

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

October 27, 2020

FROM

**TERRY W. THOMPSON, Director, Real Estate Services Department
PHALOS HAIRE, Director, Preschool Services Department**

SUBJECT

Lease Agreement with Potomac Plaza, LLC, for Office Space for the Preschool Services Department in San Bernardino

RECOMMENDATION(S)

1. 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 procure a 10-year lease agreement, with one five-year option to extend the term of the lease, with Potomac Plaza, LLC, for a term expected to commence April 1, 2021 and expire March 31, 2031, subject to landlord's completion of turnkey tenant improvements, for approximately 2,661 square feet of office space in San Bernardino for the Preschool Services Department.
2. Approve a 10-year Lease **Agreement No. 20-997**, with one five-year option to extend the term of the lease, with Potomac Plaza, LLC, for a term expected to commence April 1, 2021 and expire March 31, 2031, subject to landlord's completion of turnkey tenant improvements, for approximately 2,661 square feet of office space in San Bernardino, for the Preschool Services Department in the amount of \$717,094.
3. Authorize the Purchasing Department to issue purchase orders, as necessary, for a total amount not to exceed \$45,000 for any contingencies and/or minor change orders that may arise in order to complete the tenant improvements set forth in the lease (Four votes required).

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

COUNTY AND CHIEF EXECUTIVE OFFICER GOALS & OBJECTIVES

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

FINANCIAL IMPACT

Approval of this item will not result in the use of Discretionary General Funding (Net County Cost). The total cost of this 10-year lease agreement is \$717,094. Lease payments will be made from the Real Estate Services Department (RESD) Rents budget (7810001000) and reimbursed from the Preschool Services Department (PSD) budget (5911592220). PSD will pay one-time construction costs in the amount of \$151,894 incrementally disbursed based on completion of phases of the construction process. Other costs associated with this lease include custodial and utility costs. Sufficient appropriation is included in the 2020-21 Rents and PSD budgets and will be included in future recommended budgets. Annual lease costs are as follows:

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<u>Year</u>	<u>Lease Cost</u>	<u>Estimate of Other Costs Associated With This Lease</u>
April 1, 2021 – March 31, 2022	\$ 55,884	\$ 37,023
April 1, 2022 – March 31, 2023	\$ 55,884	\$ 38,134
April 1, 2023 – March 31, 2024	\$ 55,884	\$ 39,278
April 1, 2024 – March 31, 2025	\$ 55,884	\$ 40,456
April 1, 2025 – March 31, 2026	\$ 55,884	\$ 41,669
April 1, 2026 – March 31, 2027	\$ 57,156	\$ 42,919
April 1, 2027 – March 31, 2028	\$ 57,156	\$ 44,206
April 1, 2028 – March 31, 2029	\$ 57,156	\$ 45,532
April 1, 2029 – March 31, 2030	\$ 57,156	\$ 46,898
April 1, 2030 – March 31, 2031	<u>\$ 57,156</u>	<u>\$ 48,305</u>
Total Cost	\$565,200*	\$424,420

*PSD will pay \$151,894 one-time constructions costs in addition to the total rent above

BACKGROUND INFORMATION

The recommended action will provide for a new 10-year lease agreement with one five-year option to extend the term of the lease with Potomac Plaza, LLC (Potomac) projected to commence April 1, 2021 and expire March 31, 2031, subject to landlord’s completion of turnkey tenant improvements, for approximately 2,661 square feet of office space located at 2376 Del Rosa Avenue (DR2) in San Bernardino for PSD because of the continuing need to provide preschool services in the San Bernardino area.

PSD currently occupies approximately 8,292 square feet of classroom and office space at 2382 Del Rosa Avenue (DR1) in San Bernardino under the provisions of Lease Agreement No. 17-862 for the operation of a federally funded Head Start facility, which is located on the same parcel as the proposed new facility. On March 14, 2017, the County Administrative Office (CAO) approved Capital Improvement Program (CIP) request No. 17-278 providing for minor tenant improvements to the DR1 facility and to secure a 15-year lease for the space at DR2 using an alternative procedure in lieu of a formal Request for Proposals (RFP) process for DR2 to be used as a family learning center (FLC) and staff office space. Discussions with Potomac commenced to establish the cost of the tenant improvements requested by PSD to convert DR2 from its previous use as a bakery establishment to the FLC and staff space. Full design of the proposed FLC was initiated by Potomac in order to accurately establish the total cost of the tenant improvements and delayed negotiations of the terms of the lease agreement until recently.

RESD successfully negotiated a 10-year lease, with one five-year option to extend the term of the lease for the 2,661 square foot FLC and staff space with rent increases occurring only at each fifth anniversary of the commencement date. PSD will pay one-time construction costs in the amount of \$151,894 payable in increments based upon completion of certain phases of the construction process. This new 10-year lease agreement, with one five-year option to extend the term of the lease, with Potomac provides for the use of approximately 2,661 square feet of office space located at 2376 Del Rosa Avenue in San Bernardino, projected to commence April 1, 2021 and expire March 31, 2031, subject to Potomac’s completion of turnkey tenant improvements, for use as an FLC and staff offices. The lease provides the following authority for the Director of RESD in administering the lease: to execute a commencement date certificate to verify the actual commencement and expiration dates of the term based on the actual improvement completion date so long as the improvement completion date occurs within 90 days of the projected commencement date of April 1, 2021; to exercise the County’s early

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termination right; to execute estoppel certificates confirming facts regarding the lease and subordination, non-disturbance, and attornment agreements to preserve the County's lease rights during landlord's financing transactions involving the real property; and to execute amendments to the lease that solely reflect a successor landlord following the original landlord's sale of the real property.

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:	Potomac Plaza, LLC (Joon Choi, Manager)
Location:	2376 Del Rosa Avenue, San Bernardino
Size:	Approximately 2,661 square feet of office space
Term:	10 years projected to commence April 1, 2021, contingent upon landlord's completion of turnkey tenant improvements
Options	One five-year option to extend the term of the lease
Rent:	Cost per sq. ft. per month: \$1.75* modified gross Monthly: \$4,657 Annual: \$55,884 *Mid-range for comparable facilities in the San Bernardino area per the competitive set analysis on file with RESD
Increases:	2% at each fifth anniversary of the commencement date based on the cost per square foot per month
Improvement Costs:	Provided by Lessor; but reimbursed by County in the one-time amount of \$151,894, plus an allocation up to \$45,000 for any contingencies and minor change orders for the turn-key improvements set forth in the lease to be authorized and paid by purchase orders as needed
Custodial	Provided by County
Maintenance:	Provided by Lessor
Utilities:	Provided by Lessor; paid by County
Insurance:	The Certificate of Liability Insurance as required by the lease will be obtained by RESD prior to occupancy
Right to Terminate:	County has the right to terminate with 90 days' written notice
Parking:	Sufficient for County needs

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PROCUREMENT

This 10-year lease was procured in accordance with County Policy 12-02 – Procuring Privately Owned Real Property for County Use (Policy), using an alternative procedure. The Policy provides that the Board may approve the use of an alternative procedure in lieu of a Formal RFP process whenever the Board determines that compliance with the Formal RFP requirements would unreasonably interfere with the financial or programmatic needs of the County or when the use of an alternative procedure would otherwise be in the best interest of the County. RESD completed a competitive analysis of the area and found the negotiated rental rate to be competitive, and the facility best meets the requirements of the department. RESD requests that the Board approve the use of an alternative procedure in lieu of a RFP to procure the new lease.

REVIEW BY OTHERS

This item has been reviewed by County Counsel (Agnes Cheng, Deputy County Counsel and Adam Ebright , Deputy County Counsel, 387-4229) on September 28, 2020; PSD (Cheryl Adams, Administrative Manager, 387-9845) on September 29, 2020; Purchasing Department (Bruce Cole, Supervising Buyer, 387-2148) on September 25, 2020; Finance (Paul Garcia, Administrative Analyst, 386-8692 and Carl Lofton, Administrative Analyst, 387-5404) on October 9, 2020; and County Finance and Administration (Matthew Erickson, County Chief Financial Officer, 387-5423) on October 9, 2020.

(KB: 677-7961)

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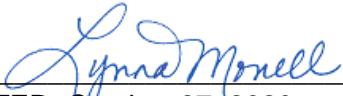
Record of Action of the Board of Supervisors
County of San Bernardino

APPROVED (CONSENT CALENDAR)

Moved: Robert A. Lovingood Seconded: Josie Gonzales

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

Lynna Monell, CLERK OF THE BOARD

BY 
DATED: October 27, 2020



cc: RESD- Thompson w/agree
Contractor- C/O RESD w/agree
File- w/agree
LA 10/28/2020