



COUNTY OF SONOMA

575 ADMINISTRATION
DRIVE, ROOM 102A
SANTA ROSA, CA 95403

SUMMARY REPORT

Agenda Date: 12/12/2023

To: Sonoma County Board of Supervisors and Board of Commissioners

Department or Agency Name(s): Community Development Commission/Public Infrastructure

Staff Name and Phone Number: Michelle Whitman, Community Development Commission, 707-565-7504,
Johannes J. Hoevertsz - Public Infrastructure, 707-565-2550

Vote Requirement: Majority

Supervisorial District(s): Countywide

Title:

New Office Lease

Recommended Action:

Authorize the Sonoma County Community Development Commission Executive Director to enter into a lease with North Bay Realty Holdings, LLC, California limited liability company (as Landlord), for approximately 14,790 sq. ft. of office space at 141 Stony Circle, Suite 210, Santa Rosa, an initial term of 10 years, 5 months, with two, 5-year options to extend the lease; with a rent of \$20,790 per month, subject to adjustment as specified in the proposed lease.

Executive Summary:

The Community Development Commission (CDC) has been located in its current premises since 1992, and the property is not ADA-compliant as required by the U.S. Department of Housing and Urban Development (HUD). On 10/24/23 the Board declared intent to authorize the agency to enter into a new space lease. This item presents the lease agreement for the Board's consideration and to delegate authority to the Community Development Commission Executive Director to execute.

Discussion:

This item seeks Board authority to enter into a lease between North Bay Realty Holdings, LLC (the Landlord) and the Sonoma County Community Development Commission ("CDC"), to provide updated, improved, and accessible office space for the CDC and its public facing operations, at 141 Stony Circle, Suite 210, Santa Rosa ("New Premises") of 10 years, 5 months, with two five-year extension options.

Since 1992, CDC has continuously leased office space at 1440 Guerneville Rd., Bldg. F, Santa Rosa ("Current Premises") for its operations. The Current Premises are comprised of 13,300 sq. ft. of office space and provides space for 54.5 staff. The lease for the Current Premises was extended earlier this year and the lease expires May 31, 2024. The current monthly rent is \$21,799. CDC has the right to remain in the Current Premises after lease expiration on a month-to-month basis under existing holdover provisions. Sonoma County Public Infrastructure (SPI) staff have assisted CDC in the search for new premises and negotiations of a new lease.

The proposed New Premises will provide new, updated and larger office space, in a two-story, multi-tenant office building built in 1988 ("Stony Circle Building"). The Stony Circle Building has frontage on Stony Point Road, presents a clean, bright and accessible location for conducting public facing operations. Public transportation is provided by two Santa Rosa bus lines, and the building is just south of the West Side Transit

hub. There is ample parking for CDC clients, visitors and staff. The location is conveniently located, and within walking distance of childcare, administrative offices, a grocery store, restaurants and other amenities across the street at Stony Point Retail Center, and in close proximity to Finley Community Park and Swim Center.

County SPI staff identified at least 12 new locations for CDC to potentially relocate their operations; SPI toured 9 properties with CDC management staff; and SPI prepared letters of interest with 5 landlords before CDC management staff determined that the New Premises was the best suited for their operations. Ultimately, CDC, with SPI concurrence, recommends the New Premises as most suitable with the most competitive annual lease cost.

Landlord will complete, at its sole cost and expense, turn-key tenant improvements including new renovated office and meeting spaces that maximize natural lighting throughout, new carpet and paint, up to four client interview rooms, 18 private offices and a new kitchen. This build-to-suit space will accommodate CDC staff - comprised of the Executive Director, 7 Management staff, 10 Supervisorial Staff, and 36.5 line staff to administer CDC program services.

Proposed Lease. The terms for the proposed Lease are as follows:

Premises: Suite 210, comprised of 14,790 rentable sq. ft. at 141 Stony Circle, Santa Rosa.

Term: Initial Term of ten (10) years, 5 months beginning approximately May 1st, 2024, with two 5-year options.

Rent: \$20,790.40 per month (\$1.60 sq. ft.). during the initial and any extension terms will be based on 12,994 sq. ft. (instead of the full rentable premises of 14,790 sq. ft.), subject to 3% annual increases. Market rate rents are in the range of \$1.80 - \$2.25 per sq. ft. for comparable office space in Santa Rosa.

Rent Abatement:

The proposed Lease provides rent abatement of 5 months during the initial term: the first 2 months of year 1 (a savings of \$41,580); months 13 and 14 in year 2 (a savings of \$42,828.22); and month 25 in year 3 of the term (a savings of \$22,056.54) for a total savings over the first three years of the initial term of \$106,466).

Parking: Ample and convenient parking for clients, public and staff. The lease provides for 61 non-exclusive parking spaces (4.1:1000). There is additional parking available for visitors and large meetings, and ten blue placard spaces fronting the building.

Improvements:

Significant turn-key tenant improvements include construction or installation of:

- Eighteen (18) offices;
- Two (2) medium conference rooms;
- Large reception with two (2) to four (4) small meeting rooms adjacent for client meetings;
- New entry doors with glass centers;
- Front lobby to serve as a waiting room for clients prior to intake meetings;
- Up to 45 workstations;
- Storage areas and copy room;
- Kitchen amenities;
- Supplemental cooling unit in separate IT room;
- A more open floor plan that will allow for increased flexibility for additional meeting

- space and any expansion of services, as needed; and
- New elevator. □

Landlord will perform these tenant improvements at Landlord's sole cost and expense.

Termination: County may terminate the lease for any reason, with 180 days prior written notice to the Landlord and payment of the Lease Termination Fee as specified in the Lease, which is based on unamortized tenant improvements and other expenses of the transaction. The calculation is determined by the tenant improvements at the Landlord's sole cost and expense averaged over 10 years and 5 months.

Projected travel times for CDC clients at the new location are somewhat improved over the current Premises.

Funding: The one-time move costs associated with the new Lease include new office equipment and furnishings, move management and ISD/IT services to provide Wi-Fi connectivity and furnish the new Premises for occupancy is \$281,500. CDC funding sources are very specific about how much of each funding stream can be used for administrative or overhead purposes, with the rest allocated for use on programs and client services. On 10/24/23 the Board approved the use of \$281,500 in General Fund Contingencies for the move and directed CDC to reimburse the County's General Fund \$106,466 once the Commission realizes rent-abated savings, which is expected to occur in FY 24/25 and FY 25/26.

CDC will continue to pay monthly rent for the Current Premises of \$21,799 per month, through the month of May 2024 until the New Premises are ready for occupancy, projected to be May 1, 2024. The proposed new lease will abate rent for five months during the initial term of the lease (specifically months 1 & 2, 13 & 14 and 25), for a total savings of \$106,466. Future ongoing lease rent costs will be paid out of the department's approved operating budget.

Procedural Authority. Government Code Section 25350 requires two (2) Board actions, which includes publication of a notice of intent, for the County/CDC to lease real property as tenant, and where the lease is valued at more than \$50,000. The Board approved the Notice of Intent at the October 24th 2023 meeting and publication period for said notice has concluded. If your Board approves this requested action, the Executive Director of CDC will execute the proposed new Lease for the New Premises. □

Strategic Plan:

N/A

Racial Equity:

Was this item identified as an opportunity to apply the Racial Equity Toolkit?

No

Prior Board Actions:

10/24/23 - Notice of Intent to Execute Board Summary approved.

03/21/23 - Authorize Director of Public Infrastructure to execute Fourth Amendment to Lease (for Current Premises)

02/05/13 - Authorize General Services Director to execute Third Amendment to Lease (for Current Premises)

1992 - Approval of original lease with options for extension (for Current Premises)

FISCAL SUMMARY

Expenditures	FY23-24 Adopted	FY24-25 Projected	FY25-26 Projected
Budgeted Expenses		\$207,900	\$214,140
Additional Appropriation Requested	\$281,500		
Total Expenditures	\$281,500	\$207,900	\$214,140
Funding Sources			
General Fund/WA GF			
State/Federal		\$207,900	\$214,140
Fees/Other			
Use of Fund Balance			
Contingencies (General Fund)	\$281,500		
Total Sources	\$281,500	\$207,900	\$214,140

Narrative Explanation of Fiscal Impacts:

On October 24, 2023, the Board approved use of \$281,500 in General Fund Contingencies for remaining balance. CDC will reimburse the County \$106,466 during the rent abatement period after the department moves.

Appropriations to process the 10/24/23 Board approved use of General Fund contingencies from the Non-Departmental Budget to CDC’s Budget will be added during the Second Quarter Consolidated Budget Adjustment process.

No additional appropriations are needed for rent as the current budget contains rent for 1440 Guerneville Road through May 2024. Under the proposal for the new location, the June rent would be abated. Rent for FY24/25 and FY25/26 will be included in the budget development process and the annual lease cost for the term of the proposed leased is expected to be covered with current and future funding streams.

Narrative Explanation of Staffing Impacts (If Required):

None

Attachments:

1 - Copy of proposed Lease

Related Items “On File” with the Clerk of the Board:

None