

# COUNTY OF TULARE

## OFFICE OF THE COUNTY ADMINISTRATOR

### ADMINISTRATIVE REGULATION NO. 35 (Resolution No. 2008-0658)

**SUBJECT: PROPERTY MANAGEMENT SPACE LEASING GUIDELINES**

EFFECTIVE DATE: 8-26-2008

REVIEWED: 8-26-2008

#### **Introduction**

Tulare County is committed to pursuing the highest levels of efficiency in the utilization of physical space in both county-owned and leased facilities. The pursuit of this commitment correlates to Strategic Initiative number 4, Organizational Performance, by providing organizational structure and fiscal stability.

These guidelines are directed to all department staff involved in the leasing process. It provides information on the leasing process including the acquisition of new leased space and renovation of existing leased space. These guidelines have been reviewed and approved by the Board of Supervisors.

#### **Leasing Criteria**

##### **Funding**

County of Tulare departments generally fall into one of two funding categories. They are either General Fund budget units that rely on General Fund dollars from the County budget or Sub-vented budget units that rely on Federal, State or grant funding. These guidelines are intended to apply to both.

##### **Sub-vented**

Sub-vented program claim guidelines typically allow fair-market value rent as a claimable reimbursement. In contrast, sub-vented programs may not pay rent for county-owned space. Two percent depreciation over 50 years is claimable. Therefore as a general rule sub-vented programs should be located in non-county owned facilities. Some exceptions apply requiring careful review of each space request. Tenant Improvements and requested building upgrades paid by sub-vented program will be reviewed on a case-by-case basis. Pre-payment of annual rent may also be considered.

##### **General Fund**

General Fund programs should be in county-owned facilities. Charges to the General Fund for lease expenses are to be minimized. Some exceptions do occur such as General Fund programs located in outlying areas where the County does not own property or where it may not be practical to purchase property. Prior to leasing for a General Fund program, an analysis will be completed by the County Property Manager to determine if property purchase is a preferable alternative to leasing. In conjunction with the County Administrative Officer and user department,

evaluate program and life expectancy, if program will be in the area for 7 years, all effort should be made to seek short term loan for property purchase.

### **Term**

Standard leases should not exceed a 7 year term. It is preferred that all leases be kept to a term of 5 years or less. Lease may include options for 3 to 5 year extensions. All leases will be thoroughly reviewed by the County Property Manager and County Counsel prior to recommending exercising an option for approval by the Board of Supervisors. The Board of Supervisors has directed that all lease terms reflect the Board's long-term direction for consolidation of facility locations.

### **Tenant Improvements**

Requested modifications or one time upgrades may be funded with sub-vented dollars if it is a qualified claimable change. Any such changes require a case-by-case review and should be completed at the prior to the start of the lease.

### **Summary of the Lease Cycle**

The lease cycle begins with the planning of space needs within each department's Strategic Management Systems Operational Plan. After needs are developed, a space request is submitted to the County Administrative Office, as part of the annual budget request process for approval consideration. If approved, the request is sent to the County Property Manager to complete a space search for appropriate sites. Once a workable site is identified, the County Property Manager will present the draft Letter of Intent to the Board of Supervisors in closed session in compliance with the Brown Act for their approval. The lease is then negotiated and presented to the Board of Supervisors for their consideration. Once approved the requesting department may move into the acquired space.

### **Lease Activity Guidelines**

- The Resource Management Agency (RMA), Property Management Division, is charged with the responsibility of coordinating the leased space needs of the departments on a countywide basis.
- All lease negotiations will be handled by the County Property Manager. The County Property Manager may retain outside property management services as appropriate and as approved by the Board of Supervisors and or County Administrative Officer.
- Staff shall not, under any circumstances, tell a present lease owner that the County is terminating a lease, or contemplating any changes in the leasing arrangement. In addition, staff shall not make any verbal commitments to property owners or real estate agents nor should staff contact any realtor or property owner. Staff may submit locations for possible use by the department to the County Property Manager.
- All new leases must be submitted to the Board of Supervisors for consideration and approval.

- As allowed by Government Code Section 25350.51, the Board of Supervisors has delegated authority to the County Resource Management Agency Director to exercise options to extend a lease term when the rent does not exceed \$7,500 per month and the term does not exceed three years. All lease extensions must be reviewed by County Counsel. The Board of Supervisors may change this delegation by resolution.
- Lease renewals - In the final 18-24 months of a lease agreement, the County Property Manager will meet with the department to determine the satisfaction level of the facility. If there have been major deficiencies that cannot be resolved, new facilities may be sought. In the case that the program needs have changed and renovations to the facility are requested, those renovations should be included in the Department Operational Plan and considered through the budget process. The County Property Manager can assist in preparing modification estimates. All renewal agreements are submitted to the Board of Supervisors agenda for consideration and approval.
- Space requests are to be submitted through the annual or mid-year budget processes. Exceptions may include new sub-vented programs approved off-budget cycle, major sub-vented program changes or other unanticipated issues.
- When department staff identifies new space needs, a space request form is completed and submitted to the County Administrative Office for review.
- Leased space request justification should include:
  - The existing location and if there is an existing lease the lease number and term.
  - The reason for opening a new office, adding space to an existing office, reducing space, or requesting renovations to existing space.
  - Budget details including the funding source, account lines, percentage sub-vented and relocation costs.
  - If an existing program is vacating a building to move to another facility any increased costs will need to be explained as a result of the new location.
- Major factors in determining a potential lease location are:
  - Program customer base and service area
  - Transportation hubs, easy access to customers
  - Fair market value, rent comparables
  - Equitable lease terms
  - Targeted occupancy dates
  - Cost consideration of communications to the facility including both telephone and data
  - overall relocation and moving costs
- All facilities must meet Federal, State and Local building codes, CAL-OSHA and ADA requirements.

- Leased properties should have adequate security and parking.
- All documents showing changes, amendments, etc. must be reviewed and approved as to form by County Counsel prior to submission to the Board of Supervisors.

### **Approval Process**

The County Administrative Officer and staff will review all space requests as part of the annual budget cycle. Approved requests will be sent to the County Property Manager for acquisition.

### **Leased Space Acquisition**

- The County Property Manager will meet with the requesting department to discuss the approved space request form and commence the search for space.
- Once a potential property has been identified, the County Property Manager will develop a non-binding Letter of Intent for consideration by the Board of Supervisors in closed session in compliance with the Brown Act.
- The approved Letter of Intent is issued to the property owner.
- The County Property Manager will begin discussions with the facility owner to develop a lease,
- The lease agreement, lease renewal, or lease amendment will be prepared using the standard lease agreement form which was developed in cooperation with County Counsel. Once the lease has been generated, the County Property Manager will prepare the agenda item for Board action.