



COUNTY OF SONOMA

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

SUMMARY REPORT

Agenda Date: 11/8/2022

To: Sonoma County Board of Supervisors

Department or Agency Name(s): Sonoma County Public Infrastructure; Human Services

Staff Name and Phone Number: Johannes J. Hoevertsz, Public Infrastructure: 707-565-2550; Angela Struckmann, Human Services: 707-565-5802

Vote Requirement: Majority

Supervisorial District(s): All

Title:

Lease Amendment for the Human Services Department at 2227 Capricorn Way, Santa Rosa

Recommended Action:

Authorize the Board Clerk to publish notice declaring the intent of the Board of Supervisors to execute a Second Amendment to Lease with SR LAKES WATERFALL LLC, as Landlord, for 49,739 square foot of office space at 2227 Capricorn Way, Santa Rosa, occupied by the Human Services Department, that will extend the existing lease term five (5) additional years, commencing July 1, 2023 and expiring June 30, 2028, at an initial monthly rent of Eighty Four Thousand Five Hundred Fifty Six and 30/100 Dollars (\$84,556.30), (\$1.70/sf/month) plus utilities, achieving an 18% rent reduction representing \$818,063 in avoided rent cost over the term of the lease extension, while keeping the existing premises unchanged and "as is", and retaining the County right to terminate the lease at any time for any reason or no reason with 90 days' notice.

Executive Summary:

Purpose. The Director of Sonoma County Public Infrastructure (SPI), formerly General Services, in consultation with the Human Services Department, requests Board consideration of an Amendment to a Lease at 2227 Capricorn Way, consisting of 49,739 rentable square feet and occupied by the Human Services Department. The proposed Amendment will extend the existing lease term five (5) additional years, commencing July 1, 2023 and expiring June 30, 2028, and reduce existing monthly rent 18%, from \$103,418.56 (\$2.08/sf/month) to \$84,556.30 (\$1.70/sf/month) plus utilities, achieving \$818,063 in avoided rent cost over the 5-year extension term, while keeping the Premises unchanged to maintain operational efficiency. Board approval of the Lease will enable the Human Services Department to significantly reduce its rent and maintain its ability to effectively run its operations and serve the public.

Discussion:

With this Amendment, the Human Services Department seeks to extend the term of its existing lease at 2227 Capricorn Way, Santa Rosa by five (5) additional years while reducing its rent obligation by 18%, or \$818,063 over the term of the lease extension, while keeping its Premises unchanged.

In March 2022, the Human Services Department, supported by the Department of General Services, initiated lease extension discussions with their Landlord. The Department did not want to relocate as it would be costly and disruptive to service delivery. Negotiations between the County and Landlord continued through October 2022 when lease extension terms and a draft Lease Amendment was agreed to.

Your approval of the proposed Lease Amendment will allow the Human Services Department uninterrupted operations in their existing Premises for five (5) additional years while reducing their rent 18%, representing \$818,063 in avoided rent cost over the term of the extension, while retaining the County right to terminate the lease at any time for any reason or no reason with 90 days’ notice.

Lease Amendment. The proposed Lease Amendment between SR LAKES WATERFALL LLC, as Landlord, and the County of Sonoma, as Tenant, contains the following key provisions:

1. Five (5) year lease extension commencing July 1, 2022 and expiring June 30, 2027
2. Monthly rent is reduced 18%, from \$103,418.56 (\$2.08/sf/month) to \$84,556.30 (\$1.70/sf/month) plus utilities, representing \$818,063 in avoided rent cost over the 5-year extension term
3. 3% annual rent increases
4. Premises remains unchanged with no landlord paid tenant improvements
5. County retains all its existing rights under its current lease including free on-site parking and the right to terminate the lease with 90 days’ notice for any reason or no reason.

County staff determined that the negotiated rent represents a fair market rental rate for the location and quality of the office building.

Project Costs and Construction Schedule. None. County to continue to occupy the Premises “as is”.

Procedural Authority. Government Code Section 25350 requires publication of notice of the Board’s intent to enter into a lease for three successive weeks prior to execution of the lease agreement where it is valued at more than \$50,000. If your Board takes the requested action, this matter will return to the Board on or after December 6, 2022, for consideration and consummation of the proposed lease.

Strategic Plan:

N/A

Prior Board Actions:

08/08/14 – Authorize General Services Director to execute First Amendment to Lease

03/11/14 – Declare intent to enter into First Amendment to Lease

12/14/10 – Authorize General Services Director to execute Lease

11/09/10 – Declare intent to enter into Lease

FISCAL SUMMARY

| | FY22-23 Projected | FY 23-24 Projected | FY 24-25 Projected |
|---------------------|------------------------------|-------------------------------|-------------------------------|
| Expenditures | | | |

| | | | |
|------------------------------------|-----------------------|-----------------------|-----------------------|
| Budgeted Expenses | \$1,241,022.72 | \$1,014,675.60 | \$1,045,115.87 |
| Additional Appropriation Requested | | | |
| Total Expenditures | \$1,241,022.72 | \$1,014,675.60 | \$1,045,115.87 |
| Funding Sources | | | |
| General Fund/WA GF | | | |
| State/Federal | \$1,241,022.72 | \$1,014,675.60 | \$1,045,115.87 |
| Fees/Other | | | |
| Use of Fund Balance | | | |
| Contingencies | | | |
| Total Sources | \$1,241,022.72 | \$1,014,675.60 | \$1,045,115.87 |

Narrative Explanation of Fiscal Impacts:

Rent for FY 22-23 is included in the Human Services Department budget, and rent for FY 23-24 and FY 24-25 will be included in the Human Services Department budget.

Narrative Explanation of Staffing Impacts (If Required):

None

Attachments:

- 1-Lease Amendment between SR LAKES WATERFALL LLC as Landlord and the County of Sonoma as Tenant
- 2-Notice of Intent to Lease

Related Items "On File" with the Clerk of the Board:

2227 Capricorn Way Lease and First Amendment to Lease