



SONOMA COUNTY

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

Summary Report

Agenda Date: 3/19/2019

To: Sonoma County Board of Supervisors

Department or Agency Name(s): General Services, Human Services

Staff Name and Phone Number: Caroline Judy, 565-8058; Karen Fies, 565-6990

Vote Requirement: Majority

Supervisorial District(s): All

Title:

Lease Amendment for 3600 Westwind Blvd, Santa Rosa

Recommended Actions:

Authorize the Board Clerk to publish a notice declaring the intent of the Board of Supervisors to execute a Lease Amendment with 3600 Westwind LLC as Landlord for 25,672 rentable square feet of office space at 3600 Westwind Blvd, Santa Rosa. This amendment will achieve \$411,510 in rent savings over a five year period for the Human Services Department by maintaining its current Administration and Fiscal Divisions' location and square footage at 3600 Westwind Blvd while reducing its rent by 14% beginning February 1, 2020, from \$51,994 per month (\$2.03 average psf/month) to \$44,926 per month (\$1.75 psf/month).

Executive Summary:

Purpose. This matter involves authorizing the Board Clerk to publish a notice declaring the intent of the Board of Supervisors to execute an amendment to an existing lease at 3600 Westwind Boulevard for 25,672 rentable square feet of space occupied by the Human Services Department's Administration. The proposed Lease Amendment will maintain the Department's current premises, provide 14% in rent savings beginning February 1, 2020, and provide the Department new tenant improvements installed and paid for by the landlord that will increase staff quality of life and operational efficiency for Human Services Department's Administration to better serve the public.

Discussion:

The Human Services Department has leased 25,672 square feet of space at 3600 Westwind Boulevard since January 18, 2005. This leased space is occupied by Department Administration, Information Technology and other staff.

On April 14, 2014, the Human Services Department exercised a lease option to extend the lease term five years. The resulting option term commenced on February 1, 2015 and is scheduled to expire on January 31, 2020. The Human Services Department will also receive tenant improvements installed and paid for by the landlord that will include new carpeting and paint throughout the premises and a new roof. The Lease Amendment will also extend the lease term an additional seven (7) years to January 31, 2027.

The Human Services Department has an additional option to extend the lease term another five years to January 31, 2025, with rent to be set on that date to \$51,994 per month (\$2.10 average psf/month). The County retains the discretionary right to terminate the lease early with a termination fee equaling all unamortized tenant improvement costs and interest. For example, assuming the cost for tenant improvements under the Amendment total approximately \$300,000, terminating the agreement one year early, on January 31, 2026, would cost the County a lease termination fee of approximately \$42,857. Under this scenario the County would still have saved over \$350,000 in reduced rent over the Lease Amendment period.

General Services Department initiated lease negotiations with the landlord on August 1, 2018 with the desire to achieve a rent reduction and tenant improvements provided at the landlord's sole expense. Negotiations for a lease renewal were initiated 18 months before lease expiration, a greater lead time than usual, to improve the Human Services Department's negotiating position by allowing time for the Department to relocate if negotiations failed. General Services Department felt that early negotiations and lease renewal would also be seen as beneficial by the landlord by eliminating uncertainty in the building's tenancy well before lease expiration.

Prior to, and during lease negotiations General Services Department conducted surveys of the Santa Rosa office market for premises for lease of desired size, quality, and location to meet Human Services Administration's premises and found none.

Negotiations with the landlord achieved approximately \$411,510 in rent avoided cost savings over 5 years to the Human Services Department and provide for tenant improvements installed and paid for by the landlord that will include new carpeting and paint throughout the premises and a new roof.

If this Lease Amendment is not approved, the Human Services Department will recommence its search for suitable space, and if none is found, exercise its existing option to stay at 3600 Westwind Blvd an additional five (5) years at both a higher rent and without some of the tenant improvements that have been negotiated through this Lease Amendment.

Procedural Authority. Government Code Section 25350 requires publication of notice of the Board's intent to enter into a lease or lease amendment 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 April 16, 2019, for consideration and consummation of the proposed lease amendment.

Prior Board Actions:

06/22/04 - Authorize General Services Director to execute Lease.

05/25/04 - Declare intent to enter into Lease.

FISCAL SUMMARY

Expenditures	FY 18-19 Adopted	FY19-20 Projected	FY 20-21 Projected
Budgeted Expenses	\$599,551	\$579,609.45	\$545,850.90
Additional Appropriation Requested			
Total Expenditures	\$599,551	\$579,609.45	\$545,850.90
Funding Sources			
General Fund/WA GF	\$66,500	\$64,287	\$60,508
State/Federal	\$533,051	\$515,322.45	\$485,342.90
Fees/Other			
Use of Fund Balance			
Contingencies			
Total Sources	\$599,551	\$579,609.45	\$545,850.90

Narrative Explanation of Fiscal Impacts:

Rent expenses for FY 18-19, FY 19-20, FY 20-21 will be included in the Human Services Department budget.

Staffing Impacts:			
Position Title (Payroll)	Monthly Salary Range (A - I Step)	Additions (number)	Deletions (number)

Narrative Explanation of Staffing Impacts (If Required):

None

Attachments:

Attachment 1: Lease Amendment

Attachment 2: Notice of Intent

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

None