



# COUNTY OF SONOMA

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

## SUMMARY REPORT

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**Agenda Date:** 2/27/2024

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**To:** Board of Supervisors

**Department or Agency Name(s):** Sonoma County Public Infrastructure

**Staff Name and Phone Number:** Johannes J. Hoevertsz, 707-565-2550

**Vote Requirement:** Majority

**Supervisorial District(s):** Countywide

**Title:**

New Lease with Purchase Option at 400 Aviation Boulevard

**Recommended Action:**

Authorize the Director of Sonoma County Public Infrastructure to execute a lease with an option to purchase with American AgCredit Federal Land Bank Association (FLCA) as Landlord, for 73,036 rentable square feet of Class A office space at 400 Aviation Boulevard, Santa Rosa, for a term of seven (7) years commencing six (6) months from execution of the agreement by all parties, at an initial monthly rent of \$160,679.20 (\$2.20 per rentable per square foot) for a total annual modified Full Service rent of \$1,928,150.

**Executive Summary:**

Staff requests Board consideration of a proposed lease with American AgCredit FLCA (the Landlord) for premises located at 400 Aviation Boulevard, in north Santa Rosa, comprised of 73,036 rentable square feet. The proposed premises is in a Class A office building constructed in 2016 that offers an efficient, open, flexible layout; existing furniture, fixtures, and improvements; and an energy-efficient HVAC system. Provided in the premises for County use is substantially all existing furniture, certain IT systems, fixtures, artwork, and other improvements; on-site parking is free; and the building is located close to other County operations, walking paths, and the SMART Airport Station. The proposed lease includes an option exercisable in the first three (3) years of the lease term to purchase the entire property totaling approximately 121,775 rentable square feet on 7.65 acres for \$56,100,000 (\$460 per square foot).

**Discussion:**

**Background.**

In June 2023, the Department became aware of an opportunity to lease and potentially purchase the commercial office property located at 400 Aviation Boulevard in north Santa Rosa.

The property is located in proximity to other County operations, public transportation, vehicle access, walking paths, and retail amenities. The Sonoma County Water Agency is located next door; other departments including Health Services, Human Services, Agriculture Weights & Measures, Sonoma County Employees' Retirement Association, Santa Rosa Road Maintenance Yard, and the Sonoma County Airport are located and/or operate programs within a mile of the proposed premises. A SMART station is located approximately 250 yards to the west; the Sonoma County Transit bus route 62 that runs from downtown Santa Rosa to downtown Windsor has a stop in front of the property; Highway 101 is about ¼ mile to the east; restaurants

and coffee shops are located across the street; and landscaped walking paths and the Airport Health Club are conveniently close by.

In addition to the benefits listed above and below, this opportunity to lease and potentially purchase the building will result from avoiding significant cost associated with critical remediation of the deferred maintenance for aging and outdated office space that County departments currently occupy. Separate and apart from all these benefits, it could also have the benefit of potentially reducing the size of the proposed new County Government Center (CGC). As a result of this new opportunity, staff embarked on analysis and negotiations which continued through November 2023 when terms were finalized for the County to lease 73,036 square feet of fully furnished Class A office space for a term of seven (7) years at an initial rent of \$2.20 per square foot. Utilities are included, however the County would be responsible for its own janitorial in its premises. The lease commencement to be six (6) months from execution of the agreement by all parties. The lease includes an option to purchase the property, including all buildings comprised of approximately 121,775 square feet and the associated real property consisting of approximately 7.65 acres, for \$56,100,000 (\$460 per rentable square foot).

If the proposed lease is approved, departments currently housed in leased facilities and/or on the main county campus will be considered for relocation to the new leased site.

The new premises will offer County departments an efficient, open, flexible layout and existing furniture, computer monitors, fixtures and improvements, in a location close to other County operations, walking paths, and the Airport SMART Station, while also providing the County with the opportunity to purchase for future County operational needs.

**Lease Agreement.** The proposed Lease Agreement between American AgCredit FLCA, as Landlord, and the County of Sonoma, as Tenant, contains the following key provisions:

1. Seven (7) year initial lease term. Term will commence six (6) months following execution of the agreement by all parties, or upon the date that the County commences business in the Premises. County may enter the space at least 60 days prior to the Commencement Date, at no charge.
2. Premises totals 73,036 rentable square feet.
3. County accepts Premises "As Is", with Landlord providing in Premises for County use substantially all existing furniture, fixtures, artwork, and other improvements. Also included are existing IT systems which ISD has been briefed on, including server racks, cabling to work-stations and computer monitors.
4. Initial rent is \$2.20 per rentable per square foot per month, Full Service\* with the exception that County will pay for and manage janitorial services.
5. Annual rent escalations of three percent (3%), except for Years 4 and 5 when rent will increase 3%, plus \$.15 per square foot as requested by landlord as an incentive for the County to purchase the property in the first three years of the lease term.
6. On-site parking (3.25 spaces per 1,000 rentable square feet) provided free of charge for a total of 387 parking spaces including county code compliant ADA spaces.
7. First Right of Refusal to lease any additional space that comes available in the property.
8. Option to purchase the property, including all buildings containing approximately 121,775 square feet, and the associated real property consisting of approximately 7.65 acres, for \$56,100,000 (\$460 per rentable square foot). Option is exercisable in first three (3) years of Lease term for said purchase

price. There are no sale comparables for properties in Sonoma County of similar size or quality. The market value was determined at a discount of an approximate non-prevailing wage cost of \$1,200 per square foot for the development of a fully furnished and finished Class-A office building, including the land.

\* A Full Service lease is a lease agreement in which all of the operating expenses of a property are included in the rent to be paid by the tenant. As is typical for a single-tenant building, janitorial services are excluded in this lease and will be covered by SPI's cost plan.

County staff determine that the negotiated rent and lease terms represent a fair market rate for the location, which ranges between \$1.85 and \$2.25 per square foot per month, when considering the quality of the Premises and the option to purchase the property at a price which is approximately \$32 million in 2024 dollars less than the SPI staff verified building's 2016 construction cost.

### **Justification for Relocation to New Premises**

- The proposed Premises is already existing and contains many attributes identified as those looking to be achieved with a new CGC and are beneficial to public seeking County services.
- Utilizing existing built structures significantly reduces risk inherent with developing a ground-up project, such as design, environmental, construction, labor agreements, material supply, financial market risks, etc.
- If the option to purchase is exercised, significant cost avoidance of over \$100 million by not requiring the development of the equivalent 128,000 square feet in a new CGC at a cost of approximately \$1,400 per square foot to house the 500 FTEs from departments identified to otherwise occupy the CGC.
- Offers open and flexible environment of workstations, offices and collaborative spaces with room to grow from an initial occupancy of approximately 190 full-time employees to 500 FTEs reaching a density of approximately 170 useable square feet per FTE.
- Constructed with a raised floor system that houses electrical, power and data systems, and interior walls and work-spaces that can be reconfigured over a weekend thus reducing the cost to the County it would otherwise incur as occupancy grows and department tenancy requirements change.
- Ability to create almost 5 acres of surplus county owned land which could be used for sale or lease to affordable home developers pursuant to the California Surplus Land Act.
- Proposed premises are within a 5-minute walk of the Airport SMART Station and are adjacent to a bus stop for the Sonoma County Transit bus route along Airport Boulevard.

**Project Costs and Construction Schedule.** The total relocation cost is estimated to be \$790,000 for up to 280 employees, consisting of: (1) \$360,000 for new furniture that includes replacement of approximately 20 workstations the landlord will be removing from the premises needed for the landlord's new location; (2) \$180,000 for cabling, ISD support, and proximity card installation; (3) and \$250,000 for contingency expenses. If approved, staff anticipates the move-in to occur in September 2024, however relocation preparation will begin in FY23/24 as furniture orders typically have longer lead times.

**Procedural Authority.** Government Code Section 25350 requires two (2) Board actions, which includes publication of a notice of intent, for the County to lease real property as tenant, and where the lease is valued at more than \$50,000. Publication occurred pursuant to the Board’s January 30 action authorizing the Clerk of the Board to publish the notice of intent to enter into the proposed lease.

**C.E.Q.A.** Environmental review also indicates that, since the property is an existing facility and will continue to be used for administrative, client services, and other office-type uses including by existing tenants and consistent with how the property has been historically used and operated, with no or negligible expansion of use or any other improvements, the proposed lease is categorically exempt under the California Environmental Quality Act (CEQA), including but not limited pursuant to 14 CCR 15301 (existing facility) and 14 CCR 15323 (normal operations for public gatherings).

**Strategic Plan:**

This item directly supports the County’s Five-year Strategic Plan and is aligned with the following pillar, goal, and objective.

**Pillar:** Resilient Infrastructure

**Goal:** Goal 1: Invest in County buildings and technology to enhance service delivery and improve employee mobility

**Objective:** Objective 1: Design new County Center to be carbon neutral and zero waste; and pursue carbon reduction plans for remaining County facilities

**Racial Equity:**

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

No

**Prior Board Actions:**

1/30/24 – Declare intent to enter into Lease. <https://sonoma-county.legistar.com/LegislationDetail.aspx?ID=6495185&GUID=12811C9B-F149-4500-B5E8-155048275290&Options=&Search=>

**FISCAL SUMMARY**

<b>Expenditures</b>	<b>FY 23-24 Adopted</b>	<b>FY24-25 Projected</b>	<b>FY 25-26 Projected</b>
Budgeted Expenses			
Additional Appropriation Requested	\$790,000	\$2,030,190.96	\$2,094,602.42
<b>Total Expenditures</b>	<b>\$790,000</b>	<b>\$2,030,190.96</b>	<b>\$2,094,602.42</b>
<b>Funding Sources</b>			
General Fund/WA GF			
State/Federal			
Fees/Other			
Use of Fund Balance	\$790,000	\$2,030,190.96	\$2,094,602.42
Contingencies			

<b>Total Sources</b>	<b>\$790,000</b>	<b>\$2,030,190.96</b>	<b>\$2,094,602.42</b>
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**Narrative Explanation of Fiscal Impacts:**

SPI staff has established a new capital project (23027-40806100) to track relocation and lease expenses associated with the 400 Aviation Boulevard lease agreement. Pending approval of this Board Item, funds from the County Modernization (23027-40803600) capital project will be transferred to the newly established 400 Aviation Boulevard capital project. The current estimated transfer for FY 2023-24 is \$790,000 with the final amount determined by the scope and timing of required tenant improvements. SPI staff will utilize the FY 2023-24 Q3 Consolidated Budget Adjustment process to complete the transfer.

New lease costs are anticipated at \$2,030,190.96 for Fiscal Year 2024-25 which is expected to be funded from the County Center Modernization Fund (23027-40803600), which is sourced from annual County General Fund contribution. SPI will be working with County department tenants to determine what contributions the departments might provide to assist with the monthly occupancy expense. Funding authorization will be considered as part of the FY 24/25 Recommended Budget.

**Narrative Explanation of Staffing Impacts (If Required):**

None

**Attachments:**

- 1 – Copy of proposed Lease between AMERICAN AG CREDIT FLCA and the County of Sonoma
- 2 – Relocation and Leasing Cost Estimate
- 3 – Locator Map

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

None