



COUNTY OF SONOMA

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

SUMMARY REPORT

Agenda Date: 11/2/2021

To: Sonoma County Board of Supervisors

Department or Agency Name(s): General Services / Economic Development Board

Staff Name and Phone Number: Caroline Judy, 707-565-8058 / Sheba Person-Whitley, 707-565-7191

Vote Requirement: 4/5th

Supervisorial District(s): Fifth

Title:

Lease Amendment for the Economic Development department, 141 Stony Circle, Santa Rosa, CA

Recommended Action:

- A) Authorize the Clerk to publish a notice, declaring the Board's intention to execute a lease amendment between North Bay Realty Holdings, LLC, and the County, to expand the current leased premises (1,848 sq. ft.) located at 141 Stony Circle, Santa Rosa, by an additional 5,286 sq. ft., for an additional \$9,250.50 per month (\$1.75 per sq. ft.) (an additional \$111,006 per year), and to extend the term one year, through October 6, 2024, for use and occupancy by the Economic Development department.
- B) Adopt a Resolution authorizing a \$120,411 budgetary adjustment to the Economic Development Department 2021-2022 Adopted Budget.
(Fifth District) (4/5th Vote Required)

Executive Summary:

This matter involves a proposed lease expansion for the Economic Development department who currently leases 1,848 sq. ft. of office space at 141 Stony Circle, Suite 130, in Santa Rosa. The proposed expansion space of an additional 5,286 sq. ft. will enable department staff to provide in-person business start-up, retention and expansion services to their clients, as well as support telework schedules.

Discussion:

This item seeks Board approval to amend the lease between North Bay Realty Holdings, LLC (Landlord) and the County, in order to expand the current premises at 141 Stony Circle in Santa Rosa (Premises), and adjust the department's operational budget covering moving costs and increased lease costs. The County's Economic Development department has leased office space at this location since August 2013. The expanded office space will house department operations, the Creative Sonoma Arts Program, the Workforce Investment Board Business Services Program, and the Bilingual Business Assistance Program. Together, these services provide for County-wide economic development, business retention and expansion, and workforce development to the benefit of local businesses and residents.

In September 2020, during the budget approval process, because of pandemic-induced declining Transient Occupancy Tax, the department's operational budget was adjusted down by \$117,578. As a result, in December 2020, EDB reduced its leased premises footprint (cancelling the lease as to Suites 110 and 120), and retained Suite 130 (comprised of 1,747 sq. ft.), for EDB staff of 17 permanent and extra help and leased Room 14 (101 sq. ft.) to house its information systems equipment. Since mid-March 2020, department staff had been providing program services, via teleworking, as a result of the Covid-19 pandemic. The current lease expires October 6, 2022, with one option to extend through October 6, 2023.

The proposed expansion space will enable the department to re-occupy Suites 110 and 120, (comprised of 5,286 additional sq. ft.), which will allow staff to return to work in-person and in compliance with public health requirements. The proposed amendment will also provide rent abatement for 5 months for the expansion space; reduces the rental rate for the current Premises, for a savings of approximately \$2,670; and extends the lease term for an additional year through October 2024.

Proposed Lease Amendment. The terms for the proposed fourth amendment to the lease are as follows:

Premises: Suites 110, 120, and 130 and Room 14, located at 141 Stony Circle, Santa Rosa – a total of 7,134 sq. ft.

Term: Lease is extended through October 6, 2024.

Rent: \$12,484.50 per month (\$1.75 per sq. ft.) commencing [on the occupancy of the expanded space] through October 6, 2022, subject to 3% annual increases. The \$1.75 psf rental rate is at market rate, which is between \$1.60 to \$2.50 psf for comparable office space for lease, in Santa Rosa.

Rent

Savings: Monthly rent for the expansion space will be abated for 5 months, for a total of \$46,252 in rent savings. In addition, the rental rate will be reduced for the current Premises, from \$1.80 per sq. ft. to \$1.75 per sq. ft., for a total of \$2,670 in rent savings.

Tenant

Improvements: Maintenance and repair of restroom facilities in Suite 110.

1-time Move

Costs: \$94,300 for 1-time move costs including ISD/IT work, office equipment and furniture for preparing the expansion space for occupancy. Department is requesting funds for these 1-time move costs.

Termination: County may terminate the lease (subject to payment of stipulated rent balance amounts), if funding for the Premises or program is significantly reduced or

withdrawn, or for any reason, with 90 days’ prior written notice, or in the event of future relocation to a new County Government Center, with 365 days’ prior written notice to the Landlord.

Funding: Funding for the rent costs is paid through the Transient Occupancy Tax Fund (department’s operating) budget. Department is requesting additional appropriations of \$120,411 in Fiscal Year 21-22 for the increase in rent costs for the expanded Premises and for office furniture, equipment and moving costs. Additional ongoing rent costs will be approximately \$113,503 in Fiscal Year 22-23 and will increase at a rate of 3% per year.

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. If your Board takes the requested action, this matter will return to the Board on or after December 7, 2021, for consideration and consummation of the proposed lease amendment in accordance with the Government Code.

Prior Board Actions:

- 03/03/21—Authorized General Services Director to execute 3rd Amendment to lease
- 02/09/21—Declared intent to enter into 3rd Amendment to lease
- 11/14/14—Authorized General Services Director to execute 1st Amendment to lease
- 10/21/14—Declared intent to enter into 1st Amendment to lease
- 07/30/13—Authorized General Services Director to execute lease
- 06/25/13—Declared intent to enter into lease with Madalyn, LLC

FISCAL SUMMARY

	FY 21-22 Adopted	FY 22-23 Projected	FY 23-24 Projected
Expenditures			
Budgeted Expenses	\$40,021		
Additional Appropriation Requested	\$120,411	\$116,000	\$116,000
Total Expenditures	\$160,432	\$116,000	\$116,000
Funding Sources			
General Fund/WA GF			
State/Federal			
Fees/Other	\$120,411	\$116,000	\$116,000
Use of Fund Balance			
Contingencies			

Total Sources	\$160,432	\$116,000	\$116,000
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Narrative Explanation of Fiscal Impacts:

The total rent for FY21-22 includes a rent abatement of \$42,262.50 for the first 5 months of occupancy of the expansion space. In addition, there will be \$94,300 for 1-time move-in IT, communications, and purchase of furniture costs for the expansion space. Additional appropriations to cover the 1-time move costs and rent increase for the expanded office space, will be financed with increased discretionary fund balance support to the department currently funded with Transient Occupancy Tax. Rent projections for FY22-23 and FY23-24 reflect the total rent for the new expanded Premises (Suites 110, 120, 130 and Room 14). Adjusted ongoing department funding support of \$116,000 per year will be needed to cover the increase to rent expense for the expanded space (Suites 110 and 120).

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

Narrative Explanation of Staffing Impacts (If Required):

None.

Attachments:

- Attachment 1 – Resolution
- Attachment 2 – Notice of Intent
- Attachment 3 – Floor Plan
- Attachment 4 – Copy of proposed fourth amendment

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

None.