

**COUNTY OF SACRAMENTO
CALIFORNIA**

For the Agenda of:
October 1, 2009

To: Board of Supervisors

From: County Clerk Recorder – Real Estate Division

Subject: Report Back – Plan For Adult Services Building Lease At 4875 Broadway

Supervisory
District: All

Contact: Craig Kramer, Director, 874-6382

Overview

On September 29, 2009, during the Fiscal Year 2009-10 Final Budget hearings, the Board of Supervisors requested a report back on the plan for the Adult Services Building lease at 4875 Broadway. Currently the lease is in a hold over status. A determination as to the viability of remaining in the building in its present condition due to limitation in the owner's ability to provide tenant improvements versus the cost to relocate is underway.

Recommendation

Receive and file this report back.

Measures/Evaluation

Not applicable to this report.

Fiscal Impact

The impact of all options and an analysis by the affected departments will determine the best course of action.

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 building and the Primary Care Center. The building consists of approximately 68,000 square feet, of which the Department of Human Assistance (DHA) occupies approximately 7,000 square feet. Since Fiscal Year 2001-2002, the Department of Health and Human Services (DHHS) has been working with Architectural Services Division (ASD) on design development of improvements with an estimated cost of approximately \$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.

Currently the site is utilized by four departments in the following assigned space at a rental rate of \$.98 per square foot based on the lease signed in 1989:

Department	Square Footage	Monthly Rent	Annual Rent
DHHS	44,615	\$42,722	\$524,677
DBHS	13,782	\$13,506	\$162,072
DHA	7,212	\$7,067	\$84,813
DPS	2,391	\$2,343	\$28,118
Total	68,000	\$66,640	\$799,680

DISCUSSION

In late 2008 or early 2009, the owner informed RED that he was no longer able to finance and construct the approximately \$2.5 million improvements, but that he would honor his commitment to spend \$1.6 million on deferred maintenance and safety items including new carpet and paint, landscape irrigation system reconfiguration and parking lot improvements, which are necessary for the County to continue to lease and provide services conditioned upon a firm five-year lease term.

In preparation of the lease renewal for the Broadway site, the Real Estate Division performed a market survey of facilities with similar characteristics as 4875 Broadway, to ascertain a fair market value for rent, see Attachment A. The survey revealed that comparable facilities had asking rents that far exceeded the department's budget and only one facility had a lower asking rent (\$0.03 per square foot less) than the rental rate negotiated for Broadway's renewal. The proposed rental rate negotiated for Broadway's lease renewal is \$1.68 per square foot per month for a total monthly cost of \$114,240 and annual cost of \$1,370,880. Subsequently, the departments directed RED to negotiate a five-year lease, which is with the departments for approval.

Key issues for continued location at the Broadway site are:

- Electrical load problems in meeting the needs of computer equipment
- HVAC useful life
- Parking limitations
- Inability to obtain tenant improvements
- Cost of moving approximately 300 staff

The departments occupying the building are open to relocation although the location's advantages that drew us to the facility are still relevant. Access to related services is a significant issue. This is especially important for the Adult Psychiatric Services program in its relationship to the Mental Health Treatment Center. Also, the Broadway office is within walking distance of various UC Davis medical facilities and the County's own Primary Care Center. Many of our clients in Behavioral Health programs at the Broadway office also utilize the Primary Care Center pharmacy to fill prescriptions. Another benefit of the Broadway location is the extensive public transportation system available.

While there are distinct advantages to the current location, the Countywide Services Agency (CSA) and Internal Services Agency (ISA) are committed to a thorough review of potential relocation and have already begun that process. It is most likely that a relocation plan would

determine that functions within the building would not all relocate to the same facility, given operational needs. In addition, some staff may be able to move to underutilized locations currently leased by the County.

There are a number of opportunities that merit a thorough review. Because the existing lease for month-to-month occupancy is at the current rate, it is not a financial burden to stay at the Broadway office in the near-term while we develop a plan for possible relocation.

CONCLUSION

CSA, in coordination with ISA, will examine available options and recommend to the Board the most cost effective plan that meets both operational and client needs.

Respectfully submitted,

APPROVED:
TERRY SCHUTTEN
County Executive

CRAIG KRAMER, Director
County Clerk Recorder

By: _____
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Concur:

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