

COUNTY OF SACRAMENTO
CALIFORNIA

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For the Agenda of:
September 16, 2009

To: Board of Supervisors
From: County Clerk Recorder – Real Estate Division
Subject: Report Back – Terminate Adult Services Building Lease At 4875 Broadway
Supervisory District: All
Contact: Craig Kramer, Director, 874-6382

Overview

On September 11, 2009, during the Fiscal Year 2009-10 Final Budget hearings, the Board of Supervisors requested a report back on whether the lease at 4875 Broadway could be terminated. Currently the lease is in a hold over status and could be terminated; however, there would be costs related to relocation in addition to significant costs associated with the relocation of the telecommunication and data hub that provides services to the County Coroner-Crime Lab and the Primary Care Center and is housed at 4875 Broadway.

Recommendation

Receive and file this report back.

Measures/Evaluation

Not applicable to this report.

Fiscal Impact

The cost associated with relocation are to be determined; it is anticipated that there would be costs to relocate the telecommunication and data hub that provides services to the County Coroner-Crime Lab and the Primary Care Center and this too would need to be determined.

BACKGROUND

The Lease for 4875 Broadway is currently in holdover status as of August 6, 2009. This lease has been in place for 20 years. The leased facility at 4875 Broadway has a telecommunication and data hub that provides services to the County Coroner-Crime Lab and the Primary Care Center. The building consists of approximately 68,000 square feet of which DHA occupies approximately 7,000 square feet. Since 2001-2002 DHHS has been working with ASD on design development of improvements with an estimated cost of approx \$2.5 million +/- . Also noteworthy is that the building suffers from deferred maintenance (County identified cosmetic repairs/replacement). Since 2001 until late 2008, DHHS experienced many program changes causing the design to change. As the project progressed and during each stage of design change, RED was in negotiations with the owner's agent. RED concluded negotiations and reached a final agreement with the owner once the design development was completed. At that point in time, the owner agreed to spend \$1.6 million on deferred maintenance and finance the amortization of the \$ 2.5 million County tenant improvements conditioned upon a 15 year lease.

DISCUSSION

In late 2008 or early 2009, the owner informed RED that he was no longer able to finance and construct the \$2.5 million +/- improvements but that he would honor his commitment to spend \$1.6 million on deferred maintenance and safety items, which are necessary for the County to continue to lease and provide services conditioned upon a firm term five year lease. Subsequently, the departments directed RED to negotiate a five year lease, which is with the departments for approval.

In preparation of the lease renewal for the Broadway site, Real Estate performed a market survey of facilities with similar characteristics as 4875 Broadway, to ascertain a fair market value for rent. Of the comparable facilities most similarly sized facilities had asking rents that far exceeded the department's budget and only one facility had a lower asking rent than the rental rate negotiated for Broadway's renewal. The current rental rate negotiated for Broadway's lease renewal is \$1.68 per square foot per month.

Real Estate was contacted by an investor regarding a facility (7919 Folsom Blvd.), that could possibly serve as an alternate site to the 4875 Broadway location wherein the investor proposed to purchase the building and would then lease it to the County for \$1.60 per square foot, offering also to pay for any improvements necessary, and any relocation assistance necessary, but wanted in return a lease commitment of at least ten years. DHHS is open to considering the location, but the access to services needs to be evaluated. There is an existing synergy of medical facilities within the immediate vicinity of the current location. Within walking distance are various UC Davis medical facilities, and the County's own Primary Care Center.

CONCLUSION

Currently the lease is in a hold over status and could be terminated; however, there would be costs related to relocation in addition to costs associated to the relocating the telecommunication and data hub that provides services to the County Coroner-Crime Lab and the Primary Care Center that is housed at 4875 Broadway and this would need to be evaluated. The lease has been negotiated for additional five year term and is pending department approval. DHHS and DHA are evaluating various options to relocate staff to other locations. DHHS currently resides in a substantially larger portion of the facility and would require time to evaluate the best locations for the staff and the programs that are currently in the building.

Respectfully submitted,

APPROVED
MARK NORRIS, Agency Administrator
Internal Services Agency

Craig Kramer, Director
County Clerk Recorder

Concur:

Ann Edwards Buckley, Director
Department of Health and Human Services

Bruce Wagstaff, Director
Department of Human Assistance