
File ID: 2024-01040

6/11/2024

Consent Item 18.

Second Amendment to Lease Agreement for Triple-R Adult Center at 5962 South Land Park Drive

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Location: 5962 South Land Park Drive, District 7, Represented by Councilmember Jennings

Recommendation: Pass a **Motion:** 1) authorizing the City Manager or the City Manager’s designee to execute a second amendment to lease agreement number 2018-1588 with Garrett P. Scales and Ward Johnson, as Trustees (“South Hills Trust”) for space at the South Hills Shopping Center located at 5962 South Land Park Drive with a three-year extension of the lease term in an amount of approximately \$203,565 for the three-year extension, plus two additional three-year options to extend with the base rent amount for those extensions set at a “market rental value” amount agreed to by the City and South Hills Trust (with City Council approval required to exercise any lease extension costing \$250,000 or more); and 2) authorizing the City Manager or the City Manager’s designee to execute minor lease amendments, provided that the total amount of the expenditure resulting from the amendment is less than \$250,000.

Contact: Steve Ward, Real Property Agent, (916) 808-1081 stward@cityofsacramento.org; James Christensen, Facilities Manager, (916) 808-5863, jechristensen@cityofsacramento.org; Department of Public Works; Stephanie Wilson, Recreation Superintendent, (916) 808-1591, smwilson@cityofsacramento.org, Department of Youth, Parks & Community Enrichment

Presenter: None

Attachments:

- 1-Description/Analysis
- 2-Lease Agreement

Description/Analysis

Issue Detail: The City is currently operating its Triple-R Adult Day Programs for seniors with memory loss in a leased space at the South Hills Shopping Center located at 5962 South Land Park Drive. The location is a 3,951 square foot space with convenient parking and common area amenities. A lease agreement was originally executed between the City and the South Hills Trust in 2018. City staff is recommending that the City Council authorize the City’s first renewal option, which would extend the lease through April 30, 2027, and amend the lease to allow for two additional three-year

options to extend following expiration of the first option on April 30, 2027. The lease previously had two five-year options to extend, but the City and South Hills Trust desire to amend the lease to instead have three three-year options to extend to provide greater flexibility for the Triple-R Program.

Leasing of the South Hills Shopping Center space allows for the continuation and expansion of the Triple-R Program. The Triple-R Program provides access to specialized social and recreational opportunities for seniors with Alzheimer's which is not possible in standard programming for older adults.

Policy Considerations: The Triple-R program needs to extend its lease to allow for continued services for seniors, which is in line with the mission, vision and goals of the Youth, Parks, & Community Enrichment Department.

Economic Impacts: None.

Environmental Considerations: The leasing of space in the ordinary course of City operations is a continuing administrative activity and is not considered a project under the California Environmental Quality Act (CEQA) per CEQA Guidelines section 15378(b)(2). Additionally, the City's continued lease of existing private facilities with no expansion of prior use is exempt from environmental review under CEQA Guidelines Section 15301.

Sustainability: None.

Commission/Committee Action: Not applicable.

Rationale for Recommendation: Triple-R is an adult day program operated by the Youth, Parks, & Community Enrichment Department providing recreation for seniors with Alzheimer's disease or other issues that result in memory loss and dementia. It was initiated in 1992 by the Older Adult Services section of the Department and each of its three locations is licensed as a Social Adult Day Program through the California Department of Social Services, Community Care Licensing Division. Approximately 150 families are served by the program.

The Triple-R Program serves an important community need for non-medical adult care for seniors experiencing dementia. The program is well-regarded by families, doctors and senior service agencies as the resource of choice to help families struggling to care for loved ones affected by Alzheimer's and other conditions impacting memory and cognitive functioning. Providing a seamless extension of the existing location is important to the well-being of families currently served by the program. Staff leased private property in 2018 because it was not able to identify any appropriate City-owned facilities to accommodate the five-day per week, ten-hour per day program.

Financial Considerations: The monthly rent for the first three-year extension term of the lease will

be \$1.00 per square foot for the 3,951 square foot facility or \$3,951.00 per month, which is a “market rental value” agreed to by the City and South Hills Trust. Additionally, a monthly Common Area Maintenance (CAM) fee of \$1,621.18 per month (with a likely 5% increase annually) is required for the first three-year extension term. Accordingly, the monthly amount that the City will pay for the first three-year extension term will be as follows:

<u>Term</u>	<u>Rate / s.f.</u>	<u>Monthly Rent</u>	<u>Monthly CAM</u>	<u>Total / Month</u>	<u>Total / Year</u>
Months 1-12	\$1.00/s.f.	\$3,951.00	\$1,621.18	\$5,572.18	\$66,866.16
Months 13-24	\$1.00/s.f.	\$3,951.00	\$1,702.24	\$5,653.24	\$67,838.88
Months 25-36	\$1.00/s.f.	\$3,951.00	\$1,787.35	\$5,738.35	\$68,860.22

The total lease expense for the first three-year extension term through April 30, 2027, will be approximately \$203,565 (Measure U, Fund 2401).

Triple-R is a fee-for-service program paid for by families who use the program and by several agencies that use Triple-R as part of a care plan for their clients who attend the program. Scholarships are available for low-income families and some families use long-term care insurance for this qualified community-based service. Triple-R operates on the \$427,000 per year amount in revenue it receives for program participants. There is sufficient funding available in the Youth, Parks, & Community Enrichment Department, Older Adult Services Division operating budget to cover the lease costs at the South Hills Shopping Center through the nine years of extension terms that are specified in the Second Amendment. The base rental rate for the three extended option periods will be “market rental value” as agreed upon by the two parties.

Local Business Enterprise (LBE): Not applicable.

**SECOND AMENDMENT OF LEASE AT SOUTH HILLS SHOPPING
CENTER**

THIS SECOND AMENDMENT OF LEASE AT SOUTH HILLS SHOPPING CENTER (“**Second Amendment**”) is made as of _____, 2024, by and between the CITY OF SACRAMENTO, a municipal corporation (“**City**” or “**Lessee**”), and GARRETT P. SCALES AND WARD JOHNSON, AS TRUSTEES (“**South Hills Trust**” or “**Lessor**”).

Background

- A. Pursuant to City Agreement 2018-1588 (the “Lease”), City leases from South Hills Trust a portion of the South Hills Shopping Center located at 5962 S. Land Park Drive, Sacramento, California 95822 (“Premises”) for operation of an adult daycare facility, as more particularly described in the Lease.
- B. Per Section 1.3 of the Lease, as modified by the First Amendment, the Initial Term of the Lease commenced on May 1, 2019 and expires on April 30, 2024.
- C. Pursuant to Paragraph 59 of the Lease, City desires to exercise its option to extend the Lease term. However, the Parties agree to modify the Options to Extend from two 5-year options to three 3-year options.

Based on the foregoing background, City and Lessee agree as follows:

- 1. **Extension of Term.** The first sentence in Paragraph 59(A) is hereby deleted and replaced with the following: “Lessor hereby grants to Lessee the option to extend the term of this Lease for three (3) additional thirty-six (36) month period(s) commencing when the prior term expires upon each and all of the following terms and conditions.”
- 2. **Exercise of First Option to Extend.** Lessee hereby exercises its first Option to Extend, which will extend the Lease from May 1, 2024 through April 30, 2027 (“First Extended Term”). In accordance with Paragraph 59(A)(i) of the Lease, Lessee provided notice to Lessor on October 2, 2023 of Lessee’s intent to exercise the first Option to Extend.
- 3. **Base Rent.** Paragraph 59(A)(II) of the Lease is hereby modified to reflect that the base rent for the First Extended Term from May 1, 2024 through April 30, 2027 will be as set forth in Exhibit A attached hereto.
- 4. **Entire Agreement.** This Second Amendment contains the entire agreement between City and South Hills Trust with respect to the matters set forth in this Second Amendment and supersedes all prior understandings or agreements between City and South Hills Trust with respect to these matters. Except as specifically amended or modified herein, each and every term, covenant and condition of the Lease and First Amendment, remains in full force and effect.

5. **Authority.** The persons signing this Second Amendment represent and warrant that they are fully authorized to sign this Second Amendment on behalf of their entity and to bind their entity to the performance of its obligations hereunder.

Executed as of the day and year first above stated.

CITY OF SACRAMENTO
A Municipal Corporation

By: _____

Name: Jackie Beecham

Title: Director of YPCE

For: Howard Chan, City Manager

APPROVED AS TO FORM:

Maria Hansen
[Maria Hansen \(Apr 26, 2024 10:07 PDT\)](#)

City Attorney

ATTEST:

City Clerk

SOUTH HILLS TRUST

By: *Garrett P. Scales*
[Garrett P. Scales \(Apr 25, 2024 11:37 PDT\)](#)

Name: Garrett P. Scales

Title: Co-Trustee

By: *WJ*
[Ward D. Johnson \(Apr 25, 2024 20:07 EDT\)](#)

Name: Ward Johnson

Title: Co-Trustee

Exhibit A
Fixed Rental Adjustment

Date	Months	Base Rent
05/01/2024 - 04/31/2027	61-96	\$3,951.00