

County Of Sonoma Agenda Item Summary Report

Clerk of the Board Use Only
 Meeting Date Held Until
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 Agenda Item No: Agenda Item No:
 _____ _____

Department: General Services

4/5 Vote Required

Contact:
Mike Wagner

Phone:
(707) 565-2463

Board Date:
10/6/2009

Deadline for Board Action:
10/6/2009

AGENDA SHORT TITLE: Acquisition of Office Building at 2755 Mendocino Avenue for County Offices.

REQUESTED BOARD ACTION: Adopt a Resolution: (1) declaring intent to execute a Property Purchase Agreement with Harold M. Belmont, *et al.* for real property located at 2755 Mendocino Avenue, Santa Rosa, APN 180-030-001 ("Property"); and (2) setting a public hearing for November 3, 2009 at 2:05 p.m.

Adopt a Resolution authorizing budgetary adjustments to the F.Y. 2009-10 Final Budget for the Capital Project Fund-Mendocino Avenue Office Building and the Special Revenue Fund, Tobacco Securitization/Endowment, in the amount of \$6,052,775, requiring four-fifths (4/5ths) vote.

CURRENT FISCAL YEAR FINANCIAL IMPACT

EXPENDITURES:

ADDITIONAL FUNDS REQUIRING BOARD APPROVAL:

Estimated Cost	\$6,052,775	Contingencies (Fund Name:)	\$0
Amount Budgeted	\$0	Unanticipated Revenue (Source:)	\$0
Other Available Appropriations (Explain Below)	\$0	Other Transfers (Source: Tobacco Securitization Fund)	\$6,052,775
Additional Requested	\$6,052,775	Additional Funds Requested	\$6,052,775

Explanation (if required): Estimated cost includes purchase price, inspections, closing costs, and remodeling costs. Please see Background for more information.

Prior Board Action: None.

Alternatives – Results of Non-Approval: If the proposed transaction is not approved, the County may need to lease or purchase alternative space outside of the County Administration Center, at potentially higher effective cost. The County may lose the opportunity to acquire land with a facility that has immediate adjacency to the county complex and which provides leveraging value and flexibility relative to meeting current and future County space needs.

Background:

Acquisition Opportunity. The subject property is located at 2755 Mendocino Avenue, Santa Rosa, California (“Property”), and it consists of 1.2 acres of land improved with a 19,950 sq. ft., two-story office building and a 90-space parking lot connected by a pedestrian path to the County Administration Center (“C.A.C.”). Pursuant to Board direction given in closed session, the negotiated purchase price is \$4.1 million. This is well below replacement cost, which, according to the County Architect, is in the range of \$7 million to \$9 million (\$350 per sq. ft. to \$450 per sq. ft.). Tenant improvement and deferred maintenance costs will narrow the above-described difference; however, staff is confident that total costs to acquire and improve the Property will still be less than the cost of a new building on existing County land. Moreover, the Property adds over one acre to the C.A.C.

Potential Uses. The Property may be used for a variety of purposes (similar to La Plaza, which was acquired over 15 years ago), including use as: (i) temporary or “swing space” to allow reconfiguration of other County offices needed to improve efficiencies and/or implement the Strategic Plan and/or the Comprehensive County Facilities Plan (in development); (ii) space for crowded departments; (iii) offices for general fund departments such as the Economic Development Board, the Sheriff’s Domestic Violence Unit, and the D.A. Victim Witness Program which are currently paying rent in leased space; (iv) any new programs developed or expanded as a result of County efforts to develop a more proactive, impacting and continuous bundle of front-end judicial programs (e.g., Family Justice Center); and (v) any new programs developed or expanded as a result of County efforts to promote program delivery efficiencies and increase the accessibility of County services by its’ customers.

Basis for Purchase Recommendation

Need for Contiguous Office Space. The County owns approximately 600,000 sq. ft. of owned office space and leases approximately 400,000 sq. ft. of office space, yet has access to only 12,000 sq. ft. of vacant space spread in a multiplicity of locations (about 1% of the total). This lack of contiguous, flexible, vacant office space limits the County’s ability to quickly and cost-effectively undertake reconfiguration projects of occupied office space. Not having functional interim staff space adds cost and time to efforts to build efficient and productive configurations of existing space. The limited current vacant space at the County Administration Center (“C.A.C.”), being located at the former Redwood Credit Union building and the former Agriculture Building, has been allocated to the Information Systems Department and the Law Library. When these departments occupy the vacant space, the County will not have any remaining vacant office space at the C.A.C. The old jail, which is not suitable for office space use, has been programmed for demolition in order to free up a site for the proposed, new, \$240 million, Santa Rosa Criminal Courthouse proposed by the Administrative Office of the Courts, or for other uses.

Though foreseeable budget adjustments may result in future staff layoffs, reducing the need for overall staff office space, this will not free up contiguous space; rather, it will likely result in scattered vacancies at multiple locations. Having contiguous, owned, vacant office space will help the County reconfigure other spaces in the most cost- and time-efficient way possible, eliminating the need to lease short-term “swing space” at additional cost.

Strategic Plan Considerations. To implement the County Strategic Plan Goal of delivering County services more effectively and efficiently, it may be beneficial for the County to own a block of flexible, temporary space (again “swing space”) to relocate staff while existing space is reconfigured, remodeled, and/or prepared for potential disposition. The C.A.C. will likely be a key component of any effort to develop a more efficient and higher-value facility network to support County services. The County may be seeking opportunities for private/public partnerships that facilitate County efforts to reconfigure the C.A.C., and having a contiguous frontage along a Mendocino Avenue adds flexibility and value to any redevelopment effort. Acquisition of the Property would leave only one remaining private property on the Mendocino frontage of the C.A.C.

Property Condition/Cost to Cure. The Architecture and Facilities Operations Divisions have completed a number of inspections of the Property and have developed a cost estimate to cure deferred maintenance, correct A.D.A. deficiencies, construct tenant improvements and make other modifications. The total estimated cost to cure material defects in the Property is \$245,000. In addition, tenant improvements will be needed to accommodate the program needs of County occupants. While it is difficult to accurately estimate these tenant improvement costs at this time, the County Architect has suggested a budget of \$1,164,800 (\$72 per sq. ft. for 16,000 sq. ft.). The condition of the tenant improvements in the remainder of the space appears reasonable for general government use.

General Fund Programs Currently in Leased Space – Potential Occupants. The following general fund programs are potential candidates for relocation to the Property, and the resultant rent savings could be directed to help support the operating costs of the building.

	Current	Annual	Comments
Sheriff DVSA Program	3,119	\$73,359	D.V.S.A. is identified as a partner in the District Attorney’s Family Justice Center (“F.J.C.”)
D.A. Victim Witness	2,520	\$49,140	Victim Witness is also identified as a FJC partner
Economic Development Board	2,181	\$50,308	Although E.D.B. is closely aligned with H.S.D. W.I.B. activities, the Mendocino Avenue location may present a better identity for E.D.B.’s other program elements
Subtotal Rent Savings	7,820	\$172,807	

In addition to the potential County occupants listed above, there are two dental offices currently leasing portions of the Property, as summarized below.

	Current	Annual	Comments
James A. Abbott, D.D.S.	1,889	\$47,000	This tenant has two options to extend for 5 years each.
James D. Klim, D.D.S.	1,960	\$38,000	This tenant does not have any options to extend.
Subtotal Rent Revenue	3,849	\$85,000	

Grand Total	11,669	\$257,807
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The occupancy scenario described above is for example purposes only. The annual rent cost savings are noted only to illustrate the cost avoidance that could be achieved. However, if the Board takes the Requested Action, the General Services Department will return with a refined occupancy plan based on the best information available at the time of project implementation. The refined occupancy plan will consider current and potential new programs.

Funding Plan. For the reasons stated earlier in this report, staff proposes to proceed with acquisition of the Property. Staff recommends that the purchase be funded by using \$6.06 million in Tobacco Securitization Funds (note interest earnings on such funds are only ½% per annum as compared to tax-exempt financing rates in the 5% per annum range, plus costs of issuance).

Proposed Appropriation Transfer. The attached resolution appropriates \$6,060,000 to the Capital Project Fund – Mendocino Avenue Acquisition from the Tobacco Securitization Fund. These funds would be used as shown in the table on the following page.

Uses of Funds	Estimated Amount
Purchase Price	\$4,100,000
Closing Costs	\$41,500
Major Repairs and Replacements	\$245,475
Tenant Improvements	\$1,164,800
Moving Costs	\$276,000
Contingency	\$225,000
Total	\$6,052,775

Terms of Proposed Purchase Agreement. The proposed purchase price for the Property is \$4,100,000 (or \$206.51 per sq. ft.). This purchase price is supported by a recent appraisal obtained by the Real Estate Manager. Considering this appraisal and the fact that the purchase price is well below replacement cost, acquisition of the Property for this price is well-supported. The closing would occur in mid-December 2009, or such other date mutually agreed to by the parties. The County has thirty days after execution of the purchase agreement to complete due diligence and remove contingencies, or terminate the purchase agreement. A \$20,000 deposit due under the purchase agreement is refundable during this 30-day period. If the County removes contingencies, the \$20,000 deposit, together with an additional \$25,000 deposit become non-refundable, except in the event of a seller default.

General Plan and CEQA. Pursuant to California Government Code Section 65402, the Real Estate Manager has requested a general plan consistency finding from the City of Santa Rosa to determine whether use of the Property as County offices is consistent with the City's General Plan. Furthermore, pursuant to California Government Code Section 15301(e)(1)(A), the Property "is in an area where all public services and facilities are available to allow for maximum development permissible in the General Plan" and, as acquisition of the Project will not significantly affect the environment, the project is exempt from the provisions of C.E.Q.A..

Recommendation. Staff recommends that the Board of Supervisors adopt the attached resolution: (1) declaring intent to execute a Property Purchase Agreement with Harold M. Belmont, *et al.* for real property located at 2755 Mendocino Avenue, Santa Rosa, APN 180-030-001 ("Property"); and (2) setting a public hearing for November 3, 2009 at 2:05 p.m. In addition, staff recommends that the Board adopt the attached resolution authorizing budgetary adjustments to the F.Y. 2009-10 Final Budget for the Capital Project Fund-Mendocino Avenue Office Building and the Special Revenue Fund, Tobacco Securitization/Endowment, in the amount of \$6,052,775, requiring four-fifths (4/5ths) vote.

Attachments: Resolutions, Attachment A - Building Photo, Attachment B - Map.

On File With Clerk: Copy of Proposed Purchase Agreement, Notice of Intent.

CLERK OF THE BOARD USE ONLY

Board Action (If other than "Requested")

Vote: