



Agenda Date: 2/1/2005
Agenda Placement: 9A

NAPA COUNTY BOARD OF SUPERVISORS Board Agenda Letter

TO: Board of Supervisors
FROM: Martha Burdick for Robert Peterson - Director
Public Works
REPORT BY: Martha Burdick, Public Works Admin Manager, 259-8188
SUBJECT: Approval of and authorization for Chair to sign a new Lease Agreement

RECOMMENDATION

Director of Public Works requests the following actions relating to property located at 3075 California Boulevard, Napa CA:

1. Approval of and authorization for the Chair to sign a Lease/Option Agreement with the Drew Family 1994 Revocable Trust, at the rate of \$16,000 per month for the first year, increasing by 3.5% each year thereafter, for the term March 1, 2005 through February 29, 2020 for the relocation of the Water Street maintenance facility; and
2. Approval of Budget Transfer No. 59 appropriating \$64,000 in the Public Works/Property Management budget with offsetting revenues from Public Works/Equipment Pool budget for four months lease payments related to the above agreement. (4/5 vote required)

EXECUTIVE SUMMARY

Approval to execute this Lease/Option Agreement will provide the County an alternative location for the Equipment Pool maintenance and storage operations currently located at 933 Water Street and will also provide space to relocate the Communications operations and the Property Management storage currently located on the block that is the site for the County Center parking structure. The opportunity will also exist to eventually move other county storage out of leased space and into constructed space on this property should the county choose to exercise the option to purchase it, including storage of the voting machines and records management.

FISCAL IMPACT

Is there a Fiscal Impact? Yes
Is it currently budgeted? Yes

Where is it budgeted?	Equipment Pool
Is it Mandatory or Discretionary?	Discretionary
Discretionary Justification:	The Flood Control Project will have a known impact on the current location of the County's Fleet operations facility on Water Street and the search to find a replacement facility has been ongoing for at least five years. The California Boulevard property fits the County's need perfectly and represents one of the few, if not the only, such facility available with close proximity to County operations.
Is the general fund affected?	No
Future fiscal impact:	The first date for exercising the option to purchase will be the last day in February, 2012, seven years from inception of the lease. That option will remain open until such time as it is exercised, or the County terminates the lease. Until that time, there will be on-going, yearly budgetary appropriations of approximately \$192,000 annually with a per year 3.5% escalator for each year the property is leased, beginning in March 2005.
	In June of 1999 the Board authorized the collection of a \$.03 surcharge on the mileage of all vehicles in anticipation of the need to either purchase or build an alternate facility. This has resulted in additional revenues of approximately \$100,000 per year. Beginning in March 2005, the monthly rental rate is \$16,000 per month or \$192,000 as an annual base amount. Factoring in the 3.5% escalator, and assuming continued collection of the \$.03 surcharge and funds collected to date, it is anticipated that the Equipment Pool Fund 4020 budget can sustain the annual payments through the 2009 budget cycle. Beyond 2009, there are additional funds available from the proceeds of the sale of Fixed Assets which are identified in the Capital Improvement Program (Fund 1070, Budget 16000).
	The request for a Budgetary Transfer will appropriate the \$64,000 necessary to remit lease payments for the remainder of this Fiscal Year.
Consequences if not approved:	The County would again be in the position of searching for an appropriate space to relocate the Equipment Pool facility and other affected facilities related to the impending construction of a new parking structure on Coombs Street across from the Administration Building.
Additional Information:	None

ENVIRONMENTAL IMPACT

The Projects are classified as a Class 1, Section 15301 exemption considering that the property's current use will not be substantially changed and no expansion of said use will occur.

BACKGROUND AND DISCUSSION

The Equipment Pool, aka Fleet Management, was established in the 1960's as an enterprise fund to manage and

maintain the County's vehicle and equipment fleet. There are three budgetary funds associated with this operation. Vehicles and equipment are replaced based on estimated effective life, and rental rates are established to cover depreciation, insurance, maintenance and overhead costs. Revenues from these charges fund the three budgetary units – Operations, Equipment Replacement and Vehicle Replacement.

Fleet Management staff, which consists of two mechanics and a supervisor, maintains approximately 200 fleet and patrol vehicles and approximately 50 pieces of heavy equipment and medium to heavy duty trucks. Most services are performed in house; however specialized repairs such as glass, body work, painting, etc. are contracted out to private vendors.

The operational center for Fleet Management is located at 933 Water Street, on a 2.13 acre parcel which contains three structures: a welding and heavy maintenance shop built in the early 1950's; a vehicle maintenance shop with office and warehousing space, built in 1972; and a workshop in a World War II era surplus building moved to the property in 1972 and used by the Property Management division of Public Works. The site also contains open outdoor storage for bulk materials and paved parking for vehicles and equipment. See Exhibit A.

With the passage of Measure A in March 1998, the anticipated construction of the COPIA center immediately adjacent to the Water Street property and the notification from the Flood Control District that a portion of the Water Street facility would need to be taken by the Project in the very near future, Public Works once again found itself looking for sites at which it could relocate the operations located on Water Street. It was during this period of time that the California Boulevard property first became available - however negotiations to purchase or lease the property were unsuccessful and efforts to unearth other existing facilities offering the same efficient and convenient location were also unsuccessful. It was then determined that the Yountville Yard on Silverado Trail presented the best opportunity for relocation. Therefore on June 22, 1999, Public Works requested approval to institute a \$.03 surcharge on all vehicle mileage to be set aside and used as a repayment mechanism for costs associated with the relocation of Fleet operations to the Yountville Yard. The estimated costs in 1999 to build and relocate to Yountville were \$1.9 Million. See Exhibit B.

The timeline for relocating operations housed on Water Street has slipped each year since 1998 and when the facility on California Boulevard again came onto the market for lease this year, Public Works was able to successfully negotiate and structure a Lease/Option to Purchase agreement with the owners. Successfully negotiating the option to purchase feature of this Agreement is truly a "win/win" situation for everyone. As can be seen by the attached site document (Exhibit C), the property covers 1.48 acres +/-, includes two existing commercial buildings totaling 13,900 square feet, generally metal, concrete tilt-up and steel construction devoted largely to service bays for vehicles and trucks. The buildings were constructed in 1986/87 and 1996. A small percentage of each building has some office/finished space and the residual space not occupied by buildings is paved and fenced, with easy ingress and egress to Highway 29 as well as to the "downtown" area. The property is located within the City of Napa and the General Plan land use is Light Industrial. Unlike the Water Street facility, the property is located outside the Napa River Floodplain. Although the total acreage is slightly less than that of the Water Street site, the rectangular configuration allows for more efficient use of the space.

In addition to the relocation of Fleet Management, several other programs currently leasing space elsewhere in the County were identified as potential relocation candidates – these included Communications, Purchasing and Records Management. Additionally the relocation from space currently leased for storage by Elections, Records Management and Sheriff/OES were also evaluated. Public Works is recommending that the highest and best use of the 13,900 square feet of space would include the relocation from Water Street of the Fleet operations, and the relocation of the Communication operations and the Property Management storage function located in the Sullivan Building, in order to pave the way for the construction of the County Center parking structure due to break ground in June 2006.

The earliest opportunity to exercise the Option to Purchase will be March 1, 2012 at which time the annual lease

payment is estimated to be \$238,771. Should the County choose not to exercise its Option on this date, the Option will continue to be available on March 1 of each of the succeeding years through expiration of the lease in 2020, or until such time as the County determines it wishes to vacate the premises and not exercise its Option. The lease rate of \$192,000 is for the year commencing March 1, 2005 (\$64,000 for the remainder of FY05), and escalates by a factor of 3.5% each year thereafter. The following Table represents the anticipated revenues from the \$.03 surcharge and anticipated lease payments through the first year of the available Option in 2012.

FY	Fleet Mgmt \$.03 surcharge revenue	Total Financing Available Fleet Mgmt	Additional Contribution Fund 1070	Mnthly Lease Rate + 3.5% factor	Lease Payments 3/1 to 2/28	Carry Forward Balance Available
		500,000				
2005	100,000	600,000		16,000	64,000	536,000
2006	100,000	636,000		16,560	194,240	441,760
2007	100,000	541,760		17,140	201,038	340,722
2008	100,000	440,722		17,739	208,075	232,647
2009	100,000	332,647		18,360	215,357	117,289
2010	100,000	217,289	5,605	19,003	222,895	0
2011	100,000	100,000	130,697	19,668	230,696	0
2012	100,000	100,000	138,770	20,356	238,771	0

As is evidenced in this Table, a shortfall in revenues is anticipated in Budget Cycle 2010. At the time of this analysis, additional Fund Balance revenues have been identified in Capital Improvement Program Fund 1070 which could be used to offset the shortfall in lease payment revenue. Fund 1070 is the receptacle for all proceeds derived from the sale of Fixed Assets. Also it is anticipated that the Water Street property might sell for more than the agreed to acquisition price for California Boulevard should the County exercises it's option and those proceeds could contribute to the purchase.

Prior to entering into lease negotiations, staff was advised that the current market value on this property was estimated at \$2.4M. Public Works contracted with Patrick Idiart and Associates to provide a professional appraisal. That appraisal was submitted on December 1, 2004 and valued the property at \$2.2M. Patrick Idiart also submitted a letter dated December 13, 2004 indicating the check appraisal prepared was reasonably close to the estimated value of \$2.4 Million and if a more extensive approach using multiple appraisal methodologies was conducted, a higher appraisal value was possible. Staff is confident the \$2.4 million base value being proposed for calculating a future purchase price is a fair value. Other terms in the agreement including the 3.5% per year escalation in purchase price are favorable for the County.

SUPPORTING DOCUMENTS

- A . Exhibit A Water Street Aerial Photo
- B . Exhibit B Flood Take of Water Street Site
- C . Exhibit C Site Map for California Boulevard

CEO Recommendation: Approve

Reviewed By: Michael Stoltz