

Memo

Carmichael



RECREATION AND
PARK DISTRICT

To: Advisory Board of Directors

From: Mike Blondino, District Administrator
Ingrid Penney, Administrative Services Manager

Subject: Request for Approval of the Third Amendment/Contract Extension
Between Carmichael Recreation and Park District and California
Montessori Project Inc.

Date: May 18, 2023

Introduction/Background:

California Montessori Project, Inc. (CMP) has been a leasehold tenant at the La Sierra Community Center (LSCC) since December 2011. CMP is a non-profit charter school network serving over 2,700 students on seven campuses located throughout the greater Sacramento area. CMP leases approximately 68,602 square feet of space for their administrative offices and Carmichael Campus classrooms. The Carmichael Campus serves approximately 700 students, from Transitional Kindergarten through 8th grade.

CMP has been an excellent tenant and CRPD recognizes the value of this long standing relationship. In addition, to numerous leasehold improvements at LSCC, CMP has partnered with the CRPD on two major playground improvements at the LSCC, a new playground and a play area asphalt improvement project adjacent to the playground. These improvements have benefited both agencies and the local community.

Based on current lease terms, the monthly lease rate is \$1.38 per sq ft. for approximately 63,437 sq ft. of Premises A and B (\$87,543.06). The Gibbons 700, 830 and 835, has been discounted at \$0.55 sq ft. for approximately 5,165 sq ft. (\$2,840.75).

The cost of utilities and services is built into the lease rate. Using the FY2021-22 Utilities and Services Rate of \$0.63, the \$1.38 amount leaves \$0.75 as a lease rental fee, while the \$0.55 discounted rate does not cover the pro-rated nor actual direct cost of utilities and services. The total current monthly lease is \$90,383.81, for annual lease payments in excess of \$1.08M. (LSCC map attached)

Discussion:

CRPD and CMP Staff have been meeting to review and negotiate terms and conditions within the Lease Agreement.

Because the discounted rate is not sufficient to cover direct costs, Staff has negotiated a new rate with CMP, proposing to no longer discount the Gibbons 700, 830 and 835 leased premises. Instead CRPD would charge the \$1.38 per sq ft rate across the board. The escalator would change from \$0.03 to 3% in order to keep up with the rising costs related to utilities and services.

Using the \$1.38 per sq ft rate, the new monthly lease amount for the Gibbons 700, 830 and 835 would be \$7,127.70, an increase of \$4,286.95 per month. The new total monthly lease amount for all leased premises would be \$94,670.76, with annual lease payments in excess of 1.1M.

Based on Resolution 2017-0010 adopted by the Sacramento County Board of Supervisors, the Advisory Board or designee is authorized to negotiate the terms and conditions and may execute leases on the behalf of the CRPD provided that such leases do not exceed five (5) years in duration and/or \$7,500 in monthly rental/lease. This limitation applies to amendments, as well. Since this lease amendment exceeds both limitations, the Advisory Board would still review, and take action to approve and submit their recommendation(s) to the Board of Supervisors for final approval and execution.

The current tenant lease term ends June 30, 2023 with several options to extend the lease to June 30, 2033.

Lease Amendment Summary:

By mutual consent, both parties have agreed to the terms and conditions outlined in the Third Amendment. County Counsel and County Risk Management have reviewed and approved, finding the Amendment legally sufficient.

- Total square footage: 68,602 square feet
- Price per square foot: Both the 63,437 square feet of Premises A and B as well as the 5,165 square feet of Gibbons 700 East, 830 and 835 at a uniform lease rate of \$1.38 per square foot.
- Term: By mutual consent, exercise a second option to renew the lease for an additional five (5) year period. The term of the Lease is extended for five (5) years, commencing on July 1, 2023, and terminating on June 30, 2028.

Deposit: Upon execution of the Third Amendment, CMP shall have on deposit a total of \$94,670.76. CRPD currently holds \$80,093.51 leaving a balance due of \$14,577.25 by CMP.

Rate to include: Lease Escalator of 3% per square foot adjusted each January. Lease rate includes Utilities and Services. Utilities and Services will be re-evaluated annually. The lease rate will be adjusted by the actual increase in Utilities and Services for the duration of the lease.

Recommendation:

Staff recommends that the Advisory Board of Directors of the Carmichael Recreation and Park District approve the proposed Amendment between the Carmichael Recreation & Park District and California Montessori Project and to authorize the District Administrator to sign and forward the Third Amendment for execution by the Board of Supervisors.

THIRD AMENDMENT TO LEASE
RE: LA SIERRA COMMUNITY CENTER
BETWEEN CARMICHAEL RECREATION AND PARK DISTRICT AND
CALIFORNIA MONTESSORI PROJECT, INC.

THIS THIRD AMENDMENT TO LEASE RE: LA SIERRA COMMUNITY CENTER (hereinafter "Second Amendment") is made and entered into this ____ day of _____, 2023, by and between **CARMICHAEL RECREATION AND PARK DISTRICT**, a Recreation and Park District formed pursuant to the California Public Resources Code (Section 5780, et seq.) hereinafter LESSOR and **CALIFORNIA MONTESSORI PROJECT INC.**, a California non-profit public benefit corporation (hereinafter LESSEE) to amend that certain lease agreement between the parties dated July 16, 2013 (hereinafter the Lease).

WHEREAS, LESSEE has exercised its option to extend the term of the Lease for an extended term of five (5) years pursuant to the terms of the lease, as modified herein; and

NOW, THEREFORE, IT IS MUTUALLY AGREED to amend the Lease between the LESSOR and LESSEE, as follows:

1. TERM. Paragraph 3.A. *Initial Term for Premise "A" and "B"* shall be amended to include the following subsection: (1) Lease Extended Term. The second option for the extended term of this lease has been exercised by Lessee. The initial term of the lease is hereby extended for five (5) years, commencing July 1, 2023, and terminating on June 30, 2028.
2. SECURITY DEPOSIT. The security deposit required by Paragraph No.4 of the Lease shall be amended to **\$94,670.76**. Any additional Security Deposit that has not already been received by the Lessor shall be due and payable by Lessee upon execution of this First Amendment to the Lease. Lessor acknowledges it currently holds **\$80,093.51** in security deposit from Lessee, leaving a balance of **\$14,577.25** due and payable.

3. RENT. Paragraph 5.A. shall be amended to include following paragraph:
Commencing July 1, 2023, LESSEE shall pay LESSOR a Lease Base Rent for the extended term in the amount of **\$94,670.76** per month (based upon **\$1.38** per square foot of 68,602 leased space) The Base Rent shall be inclusive of electricity, gas, water, sewer, refuse removal, common area custodial, landscaping, and insurance, as provided by LESSOR. LESSEE shall be responsible for all telephone, internet, and interior janitorial services with regard to the Leased Premises. Escalations to the Base Rent shall be based on a cumulative annual increase of 3%.

4. REAFFIRMATION. Except as set forth in this Third Amendment, all of the terms and conditions contained in the Lease, First and Second Amendments, and not in conflict with the provisions of this Third Amendment, shall remain in full force and effect for the extended term.

5. COUNTERPARTS AND ELECTRONIC SIGNATURES. This Agreement and any amendments hereto may be executed in several counterparts, and shall be deemed one and the same agreement. Electronic and scanned signatures shall be deemed original signatures for all purposes, including proof of terms herein, and shall be binding on each party.

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IN WITNESS WHEREOF, the respective parties hereto have executed this Second Amendment to the Lease as of the date first set forth herein and the amendments set forth herein shall be effective as of July 1, **2023**.

CARMICHAEL RECREATION AND PARK DISTRICT, a Recreation and Park District formed pursuant to the California Public Resources Code (Section 5780, et seq.)

By _____
Chair, Board of Supervisors, ex-officio
Board of Directors
"LESSOR"

ATTEST:

Clerk of the Board of Supervisors,
ex-officio Clerk of the Board of
Directors of Carmichael Recreation
and Park District

APPROVED AS
TO CONTENT:

District Administrator

CALIFORNIA MONTESSORI PROJECT,
INC.

APPROVED
AS TO FORM:

County Counsel

BY:

Authorized Representative
"LESSEE"