

Building Use Types: From a survey of rental rates and review of trends in commercial real estate, it has been confirmed that between 2008 and 2010, rental rates for office (Class B), and light industrial uses dropped between 9 and 14% in the Sacramento Region. Between 2007 and 2010, Roseville and Rocklin office rates dropped by 8%, while wholesale and retail dropped by approximately 30%. During this same period, Property Management continued to implement rental increases based on the Consumer Price Index increasing rates by approximately 10%. Consequently, staff has determined that given the market conditions, it is appropriate to implement a 10% rental reduction to current rental rates. Therefore, staff recommends a 10% rental reduction in order to bring rates back to the 2007 level.

Special Building: Staff recommends a \$0.28 per square foot Special Building (SB) rental rate for the buildings listed on the chart. These buildings are unique in size, amenities and functionality. There are less opportunities to lease these facilities to typical business uses. These special buildings include the Church and Theatre on 1st Street and the small residence at the corner of Richardson and DeWitt Drive.

Special Rate: During the evaluation of current rental rates, staff recognized a number of special circumstances that merit special rates given the unique nature of the occupant.

- Courthouse Athletic Club has occupied the racquet club on F Avenue for over 20 years. Over the past three years, this tenant has experienced difficulty maintaining the facility rent due to the declining memberships as a result of the recession. Furthermore, this tenant has been hindered from making facility improvements given the short-term nature of his tenancy. Given the County's continued desire to redevelop this site in future years, staff recommends that this tenant's lease be limited to no more than 5 years. It is recommended that an offset for a reduced lease term be an adjustment to this tenant's rent. The tenant has proposed a rent reduction that equates to \$0.43 per square foot, or a 19% reduction. This reduction would allow the tenant to make limited facility improvements without jeopardizing any future County opportunities for development on this site.
- Seniors First and Sierra Council on Alcoholism and Drug Dependence (Sierra Council) have expressed similar fiscal difficulties and have asked the County for reductions in leased premises or rental rates. In recognition for the important services provided to Placer County by these groups, staff recommends that your Board approve a special rate for these two service providers. The rate recommended for both is comparable to the Special Building Rate of \$0.28 per square foot. While these tenants are not located in unique buildings, they do provide social services that are considered important for the County's constituents. Due to the proximity of the Seniors First office to the Senior Community Center, seniors utilizing the Senior Center can conveniently visit the Seniors First office and access information and resources without requiring additional transportation. Seniors First also benefits from the Senior Community Center facilities in the delivery of their program (e.g., the kitchen and social hall for Meals on Wheels or special workshops). In the case of the Sierra Council on Alcoholism, that agency occupies a building that has been adapted to a residential facility and provides a local residential drug treatment program to the community. While Sierra Council has asked for a reduction in total square footage, staff believes that a rental rate reduction is appropriate, and will allow Sierra Council to maintain its full program and provide the same number of beds.

- Historically, community non-profits have also occupied facilities on a shared use basis for storage of program materials, toys, and equipment. Staff recommends that those uses be allowed to continue this use at their current zero rent basis, as approved previously by your Board so long as these occupancies do not impede the higher and better use for a particular facility.

Ground: Paved and bare ground rates have been added to the schedule. The paved parking areas have been leased historically to allow parking of buses or vehicles used by tenants or contractors. Bare ground has also been leased for outdoor areas that are companion to the occupant's leased building. Staff recommends rates of \$0.04 for unpaved/unimproved ground, and \$0.09 for paved ground. The schedule also includes the historic use of grounds by the Senior Community Garden for its program at no cost. The no cost occupancies will continue to be memorialized through a lease agreement.

While the attached schedule will address numerous occupants and various scenarios, it is recognized that special circumstances may arise that require a deviation from the schedule. Such circumstances include use on an emergency or interim basis, or occupancy by users whose presence at PCGC is considered important for County operations. Staff recommends that the Director be granted authority to categorize buildings, make future rental rate adjustments, and take other actions necessary to better market PCGC properties so as to maximize occupancies and achieve greater revenues.

While attempts have been made to address many tenant requests, there are existing tenants whose requested reductions cannot be justified. Nevertheless, it is expected that with the reduced rents, staff will be more successful in leasing vacant buildings at PCGC with the goal of surpassing the expected rent revenues. The rates proposed will be held constant until the 2012 rental adjustment cycle. Those tenants with month-to-month leases will be expected to enter into term leases in order to benefit from the reductions. Tenants that currently have term leases will receive reductions to align their rates with the new schedule.

ENVIRONMENTAL CLEARANCE: The adoption of these proposed rates is not a project as defined by CEQA.

FISCAL IMPACT: The proposed rental rate changes will result in \$599,327 in annual revenues from existing private leases, a \$63,757 annual reduction in revenues. Given the current vacancy rate of 42% and anticipated increased demand due to the proposed competitive rates, staff is confident that this reduction will be offset by improved the ability to market and lease the vacant buildings.

ATTACHMENT: RESOLUTION

JD:MR:LM

CC: COUNTY EXECUTIVE OFFICE

T:\FAC\BSMEMO 2011\PCGC RENTAL RATES

Before the Board of Supervisors County of Placer, State of California

In the matter of: A RESOLUTION TO ADOPT
THE ATTACHED PLACER COUNTY GOVERNMENT
CENTER RENTAL RATE SCHEDULE; AND AFFIRM
DELEGATED AUTHORITY OF THE DIRECTOR OF FACILITY
SERVICES, OR HIS DESIGNEE, TO CATEGORIZE BUILDINGS,
MAKE FUTURE RENTAL RATE ADJUSTMENTS, AND
TAKE OTHER ACTIONS NECESSARY TO IMPLEMENT
A LEASING PROGRAM THAT EFFECTIVELY MARKETS PCGC
PROPERTIES TO MAXIMIZE OCCUPANCY AND REVENUE.

Resolution _____

The following RESOLUTION was duly passed by the Board of Supervisors of
the County of Placer at a regular meeting held _____, by
the following vote on roll call:

Ayes:

Noes:

Absent:

Signed and approved by me after its passage.

Chairman, Board of Supervisors

Attest:

Clerk of said Board

WHEREAS, the Placer County Government Center (PCGC), formerly known as the DeWitt Government Center, was originally acquired with the intent to house County functions, and restore the economic base to the area by providing reasonably priced lease facilities for startup businesses and non-profits, and to meet the immediate need for revenue to support the capital improvement program of the County; and,

WHEREAS, the intended goals for the PCGC have been met and privately leased facilities bring significant revenue to the DeWitt Enterprise Fund, which supports the ongoing operations and maintenance of the PCGC; and,

WHEREAS, impact of the recent economic downturn has resulted several long term tenants requesting special consideration in rental rates due to economic difficulties; and,

WHEREAS, a review of current PCGC rental rates, along with a survey of regional commercial rental rates, indicates a downward trend in market rates within the local area the result of which placed the PCGC rates above the average price per square foot; and,

WHEREAS, modification of the rate schedule will reflect market trends, address special circumstances for tenants who provide community services that are considered a benefit to county residents, and identify special buildings unique in size, amenities and functionality; and,

WHEREAS, delegation of leasing authority to the Director of Facility Services will permit timely and efficient implementation of an effective PCGC leasing program.

NOW, THEREFORE, BE IT RESOLVED that the County of Placer Board of Supervisors by Resolution does hereby adopt the attached Placer County Government Center Rental Rate Schedule; and affirm delegated authority of the Director of Facility Services, or his designee, to categorize buildings, make future rental rate adjustments, and take other actions necessary to implement a leasing program that effectively markets PCGC properties to maximize occupancy and revenue.

ATTACHMENT: RESOLUTION EXHIBIT A – PLACER COUNTY GOVERNMENT CENTER RENTAL RATE SCHEDULE

RESOLUTION EXHIBIT A

**PLACER COUNTY GOVERNMENT CENTER
RENTAL RATE SCHEDULE**

Standard Rates

Category	Type	Current Rate	Proposed Rate
1	Warehouse	0.43	0.39
1A	Industrial	0.50	0.45
1B	Above with HVAC	0.58	0.52
2A	Light Industrial	0.62	0.56
2B	Above with HVAC	0.76	0.68
3A	Retail Space	0.74	0.67
3B	Above with HVAC	0.87	0.78
4A	Private Office	0.87	0.78
4B	Above with HVAC	1.02	0.92

Special Buildings and Special Rates

Category	Building/Type	Current	Proposed	Comments
Special Buildings (SB)	Residence	0.26	0.28	Food Closet Foothill Church Music and More Auburn Gymnastics
	Church	0.31	0.28	
	Theater	0.30	0.28	
	Gym	0.30	0.28	
	Apartment	0.13	0.13	Previously BOS Approved
	Senior Center	0.00	0.00	Previously BOS Approved
	FAB Office	1.78	1.60	Title Companies
Special Rates (SR)	Athletic Club	0.53	0.43	Courthouse Athletic
	Community Storage	0.00	0.00	Previously BOS Approved
	Building 312 A	0.59	0.28	Seniors First
	Building 202	0.59	0.28	Sierra Council on Alcoholism
Improved Ground	Parking Lot	0.09	0.09	Pride Industries
Bare Ground	Senior Garden	0.00	0.00	Previously BOS Approved
Bare Ground	Yard adjacent to leased buildings	0.04	0.04	O'Brien's Childcare – BOS Approved

Note: All Rates shown are dollars per square foot, per month

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