

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

To: **BOARD OF SUPERVISORS**

Date: **JUNE 23, 2009**

From:  **JAMES DURFEE / ALBERT RICHIE**

Subject: **HUMAN SERVICES DIVISION RELOCATION – LEASE AGREEMENT**

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 Health and Human Services Department (HHS) staff to 1000 Sunset Boulevard, in Rocklin, CA:

- 1) 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 HHS occupancy in space located at 1000 Sunset Boulevard in Rocklin, CA; and,
- 2) Execute the resultant SCC Lease Agreement on behalf of your Board, following approval by County Counsel and Risk Management.

BACKGROUND: On June 10, 2008, your Board authorized the Director of Facility Services to negotiate and execute a lease agreement that facilitates relocation of the Child Support Services Department (CSS) from Auburn to SCC's building at 1000 Sunset Boulevard in Rocklin. Included in the CSS lease agreement is a provision that extends the same favorable terms to any lease that the County signs within 18-months of CSS lease execution, which places the deadline at April 1, 2010. For many years, the staff of HHS and Facility Services has considered facility models to improve the delivery of HHS programs in the South Placer area. The efforts associated with identifying 1000 Sunset, and the resultant the beneficial CSS lease, refocused this discussion on consolidating HHS Human Services (HS) Roseville occupancies, currently located at 100 Stonehouse Court and Sierra Gardens Drive. On December 9, 2008, your Board authorized Facility Services to engage SCC's architect in programming and planning activities to determine the space and functional requirements to relocate these operations.

Through reevaluation of the Placer County Government Center (PCGC) 100-Ramp Remodel/Renovation Building Fund project, and refinement of HHS' organizational modeling, staff identified that 35 HS staff who currently work at the PCGC would benefit from relocation to 1000 Sunset. The relocation of these staff from the PCGC also avoids significant renovation of aging buildings, which would otherwise be required. Programming for these PCGC staff, 18 Sierra Gardens staff, and 86 Stonehouse staff determined that approximately 30,000 square feet at 1000 Sunset is required for adequate staff and support space. By consolidating the lobby, conference, and support-space functions of these three locations, the 1000 Sunset premises is estimated at 5,000 square feet less than the current total area. This move would resolve overcrowding at the existing facilities, and provide additional interview rooms to improve HHS' organizational efficiency and service delivery. Staff continues to work with SCC's

architect on space planning alternatives with the goal of reducing the premises area and associated rental expense.

Utilizing the estimate of 30,000 square feet, Property Management has negotiated Material Terms for a full-service gross lease (inclusive of all utilities, janitorial and maintenance expenses) at 1000 Sunset with a base rent of \$1.79 per square foot, and 12-months of free-rent spread over the first 27 months of an initial 16-year lease term (Exhibit A). Staff also secured a \$50 per square foot tenant improvement allowance, which represents a \$3 improvement beyond the CSS lease agreement. As part of the tenant improvements to accommodate CSS, telecommunications infrastructure was sized to accommodate future County needs, which includes the proposed relocation of these HS offices. This benefit was considered during evaluation of one-time moving, furniture and telecommunications/data expenses, which are estimated at \$550,000.

During the period of these negotiations, the landlord of the 100 Stonehouse building provided Placer County with an unsolicited offer to remain at the existing facility. Although the proposal includes a rent reduction and free-rent in return for a seven-year lease commitment, it does not address organizational and functional deficiencies that hamper HS delivery of services to its South Placer clientele. Over the 23+ years since HHS first occupied space at Stonehouse, the Department has changed significantly and program modeling now identifies significant client and administration benefits to the relocation of staff from Stonehouse, Sierra Gardens, and PCGC. The existing 15,748 square foot Stonehouse building is currently overcrowded and cannot accommodate the additional 53-staff identified for co-location. HHS has long been burdened with the difficulties of providing services at this facility, due to the inadequate quantity and size of interview rooms, an undersized lobby with poor visibility from reception staff, and insufficient parking. Relocating from this building will also address long-standing concerns that relate to the high-speed traffic on adjacent Taylor Road. The lack of scheduled public transit forces clients, including those with children and the elderly, to walk a considerable distance without sidewalks over I-80 and then across a freeway off-ramp. The move to 1000 Sunset will not only address these issues, but it will improve network data access, result in more efficient County services, and achieve a broader integrated service model since HS and CSS share a common client base.

Through separate design studies, SCC's architect continues to develop scenarios for a future phase to relocate the Sierra Gardens One Stop Career Center, and staff anticipates returning to your Board this summer with a recommendation pertaining to that opportunity. In order to proceed with leasing actions associated with the HS relocation project, Facility Services requests that your Board direct staff to complete the SCC Lease Agreement and authorize the Director of Facility Services to execute the agreement following approval by County Counsel and Risk Management.

ENVIRONMENTAL CLEARANCE: This action is Categorically Exempt from review pursuant to CEQA Guidelines Section 15301 as a lease and minor alteration of an existing structure.

FISCAL IMPACT: Initial monthly rent commences at a rate of \$1.79 per square foot for the estimated 30,000 square foot leased premises. Given that the first six months are free of rent, the first year of rent at 1000 Sunset totals \$322,400, resulting in a year-one savings of \$169,600.

Following the expiration of free-rent provisions after FY 11/12, lease year 4 shows an increased County cost of approximately \$250,000, to include increases to utility, maintenance, janitorial, and other expenses. These costs are allowable under the cost allocation model for State reimbursement. The estimated one-time relocation expense of \$550,000 will be funded from capital project funding.

ATTACHMENTS: RESOLUTION
EXHIBIT A - MATERIAL TERMS

JD:AR:MR:KJ

CC: COUNTY EXECUTIVE OFFICE
HEALTH AND HUMAN 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 THAT FACILITATE
RELOCATION OF THE HHS HUMAN SERVICES DIVISION
TO 1000 SUNSET BOULEVARD IN ROCKLIN, CA.

Resol. No: _____

The following RESOLUTION was duly passed by the Board of Supervisors of
the County of Placer at a regular meeting held _____, 2009 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 Human Services Division of the Health and Human Services
Department (HHS) has occupied office space at 100 Stonehouse Court in Roseville, the
Placer County Government Center (PCGC) in Auburn, and at Sierra Gardens in
Roseville; and

WHEREAS, the Health and Human Services Department desires to consolidate certain
operational activities to a common location in order to be more efficient and effective in
providing services to the public; and

WHEREAS, on December 9, 2008, Facility Services informed your Board that the HHS
Human Services Division (HS) offices at 100 Stonehouse Court and the Sierra Gardens
One Stop Career Center in Roseville will realize operational efficiencies and service level
improvements by relocating to 1000 Sunset in Rocklin owned by Sunset Commercial
Center, Inc., c/o Oates Investments, Inc. (SCC); and

WHEREAS, your Board authorized Facility Services to engage SCC's architect in programming and planning activities to determine the space and functional requirements for these operations; and

WHEREAS, programming for these combined functions indicates an area no-to-exceed approximately 30,000 square feet at 1000 Sunset would accommodate 35 HS staff from the PCGC, 18 HS staff from Sierra Gardens in Roseville, and 86 HS staff from 100 Stonehouse in Roseville.

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 a Lease Agreement, based on the Material Terms attached hereto, between the County of Placer and SCC for the of the Department of Health and Human Services Human Services Division's occupancy in a building located at 1000 Sunset Boulevard in Rocklin, CA and execute the SCC Lease Agreement on behalf of your Board, following its 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. Building Location: 1000 Sunset Blvd, Rocklin CA 95765
3. Premises: The premises shall total approximately 30,000 rentable square feet.
4. Load Factor: Due to the fact that County will be taking the remaining space on the second floor and a corridor will not need to be built, the County would request that an actual load factor for the second floor be calculated and disclosed to the County. In the event that the load factor is lower then the currently quoted 14%, County would request that this lesser percentage be applied to the Usable Square Feet being taken on the second floor.
5. Term: Sixteen years (192 months).
6. Commencement/Occupancy: Commencement and occupancy of the County shall occur on or before December 1, 2009.
7. Early Occupancy: County shall be allowed access to the building at least 30 days prior to the Commencement Date, to coordinate the installation of furniture, fixtures, and other items necessary to conduct business at no cost to Tenant.
8. Rent: Rent shall be paid monthly to equal the Total Annual amount as follows:

Lease Year	Equivalent		Total Annual
	Monthly Cost / SF	Months	
1	\$0.00	6	\$0.00
1	\$1.79	6	\$322,400.00
2	\$0.00	3	\$0.00
2	\$1.89	9	\$509,127.50
3	\$0.00	3	\$0.00
3	\$1.93	9	\$519,810.05
4	\$2.10	12	\$755,041.12
5	\$2.14	12	\$769,932.59
6	\$2.18	12	\$785,121.90
7	\$2.22	12	\$800,614.99
8	\$2.27	12	\$816,417.94
9	\$2.31	12	\$832,536.95
10	\$2.36	12	\$848,978.34
11	\$2.40	12	\$865,748.56
12	\$2.45	12	\$882,854.18
13	\$2.50	12	\$900,301.92
14	\$2.55	12	\$918,098.61
15	\$2.60	12	\$936,251.23
16	\$2.65	12	\$954,766.91

EXHIBIT A
MATERIAL TERMS OF LEASE AGREEMENT
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9. Lease Type: Full Service Gross: Landlord is to be responsible for base year operating expenses including property taxes, property insurance, Common Area Maintenance, utilities and janitorial, and repair of the structural portions of exterior walls, roof, and foundation unless damaged by Tenant. Tenant will pay prorata share of increases over base year operating expenses. The base year for this lease will be 2010 with expenses above the Base Year billed at actual cost, except that management expense increases shall be capped at 4%.
10. Lease Agreement: Parties shall utilize the County's modified lease agreement that was used for Child Support Services at the same location, with minor modifications.
11. Rent Abatement: Months 1-6, 13-15, and 25-27 will be free of rent, for a total of twelve (12) months free of rent.
12. Option to Expand: For a period of 18 months and under the same terms and conditions, County shall have the first right of refusal to expand a minimum of 10,000 RSF on the space that will remain on the first floor of the property.
13. Use: The Premises shall be used for office space to house several County agencies including Health and Human Services, and the Veterans Administration.
14. 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.
15. Tenant Improvements: Landlord will provide tenant improvement allowance of \$50.00 per usable square foot. Tenant improvement costs that exceed that allowance shall be paid by County. At County's option, any overage above the TI allowance (not to exceed \$5.00 per USF) shall be paid: 1) in cash, or 2) as additional rent at the rate of \$.01 over base rent for every \$1.00 per USF over the TI allowance, or 3) some combination of both.
16. Signage: Landlord, at Landlord's sole cost and expense, shall provide public area signage.
17. Parking: Five (5) parking stalls per 1,000 USF. Twelve reserved stalls marked at Landlord's sole cost and expense.

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.

