



A Tradition of Stewardship
A Commitment to Service

Agenda Date: 4/4/2017

Agenda Placement: 6J

NAPA COUNTY BOARD OF SUPERVISORS Board Agenda Letter

TO: Board of Supervisors

FROM: Steven Lederer - Director of Public Works
Public Works

REPORT BY: Liz Habkirk, Deputy Dir. of PW-Gen Services - 259-8321

SUBJECT: 2nd Amendment of Lease Agreement with DBL for buildings 2747 & 2731 at South Campus

RECOMMENDATION

Director of Public Works requests approval of and authorization for the Chair to sign Amendment No. 2 to Agreement No. 160045B-16 with DBL, 112 LLC, related to the leases of buildings 2747 and 2731 Napa Valley Corporate Drive (formerly known as Buildings 1A and 3) at the County's South Campus, authorizing the Lessee to make required improvements to the electrical panel serving leased and County occupied buildings, allowing for the reimbursement to the County of electrical costs incurred since the commencement of the lease and incorporating additional areas into the lease agreement.

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 the County's South Campus and on March 22, 2016 the Board approved Agreement No.160045B-16 establishing a lease with DBL 112, LLC commencing on May 1, 2016.

The lease was first amended by a letter amendment dated April 19, 2016 in order to establish terms and conditions for Lessee's early possession of the premises. The present recommended action further amends the lease to incorporate the "breezeway" portion of the facility between the two buildings previously excluded from the leased area, allows for the completion of required electrical work separating power supply and metering as between the Lessee's occupied space in 2747 Napa Valley Corporate Drive (formerly Building 1A) and the County's uses in 2751 B Napa Valley Corporate Drive (formerly Building 1), and compensates the Lessee for the value of this required work by extending the term of the Free Rent Period by an additional two full months plus a partial month. Finally, the proposed amendment allows for the reimbursement to the County of electrical costs related to Lessee's uses in 2747 incurred since the commencement of the lease.

FISCAL IMPACT

Is there a Fiscal Impact?	Yes
Is it currently budgeted?	No
What is the revenue source?	Revenue associated with this lease is budgeted in 1000-1050000-45200 (Non-Departmental Revenue). Today's amendment will extend the Free Rent Period of the lease by two full months and one partial month, reducing revenue to the County by a total of \$112,256.80. It also provides for the reimbursement by Lessee to County of a portion of the electrical costs related to Lessee uses and incurred by the County since the commencement of the lease.
Is it Mandatory or Discretionary?	Discretionary
Discretionary Justification:	Approval of this lease amendment will allow for the separation of electrical power and metering between the County's uses in 2751 B and Lessee's uses in 2747 Napa Valley Corporate Drive. With the tenant space now fully occupied, electrical costs will substantially increase. This required work will allow for the sub-metering of the electrical panel successfully separating the uses and allowing for appropriate billing.
Is the general fund affected?	Yes
Future fiscal impact:	The Free Rent Period will be extended during the Fiscal Year 2017/18 by two full months and one partial month.
Consequences if not approved:	If this item is not approved, the County would be responsible for undertaking a project to separate the electrical panel power, potentially delaying the installation of a sub-meter for the Lessee uses and requiring the County to incur additional electrical costs.
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 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 the County's South Campus and on March 22, 2016 the Board approved Agreement No.160045B-16 establishing a lease with DBL 112, LLC commencing on May 1, 2016. The lease was first amended by a letter amendment dated April 19, 2016 in order to establish terms and conditions for Lessee's early possession of the premises.

Since the Lessee's occupation of the site in 2016, an electrical panel in 2747 Napa Valley Corporate Drive (2747) has been providing electrical power to both the Lessee's occupied space as well as County uses located in the adjacent building at 2751 B Napa Valley Corporate Drive (2751 B). County staff and Lessee representatives have worked collaboratively to develop a project that would successfully separate the power between the two uses at the minimum cost. The proposed project will be undertaken as a part of the Lessee's tenant improvements and will allow for the County to continue receiving the required power necessary to operate services in 2751 B while also providing agreed upon availability of power to 2747. The Lessee will be required to separate the services between the two uses and sub-meter the Lessee's panel to allow for accurate billing of electrical use. This work will be completed at prevailing wages and using a Department of Industrial Relations (DIR) certified contractor. The estimated total cost of the project is \$137,256.38 of which \$25,000 will be the responsibility of the Lessee. In consideration of the remaining cost of the project, through this amendment the County will extend the Free Rent Period by two full months and one partial month which will occur in FY 2017-18. The County will be reimbursed for electrical usage since the commencement of the lease through the establishment of a sub-meter at the rate of \$0.04 per square foot per month multiplied by the 62,400 square feet of occupied space. Terms of the use and access of the electrical room are also established through this amendment, restricting tenant access into the space.

The recommended action further amends the lease to incorporate the "breezeway" portion of the facility between the two buildings previously excluded from the leased area. The breezeway allows for interior access between 2747 and 2731 Napa Valley Corporate Drive and was not initially included in the leased area due to an oversight. The Lessee has now entered into an agreement with one sub-tenant occupying both spaces and the breezeway becomes necessary for accessing both facilities. In consideration of the restrictions now placed on the tenant from entering the electrical room, which effectively removes that area from the tenant's occupied space, and in light of the fact that the function of the breezeway is simply as a pass through, there is no additional rental to be charged for this square footage.

Staff recommends the Board of Supervisors authorize the Chair to sign Amendment No. 2 to Agreement No. 160045B-16 authorizing the electrical panel improvements to proceed in a cost and time effective manner and provide for the incorporation of areas previously excluded from the lease.

SUPPORTING DOCUMENTS

None

CEO Recommendation: Approve

Reviewed By: Ben Guerrieri