of \$22,540, paid quarterly, and subject to CPI increases through September 30, 2016 at which time Lease terms will be renegotiated. In addition, the County will forgive all CDRC back debt totaling \$270,689. This one-time waiver will allow for the program to start with a "clean slate" and continue strengthening services going forward.

This action supports the County's community-wide goal of a Healthy Community by enabling CDRC to continue to offer highly effective child abuse intervention and treatment programs at 1720 Bishop Street in San Luis Obispo.

#### **ATTACHMENTS**

1. Vicinity Map
2. Lease Amendment No. 3