

Orange County Sanitation District

Administration Building
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Agenda Report

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FROM: James D. Herberg, General Manager
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SUBJECT:

GENERAL MANAGER AUTHORITY TO TERMINATE LEASE AGREEMENTS AT 18350 MT. LANGLEY STREET AND 18368 BANDILIER CIRCLE, FOUNTAIN VALLEY

GENERAL MANAGER'S RECOMMENDATION

RECOMMENDATION:

Authorize the General Manager to terminate lease agreements at his discretion for the following tenants at 18350 Mt. Langley Street and 18368 Bandilier Circle in Fountain Valley, for the period of July 1, 2020 through June 30, 2021:

| <u>Lessee</u> | <u>Property</u> | <u>Suites</u> | <u>Expiration</u> |
|------------------------------------|--------------------------|--------------------|-------------------|
| Kroll/On Track | 18350 Mt. Langley Street | 110 | 06/30/2021 |
| Western Youth Services | 18350 Mt. Langley Street | 200, 206, 215, 220 | 05/30/2021 |
| Atlantic-Pacific Processing | 18350 Mt. Langley Street | 205, 210 | 11/30/2021 |
| United Family | 18350 Mt. Langley Street | 209 | 03/04/2021 |
| De La Rosa Maintenance Contractors | 18368 Bandilier Circle | | 01/31/2023 |

BACKGROUND

The Orange County Sanitation District (Sanitation District) purchased properties at 18350 Mt. Langley Street and 18368 Bandilier Circle as part of the overall strategy to build a new Headquarters Complex and to reserve land at Plant No. 1 for wastewater treatment. The new Headquarters Project is currently under design and permitting and staff is developing a permanent property management strategy that will be impacted by the outcome of the building design and permitting process. Pending those decisions, the Sanitation District currently has commercial tenants that lease part of the properties at 18350 Mt. Langley Street and 18368 Bandilier Circle in Fountain Valley.

RELEVANT STANDARDS

- Protect Orange County Sanitation Districts assets

PROBLEM

The Sanitation District owned properties have commercial tenants and due to current financial circumstances, tenants have inquired about the possibility of early release from their lease agreements. At present, the General Manager does not have authority to approve early termination of the lease agreements and foregoing the lease payments.

PROPOSED SOLUTION

Authorize the General Manager, at his discretion, to release current tenants from their lease agreements and forego the remaining lease payments.

TIMING CONCERNS

Termination of lease agreements due to financial circumstances needs to be executed in a timely manner.

RAMIFICATIONS OF NOT TAKING ACTION

Tenants may not have the financial resources to be able to make the financial obligations stipulated in the lease agreements.

PRIOR COMMITTEE/BOARD ACTIONS

September 2017 - Approved a Standard Offer, Agreement, and Escrow Instructions for Purchase of Real Estate (Purchase Agreement) with K&A Investments LP for Property at 18350 Mt. Langley Street, Fountain Valley and Authorized General Manager and General Counsel to Execute any and all instruments related to the transaction.

August 2018 - Received and filed the fully executed Agreement of Purchase and Sale and joint Escrow Instructions for 18410-18436 Bandilier Circle and 18368-18384 Bandilier Circle, Fountain Valley; and Authorized the General Manager to Execute any and all other instruments related to the transaction.

ADDITIONAL INFORMATION

Ultimately, the properties at Mt. Langley and Bandilier are planned for demolition to make room for a new Headquarters Complex, and possibly a new Laboratory. Currently, there are 35 Sanitation District employees working at the Mt. Langley building.

Plans for moving employees who are currently telecommuting back into the office will require social distancing and more space between employees. Vacant space made available by early lease terminations could be used to provide for social distancing of our employees when they return to the office.

CEQA

N/A

FINANCIAL CONSIDERATIONS

The Sanitation District will forego any monthly revenues associated with terminated lease agreements. All lease termination requests will be reviewed by Sanitation District staff.

ATTACHMENT

The following attachment(s) may be viewed on-line at the OCSD website (www.ocsd.com) with the complete agenda package:

N/A