



A Tradition of Stewardship
A Commitment to Service

Agenda Date: 12/3/2013

Agenda Placement: 10B

NAPA COUNTY BOARD OF SUPERVISORS Board Agenda Letter

TO: Board of Supervisors

FROM: Lawrance Florin - Director
Housing and Intergovernmental Affairs

REPORT BY: Lawrance Florin, DIR HOUSING AND INTERGOVERNMENTAL AFFAIRS - 253-4621

SUBJECT: Professional Services Agreement with Colliers International

RECOMMENDATION

Director of Housing and Intergovernmental Affairs requests approval of and authorization for the Chairman to sign an agreement with Colliers Parrish International for the term November 1, 2013 through June 30, 2014 with an automatic renewal provision for a total contract maximum of \$435,000 for leasing of real property owned by the County.

(CONTINUED FROM NOVEMBER 12, 2013)

EXECUTIVE SUMMARY

The County solicited Statements of Qualifications (statements) from firms to provide the County with all of the services, supervision, labor and equipment necessary to provide the County with the services of a real estate broker/firm to assist in the purchase, sale, and/or lease of real property and land required to meet the needs of the County for a period of up to three years. Colliers Parrish International, Inc. (Colliers) was selected from three submissions and staff is seeking approval for the Chair to sign a contract between the County and Colliers. The maximum contract amount will be \$435,000.

Colliers is not a local vendor.

PROCEDURAL REQUIREMENTS

1. Staff reports.
2. Public comments.
3. Motion, second, discussion and vote on the item.

FISCAL IMPACT

Is there a Fiscal Impact?	Yes
Is it currently budgeted?	No
What is the revenue source?	General Fund
Is it Mandatory or Discretionary?	Discretionary
Discretionary Justification:	This Professional Services Agreement will provide the County with expertise on real estate acquisition and leasing of property. Colliers will be responsible for all upfront costs and will only be compensated a commission for leased space upon execution of a lease document. While other counties have in-house real estate staff, most counties only lease general office space and also use outside firms that specialize in certain facilities. Since the County of Napa has only one property site to lease with hopes for longer term leases and minimal property acquisitions and sales, it is not fiscally prudent to hire a staff person at an approximate cost of \$150,000 annually plus marketing and other overhead expenses to lease the Dey Labs site. Colliers is a vendor with significant experience in the Napa Valley and a large network of industry experts. Given the Dey Labs site has very specific uses for available space, staff believes a contract property broker is the most efficient approach.
Is the general fund affected?	Yes
Future fiscal impact:	This Professional Services Agreement will rollover for two additional fiscal years to allow for payment on any commission earned on the closing of lease agreement; however the total contract maximum remains at \$435,000 over the life of the agreement.
Consequences if not approved:	The County does not have the expertise on staff and may not be able to locate suitable tenants or properly negotiate leases at current market values. As mentioned above, the addition of a fulltime staff person is not a cost efficient approach.
Additional Information:	

ENVIRONMENTAL IMPACT

ENVIRONMENTAL DETERMINATION: The proposed action is not a project as defined by 14 California Code of Regulations 15378 (State CEQA Guidelines) and therefore CEQA is not applicable.

BACKGROUND AND DISCUSSION

The County is in the process of acquiring the Mylan/Dey labs property that includes approximately 350,000 square feet of office, research and development and warehouse space. If the property is acquired, the County will occupy approximately 150,000 square feet of space leaving about 200,000 square feet of space available for lease. Much of this space is warehouse space or specialized research and development laboratory space that will likely require a certain expertise to solicit interest in leasing the space.

The County solicited statements from firms to provide the County with all of the services, supervision, labor and equipment of a real estate broker/firm to assist in the purchase, sale, and/or lease of real property and land required to meet the needs of the County for a period of three years. A copy of the Statement of Qualifications is attached. Statements were reviewed by a committee. Qualifications including specific experiences and successes, references, fees and familiarity with services requested. The below services were requested of the applicants:

- Making recommendations on County property for the purposes of leasing.
- Marketing and leasing of Dey Labs property on behalf of the County.
- Provide analysis and recommendations on certain County owned properties as requested by the County.
- Provide typical real estate brokerage services as directed by the County including opinions of value, consulting services, participation in property inspections leasing, acquisition and sales of real property.

The County received three proposals in response to the Statement of Qualifications: Colliers International, Strong and Hayden and Carpenter Robbins. The County is recommending the selection of Colliers due to their experience with the local market and a network of facility specialists that work with properties comparable to the facilities the County is seeking to lease.

While not the primary selection factor, the leasing commission proposed by Colliers was 5% of the lease amount for up to five years of a lease. Strong and Hayden proposed a rate 6% for up to five years of a lease and Carpenter Robbins proposed 3% on the life of the lease (not necessarily limited to 5 years.) While Carpenter Robbins commission was lower for leases five years or less, the panel was concerned about their lack of experience with the local market. In addition it is entirely possible that certain leases would extend longer than 5 years and commission would be paid on the entire lease potentially negating the differential on the total compensation. The action today is to authorize the County to enter into a nonexclusive professional services agreement, on a project-by-project basis, with Colliers to perform the services identified above. Under this agreement, Colliers will be compensated 5% of the total cash lease value for all leases negotiated on behalf of the County up to 60 months. The attached spreadsheet illustrates the potential compensation schedule for the property assuming that approximately 205,600 square feet of commercial space is to be leased to the private sector. The total leased square footage is based upon the following assumption:

Total Square Footage of property - 358,600 sq. ft.
Anticipated occupancy by county -153,000 sq. ft.
 Total Commercial Leases - 205,600 sq. ft.

For this attached analysis it is assumed that the warehouse space would lease for 50 cents per square foot, the office space for \$1.25 per square foot and the research and development space for \$1.14. For purposes of calculating the contract we assume that the county would enter into five year leases. Below is a calculation of potential lease amounts for the three buildings that will be leased:

<u>Building</u>	<u>Lease Rate</u>	<u>Leasable Space</u>	<u>Total Revenue on Five Year Term</u>
1	.50	77,000	2,310,000
3	.50	65,800	1,974,000
4	1.14	62,800	4,291,752
Totals:		205,600	8,575,752

Based on the assumptions above if we lease all of the non county utilized space at Dey Labs an estimated total of \$8,575,700 in new revenue would be generated through this leasing program. Under the term of the agreement with Colliers, they would be due a commission of 5% of this total revenue or approximately \$428,000 in lease commission. It should be noted that this amount is not a guaranteed payment, but rather tied to successfully leasing the property for the terms (including the amounts) listed above.

The contract maximum for this agreement has been written assuming a 5% commission on five year leases of all Dey Lab space available based on the calculation summarized above (approximately \$428,000) plus an hourly rate of \$215 (approximately \$7,000) for additional services Colliers may provide including consulting support to assist the county in evaluating leasing options, property sales or property acquisitions. If Colliers represents the County in future transactions other than leasing Dey labs, an amendment will brought before the Board for consideration.

Colliers International is not a local vendor.

SUPPORTING DOCUMENTS

- A . Statement of Qualifications
- B . Rate Schedule

CEO Recommendation: Approve

Reviewed By: Molly Rattigan