

**Staff Report to Sleepy Hollow Fire Protection District Board of Directors  
Potential Real Estate Lease with Sleepy Hollow Homes Association/Sleepy Hollow  
Charitable Foundation**

**Christopher J. Warner  
October 7, 2018**

**Summary**

Per the request of the Board of Directors of the Sleepy Hollow Fire Protection District (SHFPD), I have conducted a confidential evaluation of the merits of SHFPD entering into a real estate lease with the Sleepy Hollow Homes Association (SHHA) and/or Sleepy Hollow Charitable Foundation (SHCF) for office space centrally located within the boundaries of the SHFPD at the new SHHA Community Center planned to be located at 1317 Butterfield Road in Sleepy Hollow. The purpose of the lease would be to provide the SHFPD with office space and a central location at a reasonable rent within the SHFPD in order to support implementation of the SHFPD's Strategic Plan and related initiatives, including, *inter alia*, serving as an emergency disaster center; a training, meeting and organizing center for community preparedness programs; and necessary office space for the SHFPD. Copies of the SHFPD Strategic Plan and Wildfire Hazard & Wildland Urban Interface (WUI) Area Assessment & Report (WUI Report) can be found at the following links and are incorporated by reference in support of this report. <https://www.shfpd.org/plans-maps/strategic-plan>; <https://www.shfpd.org/plans-maps/wildfire-hazard-wui-assessment>.

The confidential evaluation included evaluation of potential sites and lessors of facilities and office space within the boundaries of the SHFPD, including the SHHA and SHCF. Following a formal Request for Interest issued by SHFPD in April, 2017 and evaluation of other potential lessors and available office space at a central location within the SHFPD, it was concluded that the planned SHHA Community Center would be the only viable potential lessor. A copy of the Request for Interest issued April 11, 2017, can be found at the following link and is incorporated by reference in support of this report: <https://www.shfpd.org/about-us/district-documents/meetings/packets/130-request-for-interest-providers-of-services-in-support-of-sleepy-hollow-fire-protection-district-community-wildfire-planning-preparation-mitigation/file>. As a result of SHHA and SHCF being the only respondents to the Request for Interest and my conclusion that the SHHA Community Center is the only potential lessor with a centrally located facility available to meet the strategic and real estate needs of the SHFPD, I have engaged in extensive confidential discussions with the leadership of the SHHA and SHCF over the

last 18 months, beginning while I was still a member of the SHFPD Board in May, 2017 and continuing after I resigned from the Board in June, 2017 and was asked by the Board to continue evaluating the potential real estate lease as staff to the Board.

As a result of my evaluation of the potential real estate lease and my confidential discussions with SHHA and SHCF, I recommend that the SHFPD consider entering into a real estate lease with SHHA and SHCF under the following terms and conditions:

Leasehold: Shared use of the approximately 37,755 square foot property and shared use of the entire 7,326 square foot first and second floors for emergency planning and shelter purposes as depicted on pages P-17 and P-18 of the SHHA Community Center Plans in the event of a declared emergency, practice session or other uses consistent with the operation of a fire protection district, (collectively, the “Emergency Space”); shared use the 565 square foot first floor meeting room for all public or closed-session meetings of SHFPD (as coordinated with SHHA/SHCF); shared use of the 1,180 square foot first floor gathering room for SHFPD events (as coordinated with SHHA/SHCF), and exclusive use of the approximately 703 square foot office space and storage spaces depicted on page P-10 of the Plans (the “Office Space”). SHFPD will also have the right to post all required legal notices in an area of the Community Center visible from the outside 24 hours per day. SHFPD will lease the Emergency Space from SHCF/SHHA, and SHCF/SHHA will lease the emergency space to SHFPD. SHCF/SHHA, at its own cost and expense, will construct all portions of the Community Center and Emergency Space as depicted in the Plans. Any material modifications to the Plans (including portions of the Project other than the Emergency Space) will require SHFPD’s review and approval, not to be unreasonably withheld, conditioned or delayed. Office, educational, training, public assembly, emergency, and other uses consistent with the limitation, including current and emergency community wildfire planning, training, regular public meetings, preparation, communications, response, evacuation services, and the storage, maintenance, repair, and use of certain SHFPD equipment will be permitted. SHFPD will at all times have full and exclusive use of the Office Space. SHFPD’s use of the Emergency Space shall be on a preferential, non-exclusive basis with priority over other users (as coordinated with SHHA/SHCF) except in the event of an emergency, in which event SHFPD will have exclusive use and use by others shall be suspended so long as the emergency declaration remains in effect and for a reasonable time thereafter.

Lease Term: Fifteen (15) years plus any partial month in the event commencement of the lease is any day other than the first of such calendar month, with an option to extend an additional fifteen years at a mutually-agreed rental rate. The lease will commence upon SHHA’s/SHCF’s receipt of a certificate of occupancy for and delivery of possession of

the Emergency Space and the Project and compliance with all conditions precedent specified in the lease. SHFPD will have the discretion to terminate the lease if SHHA/SHCF materially breaches any of the lease terms, or if SHHA/SHCF fails to deliver possession of the lease premises by January 1, 2020.

Rent: The rent will be \$8,250, per month, with no escalation and no pass-through of operating expenses, maintenance costs, insurance costs, real estate taxes or other expenses associated with the use and operation of the building by SHHA/SHCF.

Security Deposit: \$50,000.

Other Lease Terms and Conditions: Other terms and conditions consistent with standard commercial real estate office space leases would be included in the lease, including a standard non-disturbance clause that ensures that the lessor does not disturb the SHFPD's lease in the event of adverse financial events affecting the lessor.

### **Need for Lease**

I have extensively evaluated whether the SFPD needs the lease, including alternatives to the lease, such as leasing office space and a facility outside the boundaries of the SFPD at a location outside of Sleepy Hollow. Based on the following findings, I have concluded that the SFPD needs the lease and office space at the central location within the boundaries of the SHFPD at the proposed SHHA Community Center:

- The SHFPD has no current office space or facility available to carry out its mission and core duties and functions under its legal structure. SHFPD's Strategic Plan and WUI Report demonstrate the SHFPD's significant need for office space and facility use at a central location in order to carry out its core, legally-mandated community wildfire protection, preparedness, training and mitigation functions. As summarized in the SHFPD's Strategic Plan and minutes adopting its Strategic Plan in March, 2017, the SHFPD's strategic goals and legally mandated initiatives include the following, all of which require a centrally located facility within the boundaries of the SHFPD in order to optimally and successfully be achieved:

### Strategic Goals

1. Develop and implement vegetation management projects to reduce the fuel supply and the potential for conflagration in Sleepy Hollow.
2. Adopt best practices Codes, Standards and Local Ordinances to support our wildfire mitigation efforts.
3. Develop and implement a wildfire outreach and education program.
4. Develop and implement an all-hazards evacuation plan including annual functional exercises of the plan.
5. Develop and implement programs to reduce structural ignitability.
6. Support all-hazard citizen preparedness programs such as Alert Marin, Ready Marin and Citizens Emergency Response Teams.
7. Ensure the District's sustainability through prudent fiscal management, development of new revenue programs including grants, and maintenance of adequate budget reserves.

### Strategic Initiatives

1. Strategic Initiative 1: Vegetation Management  
*Goal: Develop vegetation management projects that reduce the fuel supply and potential for conflagration in Sleepy Hollow.*
2. Strategic Initiative 2: Codes and Standards  
*Goal: Adopt best practice Codes, Standards and Local Ordinances to support our wildfire mitigation efforts.*
3. Strategic Initiative 3: Wildfire Outreach and Education  
*Goal: Develop and implement a wildfire outreach and education program.*
4. Strategic Initiative 4: Evacuation  
*Goal: Develop and implement an all-hazards evacuation plan including annual functional exercises of the plan.*
5. Strategic Initiative 5: Reduce Structural Ignitability  
*Goal: Develop and implement programs to reduce structural ignitability*
6. Strategic Initiative 6: Citizen Preparedness  
*Goal: Support all-hazard citizen preparedness programs such as Alert Marin, Ready Marin and Citizens Emergency Response Team*

## 7. Strategic Initiative 7: Financial Stability

*Goal: Ensure the District's sustainability through prudent fiscal management, development of new revenue programs such as grants, and maintenance of adequate budget reserves.*

- The “new normal” of wildfire hazards and incidence in the wildland-urban interface, demonstrated by the 2017 and 2018 California wildfires and the SHFPD WUI report, indicate that the residents and property owners of the District, primarily in Sleepy Hollow, have a critical need for community outreach, education, planning, training, and evacuation drilling in order to protect, prepare for and defend against wildfires. This community outreach, training and preparation can only occur if the resources, including facilities and office space for SHFPD, are available at a central, convenient location within the community served by SHFPD.
- In recent years, the availability of the existing SHHA building for key SHFPD events, such as wildfire evacuation drills, community education meetings, wood chipper “days,” SHFPD regular and special meetings, and sandbag locations for storm response, has demonstrated the effectiveness and benefits of a formally available central facility for SHFPD within the boundaries of SHFPD.
- Although the existing SHHA building has provided informal services supporting SHFPD, SHHA and SHCF have undertaken a capital plan to upgrade the building for broader community activities and support, including availability for activities and office space such as would support the needs of the SHFPD. No other entity or building within the borders of SHFPD has facilities or office space comparable to that planned for the SHHA Community Center.

### **Evaluation of Financial and Budget Impacts**

In evaluating the financial and budget feasibility of the potential lease and rental payments over the 15-year term of the lease, I find the following:

1. The annual lease payments (\$99,000 per year) will not jeopardize the ability of the SHFPD to maintain, preserve and potentially enhance its \$4 million reserve

and \$1 million operating reserve, pursuant to the SHFPD's financial policies. The SHFPD's current budget plans indicate that the annual lease payments would be financially feasible and consistent with the SHFPD's budget priorities. A copy of the SHFPD's 2018- 2019 approved budget can be found at the following link and is incorporated by reference in support of this report: <https://www.shfpd.org/about-us/finances>.

2. The total 15-year fixed lease payments, with no escalation, provide for significant financial benefits and reduced rent payments on an inflation-adjusted basis, assuming a three-percent or comparable per year escalation rate for comparable commercial rental rates.
3. Given that no other centrally-located commercial space is available to meet the needs of SHFPD within the boundaries of the district for the wildfire planning, mitigation and community preparedness strategic needs of the SHFPD, the cost per square foot of the proposed lease payments is extremely competitive compared to other potential commercial lease costs for a facility and office space necessary to support the SHFPD's strategic goals and initiatives at a central location.

### **Evaluation of Alternatives to Lease**

Although the SHFPD Board has directed me to evaluate only a potential real estate transaction and lease to meet the SHFPD's needs identified above, I note that other alternatives have been discussed by third-parties in the community in the past, including an equity investment in the new SHHA Community Center or a services agreement with SHHA. In my opinion, such alternatives are either not viable (SHHA and SHCF are not considering third-party SHFPD equity investment in the new Community Center), nor financially optimal (a facility lease can more reasonably meet the strategic and office space needs of the SHFPD without the need for a services agreement.)

### **Conclusion and Staff Recommendation**

Based on the findings and reasons above, I recommend that the SHFPD enter into a lease with the SHHA and/or SHCF subject to the terms and conditions discussed above.

CHRISTOPHER J. WARNER  
STAFF TO SLEEPY HOLLOW FIRE PROTECTION DISTRICT  
OCTOBER 7, 2018