

CITY OF SANTA ROSA
CITY COUNCIL

TO: MAYOR AND CITY COUNCIL
FROM: JILL SCOTT, REAL ESTATE MANAGER
SUBJECT: APPROVAL OF A LEASE AGREEMENT WITH CHILD FAMILY
COMMUNITY, INC. ON A PORTION OF CITY OWNED
PROPERTY LOCATED AT 1225 FULTON ROAD AND
AUTHORIZATION FOR THE CITY MANAGER TO EXECUTE THE
LEASE AGREEMENT

AGENDA ACTION: RESOLUTION

RECOMMENDATION

It is recommended by the Board of Public Utilities, Water Department and City Real Estate Office that the Council, by resolution, approve the Lease Agreement between the City and Child Family Community, Inc., on a portion of City owned property located at 1225 Fulton Road and authorize the City Manager to execute the Lease Agreement.

EXECUTIVE SUMMARY

On May 7, 2019, in closed session, Council gave staff direction to negotiate a Lease Agreement (Lease) on a portion of City owned property located at 1225 Fulton Road with Child Family Community, Inc., for the purpose of a daycare facility. Staff has negotiated a Lease within the price and terms given by Council and now requests Council approval as well as authorization for the City Manager to execute the Lease. This item directly relates to the Council Tier 2 Goal of promoting affordable Child Care.

BACKGROUND

In November 2018, the Water Department, under the Board of Public Utilities authorization, purchased 1225 Fulton Road (Property) from the Thanksgiving Lutheran Church (Church) for the purpose of a future sewer lift station, to be built in approximately 10 years using Water Enterprise Funds.

The Property is improved with a 4,437 square foot building that the Church leased back from the City. In February 2019 the Church, no longer able to pay the rent, moved to a new location leaving the facility vacant.

In April 2019, Staff received three direct offers, at fair market value, to Lease the building and some surrounding land and one offer to purchase. The City Council

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Leasing Policy provides that if an offer is presented at fair market value directly to the City or is from a nonprofit or tax exempt civic or charitable organization, the City may consider those offers and not issue an invitation to bid. All of the presented offers met one or more of these criteria.

On May 2, 2019, in closed session, Staff presented the Board of Public Utilities (Board) with each proposal. The BPU considered all proposals and made a recommendation to City Council to negotiate a Lease with Child Family Community, Inc. (Tenant).

On May 7, 2019, in Closed Session, staff presented each proposal to City Council. Council considered and discussed all proposals and gave staff direction to negotiate a Lease with Child Family Community, Inc., for the purpose of a daycare facility.

PRIOR CITY COUNCIL REVIEW

On May 7, 2019 the City Council, in closed session, was presented with and considered all proposals for the lease and/or purchase of 1225 Fulton Road. Council gave staff direction to negotiate a Lease with Child Family Community, Inc.

ANALYSIS

Staff has negotiated a Lease Agreement with Child Family Community, Inc. for the Lease of a portion of City owned property located at 1225 Fulton Road, Santa Rosa, California, within the price and term parameters given by Council. The Lease rent is \$5,581 per month, deemed fair market value and shall begin six months from the commencement date of the Lease, in consideration of substantial tenant improvements (Exhibit B of the Lease), which improvements will become the property of the City at the termination of the Lease. The Tenant will be responsible for all maintenance and possessory use tax of the Lease Premises. The Rent amount will increase by 3% biennially for the entirety of the Lease, unless the Tenant is able to secure, through its collaboration and partnership with Sonoma 4C's program, State of California approval to vend voucher dollars' worth a minimum of ten or more vouchers to Tenant's program, in which case the City agrees to amend the biennial 3% increase to every third anniversary of the Lease Term commencement date.

The Term of the Lease is 10 years and at any time during that period, if the City decided to sell a portion of the property, Tenant would have right of first negotiation (RFN) with the City for the purchase.

As part of the Tenant's proposal, Tenant offered that certain support would be provided to moderate- and low-income families; this was a basis for the City selecting Tenant's proposal and as such is part of the Lease consideration (see Exhibit C to the Lease for

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further details). Tenant further agrees to collaborate in good faith with Sonoma 4C's to attempt to increase this support. Tenant has agreed to submit an annual letter to the City, certifying that they are meeting the Lease requirements for moderate- and low-income family support, as set forth in Exhibit C of the Lease. City may, at City's option, every three years during the term of the Lease, elect to independently audit Tenant's facility to insure the minimum requirements of Exhibit C are being met.

Currently, the property located at 1225 Fulton Road is zoned under a PD zone which does not allow for use as a daycare. Under the City Resiliency Ordinance, the City may allow for a daycare, at the discretion of the Director of Planning and Economic Development, with a temporary use permit, for up to five years. The City agrees, within one year's time, to initiate the process of rezoning the Property to eliminate the PD zone and rezone the Property to zoning that will better accommodate the use of the Property as a daycare facility on a more permanent basis.

The City has also agreed to allow the daycare non-exclusive rights to the parking area on the property and retains exclusive access to the remainder of the Property for the design and construction of the future sewer lift station. The City will also retain rights to take back exclusive access to certain outdoor portions of the land, now included as part of the Lease Premises (Exhibit A to the Lease) only if needed for construction of the Sewer Lift Station.

Staff is now bringing the Lease, negotiated within the price and terms approved by Council in closed session, and recommended by the BPU, forward for Council consideration and final approval, as well as approval for the City Manager to execute the Lease documents.

FISCAL IMPACT

Approval of this action does not have a fiscal impact on the General Fund.

ENVIRONMENTAL IMPACT

This action is exempt from the California Environmental Quality Act (CEQA) because it is not a project which has a potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment, pursuant to CEQA Guideline section 15378.

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BOARD/COMMISSION/COMMITTEE REVIEW AND RECOMMENDATIONS

On May 2, 2019, in closed session, Staff presented the Board of Public Utilities (Board) with each proposal. The Board considered all proposals and made a recommendation to City Council to negotiate a Lease with Child Family Community, Inc. (Tenant).

On July 18, 2019, in closed session, Staff presented the negotiated Lease to the Board of Public Utilities. The Board considered the Lease and made a Motion to recommend approval of the Lease to City Council.

NOTIFICATION

Not applicable

ATTACHMENTS

- Attachment 1 – Lease Agreement and attachments
- Resolution

CONTACT

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