



Board Agenda Item 36

DATE: August 20, 2024

TO: Board of Supervisors

SUBMITTED BY: Edward Hill, Chief Operating Officer/Interim Director of Internal Services/Chief Information Officer
Sally Gomez, County Librarian

SUBJECT: New Politi Library Lease Agreement

RECOMMENDED ACTION(S):

- 1. Approve and authorize the Chairman to execute a Lease Agreement with Jeff Jue and Velvet Jue, as trustees of the Jeff & Velvet Jue Family Trust, dated August 10, 2011 (Lessor), for approximately 21,440 square feet of retail space, together with related improvements and parking, located at 6074 N. First Street, Fresno, CA 93710, for use by the Library, effective upon execution for a potential 10-year term, which includes an initial six-year base term, with four automatic one-year extensions, with base rent not to exceed \$6,518,234, and estimated possible additional rent of \$1,323,706, for a total maximum rent of \$7,841,939 for the potential 10-year term;**
- 2. Authorize the Director of the Internal Services Department/Chief Information Officer, or their designee, to approve and execute, upon review and approval as to legal form by County Counsel, an Estoppel Certificate, and Subordination and Non-Disturbance Agreement relating to the recommended Lease Agreement, if County is so requested by Lessor, to sign such documents; and**
- 3. Authorize the Director of Internal Services/Chief Information Officer, or their designee, to approve and execute (or accept, as applicable), (a) upon review and approval as to legal form by County Counsel, the Memorandum of Lease, and any notices, instruments, certificates, and documents, relating to the consummation of the recommended Lease Agreement, and (b) any notices and documents relating to the County's administration of the leased premises under the recommended Lease Agreement.**

There is no additional Net County Cost associated with the recommended actions, which will authorize the County, through the Fresno County Library (Library), to lease space located at 6074 N. First Street, Fresno, California 93710 (the "Property") for an initial term of six years with four optional one-year extensions for a potential maximum term of ten years. The potential maximum total Base Rent for ten years is \$6,518,234, with an estimated total maximum Additional Rent of \$1,323,706, for a total possible maximum rent amount of \$7,841,939 for the potential ten-year lease term. The recommended agreement will allow the Library to relocate the Leo Politi Branch Library to a significantly larger space. The agreement will permit the Lessor to make necessary improvements for the space to be in compliance with Public Library operations with an estimated cost of \$1,296,324.

Approval of the recommended actions will also authorize the Director of the Internal Services

Department/Chief Information Officer (Director of ISD), or their designee, to execute any documents required by the Lessor during the term, including, but not limited to, an Estoppel Certificate, Subordination and Non-Disturbance Agreement, and Memorandum of Lease.

This item pertains to a location in District 2.

ALTERNATIVE ACTION(S):

Your Board could direct the Library to continue with the lease at the current 5,016 square foot location, located at 5771 N First Street, Fresno, CA 93710, however it would result in a missed opportunity to occupy a new space that better meets the needs of the Library.

FISCAL IMPACT:

There is no increase in Net County Cost associated with the recommended action(s). The recommended agreement includes base rent and additional rent. The Base Rent for the Property starts at \$47,383 per month, \$568,589 per year, with three percent (3%) annual increases. The Additional Rent, which includes estimated costs for property tax, insurance, maintenance, and a three percent management fee, is estimated to be \$105,241 for the first year and is anticipated to increase by approximately five percent (5%) each year. The maximum compensation amount of the recommended Lease Agreement for the potential ten-year period is \$6,518,234 in rent and \$1,323,706 in additional rent. The cost of the Lease Agreement, as well as associated initial costs for building signage, furniture, and fixtures, will be funded from Measure B library sales tax and property tax revenue. Sufficient appropriations and estimated revenues have been included in the Library Org 75112023 FY 2024-25 Recommended Budget and will be included in subsequent budget requests.

DISCUSSION:

The Leo Politi Branch Library ("Politi Library") has been located at its current 5,016 square foot site located at 5771 N First Street, Fresno, CA 93710, since 1974. For the past decade, the Library has considered moving the Politi Library into a larger space to better serve the public. The recommended Lease Agreement will move the Politi Library into a 21,440 square foot building, located at the corner of First Street and Bullard Avenue. This larger space will allow for better service of the public. The Library intends to retain the existing library space for other operations. Prior to occupation and commencement of rent of the new space, it will be renovated by the Lessor as Lessor Improvements. The improvements are estimated to cost approximately \$1,296,324. These improvements will be performed at no additional cost to the County. The Library shall have the opportunity to approve the improvements, for the purpose of public library operational use of the premises.

Under the recommended Lease Agreement, the County shall also pay Lessor monthly "Additional Rent" payments, which will include costs for property taxes, insurance, and maintenance of the Property and common areas within the Shopping Center in which the Property is located in, as well as a management fee not to exceed three percent (3%) of additional rent costs paid per year. At the completion of each year of the term, Lessor is to provide the County an "Actual Cost Statement" of the costs comprising the additional rent amounts. Any amounts overpaid by the County will be refunded, and any amounts owed will be paid by the County. Additional rent payments for the first year are estimated at an annual cost of \$105,241 and are estimated to increase by five percent (5%) each year. This amount will be updated annually to reflect anticipated increases in operational costs, to reflect the actual operational costs associated with the Property. The estimated total amount of Rent and Additional Rent for the total possible 10-year lease term is \$7,841,939.

Because the Lease Agreement extends more than one fiscal year, it needs to satisfy the County's constitutional debt limitation. As is typical for multi-year municipal leasing arrangements, the Lease Agreement is structured as a "beneficial use lease," which means the County agrees to pay the Rent,

except where it cannot use the property, e.g., due to damage, destruction, or condemnation. If the inability to use the Property is temporary, the County's obligation to make rental payments is merely suspended.

Approval of the first recommended action will allow the Library to lease the Property for a potential ten-year term. Approval of the second and third recommended actions will authorize the Director of ISD, or their designee, with the approval of County Counsel to legal form, to execute various documents as necessary to administer the Lease Agreement.

ATTACHMENTS INCLUDED AND/OR ON FILE:

On file with Clerk - Lease Agreement

CAO ANALYST:

Ahla Yang