

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

To: Honorable Board of Supervisors

Date: May 20, 2014

From:  Mary Dietrich, Facility Services Director
By: Laurie Morse, Property Manager 

Subject: Health and Human Services - Adult System of Care
Lease Renewal - 101 Cirby Hills Drive, Roseville CA

ACTION REQUESTED:

1. Approve the fifteen year renewal lease agreement for the Health and Human Services Adult System of Care program occupancy at 101 Cirby Hills Drive, Roseville, CA, at a monthly amount of \$86,098, between the County of Placer and BSB-Roseville, LLC; The lease includes Tenant Improvements of \$2,227,000 of which \$1,500,000 is funded by BSB-Roseville, LLC, and the remaining amount of \$750,000 is recommended in the FY 2014-15 Capital Projects Proposed Budget.
2. Adopt a Resolution authorizing the Director of Facility Services, or designee, to administer on behalf of the County all provisions and responsibilities of this agreement, including provisions pertaining to Future Tenant Improvements.

BACKGROUND:

Since 2000, the County has leased the 54,600 square foot Psychiatric Health Facility from BSB-Roseville, LLC, a California Limited Liability Company managed by Green Valley Corporation, doing business as Barry Swenson Builder (Landlord) for the County's Health and Human Services (HHS) Adult System of Care program (ASOC). This program provides a full spectrum of mental health services, substance-abuse treatment and in-home support services. Client treatment includes therapeutic intervention, case management, crisis intervention, skill development, and employment services. In addition, disabled and dependent adults as well as those in crisis are protected through services provided at this facility in locked and unlocked inpatient and residential treatment programs. Older and dependent adults are also protected through investigations, case management, and the conservatorship process as necessary. Until late 2013, the facility was also occupied by the South Placer HHS Children's System of Care program and Board of Supervisors' district offices.

The current Lease Agreement will expire on August 31, 2015. Due to the continued need for services provided from this location, ASOC expressed its need to maintain its occupancy at this location and/or locate to another site. In late 2012, the County issued a Request for Proposals for the development or lease of building(s) to house the ASOC Programs. As a result of preliminary cost analysis it was determined that the cost to construct a new facility was cost prohibitive. Among the three proposals received, the Landlord's proposal was the most economical and feasible, given that the Landlord proposed rent was equal to current rents paid. The proposal also included the Landlord's commitment to contribute and perform up to \$1,500,000 in tenant improvements on behalf of the County as an inducement for ASOC's continued occupancy of the property.

As a result, ASOC and Property Management have worked with the Landlord's architect to develop a proposed space plan for tenant improvements which will increase the utilization of space and programmatic efficiencies. Improvements include demolishing an existing unused commercial kitchen to build-out the area for administrative offices, open office area for clinical staff, and renovation and increased capacity of staff restrooms.

The improvements also include reconfiguration of the existing office areas in order to accommodate the need for additional doctor offices and client interview rooms. Additionally, the space vacated by CSOC requires improvements for the administration and management of the ASOC's Client Services Program. ASOC's Client Services Programs includes the Welcome Center, Club House, Family Advocates, and the Consumer Advocates Programs.

Property Management has successfully negotiated terms and conditions with the Landlord that provides fifteen (15) years of additional term beginning September 1, 2014, including one five year option to extend the term. The base rent will commence at \$66,931 per month with fixed 2% annual increases, and includes operating expenses of \$19,167 per month resulting in a total monthly rent of \$86,098. The County will continue to be responsible for all utilities. Staff also successfully negotiated improved performance standards for the Landlord's maintenance and repairs, and eliminated the County's obligation to fund capital expenses which had been an allowable operating expense in the current Lease Agreement. The Lease Agreement provides the County rights of first refusal and right of offer to purchase the property if the Landlord receives unsolicited offers to sale or lists the property. The County will also have the right to lease additional space if the Landlord develops future adjacent buildings on the property.

The Lease Agreement includes an early termination provision if State and/or Federal funding were reduced to a degree that results in an unacceptable increase in the County's net costs to administer the HHS programs. The County can exercise this right to terminate any time after August 31, 2020. If the County exercises this provision, the County will be required to reimburse the Landlord for any unamortized tenant improvement costs, amortized over 15 years at zero percent interest. Additionally, the County must pay a termination fee equal to six months of the then-current monthly rent.

The Lease Agreement is approved as to form by County Counsel and is acceptable to Risk Management. To proceed with the proposed tenant improvements and realize improved utilization of the facility, your Board's approval of the Lease Agreement is necessary. Upon execution of the Lease Agreement, the current Lease Agreement No. 11151 will be superseded. Your Board's adoption of the attached Resolution is recommended to delegate authority to the Director of Facility Services, or designee, to carry out the provisions of the Lease Agreement including amendments for Future Improvement projects subject to approval by the County Executive Officer, HHS Director and Landlord.

ENVIRONMENTAL CLEARANCE: This Lease Agreement is Categorically Exempt from review pursuant to Section 15301 of the California Environmental Quality Act. This Section provides for activities, including leasing of existing facilities, where there is no expansion of use beyond that previously existing.

FISCAL IMPACT: The rent commencing at \$86,098 per month (\$1,033,174 annually) is equal to the current rent and is available in the HHS FY 2013-14 Budget and the FY 2014-15 Proposed Budget. The tenant improvements paid by Landlord total \$1,500,000. In order to achieve the full range of improvements necessary for optimum service delivery at this location, additional tenant improvements are required at a cost of \$750,000 for the installation of data/cabling, security access upgrades, systems furniture, project management and legal costs. Funding is recommended and available in the FY 2014-15 Proposed Capital Projects Budget.

ATTACHMENT: RESOLUTION

AVAILABLE FOR REVIEW AT THE CLERK OF THE BOARD'S OFFICE: LEASE AGREEMENT
CC: COUNTY EXECUTIVE OFFICE and HEALTH AND HUMAN SERVICES

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

**In the matter of: A RESOLUTION DELEGATING
AUTHORITY TO THE DIRECTOR OF FACILITY
SERVICES, OR DESIGNEE, TO CARRY OUT
PROVISIONS AND RESPONSIBILITIES OF
THE LEASE AGREEMENT BETWEEN THE
COUNTY OF PLACER AND BSB-ROSEVILLE, LLC.**

The following **RESOLUTION** was duly passed by the Board of Supervisors of the County of Placer at a regular meeting held _____, 2014 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

WHEREAS, since September 2000, the Health and Human Services Adult System of Care Program has leased a 54,600 square foot Psychiatric Health Facility located at 101 Cirby Hills Drive located in Roseville CA from BSB-Roseville LLC; and

WHEREAS, the current Lease Agreement is set to expire on August 31, 2015; and

WHEREAS, due to the continued need for services provided from this location, Property Management negotiated terms and conditions with BSB-Roseville that provides fifteen years of additional term effective September 1, 2014, including one five year option to extend the term; and

WHEREAS, BSB-Roseville has agreed to contribute and perform up to \$1,500,000 in tenant improvements on behalf of the County as an inducement for the County to continue its occupancy of the Premises; and

WHEREAS, to streamline the process for Future Tenant Improvements, it is also necessary for your Board to delegate authority to the Director of Facility Services, or designee, to carry out those provisions and responsibilities as specified in the Lease Agreement including but not limited to Future Tenant Improvements provision.

NOW, THEREFORE, BE IT RESOLVED that the Placer County Board of Supervisors does hereby authorize the Director of Facility Services, or designee, to carry out provisions and responsibilities in the Lease Agreement including Future Improvements and other administrative provisions.

