

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

To: **BOARD OF SUPERVISORS**

Date: **OCTOBER 8, 2013**

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

Subject: **HUMAN SERVICES LYON PLAZA – LEASE AGREEMENT**

**ACTION REQUESTED / RECOMMENDATION:**

1. Approve the relocation of Health and Human Services' Employment Services Program to 1919 Grass Valley Highway, Suite 190 in Auburn, CA, pursuant to a new lease between the County of Placer and the owners, Duff Brothers, in the monthly amount of \$2,600 in existing Human Services budgeted net county cost; and,
2. Adopt a Resolution authorizing the Director of Facility Services, or designee, to finalize negotiations and execute a Lease Agreement, following approval by County Counsel and Risk Management; and to carry out the provisions and responsibilities of the Agreement; and,
3. Approve a Budget Revision establishing a new Capital Project for the HHS Lyon Plaza Tenant Improvement Project No. 4914 in the amount of \$150,000 in existing Human Services budgeted net county cost.

**BACKGROUND:** Human Services delivers the CalWORKs program to central Placer County residents from Building 115A at the Placer County Government Center in Auburn. Recent State legislation requires expanded employment services to all CalWORKs recipients resulting in the need for additional space that cannot be accommodated in Building 115A. In order to meet State funded Employment Services requirements, Human Services requested Property Management's services to negotiate an agreement for leased space. Suite 190 in the Lyon Plaza office building located at 1919 Grass Valley Highway in Auburn was identified as an ideal location as the Golden Sierra Workforce Investment Agency also occupies space in this building. This suite, comprising 2,080 square feet, provides programmatic efficiencies through staff and service sharing (job training/readiness workshops and subsidized wage efforts) with Golden Sierra. Following Property Management's assessment of market rents in this vicinity, staff successfully negotiated advantageous terms with the property owner, Duff Brothers (Landlord) to facilitate this relocation and expansion of Employment Services.

To proceed with the relocation of Human Services' Employment Services to the proposed Premises, your Board's approval of the attached Resolution is necessary to enter into a new Lease Agreement for the required space, subject to the Material Terms (Exhibit A). The Lease Agreement will authorize the Landlord to perform initial tenant improvements including construction of a separate interview room and telecommunications server room at a cost not-to-exceed cost \$20,000, payable upon occupancy. The Lease Agreement will require Landlord to install new carpeting, repaint, and replace damaged ceiling tiles at its sole cost. The Lease Agreement will be a 5-year modified gross lease (Landlord responsible for building related maintenance, and County responsible for the Premises' electricity, gas and custodial services) commencing at \$2,600 per month (\$1.25 per square foot), subject to a 2 percent annual adjustment. In addition to this favorable rental rate, Property Management successfully negotiated an additional 5-year option, and three months free rent that can be applied to future rents and/or tenant improvements.

**ENVIRONMENTAL CLEARANCE:** This action is Categorically Exempt from review pursuant to Section 15301 of the California Environmental Quality Act as a lease and minor alteration of an existing structure.

**FISCAL IMPACT:** Rent associated with this occupancy in Lyon Plaza will commence at \$2,600 per month (\$15,600 in FY 2013/2014) and is included in the HHS Human Services' FY 2013/14 Final Budget. The total cost to relocate this program to the new Premises is estimated at \$150,000, which includes Landlord constructed tenant improvements (\$20,000), County installation of data/cabling, alarm system installation, and systems furnishings (\$113,300), and project management costs (\$16,700). A Budget Revision is needed to establish a new Capital Project for the HHS Lyon Plaza Tenant Improvement Project No.4914 in the amount of \$150,000. The Health & Human Services FY2013/14 Final Budget includes sufficient Operating Expenditures for this improvement project and is fully funded by Federal and State revenue; therefore, no County General Funding is required.

MD/MR/LM/NT/KW

ATTACHMENTS: EXHIBIT A – MATERIAL TERMS  
BUDGET REVISION  
RESOLUTION

CC: COUNTY EXECUTIVE OFFICE  
HEALTH AND HUMAN SERVICES DEPARTMENT

T/FAC/BSMEMO2013/HS HWY 49 LYON PLAZA.DOC

EXHIBIT A MATERIAL TERMS – LEASE AGREEMENT

The following summarizes the Key Terms and Conditions which the Parties agree will be incorporated as the Material Terms of a Proposed Lease Agreement between the County of Placer and Duff Brothers Joint Venture.

1. **Parties:** The Lease Agreement (Agreement) shall be between the County of Placer, a political subdivision of the State of California (County) and Duff Brothers Joint Venture (Landlord); referred collectively as (Parties).
2. **Building Location:** 1919 Grass Valley Highway, Suite 190, Auburn, CA 95603 (Property).
3. **Leased Premises:** The Leased Premises (Premises) comprises approximately 2,080 Rentable Square Feet (RSF).
4. **Term:** Five (5) years, commencing on the 1<sup>st</sup> day of the calendar month following Landlord's receipt of a final approval from the County Building Department for the Tenant Improvements as described in Sections 14 and 15.
5. **Lease Execution Date:** The Lease shall be executed as soon as reasonably possible after the approval of the Material Terms by the County Board of Supervisors. This date is anticipated to be approximately November 4, 2013.
6. **Rent Commencement Date:** The Rent Commencement Date shall begin fifteen (15) days after Landlord receives the final approval from the County Building Department for the Tenant Improvements as described in Sections 14 and 15.
7. **Early Occupancy:** County shall be granted early occupancy after the final approval from the County Building Department for the Tenant Improvements as described in Sections 14 and 15, in order to install related furnishings, fixtures and equipment. Such early occupancy shall be for fifteen (15) working days and at no cost to the County.
8. **Lease Type:** Modified Gross Lease. Landlord shall be responsible for the payment of building insurance, property taxes, building operating expenses including water, sewer and garbage and building related maintenance.
9. **Monthly Rent:** Two thousand six hundred and no/100 dollars (\$2,600.00), based on a rental rate of one dollar and twenty five cents (\$1.25) Modified Gross per month.
10. **Free Rent:** Landlord shall grant three (3) month's free rent to be applied to Monthly Rent beginning with the first full month immediately following the Rent Commencement Date. At County's discretion, such free rent shall be applied towards future rent payment and/or the Tenant Improvements as described in Section 15.
11. **Rent Escalation:** The Monthly Rent for the Premises shall be subject to fixed annual 2% increases.
12. **Utilities & Services:** County shall pay for electricity and gas (separately metered) and custodial services to the Premises.
13. **Parking:** Landlord shall provide four (4) exclusive parking spaces for County's use on the east end of the parking lot adjacent to the Premises. Landlord will not provide any enforcement or policing for these parking spaces.
14. **Tenant Improvements - Landlord:** By no later than December 15, 2013, Landlord agrees to perform and complete the following Tenant Improvements, subject to prevailing wage laws, at Landlord's Expense:
  1. Install new carpeting based on County standard (Shaw carpet tiles to be installed with Catalyst Tile style or equivalent)
  2. Repaint interior of the Premises prior to County occupancy and during the first year of the Option Term if exercised.

## EXHIBIT A – MATERIAL TERMS

3. Replace stained ceiling tiles.
15. **Tenant Improvements - County:** By no later than December 15, 2013, Landlord agrees to perform and complete the following Tenant Improvements, subject to prevailing wage laws, at County's Expense:
  1. Frame, finish, and install door from interior hallway and necessary electrical and cable connections within the current "break room" area to create an approximately 8'x10' interview room.
  2. Frame, finish, and install access door way and necessary electrical and cable connections to create an approximately 8'x6' telecommunications room.
  3. Installation of "Mini Split HVAC Unit" to service the telecommunications room.
  4. Modification to the affected ceiling components (including, T-bar ceiling, lighting and HVAC ducting and diffusers) related to the creation of the telecommunications and interview rooms.

Following Landlord's completion of the Tenant Improvements as described in this Section, County shall reimburse Landlord for its verified actual costs at an amount not to exceed Twenty thousand dollars (\$20,000) within thirty (30) days following receipt of an invoice and back up documentation acceptable to County.

16. **Fixtures & Personal Property - County:** County, at its sole cost, shall install and manage all related support equipment for telecom and data services. An example of County provided support equipment would include items such as phones, patch cords, switches gears, racks, PBX, UPS, HP Servers, etc. Also, County, at its sole cost, shall provide and manage the systems furniture installation.
17. **Lease Agreement:** Parties shall utilize the County's modified standard Lease Agreement as modified to reflect the terms herein.
18. **Use:** The Premises shall be used for office space to house the Human Services Employment Services of the County's Human Services Division, and/or any other County agency that the Premises can lawfully accommodate per California Building Code, Title 24, including any local agency permitted uses required for the County's occupancy.
19. **Option to Extend Term:** Provided County is not in default of the then current lease term, Landlord shall grant an option to renew the Agreement for one (1) five-year term. The Rental Rate during the Extended Term shall increase Two Percent (2%) annually.
20. **Minor Alterations:** County may request that Landlord perform minor alterations to the Premises on County's behalf. The scope of work for any single minor alteration shall not exceed nine thousand five hundred dollars (\$9,500) and shall be paid by County through mutually agreeable terms with Landlord. Prevailing wage is applicable to Minor Alterations.
21. **Future Tenant Improvements:** Upon mutual agreement by the Parties, Landlord shall construct desired tenant improvements on behalf of the County at County's expense. Prior to commencement of any construction, County and Landlord shall execute an Amendment to the Agreement setting forth the terms and conditions, payment terms and/or any additional base rent pertaining to the construction of such tenant improvements. Said Amendment shall be signed by Landlord, County Executive Officer, and Health and Human Services Director. The total expenditure for tenant improvements over the term of the Agreement shall not exceed fifty thousand dollars (\$50,000) and is exclusive of the amount for minor alterations (see Section 20). Prevailing wage is applicable to Future Tenant Improvements.
22. **Real Property / Personal Property:** Upon conclusion of the Term or termination of the Agreement, any tenant improvements and minor alterations shall be considered "Real Property" and become property of Landlord, and County shall have no obligation to remove the Real Property. Personal Property such as movable furniture, systems furniture, and telecom/data equipment shall be considered trade fixtures and may be removed by County so long as any damage to the Premises caused by the removal is repaired.
23. **Availability of Funds:** County's ability to continue to administer programs at the Premises is subject to the continued appropriation of State and Federal funding. County reserves the right to terminate the Agreement upon one hundred and eighty (180) days' written notice. If the Availability of Funds provision is exercised, the County must pay Landlord any unamortized costs paid by Landlord. Unamortized costs include any unreimbursed tenant improvements paid by Landlord, rent abatement and Broker Fees in

**EXHIBIT A – MATERIAL TERMS**

connection with the Agreement. Where applicable, Landlord shall provide the County an amortization table as an exhibit to the Agreement that breaks down the costs by months over the term of the Agreement.

- 24. **Authority of the Director:** The Director of the Department of Facility Services, or their designee, shall administer the Agreement on behalf of the County. Unless otherwise provided herein or required by applicable law, the Director shall be vested with all rights, powers, and duties of the County.

Landlord accepts and agrees to the incorporation of the Material Terms into the preparation of a Lease Agreement between the County and Landlord. The County and Landlord recognize and agree that the enforceability of the terms of any future resulting Agreement(s) shall be subject to prior approval by the Placer County Board of Supervisors or its designee; and Landlord and the County's execution of Lease Agreements and Lease Amendments.

LANDLORD: Duff Brothers ~~LLC~~ Joint Venture D.A.D

By:   
D Alex Duff  
Printed Name  
Owner  
President or Vice President

Date: Sept 16, 2013

By: \_\_\_\_\_  
\_\_\_\_\_  
Printed Name  
\_\_\_\_\_  
Secretary or Treasurer

Date: \_\_\_\_\_

**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 FINALIZE NEGOTIATIONS AND EXECUTE A  
LEASE AGREEMENT FOR HUMAN SERVICES  
OCCUPANCY IN SUITE 190 AT 1919 GRASS VALLEY  
HIGHWAY IN AUBURN, CA**

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.

Attest:

\_\_\_\_\_  
Chair, Board of Supervisors

\_\_\_\_\_  
Clerk of said Board

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**WHEREAS**, the Health and Human Services Department's Human Services Division delivers the CalWORKs program to central Placer County residents from Building 115A at the Placer County Government Center in Auburn; and,

**WHEREAS**, Human Services desires to relocate its Employment Services program to Suite 190 in Lyon Plaza at 1919 Grass Valley Highway in Auburn (Premises) to allow the expansion of Employment Services as required by the State's recent legislative action, and to realize staff and service sharing benefits by locating adjacent to Golden Sierra Workforce Investment Agency who also occupies space at Lyon Plaza; and,

**WHEREAS**, in consideration of the County's desire to occupy the 2,080 square foot Premises at Lyon Plaza, the owner, Duff Brothers (Landlord) has agreed to enter into a Lease Agreement for County occupancy of the Premises; and,

**WHEREAS**, Property Management negotiated lease terms and conditions with the Landlord, which include a 5-year initial term and one 5-year option term, with initial tenant improvements necessary to address Employment Services' occupancy requirements.

**NOW THEREFORE, BE IT RESOLVED**, the Placer County Board of Supervisors does hereby authorize the Director of Facility Services, or designee, to finalize negotiations and execute a new Lease Agreement for HHS Human Services Employment Services' occupancy at Lyon Plaza based on the negotiated Material Terms, following approval by County Counsel and Risk Management; and to delegating authority to DFS to carry out the provisions and responsibilities in the Lease Agreement including but not limited to Initial Tenant Improvements, Future Tenant Improvements, and other administrative provisions.

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**Before the Board of Supervisors  
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