

April 12, 2016

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Marin County Board of Supervisors
3501 Civic Center Drive, Room 329
San Rafael, CA 94903

SUBJECT: Status report on 1600 Los Gamos Drive

Dear Board Members:

RECOMMENDATION: Accept staff report.

OVERVIEW

On November 15, 2011, your Board approved the purchase of 1600 Los Gamos Drive, San Rafael to construct the Emergency Operations Facility ("EOF"). The County paid \$29.4 million for the 328,000 rentable square foot ("s.f.") building (about \$90 per rentable s.f.), located on a 23.4 acre area, and the payment included \$1 million to separate building systems that were shared with 1650 Los Gamos Drive, next door. Your Board adopted a space use policy to help guide the use of the building. The policy is summarized as follows:

- The property should continue to be managed with uses compatible to existing non-County tenants;
- The Building Management Plan included:
 - Design and construction of EOF;
 - Expansion of existing private tenant(s) as requested;
 - Close County leased space to backfill the north building portion or part of the existing warehouse space for the registrar of voters, providing up to \$1.1 million in General Fund lease savings to be used toward the operating costs of the new building;
 - Provide swing space for County projects (such as the remodel of 20 North San Pedro over the next few years);
 - No other permanent County uses within this 3 year period;
 - Exploration of future compatible Government partners or compatible private tenants at market based rents for additional revenues.

By adopting this plan, the County let the existing and future tenants know that the building would continue to be a professional office environment.

New Leases: Since the County acquired 1600 Los Gamos, there are four new leases (inclusive of one with the Marin County Free Library to be brought to your Board later this month) totaling 34,679 rentable s.f. that will have been approved. Your Board approved the most recent lease on April 5, 2016 with Averno Technologies for 12,495 rentable s.f. of office space and about 1,500 s.f. of storage space. In addition, two private tenants remain in the building that were tenants prior

to the County's acquisition, including a private child care provider and the Internal Revenue Service, that total 25,294 rentable s.f.

Given the County's cost of about \$90 per s.f. on the building purchase, we acted at the right time in the local real estate market. There have been a number of recent office building sales in the local San Rafael and nearby Novato markets in 2015. The building next door at 1650 Los Gamos was purchased by Kaiser in August 2015 for about \$149 per s.f., and other buildings in San Rafael sold for a range of \$194 to \$245 per s.f. in 2015. Three notable office building complexes in Novato, including Hamilton Landing and Rowland Way buildings where the County currently or formerly leased space, sold in 2015 for a range of \$174 to \$207 per s.f.

The Emergency Operations Facility project came in on time and under budget. The EOF project included adding 1,700 photovoltaic ("PV") panels to the roof and other energy and water saving measures. The PV panels generate over 700,000 Kwh annually. The project was awarded the GOLD certified Leadership in Energy and Environmental Design ("LEED" as is commonly known).

We are saving approximately \$950,000 per year by locating previously-leased operations at 1600 Los Gamos. DPW and Health and Human Services ("HHS") staff relocated to permanent space at the new building, with an annual General Fund savings of \$710,000 from the lease and operating expenses. In addition, General Fund leases were closed at 70 San Pablo, San Rafael, 3140 Kerner Boulevard, San Rafael, and Building #816 at Hamilton in Novato.

We have saved approximately \$700,000 using the building for "swing" space (space used on a temporary basis while projects requiring staff to vacate where they are located during construction or for temporary uses such as training or fixed-term projects such as ATOM). Currently, County departments occupy about 24,000 rentable s.f. of office swing space and 5,000 s.f. of storage swing space, and it is estimated that about \$700,000 would have been expended to rent space in other locations short term to cover those projects' needs. Projects at County buildings include 20 North San Pedro, 120 Redwood, 4 Jeannette Prandi Way, the Hall of Justice renovations at the Civic Center and other departments such as Human Resources, have all located staff or other departmental needs into swing space at 1600 Los Gamos since acquisition.

Future programming of the building will include other governmental activities and additional private leases. The planned government uses include IST relocation and MERA prime site. Given the history of use by County departments and the need for County-wide swing space during projects, and uses like the ATOM project, the County will retain swing space for office uses and storage, such that the total government use of the building would be about 60% of the total office s.f. available.

There will remain 20% of the office s.f. space available, approximately 60,000 s.f. of vacant office space for lease in the upper floors of the building. Future lease revenues can be used to offset operating costs of the building.

Our current Building Management Plan includes the following:

- o Close County leased space to backfill the north portion of the building and construction of IST and other County or government uses in the north portion of the building
- o Plan for MERA on the third floor adjacent to IST
- o Expansion of existing private tenant(s)
- o Provide swing space for County projects
- o Based on market demand, target about 30,000 s.f. of office space over the next two years to lease for private tenants at market based rents

FISCAL IMPACT:

There is no direct fiscal impact from accepting the staff report. Any new lease of the building space would come to your Board for consideration and approval.

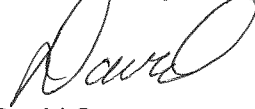
Please let me know if you have any questions or concerns.

REVIEWED BY:

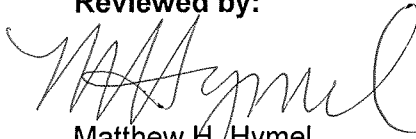
<input type="checkbox"/>	Finance	<input checked="" type="checkbox"/>	N/A
<input type="checkbox"/>	County Counsel	<input checked="" type="checkbox"/>	N/A
<input type="checkbox"/>	Human Resources	<input checked="" type="checkbox"/>	N/A

Respectfully submitted,

Submitted by:


 David Speer
 Facilities Planning and Development
 Manager

Reviewed by:


 Matthew H. Hymel
 County Administrator

cc: Bret Uppendahl, Budget Manager