County of Sonoma
Agenda Item
Summary Report

Clerk of the Board
575 Administration Drive
Santa Rosa, CA 95403

To: Sonoma County Board of Supervisors

Board Agenda Date: March 3, 2015

Vote Requirement: Majority

Department or Agency Name(s): General Services / Human Services

Staff Name and Phone Number:
Tawny Tesconi- General Services: 707-565-2977
Jerry Dunn- Human Services: 707-565-5855

Supervisory District(s):
All

Title: Lease expansion for Human Services Department / Medi-Cal Program

Recommended Actions:
Authorize the General Services Director to execute a lease amendment with Parkway Properties 14, LLC, for the Human Services Department / Medi-Cal Program, for approximately 1,075 sq. ft., in the building located at 520 Mendocino Avenue, Santa Rosa, for an additional $1,794 per month ($1.67 psf), or an additional $21,525 per year, for a term concurrent with the existing lease, to expire on October 31, 2020, with options to extend the term through October 31, 2029.

Executive Summary:
This matter involves a proposed lease expansion for the Human Services Department (HSD) Economic Assistance Service Center (EASC), which includes the HSD Medi-Cal program. This program, along with the CalFresh program, provides nearly 56,000 families and individuals in Sonoma County access to medical and food benefits. Additionally, EASC is a Call Center in collaboration with Covered California Affordable Care Act (ACA) for Sonoma County as well as 17 other California counties, which use the CalWIN system and work together to provide service for ACA calls. Currently, HSD services are provided at locations in Santa Rosa; please see Attachment 2.

Original Lease:
Under the original lease, dated June 25, 2013 (the Lease) with Parkway Properties 14, LLC (Landlord), HSD occupied approximately 28,837 rentable sq. ft. of office space in the building located at 520 Mendocino Avenue, Santa Rosa (Premises). The Lease expires October 31, 2020, with three, 3-year options to extend the term through October 31, 2029.

First & Second Expansion Space Projects at 520 Mendocino Avenue:
In accordance with County’s Lease, County has a right-of-first refusal to lease all or any part of the building at 520 Mendocino Avenue.
In April, 2014, your Board approved an expansion of the Premises, pursuant to exercise of County’s right of first refusal, to provide an additional 7,281 rentable sq. ft. on the third floor of the same building (the First 2014 Expansion Space) for staff work space and conference rooms for the HSD Medi-Cal Eligibility and Hearings staff. HSD Medi-Cal staff moved into Suite 302 (5,253 sq. ft.) on June 20, 2014; HSD Hearings staff moved into Suites 301A and 301B (2,028 sq. ft.) on July 14, 2014.

On April 18, 2014, the Landlord notified the County of its intention to lease 3,457 rentable square feet on the third floor (the Second 2014 Expansion Space) to a third-party. On April 29, 2014, County exercised its right-of-first-refusal and notified the Landlord of its desire to lease the Second 2014 Expansion Space. On September 9, 2014, your Board approved the Second 2014 Expansion Space, which will be occupied by additional Medi-Cal Eligibility and CalFresh staff who have been hired to support the growth of Affordable Care Act subsidized health insurance programs and the CalFresh program. Medi-Cal Eligibility staff will occupy approximately 2,420 sq. ft. and CalFresh staff will occupy 1,037 sq. ft. of the Second 2014 Expansion Space. This Second 2014 Expansion Space is expected to be completed and ready for move-in by February 1, 2015.

Third Expansion Space Project at 520 Mendocino Avenue.

On September 2, 2014, the Landlord notified County of its intention to lease 1,075 rentable square feet on the third floor (the Third 2014 Expansion Space and the subject of this report) to a third-party. This space is immediately adjacent to the Second 2014 Expansion Space. On September 9, 2014, County exercised its right-of-first refusal and notified the Landlord of its desire to lease the Third 2014 Expansion Space. It is HSD’s intention to utilize this space for its Medi-Cal staff, including CalWIN and CalFresh staff, and to provide hoteling stations for drop-in staff. On October 21, 2014, your Board received a report on the need to expand this facility (520 Mendocino Avenue) as part of the Unmet Needs report and approved HSD to move forward with the proposed Third 2014 Expansion Space.

According to the terms of the proposed lease amendment for the Third 2014 Expansion Space, the occupancy date would occur on or about May 1, 2015, and the monthly rental rate for the Third 2014 Expansion Space will be at the same rent as the original leased space, or $1.67 psf. The $1.67 psf rental rate is within the range of rental rates ($1.62 to $1.75) for comparable office space within a 1-mile radius of the premises. The base rental rate for the Third 2014 Expansion Space would be annually adjusted concurrent with the original lease, based on the change in the Consumer Price Index (the CPI), but in no case would rent be increased by more than 4% per year.

In addition, the County would be provided with a tenant improvement allowance of $20 per square feet, or $21,500. The tenant improvements are minor and will include removing the wall adjoining the Second and Third Expansion Spaces to connect the HSD Medi-Cal Eligibility and CalFresh staff in the adjacent suite. (Please see the attached floor plan, Attachment 1.) The Landlord would pay for all design and architectural services, completion of construction documents and permitting for the construction of the tenant improvements.

The terms of the proposed third amendment to the Lease are as follows:

- Proposed
Premises: 1,075 rentable square feet on the 3rd floor of 520 Mendocino Avenue, Santa Rosa

Additional Rent: $1,794 per month, or $1.67 psf. Rent would be annually adjusted base on the change in CPI, but in no event would rent be increased by more than 4% per year.

Tenant Improvement Allowance: The Landlord would provide County with a tenant improvement allowance of $20 psf or $21,500, for Landlord’s completion of the tenant improvements.

The proposed expansion space of 1,075 square feet will be utilized for 5 cubicle workstations and 1 office space to be occupied by 5 new, full-time (FTE) Medi-Cal Eligibility staff and 1 new FTE supervisor. This per-person square foot count conforms to the Comprehensive County Facilities Plan.

Public Notice Requirement: Government Code Section 25350 requires the Board to publish a notice of its intent to enter into a lease valued in excess of $50,000 for three (3) consecutive weeks prior to consummation of the proposed lease. The notice of intent for this transaction has been published for the required period pursuant to the Board’s action of February 3, 2015.

Recommendation: Staff recommends that the Board authorize the General Services Director execute a lease amendment with Parkway Properties 14, LLC, for the Human Services Department / Medi-Cal Program, for approximately 1,075 sq. ft., in the building located at 520 Mendocino Avenue, Santa Rosa, for an additional $1,794 per month ($1.67 psf), or an additional $21,525 per year, for a term concurrent with the existing lease, to expire on October 31, 2020, with options to extend the term through October 31, 2029.

Prior Board Actions:
02/03/15—Declared intent to enter into the proposed 3rd amendment (for the proposed Third 2014 Expansion Space)
09/09/14—Authorized General Services Director to execute the 2nd Amendment
08/19/14—Declared intent to enter into the 2nd amendment (for the Second 2014 Expansion Space)
04/08/14—Authorized the General Services Director to execute the 1st Amendment
03/11/14—Declared intent to enter into the 1st amendment (for First 2014 Expansion Space)
05/21/13—Authorized General Services Director to execute new lease of the Premises
04/23/13—Declared intent to enter into new lease
11/27/07—Authorized General Services Director, or his Deputy, to exercise option to extend lease term
05/13/03—Authorized General Services Director to exercise option to extend lease term
07/28/98—Authorized Chairman to execute lease
06/28/98—Declared intent to enter into lease of the Premises
12/16/97—Authorized General Services Director to secure additional space to implement SonomaWORKS program

Strategic Plan Alignment: Goal 1: Safe, Healthy, and Caring Community

The proposed lease amendment for the Third 2014 Expansion Space allows HSD to provide space for additional program staff for its Economic Assistance programs, Affordable Care Act programs, and the...
Medi-Cal program, within the same building HSD currently occupies. This space is centrally located in downtown Santa Rosa and close to public transportation.

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**Narrative Explanation of Fiscal Impacts (If Required):**

The proposed commencement date for the Third 2014 Expansion Space is anticipated to be May 1, 2015, with an increase in monthly lease rent for the Premises in the amount of $1,794 per month, for the months of May and June, 2015. Rent for the month of July, 2015 would be paid out of the FY2014-2015 budget, resulting in a total impact of $5,381 for the FY2014-15 budget ($1,794 X 3 months). Proposed lease costs are included in the FY2014-2015 budget.

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**Narrative Explanation of Staffing Impacts (If Required):**

**Attachments:**

- Attachment 1 – Floor Plan
- Attachment 2 – HSD Services (Map)

**Related Items “On File” with the Clerk of the Board:**

- Copy of proposed lease amendment