

MEMO



Meeting Date: July 18, 2025

To: Board of Directors
From: General Manager, Felipe Melchor

Subject: Approve a Facilities Lease and Operating Agreement with Veterans Transition Center for the Last Chance Mercantile.

RECOMMENDATION

Staff recommends that the Board authorize the General Manager to finalize negotiations and execute a three (3) year agreement with the Veterans Transition Center to continue operating Last Chance Mercantile.

BACKGROUND

The Veterans Transition Center of California is a nonprofit organization dedicated to supporting homeless veterans by providing housing, skills training in a working environment and addressing various post-military service needs. Since 2021, the Veterans Transition Center, through its subsidiary VTC Last Chance Mercantile LLC, has successfully operated the Last Chance Mercantile, a thrift store on Regen's property that diverts reusable items from landfills and provides valuable work experience and training opportunities for veterans.

The Veterans Transition Center has demonstrated effective management of the Last Chance Mercantile operation since taking over in 2021. The facility serves two purposes: environmental sustainability, by keeping usable items out of landfills, and providing a structured work environment where veterans can develop employment skills and gain valuable experience.

Because the operation of the Last Chance Mercantile supports ReGen's efforts to reduce waste, ReGen makes the building and certain surrounding property available to Veterans Transition Center through a no cost lease; Veterans Transition Center pays no rent for use of the facilities but in exchange bears its operating costs and responsibility for certain maintenance of the property.

The term of the original lease expires July 31, 2025.

DISCUSSION

Staff has been working with the Veterans Transition Center to develop the framework for a comprehensive three-year no cost lease that would allow Veterans Transition Center to continue providing its programming and services, while (a) preserving certain flexibility for ReGen to continue planning for long-term use of its property and facilities, and (b) protecting ReGen against unexpected expenses from a use that generates no revenue for the agency.

After about 4 months of discussions, ReGen believes the parties are close to completing successful negotiations. ReGen has requested that Veterans Transition Center agree to the following key business terms under a new lease:

Physical Address	Mailing Address	Phone / Fax	Web / Social	<i>Let's not waste this.</i>
14201 Del Monte Blvd.	P.O. Box 1670	831-384-5313 PHONE	ReGenMonterey.org	
Salinas, CA 93908	Marina, CA 93933	831-384-3567 FAX	@ReGenMonterey	

- Premises: The Last Chance Mercantile building; a storage yard generally the same as current but excluding a portion of land in the northwest corner of the site that ReGen never anticipated would become part of the yard; 8 large storage containers on the storage yard; and about 71 parking spaces. Beginning in the 3rd year of the lease, ReGen could retake a portion of the storage yard, if necessary to support the agency's long-term planning for use of its property.
- Term: 3 years, with 2 options for the parties to mutually agree to extend the term an additional 4 years (so up to 11 years total).
- Rent: \$0
- Utilities and Services: ReGen would provide electricity, water, and wastewater at no charge; ReGen would provide disposal of eligible solid waste from the operation at no charge. Veterans Transition Center would be responsible for security, pest control, and other utilities and services it requires.
- Tenant Improvements: ReGen would provide \$15,000 reimbursement toward restroom and certain other improvements to the premises for work performed by Veterans Transition Center.
- As Is Condition; Limit on Obligation to Incur Costs: ReGen generally would make the property available to Veterans Transition Center in its "as is" condition, and Veterans Transition Center generally would be responsible for maintaining the improvements. If either party would incur costs greater than \$30,000 in the aggregate during the term of the lease, that party may terminate the lease in lieu of being required to make such expenditure.

Veterans Transition Center indicated it requires additional time to complete its review of ReGen's last round of comments on the draft lease. Because time is of the essence and to provide operational stability, staff is requesting the Board delegate authority to the General Manager to finalize negotiations with Veterans Transition Center for a lease consistent with the key business terms described above.

A three-year extension will provide operational stability for the Veterans Transition Center's programs and the mercantile operations.

FISCAL IMPACT

There is no fiscal impact on the organization as this is a zero-cost lease agreement. The arrangement supports ReGen's mission to reuse items that still have value and divert them from landfills, while providing valuable services to veterans at no cost to Veterans Transition Center.

CONCLUSION

The Veterans Transition Center is a partner in operating Last Chance Mercantile while fulfilling community objectives of supporting veterans and environmental sustainability. Staff recommends the Board authorize the General Manager to finalize negotiations and execute a three-year lease agreement to provide operational continuity and allow completion of agreement negotiations.

//