

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

To: **BOARD OF SUPERVISORS**

Date: **JUNE 10, 2008**

From:  **JAMES DURFEE / ALBERT RICHIE** 

Subject: **CHILD SUPPORT SERVICES – RELOCATION AGREEMENTS**

ACTION REQUESTED / RECOMMENDATION: It is recommended that your Board adopt the attached Resolution authorizing the Director of Facility Services, or his designee, to take the following actions associated with relocation of the Child Support Services Department (CSS) to 1000 Sunset Boulevard, in Rocklin, CA:

- 1) Complete negotiations for an Amendment to the Lease Agreement between the County of Placer and Sutter Health Sacramento Sierra Region, a California nonprofit public benefit corporation doing business as Sutter Auburn Faith Hospital (SAF), for the Premises at 11795 Education Street, Auburn, CA, to facilitate the County's early termination of this Agreement; and,
- 2) Complete negotiations for a Lease Agreement, based on the Material Terms attached hereto, between the County of Placer and Sunset Commercial Center, Inc., c/o Oates Investments, Inc. (SCC), for CSS' occupancy in space located at 1000 Sunset Boulevard in Rocklin, CA; and,
- 3) Execute both the SAF Lease Amendment and the SCC Lease Agreement on behalf of your Board, following their approval by County Counsel and Risk Management.

BACKGROUND: In October of 1994, CSS began leasing office space at 11795 Education Street in Auburn. The current lease option term for this tenancy expires on April 30, 2009, and one additional 30-month option remains. In late 2007, SAF shared with the County their plans to refurbish the Education Street building as part of their hospital masterplan and revealed their intention to occupy the entire building upon completion. They indicated that the County's exercise of its last option would delay their ability to proceed with portions of the project and encouraged consideration of a new location for this department. Further, SAF stated their belief that the current rent was under market and should the County choose to exercise the final option, SAF would utilize lease provisions to seek a significant increase in rent.

Subsequently, the Property Management Division was asked to evaluate the impact of the likely rent increase at the existing facility and to investigate opportunities for CSS' relocation. Property Management determined that based on market conditions, an upward adjustment at the Education Street location could increase the monthly rent \$0.40 to \$0.50 per square foot (psf), increasing the base rent to between \$1.84 and \$1.94 psf. Pursuant to terms of the existing agreement, this amount does not include the cost for utilities, janitorial or maintenance expenses.

Through a review of numerous other lease alternatives, Property Management identified the most desirable property as 1000 Sunset Boulevard in Rocklin, owned by SCC. SCC offered a full-service lease package, including a base rent of \$1.93 psf (inclusive of utilities, janitorial and maintenance expenses), a generous tenant improvement allowance, and 12-months of free-rent spread over the first 30 months of an initial 11-year lease term (Exhibit A). Due to the efficiencies inherent with occupying a brand new building, operational costs associated with leasing the SCC facility are projected to be 15% less than those at the current leased building. The savings in reduced operational costs, coupled with SCC's proposal for free-rent, results in approximately \$675,600 of rent savings over the first 30-months of the term.

Believing that this property represented a financially superior opportunity for the County, Property Management worked with CSS and SCC's architect to plan tenant improvements for this space. Property management negotiated a generous tenant allowance of \$47 psf, (\$892,248) which is projected to provide sufficient funding for the required office improvements. Furnishings, security equipment, and move costs, estimated to be \$740,650, all contribute to a separate relocation expense that would be borne by CSS. More than half of this relocation expense can be offset by state and federal subvented funds that are available to CSS in Fiscal Year 2007/2008, with the remaining relocation expense offset by rent savings, and state funds over the first 30-months of occupancy. Ongoing discussions with SAF may result in an additional financial contribution to further offset relocation expenses.

CSS has determined that relocating to this site would improve their delivery of services, as 62% of CSS' current caseload resides in the southern portion of Placer County. CSS staff believe that the proximity to a major population center, and the convenience of being on a bus route, may result in additional citizens utilizing the Department's services. As all Family Law cases are being transferred to the Bill Santucci Justice Center, the 1½ mile distance between these sites will also facilitate in-office meetings with clients before or after court proceedings.

In order to proceed with the leasing actions associated with this relocation project, Facility Services requests that your Board direct staff to complete the SAF Lease Amendment and the SCC Lease Agreement, and authorize the Director of Facility Services to execute both agreements following their approval by County Counsel and Risk Management. A separate item on your Agenda today requests purchasing authority for furnishings, telecom and other equipment necessary to facilitate occupancy of the 1000 Sunset Boulevard building.

ENVIRONMENTAL CLEARANCE: The lease of this facility is 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 no expansion of use beyond that previously existing.

FISCAL IMPACT: The full-service rental rate for the leased premises will commence at \$41,769 per month (\$501,229 annually) with annual increases fixed at 2.5%. The County will be responsible for increases to utility, maintenance, janitorial and other operating expenses above the 2009 Base Year. Sufficient funding for this rental expense is included in the Fiscal Year 2008/2009 Proposed Budget. Over half of the \$740,650 estimated relocation expenses will be offset in Fiscal Year 2007/2008 by state and federal funds. The remaining \$337,250 will be offset in Fiscal Year 2008/2009 by state funds and rent savings over the first 30-months of occupancy.

ATTACHMENTS: RESOLUTION
EXHIBIT A - MATERIAL TERMS

JD:MD:AR:MR:KJ:DB

CC: COUNTY EXECUTIVE OFFICE
CHILD SUPPORT SERVICES DEPARTMENT

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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 TO
NEGOTIATE AND EXECUTE LEASE DOCUMENTS
TO FACILITATE THE CHILD SUPPORT SERVICES
DEPARTMENT RELOCATION TO 1000 SUNSET
BOULEVARD IN ROCKLIN, CA.**

Resol. No: _____
Ord No: _____
First Reading: _____

The following RESOLUTION was duly passed by the Board of Supervisors of the County of Placer at a regular meeting held _____, 2008 by the following vote on roll call:

Ayes:

Noes:

Absent:

Signed and approved by me after its passage.

Attest:

Chairman, Board of Supervisors

Clerk of said Board

WHEREAS, the Child Support Services Department (CSS) has occupied office space at 11795 Education Street in Auburn since October 1994;

WHEREAS, the current lease option term for this tenancy expires on April 30, 2009, and one additional 30-month option remains; and

WHEREAS, in late 2007, the landlord, Sutter Health Sacramento Sierra Region, a California nonprofit public benefit corporation doing business as Sutter Auburn Faith Hospital (SAF), shared with the County their plans to refurbish the Education Street building as part of their hospital masterplan and revealed their intention to occupy the entire building upon completion; and

WHEREAS, SAF indicated that the County's exercise of its last option would delay their ability to proceed with portions of the project and encouraged consideration of a new location for this department; and

WHEREAS, the Property Management Division identified a new leasing opportunity at 1000 Sunset Boulevard in Rocklin, owned by Sunset Commercial Center, Inc., c/o Oates Investments, Inc. (SCC), that offered a cost effective full-service lease package, generous tenant improvement allowance and 12-months of free-rent spread over the first 30-months of the initial 11-year lease term; and

WHEREAS, the relocation expense associated with this move (furnishings, data equipment, and move costs) can be offset by state and federal funds and rent savings within the first 30-months of occupancy; and

WHEREAS, relocation of CSS to the SCC building will improve service delivery to a majority of its clientele.

NOW THEREFORE, BE IT RESOLVED, that the Placer County Board of Supervisors does hereby authorize the Director of Facility Services, or his designee, to complete negotiations for an amendment to the Lease Agreement between the County of Placer and SAF for the premises at 11795 Education Street, Auburn, CA, to facilitate County's early termination of this agreement, to complete negotiations for a Lease Agreement between the County of Placer and SCC for CSS' occupancy in a building located at 1000 Sunset Boulevard in Rocklin, CA; and, to execute both the SAF Lease Amendment and the SCC Lease Agreement on behalf of your Board, following their approval by County Counsel and Risk Management.

EXHIBIT A – MATERIAL TERMS OF 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 Sunset Commercial Center, Inc., c/o Oates Investments, Inc.:

1. **Parties.** Agreement shall be between the County of Placer, a political subdivision of the State of California (County) and Sunset Commercial Center, Inc., c/o Oates Investments, Inc., a California corporation (Landlord).
2. **Lease Agreement.** Parties shall utilize County's Standard Lease Agreement form.
3. **Building Location.** 1000 Sunset Blvd, Rocklin CA 95765.
4. **Initial Premises.** Premises totaling 21,642 +/- rentable square feet (RSF) located on the 2nd floor. This area is comprised of 18,984 useable square feet (USF) plus a 14% load factor equals the 21,642 RSF.
5. **Option to Expand.** For a period of 18 months and under these same terms and conditions, County shall have the first right of refusal to expand a minimum of 10,000 RSF on the 2nd floor.
6. **Use.** The Premises shall be used for office space to house Child Support Services activities.
7. **Effective Date.** The term of the Agreement shall commence upon the occupation of the improved Premises.
8. **Term.** 11 years (132 months).
9. **Option to Extend Term.** Provided County is not in default, County shall have one (1) five-year option to extend the lease agreement at the then current fair market value.
10. **Rent.** \$1.93 per RSF; Full-Service, which includes janitorial, maintenance and utilities.
11. **Escalation.** 2.5% annual increase.
12. **Operating Expenses.** Base Year set in 2009; with expenses above Base Year billed at actual cost, except that management expense increases shall be capped at 4%.
13. **Tenant Improvements.** Landlord will provide a tenant improvement allowance of \$47 per USF. Tenant improvement (TI) costs that exceed that allowance shall be paid by County. At County's option, any overage above the TI allowance shall be paid: 1) in cash, or 2) as additional rent at the rate of \$0.01 over base rent for every \$1 per USF over the TI allowance, or 3) some combination of both.
14. **Rent Abatement.** Twelve (12) months free with six (6) months applied to year 1, three (3) months applied to year 2, and three (3) months applied to year 3.
15. **Signage.** Landlord, at their sole cost and expense, will provide prorata building top signage, monument signage and directory signage.
16. **Parking.** Five (5) parking stalls per 1,000 RSF.

Landlord accepts and agrees to the incorporation of the above material terms into the preparation of a lease agreement between Landlord and the County. Landlord and the County recognize and agree that the enforceability of the terms of any future resulting lease agreement shall be subject to prior approval by the Placer County Board of Supervisors or its designee, and the Landlord.

