



## **County of Santa Cruz Board of Supervisors**

### **Agenda Item Submittal**

**From:** General Services Department

**Subject:** Approve the terms and conditions of the Purchase and Sale Agreement dated May 2, 2025, to acquire real property located at 420 and 440 May Avenue, APNs 008-332-34 and 008-332-22 for a purchase price of \$3,500,000

**Meeting Date:** June 24, 2025

**Formal Title:** Approve the terms and conditions of the Purchase and Sale Agreement dated May 2, 2025, between the County of Santa Cruz and Debra L. Bei, Trustee of the Norman L. Bei 2010 Inter Vivos Trust, to acquire real property located at 420 and 440 May Avenue, APNs 008-332-34 and 008-332-22 for a purchase price of \$3,500,000, and take related actions

### **Recommended Actions**

1. Approve the terms and conditions of the Purchase and Sale Agreement dated May 2, 2025, between the County of Santa Cruz and Debra L. Bei, Trustee of the Norman L. Bei 2010 Inter Vivos Trust, to acquire real property located at 420 and 440 May Avenue, APNs 008-332-34 and 008-332-22 for a purchase price of \$3,500,000;
2. Authorize the Department of General Services to complete the feasibility studies required to waive the contingencies set forth in the Purchase and Sale Agreement;
3. Authorize the Director of General Services to execute the escrow documents to close escrow if and when all contingencies are met pursuant to terms of the enclosed Purchase and Sale Agreement;
4. Authorize the Auditor-Controller-Treasurer-Tax Collector to make the payment for the real property acquisition and related escrow fees pursuant to the Purchase and Sale Agreement; and
5. Authorize the Chair of the Board to execute the certificate of acceptance for the associated Deed to effectuate transfer of the property to the County.

### **Executive Summary**

The Department of General Services, Real Property Division, recommends acquisition of real property located at 420 and 440 May Avenue, Santa Cruz (Property). This Property is currently leased by County to serve as office space for the County Public Defender's Office (PDO) and the Property will serve the County's short term and long term space needs.

### **Discussion**

The Property includes two single-story office buildings totaling approximately 12,500 square feet situated on contiguous parcels with a combined area of 0.91 acres. Constructed in 1959 and 1964 using wood-frame construction, the buildings have been fully leased by the County of Santa Cruz since 1998 and currently serve as the offices for the PDO. The site's close proximity (0.3 miles) to the Santa Cruz Superior Court is critical to the PDO's operational effectiveness and mission.

The current lease agreement for the Property provides for annual rent of \$271,487.40, or \$1.81 per square foot, and is set to expire on June 30, 2026, with no renewal options

available. The property owner has expressed a preference to sell the Property rather than continue the lease. County staff have explored alternate office locations within close proximity to the Court and found no other suitable options.

On April 24, 2025, in Executive Session the Board of Supervisor's approved the initiation of formal negotiations to purchase the building. The County's Chief Real Property Agent has now reached proposed terms of a Purchase and Sale Agreement, including a \$3.5 million purchase price, an as-is sale, and a 90-day period for physical and bonding contingencies.

During the 90-day physical contingency period, the County will conduct a comprehensive facility condition assessment, evaluating the roof, HVAC systems, building envelope, electrical and plumbing infrastructure, life safety systems, ADA compliance, seismic resilience, and industrial hygiene. The County Executive Office will confirm acceptance of the Property's condition prior to waiving contingencies and proceeding to close the purchase. If the physical condition is not acceptable, the County may terminate the contract. The Chief Real Property Agent recommends including an additional \$500,000 in bonding funds related to this purchase to cover soft costs, physical investigations and any necessary immediate repairs or improvements.

The proposed acquisition meets both immediate and long-term County needs. Immediately, it secures continued occupancy for the PDO at a critical location. Without this purchase, the County may face a forced relocation without suitable alternatives, disrupting PDO operations and incurring additional moving and tenant improvement costs. In fact, the County has already invested in tenant improvements at this site as part of the PDO's relocation in 2022.

Accordingly, the Chief Real Property Agent recommends that the Board approve the terms and conditions of the Purchase and Sale Agreement to acquire real property located at 420/440 May Avenue to continue to serve as critical office space for the Public Defender's Office.

### **Financial Impact**

The \$4,000,000 associated cost, representing the \$3,500,000 purchase price and \$500,000 auxiliary costs are anticipated to be paid via Lease Revenue Bonds approved by the Board on June 10, 2025 and slated to be issued this summer.

Long-term, acquiring the property allows the County to shift from paying escalating lease costs (already totaling \$6.5 million to date) to building equity in a County-owned facility. Based on current terms, a \$4 million bond over 30 years would result in an annual debt service of approximately \$251,375.71, which is less than the current annual lease cost and would remain stable over time. By contrast, the existing lease is subject to annual 3% escalations. Additionally, the acquisition price of \$280 per square foot is significantly below the cost of new construction, estimated at \$1,200 per square foot, or \$15 million for a building of comparable size.

### **Strategic Initiatives**

- 1.B (Comprehensive Health & Safety: Community Support)
- 1.C (Comprehensive Health & Safety: Local Justice)
- 6.C (Operational Excellence: County Infrastructure)

### **Submitted By:**

Michael Beaton, General Services Director

**Recommended By:**

Carlos J. Palacios, County Executive Officer

**Artificial Intelligence Acknowledgment:**

Artificial Intelligence (AI) did not significantly contribute to the development of this agenda item.