

**MEMORANDUM
DEPARTMENT OF FACILITY SERVICES
COUNTY OF PLACER**

To: **BOARD OF SUPERVISORS**

Date: **JUNE 18, 2013**

From: **MD MARY DIETRICH / MARK RIDEOUT** 

Subject: **CIRBY HILLS FACILITY – LEASE NEGOTIATION**

ACTION REQUESTED / RECOMMENDATION:

1. Adopt a Resolution authorizing the Director of Facility Services to enter into an agreement with BSB-Roseville, LLC, a California Limited Liability Company managed by Green Valley Corporation doing business as Barry Swenson Builder to evaluate potential tenant improvements to 101 Cirby Hills Drive in Roseville, in an amount not-to-exceed \$30,000 of previously approved net County cost.
2. Authorize the Director of Facility Services, or designee, to enter into final exclusive lease negotiations with Barry Swenson Builder and return for approval of material terms once completed.

BACKGROUND: Since 2000, the Placer County Health and Human Services Adult System of Care (ASOC) has operated a 16-bed Psychiatric Health Care Facility (PHF) and a 16-bed Short-term Crisis Residential Treatment Service (CRT) at 101 Cirby Hills Drive in Roseville (Premises). The occupancy of this 54,600 square foot building continues pursuant to the Lease between the County and Barry Swenson Builder (BSB). In addition to ASOC's occupancy, Health and Human Services Children System of Care (CSOC) and the Board of Supervisors occupy office space within the building. The current monthly rent includes \$65,591 in Base Rent, plus \$19,167 in operating expenses, which total \$84,785 per month or \$1,017,425 per year. The current Lease expires on August 31, 2015.

In late 2011 and again in 2012, BSB notified the County it received unsolicited offers to purchase the property, and gave the County an option to purchase pursuant to Right of Offer provisions in the Lease. The County declined to exercise its option on both occasions, after determining acquisition of the property was not in the County's best interest. Given BSB's willingness to sell the property, staff recognized the Premises might not be available for rent beyond the current Lease term, and began evaluating the market and replacement facility requirements. Property Management hired an architectural firm to prepare a programmatic needs assessment, and in the fall of 2012 issued an informal request for proposals.

The four proposals Property Management received provided very different options to deliver a facility to accommodate the PHF, CRT and ASOC administrative functions. Three of these responses included major improvements to an existing building, or the construction of a new building. All of these proposals included the amortization of costly building improvements, which resulted in rental rates significantly above what HHS currently pays for the Premises. The fourth proposal came from BSB who submitted a 15-year lease proposal at the current monthly rental rate, and offered \$1.5 million for tenant improvements to the Premises. Through this process staff determined the most advantageous alternative from both cost and timing perspectives, is BSB's proposal to remain at the Premises under the terms proposed.

Over the last several months, Property Management has worked with BSB and its architects to prepare a schematic design for reconfiguring the Premises. Staff also hired independent consultants to evaluate the condition of the roof and mechanical systems, and determined some building systems are at or near the end of their useful life. Under provisions of the current lease agreement, maintenance and replacement costs associated with such systems are operating expenses to be borne by the County.

Based on the schematic design and preliminary construction cost estimates, BSB is confident the tenant improvements needed to address HHS' functional requirements can be performed within their \$1.5 million allowance. This preliminary estimate does not include the costs to address building systems and roof issues, or the data cabling and system furnishings costs associated with the reconfiguration. Both parties agree that more detailed plans and cost estimating are needed to determine if the \$1.5 million can also address these issues. While willing to incur costs to develop the needed drawings and obtain more accurate cost estimates, BSB is seeking assurance from the County it will reimburse Barry Swenson for additional design and estimating expenses up to a maximum amount of \$30,000, if the County withdraws from negotiations. Should the County execute a new lease with BSB, these expenses will be absorbed within the \$1.5 million tenant improvement allowance.

Staff recommends your Board authorize Facility Service staff to continue with lease negotiations based upon terms submitted by BSB, and delegate authority to the Director of Facility Services or designee to enter into an exclusive negotiating period with BSB for up to 120 days to finalize material terms for a new 15-year lease.

ENVIRONMENTAL IMPACT: Pre-lease activities are Categorical Exempt from review pursuant to Section 15301 of the California Environmental Quality Act. This Section provides for activities, including leasing of existing facilities, when there is not expansion of use beyond that previously existing.

FISCAL IMPACT: Sufficient funding for the not-to-exceed amount of \$30,000 for programming and design fee reimbursement is available as a budgeted county cost in the Capital Projects Fund, Project 4878, HHS ASOC Planning.

M/MR/LM/MK/KW

ATTACHMENTS: RESOLUTION

CC: COUNTY COUNSEL
HHS ADULT SYSTEM OF CARE

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

In the matter of: A RESOLUTION AUTHORIZING THE
DIRECTOR OF FACILITY SERVICES, OR DESIGNEE, TO
ENTER INTO AN AGREEMENT WITH BSB-ROSEVILLE,
LLC, TO EVALUATE POTENTIAL TENANT
IMPROVEMENTS AT CIRBY HILLS, IN AN AMOUNT
NOT-TO-EXCEED \$30,000.

Resol. No: _____

The following **RESOLUTION** was duly passed by the Board of Supervisors of the County of Placer at a regular meeting held _____, 2013 by the following vote on roll call:

Ayes:

Noes:

Absent:

Signed and approved by me after its passage.

Chair, Board of Supervisors

Attest:

Clerk of said Board

WHEREAS, since September 2000, the County has leased the 54,600 square foot building at 101 Cirby Hills Drive in Roseville, CA for Health and Human Services Department (HHS) programs including the Adult System of Care and Children's System of Care; and,

WHEREAS, the Lease Term will expire on August 31, 2015, and HHS desires to continue the utilization of this site; and,

WHEREAS, the County and the landlord, BSB-Roseville, LLC, a California Limited Liability Company managed by Green Valley Corporation doing business as Barry Swenson Builder are in discussions to continue occupancy at the site for an additional 15 years; and,

WHEREAS, in order to further lease discussions, it is necessary to further define desired tenant improvements and the associated costs for those improvements.

NOW, THEREFORE, BE IT RESOLVED, the County Board of Supervisors does hereby authorize the Director of Facility Services, or designee, to enter into an agreement with BSB-Roseville, LLC, a California Limited Liability Company managed by Green Valley Corporation doing business as Barry Swenson Builder, to evaluate potential tenant improvements to 101 Cirby Hills Drive in Roseville, California, in an amount not-to-exceed \$30,000.

