



County Executive Office

Memorandum

November 30, 2023

To: Clerk of the Board of Supervisors

From: Frank Kim, County Executive Officer

Subject: Exception to Rule 21

Digitally signed by Frank Kim
DN: cn=Frank Kim, o=County
of Orange, ou=CEO,
email=frankkim@ocgov.com,
c=US
Date: 2023.11.30 10:56:32
+08'00'

RECEIVED
2023 NOV 30 PM 2:39
CLERK OF THE BOARD
COUNTY OF ORANGE
BOARD OF SUPERVISORS

S16D

The County Executive Office is requesting a Supplemental Agenda Staff Report for the December 5, 2023, Board Hearing.

Agency: County Executive Office
Subject: Lease at 1700 East Saint Andrew Place, Santa Ana
Districts: 2

Reason Item is Supplemental: Lease negotiations were not completed and finalized until after the Clerk of the Board's filing deadline; therefore, this Agenda Staff Report could not be submitted by the filing deadline.

Justification: The County Executive Office is requesting this Supplemental Item be placed on the December 5, 2023, Board agenda for the approval of the proposed lease agreement which will allow Orange County Probation Department to relocate from its current premises at 1055 N. Main Street, Santa Ana, which lease is set to expire on June 30, 2024. Orange County Probation Department will lease the new premises for 180 months which requires lease approval in substantial form for Lessor to initiate improvements immediately and deliver the premises on or before June 1, 2024.

Concur: 
Donald P. Wagner, Chairman of the Board of Supervisors

cc: Board of Supervisors
County Executive Office
County Counsel



**SUPPLEMENTAL AGENDA ITEM
AGENDA STAFF REPORT**

Agenda Item
Clerk's Use Only

3161

MEETING DATE: 12/05/2023
LEGAL ENTITY TAKING ACTION: Board of Supervisors
BOARD OF SUPERVISORS DISTRICT(S): 2
SUBMITTING AGENCY/DEPARTMENT: County Executive Office
DEPARTMENT HEAD REVIEW: *Thomas A. Miller*
Department Head Signature
DEPARTMENT CONTACT PERSON(S): Thomas A. Miller (714) 834-6019
Daniel Hernandez (714) 645-7001

2023 NOV 30 PM 2:39
CLERK OF THE BOARD
COUNTY OF ORANGE
BOARD OF SUPERVISORS
RECEIVED

SUBJECT: Lease Agreement with Drawbridge Saint Andrew, LLC at 1700 E. St. Andrew Place in Santa Ana

CEO CONCUR

Frank Kim

Digitally signed by Frank Kim
DN: cn=Frank Kim, o=County of
Orange, ou=CEO,
email=frank.kim@ocgov.com,
c=US
Date: 2023.11.30 10:56:11
-0800

CEO Signature

COUNTY COUNSEL REVIEW
Approved to Form

Action

Lauren Kramer
County Counsel Signature

CLERK OF THE BOARD
Discussion

3 Votes Board Majority

Budgeted: Yes

Current Year Cost: \$236,047

Annual Cost: See Financial
Impact Section

Staffing Impact: No

of Positions: N/A

Sole Source: N/A

Current Fiscal Year Revenue: N/A

Funding Source: GF: 64%, State: 36% (Juvenile Justice Crime Prevention Act)

County Audit in last 3 years: No

Levine Act Review Completed: Yes

Prior Board Action: 6/27/2023 #81, 8/12/2014 #11, 10/7/2008 #33, 7/10/1998 #39

RECOMMENDED ACTION(S)

1. Find the project is categorically exempt from the California Environmental Quality Act (CEQA), Class 1 (Existing Facilities) pursuant to CEQA Guidelines, Section 15301.
2. Approve and authorize the Chief Real Estate Officer or designee to execute a lease agreement, in substantially the same form as attached, with Drawbridge Saint Andrew, LLC, a Delaware limited liability company, for approximately 70,462 rentable square feet of office and warehouse space located at 1700 East Saint Andrew Place in Santa Ana, for a term of 180 months, commencing on or about June 1, 2024, through May 31, 2039, for Orange County Probation use.
3. Authorize the Chief Real Estate Officer or designee to execute subsequent documents and amendments and exercise options that make non-monetary and/or monetary changes that do not increase County costs by more than \$75,000 per year, as approved by County Counsel.

SUMMARY:

Approval of the lease agreement with Drawbridge Saint Andrew, LLC, a Delaware limited liability company, will provide approximately 70,462 rentable square feet of office and warehouse space located at 1700 East Saint Andrew Place in Santa Ana to operate the Orange County Probation Department's Central Youth Reporting Center and to house its Training and Volunteer Services functions.

BACKGROUND INFORMATION:

On July 10, 1998, the Board of Supervisors (Board) approved a ten-year lease with 1001 S. Grand Avenue, LLC (Previous Lessor) for approximately 28,948 rentable square feet (RSF) of office and classroom space located at 1001 S. Grand Avenue in Santa Ana (Original Premises), to operate Orange County Probation Department's (Probation) Central Youth Reporting Center (CYRC) and to house the Training and Volunteer Services (TVS) functions. The Board approved two subsequent five-year renewals on October 7, 2008, and on August 12, 2014. After the lease expired in 2019, County entered into holdover, while negotiating directly with the Previous Lessor to extend the lease at the Original Premises. The Previous Lessor completed approximately \$200,000 worth of interior and exterior refurbishment to the Original Premises, as the Previous Lessor wanted to complete all County requested repairs before signing a new lease. In April of 2023, after the Previous Lessor completed the Original Premises refurbishment, the Previous Lessor suddenly changed directions, rejecting a long-term lease renewal. The Previous Lessor did agree to extend the lease for 1 year, which was approved by the Board on June 27, 2023, and will expire on June 30, 2024.

In conjunction with County's contracted real estate broker Jones Lang and LaSalle (JLL), CEO-Real Estate and Probation conducted a thorough search for suitable office and warehouse space within close proximity to the Original Premises, to house the CYRC, PSD and TVS functions, which resulted in the discovery of an optimal new site at 1700 E. Saint Andrew Place in Santa Ana. The location provides direct access to major public transportation routes and freeways.

County hereby requests approval of a fifteen-year lease (Term) at 1700 E. St. Andrew Place in Santa Ana (Property) for an approximate 70,462 RSF portion (Initial Premises) of a larger 171,330 RSF office/warehouse building (Proposed Lease). The Proposed Lease with Drawbridge Saint Andrew, LLC (Lessor) includes two successive five-year options to extend the Term with advance notice at fair market value. The County has the right to terminate the Proposed Lease at the 126th month with at least 12 months prior written notice and a cancellation fee equal to free rent plus unamortized tenant improvements and brokerage commissions calculated at eight percent (8%). The Base Rent shall be \$3.35 per RSF, per month, modified gross and shall increase annually by three percent (3%). Lessor shall provide County with six (6) months of free base rent (Free Rent). County, at County's sole discretion, shall have the ability to convert the Free Rent to cash to be used towards furniture, fixtures & equipment (FF&E), cabling and any other move-related expense. County shall not be responsible for any operating expense pass-throughs during the initial lease Term or any lease extensions contemplated herein. Notwithstanding the foregoing, County shall be responsible for its utilities, janitorial and security expenses.

Additionally, the Proposed Lease includes a right to expand into the remaining 100,868 RSF of the building (Expansion Premises), for a total of 171,330 RSF, within the initial 24 month of the initial Term. The terms of the Expansion Premises shall be coterminous with the Initial Premises including, but not limited to lease term, free rent and tenant improvements. If County does not elect to exercise its right to expand into the Expansion Premises, County shall retain an on-going right of first refusal on the remaining available space within the Property.

The Proposed Lease commencement date shall be upon substantial completion of the tenant improvements, estimated to be on or before June 1, 2024. Lessor shall provide turn-key tenant improvements per a mutually agreed upon space plan and finish scope not to exceed one hundred dollars (\$100.00) per RSF to be used toward construction and management costs. County shall have the right to install security fences and access control points around the Property at a pro-rata basis based on the Initial Premises. Lessor shall provide County with a moving allowance equal to twenty-five dollars (\$25.00) per RSF to be used at County's sole discretion towards FF&E, relocation costs, cabling and telecommunications. Prior to the Proposed Lease commencement date, Lessor shall provide County the ability to amortize up to an additional twenty-five dollars (\$25.00) per RSF to be amortized over the lease term at an interest rate of eight percent (8%).

The Property covers approximately 10 acres and County shall have the exclusive right to its pro-rata share of the current 702 parking spaces. Should County take the Expansion Premises, there are many potential advantageous opportunities in the parking areas for County. For example, County could construct warehousing space for various County agencies.

County shall have the right to purchase the Property for \$450 per RSF (total \$77,000,000) thru May 31, 2025. If County does not purchase the Property within said timeframe, commencing June 1, 2025, the purchase price shall increase by three percent (3%) annually for the next 4 years. If County does not purchase the Property during that time, County shall have the on-going right of first offer to purchase the Property. Further, County shall have the right to apply any unused concessions toward the purchase price of the Property. These purchase windows are further highlighted below:

Purchase Date	Price per RSF	Purchase Price
Prior to 5/31/2025	\$450.01	\$77,100,000
6/1/2025 - 5/31/2026	\$463.51	\$79,413,000
6/1/2026 - 5/31/2027	\$477.41	\$81,795,390
6/1/2027 - 5/31/2028	\$491.74	\$84,249,252
6/1/2028 - 5/31/2029	\$506.49	\$86,776,729

CEQA Compliance: The proposed project is Categorically Exempt (Class 1) from the provisions of CEQA pursuant to Section 15301, because it involves a lease agreement for continued occupancy and operation of probation services in an existing facility with negligible or no expansion of use beyond that already existing.

FINANCIAL IMPACT:

Appropriations for the Proposed Lease are included in Probation Budget Control 057 FY 2023-2024 Budget and will be included in the budgeting process for future years. The Proposed Lease contains language whereby the County's obligation to pay rent is contingent upon the availability of County funds which are appropriated or allocated by County's Board of Supervisors.

Fiscal Year	Rentable Area	Monthly Rent	Total Rent
2024 - 2025	70,462	\$236,047	\$1,416,282 *
2025 - 2026	70,462	\$243,129	\$2,917,548
2026 - 2027	70,462	\$250,423	\$3,005,076
2027 - 2028	70,462	\$257,936	\$3,095,232
2028 - 2029	70,462	\$265,674	\$3,188,088

2029 – 2030	70,462	\$273,644	\$3,283,728
2030 – 2031	70,462	\$281,853	\$3,382,236
2031 – 2032	70,462	\$290,309	\$3,483,708
2032 – 2033	70,462	\$299,018	\$3,588,216
2033 – 2034	70,462	\$307,989	\$3,695,868
2034 – 2035	70,462	\$317,228	\$3,806,736
2035 – 2036	70,462	\$326,745	\$3,920,940
2036 – 2037	70,462	\$336,548	\$4,038,576
2037 – 2038	70,462	\$346,644	\$4,159,728
2038 - 2039	70,462	\$357,043	\$4,284,516

* 2024-25 FY includes six (6) months of free rent

STAFFING IMPACT:

N/A

ATTACHMENT(S):

Attachment A - Lease Agreement

Attachment B - Summary of Lease

Attachment C - Conveyance Questionnaire