



Legislation Text

File #: 13-0847, **Version:** 3

Per the request of Durock Road LLC consider an amendment to Lease Agreement 611-L1311 (Probation Department's Shingle Springs office space) allowing for a six (6) month extension and 6% accrued interest on past due tenant improvement debt in the amount of \$115,680. If approved, and upon approval from County Counsel and Risk Management, authorize the Chair to execute amendment.

Funding: Accumulated Capital Outlay Fund.

Background:

On July 30, 2013 the Board approved lease agreement 611-L1311. Per the agreement Exhibit B, Section 2.1 - "Lessor and Lessee shall bear and pay the cost of the Tenant Improvement as follows: Lessor will be responsible for seventy-five percent (75%) of the first \$100,000 of Tenant Improvement costs, and sixty percent (60%) of the remainder of Tenant Improvement costs, up to a total not-to-exceed reimbursement amount of \$200,000. Lessor shall reimburse Lessee for its portion of the Tenant Improvement costs within forty-five (45) days after a final accounting by the Lessees or a Notice of Completion is recorded pursuant to section 3.3 below, whichever is later."

Per Section 14.2 of Lease Agreement 611-L1311 "Any sum paid by the non-defaulting party to cure the default shall be due within five (5) days of notice of such sum, and if paid at a later date shall bear interest at the maximum rate permitted by law. Lessee shall have the right to withhold from future rent due the sum Lessee has expended until Lessee is reimbursed in full for the sum and interest on it".

Reason for Recommendation:

On May 30, 2014 the final accounting on the tenant improvement was completed and the Lessor (Durock Road LLC) was billed for their portion of the improvement in the amount of \$115,680.00. County staff continued to follow up with the Lessor on several occasions to resolve the debt. On September 29, 2014 a final demand for payment was issued to the Lessor notifying them if payment was not received within 5 days, the County would begin withholding rent payments as allowed in the lease agreement. On October 13, 2014 the Lessor requested that they would "like to have the proposed 6 month extension yielding 6% on the accrued and unpaid debt placed on the County Board of Supervisors agenda for open discussion".

Action to be taken following Board direction:

If approved, staff will proceed with a lease agreement amendment allowing for the 6 month extension on the unpaid debt at an interest rate of 6%.

If denied, staff will begin withholding monthly lease payments and applying an interest rate of 10% (allowed per agreement terms) to recoup the unpaid debt.