



COUNTY OF HUMBOLDT

AGENDA ITEM NO.

C-4

For the meeting of: September 23, 2014

Date: September 16, 2014
To: Board of Supervisors
From: Phillip Smith-Hanes, County Administrative Officer
Subject: Financing for Agricultural Center Building Improvements

RECOMMENDATION(S):

That the Board of Supervisors authorize the County Treasurer-Tax Collector to contract with a Financial Advisor, Bond Counsel, Underwriter, and bank if necessary, to develop a twenty year financing plan for up to \$2,500,000 of funding needed for an addition and for improvements to the Agricultural Center Building.

SOURCE OF FUNDING: General Fund – Rental Revenue

DISCUSSION:

In December 2011 the federal government issued a Request for Proposals (RLP) which sought space in the Eureka area for various agencies of the United States Department of Agriculture (USDA). This RLP required additional square footage and resulted in a response by the County that included construction of an addition to the Agricultural Center Building. On April 10, 2012 your Board authorized the Treasurer-Tax Collector to pursue debt financing for multiple projects including an addition and improvements to the Agricultural building. The response submitted was rejected and therefore no debt was issued for the project. On July 22, 2014 your Board directed staff to submit a response to a revised RLP issued by the federal government for the USDA and new authorization is needed from your Board for financing.

Prepared by Cheryl Dillingham

CAO Approval

Cheryl Dillingham

REVIEW:

Auditor _____ County Counsel _____ Human Resources _____ Treasurer *JB*

TYPE OF ITEM:

☒ Consent
☐ Departmental
☐ Public Hearing
☐ Other _____

PREVIOUS ACTION/REFERRAL:

Board Order No. H-3, C-16

Meeting of: 4/10/2012, 7/22/2014

BOARD OF SUPERVISORS, COUNTY OF HUMBOLDT

Upon motion of Supervisor *Bass* Seconded by Supervisor *Sundberg*
Ayes *Sundberg, Lovelace, Bohn, Fennell, Bass*
Nays _____
Abstain _____
Absent _____

and carried by those members present, the Board hereby approves the recommended action contained in this Board report.

Dated: *Sept. 23, 2014*
By: *Ann Huntwell*
Kathy Hayes, Clerk of the Board

In order for the County to meet the requirements of the new revised RLP, improvements including an addition to the building will need to be made at the Agricultural Center. Construction costs are estimated to be \$2,500,000. Financing will only be pursued for the project if the lease is accepted by the federal government and your Board. The response to the RLP must include evidence of at least a conditional commitment of funds, therefore approval of the recommendation to authorize the Treasurer-Tax Collector to develop a financing plan is needed. If the County's response is accepted by the federal government both the lease and contract for financing will come back to your Board for final approval.

FINANCIAL IMPACT:

Preliminary estimates are that the improvements needed to meet the requirements of the RLP will cost up to \$2,500,000. The construction proposal consists of a building addition of 2,750 square feet, plus existing building, site and tenant improvements required to bring the Agricultural Center up to modern standards. Staff will submit a response to the RLP that includes lease payments that fully cover the cost of the amortization payments which are estimated to be \$14,500 monthly.

The lease term in the RLP is for a firm five year period with an additional five year extension option. It is expected that the tenant improvement costs will be covered in the first five year lease period and all other construction costs will be amortized over a twenty year period. Staff is recommending a twenty year amortization period because it results in a lease rate that is more likely to be accepted by the federal government. Assets are normally amortized based on their useful life expectancy and the addition and improvements should last at least twenty years. The USDA has occupied the Agricultural Center for over fifty years so it is reasonable to expect that they will stay for twenty more years. If the USDA were to move out after five or ten years the space would still have value to the County and other departments that currently rent space could be moved into the building most likely resulting in savings sufficient to cover the debt payments. Additionally many of the improvements are deferred maintenance items that need to be done and will benefit the County departments that currently occupy space in the Agricultural Center.

This item supports the Board's Strategic Framework Core Roles by providing for and maintaining infrastructure.

OTHER AGENCY INVOLVEMENT:

United States Department of Agriculture (USDA)

ALTERNATIVES TO STAFF RECOMMENDATIONS:

To not approve authorizing the Treasurer-Tax Collector to pursue financing. This is not recommended because if financing for the project is not approved it could result in the Lease Proposal not being considered by the USDA.

To approve a ten year financing plan rather than twenty years. This would result in an estimated \$10,000 monthly payment increase and corresponding lease rate which would likely not be acceptable to the federal government.

ATTACHMENTS: None.