



Board Agenda Item 18

DATE: June 6, 2017

TO: Board of Supervisors

SUBMITTED BY: Delfino E. Neira, Director, Department of Social Services
Robert W. Bash, Director of Internal Services/Chief Information Office

SUBJECT: Lease Agreement for Department of Social Services-Kerman Regional Office

RECOMMENDED ACTION(S):

- 1. Approve and authorize the Chairman to execute a Lease Agreement with Kerman Shopping Plaza, LLC., for 10,150 square feet of office space located at 15160 W. Whitesbridge Rd, Kerman, CA 93630, for use by the Department of Social Services, effective the date the Kerman Regional Office takes occupancy, not to exceed ten consecutive years, which includes an eight-year base term and one optional two-year extension, total not to exceed \$3,111,746.**
- 2. Approve and authorize the Chairman to execute a month to month Lease Agreement with Kerman Shopping Plaza, LLC., for 4,550 square feet of office space located at 15010 W. Whitesbridge Rd, Kerman, CA 93630, for use by the Department of Social Services while the Lessor constructs the office located at 15160 W. Whitesbridge Rd, Kerman CA 93630, effective the date the Kerman Regional Office takes occupancy (\$5,688 per month).**

Approval of the first recommended action will lease newly renovated office space for the Department of Social Services. Construction is anticipated to be completed in twelve months, and the recommended action will increase office space from 3,850 to 10,150 square feet. The first recommended action is effective upon occupancy for a total of ten consecutive years. The second recommended action will provide a temporary office space during construction, is effective upon occupancy, and will terminate once occupancy of the newly renovated office space begins, with no increase in Net County Cost.

ALTERNATIVE ACTION(S):

The alternative action is for the Kerman office to remain at the current location. However, there is insufficient space for staff to serve the approximately 23,000 Fresno County clients coming to this location to receive services each year.

FISCAL IMPACT:

There is no increase in Net County Cost associated with the recommended actions. The total maximum compensation of the recommended Agreements is \$3,111,746. The total cost of the lease Agreement for newly renovated office space for the ten-year term is \$3,043,496, which includes rent (\$1,674,161) and tenant improvement costs (\$1,369,335). In addition to the rent, tenant improvements will be amortized over eight (8) years at an amount not to exceed \$14,263.90 per month. The second recommended action provides temporary office space on a month-to month lease at a monthly cost of \$5,687.50. The estimated total cost of the

month-to-month lease Agreement for a twelve-month period is \$68,250.

The costs for both Lease Agreements will be offset with State and Federal Social Services funds (\$2,782,638), 2011 Realignment (\$311,976) in lieu of State General Funds for Child Welfare Services and Adult Protective Services Programs that were realigned to counties through Assembly Bill (AB) 118, 1991 Social Services Realignment (\$12,163) and \$4,969 Net County Cost to fund the General Relief's share of cost. Any current years related Net County Cost will be absorbed by the Department of Social Services Org 5610 using existing budgeted appropriations. Sufficient appropriations will be included in the FY 2017-18 Recommended Budget for the Department of Social Services, Organization 5610, and will be included in subsequent budgets.

DISCUSSION:

The Department of Social Services (DSS) - Kerman office currently occupies 3,850 square feet of office space located at 15180 W. Whitesbridge and has been at this location since 2002. The Kerman office provides public assistance and employment services to an average of 1,879 clients per month from the communities in and around the City of Kerman. From 2014 to present day, the lobby traffic at the Kerman office has increased 23%. DSS programs administered from this office include: CalWORKs cash assistance, CalFresh, Medi-Cal, Homeless Assistance, General Relief, and Employment Services.

The first recommended action authorizes the lease of 10,150 square feet of newly renovated office space, an increase from the current 3,850 square feet. The initial term of the lease Agreement is eight (8) years and includes one two-year extension period. The rent for the first year of the primary term will be \$12,687.50 per month (\$1.25 per square foot) and will increase two percent each year during the primary term of the lease. In addition to the rent, tenant improvements will be amortized over eight (8) years at an amount not to exceed \$14,263.90 monthly.

The second recommended action will allow for DSS to occupy 4,550 square feet of temporary office space while the newly renovated office space is being readied for occupancy. The new space comprises the existing site which DSS occupies as well as office suites adjacent to this location. As such, the existing DSS location needs to be vacated to allow for work to take place to allow for the totality of the 10,150 square feet of office space to be occupied.

In November 2014, Internal Services Department - Lease Services and DSS began searching for potential sites capable of meeting the service demand. Proposals which met departmental needs were received from two respondents, Kerman Shopping Center (landlord at current location) and Bakman Enterprises. Evaluations of both proposals resulted in the Kerman Shopping Center project being recommended for approval. Both proposals will deliver equal physical spaces from which staff would work and clients would receive services. Lease rate and tenant improvement costs were the leading factors in the proposal evaluation process, with the recommended Kerman Shopping Center lease being \$98,811 annually less expensive than the alternate proposal. This will allow DSS to save \$790,488 over the course of the primary term of the lease, including the one two-year option term, lease savings will be \$988,110.

OTHER REVIEWING AGENCIES:

Facilities Planning Committee - June 17, 2016

ATTACHMENTS INCLUDED AND/OR ON FILE:

On file with Clerk - First Lease Agreement with Kerman Shopping Plaza, LLC with exhibits
On file with Clerk - Second Lease Agreement with Kerman Shopping Plaza, LLC with exhibits

CAO ANALYST:

Ronald Alexander