# REPORT/RECOMMENDATION TO THE BOARD OF SUPERVISORS OF THE COUNTY OF SAN BERNARDINO AND RECORD OF ACTION

July 28, 2020

#### **FROM**

TERRY W. THOMPSON, Director, Real Estate Services Department VERONICA KELLEY, Director, Department of Behavioral Health

#### **SUBJECT**

Amendment No. 5 to Lease Agreement with 1330 Cooley Drive, LLC for Office Space for the Department of Behavioral Health in Colton

#### RECOMMENDATION(S)

- Approve the Real Estate Services Department's use of an alternative procedure in lieu of a Formal Request for Proposals as allowed per County Policy 12-02 – Leasing Privately Owned Real Property for County Use, to extend the term of Lease Agreement No. 02-159 three years for the period of August 1, 2020 through July 31, 2023, for an aggregate term of 21 years for the Department of Behavioral Health.
- 2. Approve Amendment No. 5 to Lease Agreement No. 02-159 with 1330 Cooley Drive, LLC, to extend the term of the lease for three years for the period of August 1, 2020 through July 31, 2023, following a permitted 10-month holdover for the period of October 1, 2019 through July 31, 2020, (for an aggregate term of 21 years), adjust the rental rate schedule and update standard lease agreement language for 14,565 square feet of office space at 1330 East Cooley Drive in Colton for the Department of Behavioral Health for a total cost of \$1,292,224.

(Presenter: Terry W. Thompson, Director, 387-5252)

#### **COUNTY AND CHIEF EXECUTIVE OFFICER GOALS & OBJECTIVES**

Operate in a Fiscally-Responsible and Business-Like Manner.

Provide for the Safety, Health and Social Service Needs of County Residents

#### FINANCIAL IMPACT

Approval of this item will not result in the use of Discretionary General Funding (Net County Cost). The total cost of this three-year amendment, including the permitted holdover at the current lease rate of \$26,578 per month for 10 months, is \$1,292,224. Lease payments will be made from the Rents budget (7810001000) and reimbursed from the Department of Behavioral Health (DBH) budget (9200001000). DBH lease costs are funded 30% Federal, 28% State, and 42% State Mental Health Realignment funds. Sufficient appropriation is included in the 2020-21 Rents and DBH budgets and will be included in future recommended budgets. Annual lease costs are as follows:

<u>Period</u>	<b>Annual Lease Cost</b>
October 1, 2019 – July 31, 2020	\$ 265,780
August 1, 2020 – July 31, 2021	\$ 332,088
August 1, 2021 – July 31, 2022	\$ 342,048

August 1, 2022 – July 31, 2023	<u>\$ 352,308</u>
Total Cost	\$1,292,224

#### **BACKGROUND INFORMATION**

The recommended action will amend an existing lease agreement, No. 02-159 with 1330 Cooley Drive, LLC (Cooley) to extend the term of the lease three years for the period of August 1, 2020 through July 31, 2023, following a permitted 10-month holdover for the period of October 1, 2019 through July 31, 2020, adjust the rental rate schedule, and update standard lease agreement language for 14,565 square feet of office space at 1330 East Cooley Drive in Colton for DBH.

On February 12, 2002 (Item No. 74), the Board of Supervisors (Board) approved a seven-year lease agreement, No. 02-159, with one three-year option to extend the term of the lease for 12,000 square feet of office space located at 1330 East Cooley Drive in Colton. The original term of the lease was for the period of July 1, 2002 through June 30, 2009. In the 18 years since the lease was originally approved, the Board has approved four amendments that changed the commencement date, increased the square footage by terminating Lease Agreement No. 08-12 for contiguous space and added that space to Lease Agreement No. 02-159, added options to extend the term, decreased the rental rate, and exercised two options to extend the term of the lease.

<u>Amendment No.</u>	<u>Approval Date</u>	<u>Item No.</u>
1	July 9, 2002	39
2	September 22, 2009	35
3	November 6, 2012	57
4	June 14, 2016	103

DBH requested the Real Estate Services Department (RESD) exercise an existing three-year option to extend the term of the lease at a market rental rate. Due to protracted negotiations and delays caused by the global pandemic, Lease Agreement No. 02-159 expired on September 30, 2019 and went into a permitted 10-month holdover for the period of October 1, 2019 through July 31, 2020. Amendment No. 5 to Lease Agreement No. 02-159 extends the term of the lease three years for the period of August 1, 2020 through July 31, 2023, following a permitted 10-month holder for the period of October 1, 2019 through July 31, 2020, adjusts the rental rate schedule, and updates standard lease agreement language. All other provisions and terms of the lease remain unchanged.

Staff has reviewed the recommended action pursuant to the California Environmental Quality Act (CEQA) and has determined that it does not constitute a project. Accordingly, no further action is required under CEQA.

### Summary of Lease Terms

Lessor: 1330 Cooley Drive, LLC

(Jian Torkan, President)

Location: 1330 East Cooley Drive, Colton

Size: An approximately 14,565 square foot office building

Term: Three years by the Lessee's exercise of an existing three-year

extension option, commencing August 1, 2020

Options: None

Rent: Cost per sq. ft. per month: \$1.90 full service gross

Monthly: \$27,674 Annual: \$332,088

\*Mid-range for comparable facilities in the Colton area per

supporting lease comparables on file

Annual Increases 3%

Improvement Costs: None

Custodial: Provided by Lessor

Maintenance: Provided by Lessor

Utilities: Provided by Lessor with County to pay for electricity in excess of

an electric utility expense cap of \$0.26 per square foot per month

subject to 3% annual increases

Insurance: The Certificate of Liability Insurance, as required by the lease, is

on file with RESD

Right to Terminate: The County has no right to terminate the Lease for convenience

during the three-year extended term

Parking: Sufficient for County needs

#### **PROCUREMENT**

On February 12, 2002 (Item No. 23), the Board approved Lease Agreement No. 02-159, which was procured according to County Policy No. 12-02 – Leasing Privately Owned Real Property for County Use (Policy), using a Solicitation of Proposals. The procurement process required by the Policy does not apply to amendments of existing leases provided the amendment does not exceed the maximum term (including options) of the lease. The Policy also requires a thorough and detailed review by the County Administrative Office or designee to validate the need for and provide a competitive analysis of any lease with a term of more than 20 years. Extending the term of the lease three-years for the period of August 1, 2020 through July 31, 2023 will provide for an aggregate term of 21 years.

RESD completed a competitive analysis of the market and found the rental rate for the extended term to be competitive, this facility best meets the requirements of the department, minimizes disruption to the program activities, saves on relocation cost, and will allow DBH to continue to serve the residents in the Colton area.

#### **REVIEW BY OTHERS**

This item has been reviewed by County Counsel (Agnes Cheng, Deputy County Counsel and Dawn Martin, Deputy County Counsel, 387-5455) on June 29, 2020; Department of Behavioral Health (Michael Knight, Assistant Director, 388-0808 and Emily Petrus, Administrative Supervisor, 388-0949) on June 23, 2020; Purchasing Department (Bruce Cole, Supervising Buyer, 387-2148) on June 24, 2020; Finance (Wen Mai, Principal Administrative Analyst, 387-4020 and Chris Lange, Administrative Analyst, 386-8393) on July 8, 2020; and County Finance and Administration (Matthew Erickson, County Chief Financial Officer, 387-5423) on July 12, 2020.

(KD: 665-0430)

Record of Action of the Board of Supervisors County of San Bernardino

### **APPROVED (CONSENT CALENDAR)**

Moved: Josie Gonzales Seconded: Robert A. Lovingood Ayes: Robert A. Lovingood, Janice Rutherford, Dawn Rowe, Curt Hagman, Josie Gonzales

Lynna Monell, CLERK OF THE BOARD

DATED: July 28, 2020

OF SUPERIOR OF SUP

cc: RESD- Thompson w/agree

Contractor- C/O RESD w/agree

File- w/agree

la 07/31/2020