



Information and General Services Department

Facilities Management

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NEVADA COUNTY BOARD OF SUPERVISORS

Board Agenda Memo

MEETING DATE: January 24, 2023

TO: Board of Supervisors

FROM: **Steve Monaghan, Chief Information Officer**
Justin Drinkwater, Facilities Director

SUBJECT: Resolution rescinding Resolution 22-487 and approving the revised amendment 3 to the ground lease agreement with John Barleycorn Investments LLC to allow for the building of a 20,220 sq. ft office and storage facility and a commercial lease agreement for the County to lease the facility and parking area

RECOMMENDATION: Adopt the Resolution amending the existing Airport ground lease for lot 5 with John Barleycorn Investments LLC.

FUNDING: The revenue from the ground lease is deposited into the Airport budget. The lease-lease back will be paid from the Airport budget upon occupancy with the departments occupying the space reimbursing the Airport for the expenditure. The lease amounts will be included in the next fiscal year 23/24 proposed budget. No budget amendment is needed at this time.

BACKGROUND: The Department of Facility Services is responsible for managing County owned and leased properties as well as assisting Departments with space planning and storage needs. Many departments rent storage space from local storage businesses and store their items within their current office footprint. For the past decade the need for additional storage and determining a self-owned solution has been a request by many Departments.

The County currently maintains an existing storage facility of approx. 4,500 sq. ft. which is located on Loma Rica Road also known as the old Public Works yard or lot 6. This location has become challenging to maintain due to age and excessive replacement and maintenance costs. In addition, the existing location is a desirable redevelopment opportunity for aviation businesses which would further the Airport's goals of being self-sufficient in future years.

The Airport entered into a 40-year ground lease for the property (Lot 5) on March 28, 2006, through Resolution 06-419 with Pacific Ground Enterprises Inc. ("Tenant"). The lease was then assigned to co-tenants Neal Street Investments, LLC, and John Barleycorn Investments LLC by Board Resolution 07-034 on January 30, 2007. Most recently the lease was reassigned to Neal Street Investments, LLC to John Barleycorn Investments LLC making them the sole Lessee by Board Resolution 18-136 on April 10, 2018.

Lot 5 has remained a vacant plot of ground since the inception of the Ground Lease and is a prime location for a County owned office and storage facility. Although the tenant has 24 years remaining with their ground lease, they have invested over \$1 million for general site work and engineering with intention to support a future construction project for this location.

Considering the County's need for additional warehouse space and a desire for future redevelopment of lot 6, The Director of Facilities Management and the Airport Manager have collaborated with the John Barleycorn Investments LLC to determine a mutually beneficial arrangement. This Agreement will support the interests of a centralized office and storage facility for multiple County Departments. This approach has been evaluated and analyzed as a quicker and more cost-effective solution to the County initiating construction of their own facility or purchasing an existing facility which would include costly renovations.

The mutually beneficial agreement will amend the Ground Lease to include the construction of a 20,220 sq. ft. office and storage facility which will be large enough to provide office and storage space for Elections, Ag Dept., Public Health and other County departments as well as County surplus. The office and storage facility will also include offices, a break room and restrooms.

As part of this amended Ground Lease included is a commercial lease agreement for the County to lease-back the warehouse for the remainder of the Ground Lease term through August 22, 2046, with a starting monthly rate of \$25,275 (\$1.25 per sq. ft.). The rent will increase at 3% each year for years 1-15 with a market rate analysis in year 15. Year 16 will start with the negotiated market rate for the base rent with rent increasing 2% annually through the end of the term expiring on August 22, 2046. Upon expiration of the ground lease and commercial lease the County will reassume ownership of the property and the structure in perpetuity.

Resolution 22-487 originally approved amendment 3 to the ground lease agreement, however small modifications were necessary to clarify lending terms and conditions, a revised Exhibit A and Attachment A is now being added to the Commercial Lease Agreement. This additional attachment has been requested to be included by the Lessees lender related to the funding required to construct the 20,220 sq. ft office and storage space in part of the amendment 3 terms and conditions. All other terms and conditions of the original agreement remain the same.

Item Initiated by: Justin Drinkwater, Facilities Director

Approved by: Steve Monaghan, IGS Director