



A Tradition of Stewardship
A Commitment to Service

Agenda Date: 3/22/2016

Agenda Placement: 6Y

NAPA COUNTY BOARD OF SUPERVISORS Board Agenda Letter

TO: Board of Supervisors

FROM: Lawrance Florin - Director
Housing and Intergovernmental Affairs

REPORT BY: Carlos Solorio, Staff Services Analyst II - 707-253-4825

SUBJECT: Lease Agreement with DBL for buildings 1A, and 3 at South Campus

RECOMMENDATION

Director of Housing and Intergovernmental Affairs and Director of Public Works request approval of and authorization for the Chairman to sign the following items related to the lease of buildings 1A, 3 and 4 at South Napa Campus:

1. Revenue Lease Agreement with DBL 112, LLC commencing May 1, 2016 through December, 2027 with the option to extend for an additional five year terms every five years thereafter, not to exceed three extensions, with no monthly rent for through December 31, 2017, and at a \$149,492 deposit and monthly rental rate of \$49,492 thereafter, with an annual increase of 2%, for 112,481 square feet of warehouse space in buildings 1A and 3 at the County owned facility at 2741 Napa Valley Corporate Drive; and
2. Amendment No.2 to Agreement No. 8049 with Colliers International, extending the term through June 30, 2018.
3. Budget Adjustment No. CEO008 increasing appropriations in the amount of \$60,000 in the Housing and Intergovernmental Affairs Budget with a corresponding reduction in appropriations for contingencies, to fund commission the payment due to Colliers International for the lease of Buildings 1A, and 3, at South Napa Campus. (4/5 vote required); and
4. Cease marketing Building 4 on the South Campus for pharmaceutical use and begin to occupy for county functions.

EXECUTIVE SUMMARY

On May 12, 2015 the Board of Supervisors received a report on the County's real estate assets from Jones Lang LaSalle and County staff. At the time, the Board recommended proceeding with the lease of unoccupied space at 2741-2751 Napa Valley Corporate Drive. Items 1, 2 and 3 on the recommendation are consistent with the best use of real estate assets analysis presented to the Board of Supervisors by Jones Lang LaSalle at the May 12, 2015

Board of Supervisors meeting.

Approval of today's actions will allow for the execution of a lease agreement with; an amendment to Agreement 8049 with Colliers international extending the term of the agreement; and a budget adjustment in the Housing and Intergovernmental Affairs Budget in the amount of \$60,000 to provide sufficient appropriations to fund Collier's International payment for services.

With the leasing of buildings 1A and 3 for private use, and the surplus of Water Street there is a need for warehousing space for county uses. Based upon direction from the Board of Supervisors on May 12, 2015 the County leased Building 4 to BbPharma for purposes of operating the building as a pharmaceutical company. In February 2016, BbPharma exercised the termination clause in its lease and has terminated its agreement for the building. County staff is seeking direction to terminate the marketing of Building 4 and begin to occupy the building for county functions.

FISCAL IMPACT

Is there a Fiscal Impact?	Yes
Is it currently budgeted?	No
What is the revenue source?	Appropriation for Contingencies Revenue from rent payments is expected in FY: 2017-2018
Is it Mandatory or Discretionary?	Discretionary
Discretionary Justification:	Approval of this lease agreement will generate rent revenue for the County's General Fund, and approval of the budget transfer and contract amendment will allow for the orderly commission payment to Colliers international for marketing and negotiating the above mentioned lease agreement.
Is the general fund affected?	Yes
Future fiscal impact:	The Lease will provide revenue to the General fund for at least 8.5 years.
Consequences if not approved:	If this item is not approved, the County will not have to continue to market the property and find other potential tenants.
Additional Information:	

ENVIRONMENTAL IMPACT

ENVIRONMENTAL DETERMINATION: **Consideration and possible adoption of a Categorical Exemption Class 1:** It has been determined that this type of project does not have a significant effect on the environment and is exempt from the California Environmental Quality Act. [See Class 1 ("Existing Facilities") which may be found in the guidelines for the implementation of the California Environmental Quality Act at 14 CCR §15301; see also Napa County's Local Procedures for Implementing the California Environmental Quality Act, Appendix B.]

BACKGROUND AND DISCUSSION

On December 19, 2013, the County of Napa acquired the facility now referred to as South Campus, consisting of

four buildings totaling approximately 350,000 square feet to house the Health and Human Services Agency. The County will occupy one building and a portion of an additional building totaling approximately 150,000 of the existing square footage. Buildings 1A (rear of building 1), 3 and 4 are not anticipated to be occupied by HHSA. On May 12, 2015, the Board of Supervisors received a report on the County's real estate assets from Jones Lang LaSalle and staff. The Board approved proceeding with the lease of unoccupied space at 2741-2751 Napa Valley Corporate Drive.

The County's real estate broker, Colliers International, identified and negotiated a master lease agreement with DBL 112, LLC on behalf of the County for the lease of building 1A and 3. DBL will complete tenant improvements, identify potential tenants, and sublet the buildings. In consideration of the improvements that DBL will perform to attract tenants, the County will waive the rental fee for the period May 1, 2016 through December 31, 2017. However, the County will collect a security deposit in the amount of \$149,492, initiate the collection of rent on January 1, 2018 at a monthly rate of \$49,492 (\$.44 cents per square foot).

Approval of today's actions will allow for the execution of a lease agreement with DBL, LLC. for the lease of buildings 1a and 3 at South Napa Campus; an amendment to Napa County Agreement 8049 with Colliers international, extending the term of the agreement; and a budget adjustment increasing appropriations in the Housing and Intergovernmental Affairs Budget by \$60,000, with a reduction in the contingencies budget by the same amount, to allow for the orderly payment for services to Colliers International in accordance with Agreement 8049 for the negotiation of the lease agreement.

In addition, staff is seeking approval to cease future leasing activities for Building 4 at South Campus. Based upon Board direction, the County entered into a lease agreement with BbPharma for Building 4. In January BbPharma informed the county that they would be terminating the lease and have since vacated the building. In January, the Board voted to surplus the Water Street property and begin the process of selling it. Water Street is currently home to the county's surplus functions. Additionally, the County currently leases space for its Records Center. The lease for this space is nearly over and the County has to determine whether or not it will extend the lease. Building 4 provides an opportunity to consolidate these functions into one location. Staff is seeking approval to terminate leasing activities for Building 4 and begin the process of occupying for county functions.

SUPPORTING DOCUMENTS

None

CEO Recommendation: Approve

Reviewed By: Molly Rattigan