



## Legislation Text

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**File #:** 2019-1904, **Version:** 1

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**To:** Sonoma County Board of Supervisors

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

**Staff Name and Phone Number:** Caroline Judy, General Services: 707-565-8058; Karen Fies, Human Services: 707-565-6990

**Vote Requirement:** Majority

**Supervisory District(s):** Countywide

**Title:**

Approval for Human Services Department Office Lease at 3843 Brickway Boulevard, Santa Rosa

**Recommended Action:**

- A) Authorize the General Services Director to execute the attached lease and related lease instruments with Harvest Business Center LLC, for office space at 3843 Brickway Boulevard, Santa Rosa, California
- B) Delegate authority to the Director of General Services Department to exercise the three (3) options pursuant to said Lease, subject to availability of funding for rents and costs for such option extensions

**Executive Summary:**

**Purpose.** The Director of General Services, in consultation with the Human Services Department, requests Board consideration of a Lease at 3843 Brickway Boulevard for 33,879 rentable square feet to be occupied by the Human Services Department's Economic Assistance Division. The proposed Lease will increase operational efficiency for the Human Services Department's Economic Assistance Division by enabling the Division to occupy a Premises that offers an efficient, open layout and existing, high quality improvements well suited for their call center needs. Board approval of the Lease will enable the Department of Human Services to increase their ability to effectively run their operations and serve the public. Annual rent for the new lease will be \$213,183.37 less than the Division's existing lease at another location, and annual parking fees at the new lease will be \$116,064 less than that existing lease (parking is free with the new lease), representing \$329,247.37 in total annual avoided costs with the new lease, allowing the Human Services Department to fund more services for the public.

**Discussion:**

Human Services Department's Economic Assistance Division will be relocating to the proposed Premises at 3843 Brickway Boulevard, Santa Rosa.

In August of 2019 the Human Services Department, supported by the Department of General Services, initiated a search for office space from Rohnert Park to the Sonoma County Airport area, with the goal of identifying suitable space to meet the Human Service's Department Economic Assistance Division's current and anticipated demand for services for its call center and administrative operations.

The Human Services Department seeks to relocate from its current site to a site better suited for its operations. The recent transfer of the Economic Assistance Division's public facing operations back to Paulin Drive at the County Center has provided the Human Services Department with greater flexibility on where to

locate the remaining Economic Assistance Division operations.

In September of 2019, the General Services Department initiated lease negotiations at 3843 Brickway Boulevard, a building located close by Human Services' Administration and Adult & Aging Divisions in the Sonoma County Airport area. The landlord agreed to terms, including an initial term of ten (10) years expiring on July 31, 2030. The County will have three (3) five (5) year options to further extend the lease term to 2045. The Premises will consist of 33,879 rentable square feet on the first and second floors of the building. The monthly rent will be Sixty-Two Thousand Six-Hundred Seventy-Six and 15/100 Dollars (\$62,676.15) or (\$1.85 per square foot of Rentable Area per month), with annual rent escalations of three percent (3%). All tenant improvements will be provided at the Landlord's sole expense.

Your approval of the proposed Lease will allow the Human Services Department uninterrupted operations for up to twenty-five (25) years at its new site at 3843 Brickway Boulevard while giving it the flexibility of terminating the Lease at any time (subject to stipulated termination fees, discussed below), including due to non-appropriation of funds or construction of a new County government center, and enable the Department's Economic Assistance Division to occupy a Premises better suited to its operational needs.

**Lease Agreement.** The proposed Lease Agreement between Harvest Business Center LLC, as Landlord, and the County of Sonoma, as Tenant, contains the following key provisions:

1. Ten (10) year initial lease term running from August 1, 2020 to July 31, 2030.
2. Three (3) options that each extend the term an additional five (5) years at a rental rate set at 100% of the prevailing market rate, enabling the County to maintain control of the Premises through July 31, 2045. Each extension option is subject to written notice from the County at least 9 months prior to the end of the then current term.
3. Premises total 33,879 rentable square feet.
4. Rent is Sixty-Two Thousand Six-Hundred Seventy-Six and 15/100 Dollars (\$62,676.15), (\$1.85 per square foot of Rentable Area per month).
5. Annual rent escalations of three percent (3%).
6. On-site parking spaces are provided free of charge.
7. Landlord will provide tenant improvements at the Landlord's sole cost.
8. Lease may be terminated by the County at any time due to non-appropriation of funds or construction of a new County government center. Termination fee shall equal unamortized tenant improvement and closing costs. \$1,257,018 in total tenant improvement and closing costs will be amortized on a straight line basis at an 8% interest rate over the initial 10-year term of the lease. Tenant improvement costs will include all costs associated with converting existing manufacturing space into office space, and adding breakroom space, IT rooms, and private offices to existing office space. A Lease Termination Fee Schedule is attached as Exhibit K to the Lease that states the exact termination fee for a given date in the future. For example, at month 60 of the lease term the lease termination fee will be \$756,294.

County staff, with input from real estate brokerages, determined that the negotiated rent, lease terms and Landlord's Tenant Improvements contribution represent an acceptable fair market rental rate for the location and is consistent with rates and lease terms of other office tenants in the area.

The proposed Human Services Department's Economic Assistance Division's Premises will be located in 3843 Brickway Boulevard, Santa Rosa, a two-story, Class office building with free on-site and street parking located near Sonoma County Airport and within walking distance of two other Human Services Department Divisions; Administration and Adult & Aging.

**Project Costs and Construction Schedule.** The total relocation cost to the Human Services Department is estimated to be Eight Hundred and Forty Thousand Dollars (\$840,000), consisting of Five Hundred and Ninety-Four Thousand (\$594,000) for refurbished furniture, Two Hundred and Sixteen Thousand (\$216,000) for cabling and ISD support, and Thirty Thousand (\$30,000) for Proximity Card installations. Landlord is to complete all tenant improvements, at the landlord's sole expense, with estimated completion in July, 2020.

**Termination Fee Schedule.** A termination fee schedule is attached as an Exhibit to the end of the lease that shows \$1,257,018 in tenant improvement, brokerage, legal and other closing costs amortized on a monthly, straight line basis at an 8% interest rate over the initial term of the lease. This schedule is to demonstrate what the lease termination fee will be for the County at any specific point during the initial term. For example, if the County terminates the lease in the 85<sup>th</sup> month of the lease term (after 7 years), the termination fee will be \$477,293.

For the past three years staff have negotiated new leases with provisions to enable early termination if and when a new County Center campus is built.

#### **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. Publication occurred pursuant to the Board's December 17, 2019 action authorizing the publication of the notice of intent to enter into the proposed lease amendment.

#### **Prior Board Actions:**

12/17/19 - Declare intent to execute Lease Amendment

#### **FISCAL SUMMARY**

<b>Expenditures</b>	<b>FY 19-20 Adopted</b>	<b>FY20-21 Projected</b>	<b>FY 21-22 Projected</b>
Budgeted Expenses		\$1,529,437.65	\$772,796.93
Additional Appropriation Requested			
<b>Total Expenditures</b>			

<b>Funding Sources</b>			
General Fund/WA GF			
State/Federal		\$1,529,437.65	\$772,796.93
Fees/Other			
Use of Fund Balance			
Contingencies			
<b>Total Sources</b>		<b>\$1,529,437.65</b>	<b>\$772,796.93</b>

**Narrative Explanation of Fiscal Impacts:**

Funding to finance the costs incurred for relocation and lease costs replacing the original downtown Santa Rosa lease will be provided from the Economic Assistance Medi-Cal allocation. First year FY 2020-2021 costs of \$1,529,437.65 will be comprised of actual rent at \$689,437.65 (\$62,676.15/mo. X 11 months pro-rated) plus relocation costs of \$840,000. No additional county General Fund is required for these expenditures.

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

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

None

**Attachments:**

Attachment 1 - Lease Agreement between Harvest Business Center LLC as Landlord and the County of Sonoma as Tenant

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

None