

**County of Santa Clara
Facilities and Fleet Department**



24-4384

DATE: February 27, 2024 (Item No. 66)

TO: Board of Supervisors

FROM: Jeff Draper, Director, Facilities and Fleet Department
Sherri Terao, Director, Behavioral Health Services Department

SUBJECT: Lease Agreement for Premises Located at 264 North Morrison, San Jose

RECOMMENDED ACTION

Consider recommendations relating to Lease Agreement with 264 North Morrison, a California Limited Liability Company, for the premises located at 264 North Morrison, San Jose. (LA-1)

Possible action:

- a. Approve Lease Agreement with 264 North Morrison, LLC, relating to providing 7,500 rentable square feet of office space at 264 North Morrison Avenue, San Jose, in an amount not to exceed \$1,311,419 for period March 1, 2024 through February 28, 2029, with two five-year extension options, and an option to purchase, that has been reviewed and approved by County Counsel as to form and legality.
- b. Authorize the County Executive, or designee, to manage the Lease within the terms of the Lease as approved by the Board of Supervisors. Delegation of authority shall expire on February 28, 2029.

FISCAL IMPLICATIONS

The five-year lease would cost \$1,311,419 and would be supported through the Capital Improvement Project Fund. Starting in Fiscal Year 2024-2025, the Behavioral Health Services Department budget will be modified to reflect new revenues that will offset expenditures associated with operating expenses for the first year of 264 N. Morrison Avenue operations as a Substance Use Treatment Services (SUTS) residential services facility.

The rent schedule is as follows:

| Term in Months | Base Rent Rate PSF | Base Monthly Rent | Annual Rent |
|-----------------------|---------------------------|--------------------------|--------------------|
| 0-12 | \$2.80 | \$21,000.00 | \$252,000.00 |
| 13-24 | \$2.86 | \$21,420.00 | \$257,040.00 |
| 25-36 | \$2.91 | \$21,848.40 | \$262,180.80 |

| | | | |
|-------|--------|---------------|--------------------|
| 37-48 | \$2.97 | \$22,285.37 | \$267,424.42 |
| 49-60 | \$3.03 | \$22,731.08 | \$272,772.90 |
| | | Total: | \$1,311,419 |

This is a Triple Net Lease agreement with the County having the option to purchase the property for \$3,700,000 at any time after the initial term and throughout the exercise of any extension options.

The Maximum Contract Value (MCV) noted in the Recommended Action section is for rent only and does not include occupancy costs and the cost of Tenant Improvements (TIs). Occupancy expenses include items such as property management, repair and maintenance, insurance, tax, and utility costs. The landlord provides an estimate for these costs at the beginning of each lease year which is paid with the monthly rent. At the end of the lease year, the landlord reconciles the estimated payments with actual expenses incurred, and issues either a credit or a new invoice to the County dependent upon the results of the reconciliation. As neither of these items can be exactly determined at the onset of the lease, they are not included in the MCV, but no impacts to the general fund are expected as the TIs are to be covered through approved American Rescue Plan Act (ARPA) funding.

The TIs needed to have the site function as a SUTS facility include carpeting, flooring, painting, lighting, data installations, the addition of a washer/dryer connection, furniture, and the renovation and reconfiguration of existing restrooms for compliance with the Americans with Disabilities Act (ADA) standards (this does not assume system improvements). The project also involves ADA upgrades and the replacement of the kitchen. Additionally, the TIs cover soft costs related to design, permits, and inspections. The estimated cost for the TI work is \$4.5 million. Capital Project 263-CP23024 “Sub-Acute Behavioral Health Facilities” has been created to address this work.

REASONS FOR RECOMMENDATION

There is a need for SUTS residential services facilities in Santa Clara County. SUTS residential services offer supportive 24-hour, non-medical, short-term “live-in” treatment, which includes rehabilitation services to individuals with a Substance Use Disorder (SUD) diagnosis. Services include intake and assessment, treatment planning, individual counseling, group counseling, family therapy, collateral services, member education, medication services, safeguarding medications (facilities store residents’ medications and assist residents with administration of the medication), crisis intervention services, transportation, and discharge planning. The goals of these services are to sustain abstinence, prepare for relapse triggers, improve personal health and social functioning, and engage in continuing care. Residents would be able to stay in the facility for 90 days with opportunities to extend as needed. It is estimated that the 32-bed facility (22 residential beds and 10 social detoxification beds) could serve up to 1,100 adults/older adults annually.

The Administration recommends approving the lease for the purpose of utilizing the property as a 32-bed SUTS residential facility for adult and older adults.

Background

SUTS residential services would reduce risks of homelessness for at risk individuals with a SUD diagnosis. Services would also reduce the risk of decompensation and the need for more costly, acute levels of care. Having stable placement in a residential setting within the community would support the likelihood of individuals staying engaged in behavioral health treatment by removing the stress and anxiety associated with unstable housing without connection to onsite care.

The property would be staffed 24 hours a day, seven days a week, with licensed clinicians, SUTS counselors, peer support staff, withdrawal management technician, overnight care coordinator, administrator, program coordinator, cook, and facilities management staff.

CHILD IMPACT

The recommended action will have no/neutral impact on children and youth.

SENIOR IMPACT

The recommended action will have a positive impact for seniors by expanding the availability of SUTS residential services for seniors.

SUSTAINABILITY IMPLICATIONS

This action would allow for the expansion of SUTS residential services for adults and older adults, thereby expanding treatment to prevent decompensation or the need for more costly, acute levels of care.

CONSEQUENCES OF NEGATIVE ACTION

The lease would not be approved at this time.

STEPS FOLLOWING APPROVAL

- The Clerk of the Board will obtain the Board President's signature on two (2) original Lease Agreements.
- The Clerk of the Board will mail one (1) executed original copy of Lease Agreement to: Robert Norton, 1202 Meridian Avenue, San Jose, California, 95125
- The Clerk of the Board will notify Qais Sediqi, Gagan Sran, and Andy Walker of FAF.

ATTACHMENTS:

- Lease Agreement 264 N Morrison