

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

December 17, 2019

FROM

**TERRY W. THOMPSON, Director, Real Estate Services Department
TRUDY RAYMUNDO, Director, Department of Public Health**

SUBJECT

Amendment No. 4 to Lease Agreement with Lugonia Redlands, LLC for Office Space for the Department of Public Health, Women, Infants And Children Program In Redlands

RECOMMENDATION(S)

Approve **Amendment No. 4 to Lease Agreement No. 11-11** with Lugonia Redlands, LLC to extend the term of the lease two years by exercising an extension option for the period of January 1, 2020 through December 31, 2021, following a permitted four-month holdover for the period of September 1, 2019 through December 31, 2019, adjust the rental rate schedule, and update standard lease agreement language for 3,000 square feet of office and clinic space for the Department of Public Health, Women, Infants and Children Program at 800 East Lugonia Avenue, Suite K, in Redlands in the amount of \$119,556.
(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 additional Discretionary General Funding (Net County Cost). The total cost of this two-year amendment, including the permitted holdover at the current lease rate of \$4,110 per month for four months, as adjusted by an annual 3% increase per the terms of the lease, is \$119,556. Other costs associated with this lease include custodial and utility expenses, which will be paid from the DPH budget. Lease payments will be made from the Rents budget (7810001000) and reimbursed from the Department of Public Health (DPH) budget (9300061000). The DPH budget for the program is 100% federal and state funded. Sufficient appropriation is included in the 2019-20 budget and will be included in future recommended budgets. Annual lease costs are as follows:

<u>Period</u>	<u>Lease Cost</u>	<u>Estimate of Other Costs Associated With This Lease</u>
September 1, 2019 - December 31, 2019	\$ 16,440	\$ 5,424
January 1, 2020 – December 31, 2020	\$ 50,796	\$ 16,763
January 1, 2021 – December 31, 2021	\$ 52,320	\$ 17,265
Total Cost or Total Revenue	\$ 119,556	\$ 39,452

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BACKGROUND INFORMATION

The recommended action will amend the existing lease by exercising an extension option for the period of January 1, 2020 through December 31, 2021, following a permitted four-month holdover for the period of September 1, 2019 through December 31, 2019, adjust the rental rate schedule, and update standard lease agreement language for 3,000 square feet of office and clinic space for the Department of Public Health, Women, Infants and Children Program. The Real Estate Services Department (RESD) negotiated a rental rate of \$1.41 per square foot per month (\$50,796 annually), which is an increase of \$0.04 per square foot per month from the prior rental rate of \$1.37 per square foot per square foot per month (\$49,320 annually), for the period of January 1, 2020 through December 31, 2021. The amendment also reflects a 4-month permitted holdover, adjusts the rent rate schedule and updates standard lease agreement language.

On January 11, 2011 (Item No. 43), the Board of Supervisors (Board) approved a five-year lease agreement, No. 11-11, for 3,000 square feet of clinic space at 800 East Lugonia Avenue, Suite K, in Redlands. The original term of the lease was for the period of May 1, 2011 through April 30, 2016. In the eight years since the lease was originally approved, the Board has approved three amendments to amend the commencement date, reflect a change of ownership, extend the term through August 31, 2019, adjust the rental rate schedule, and update standard lease agreement language.

<u>Amendment No.</u>	<u>Approval Date</u>	<u>Item No.</u>
1	September 1, 2011	35
2	April 19, 2016	55
3	October 31, 2017	42

DPH requested the Real Estate Services Department (RESD) exercise the final two-year option to extend the term of the lease to allow the Women, Infants And Children (WIC) program to continue providing services to residents in the Redlands area. Due to protracted negotiations with the landlord regarding market rental rates, the lease went into a permitted holdover on September 1, 2019. Amendment No. 4 to lease agreement 11-11 extends the term of the lease two years for the period of January 1, 2020 through December 31, 2021, following a permitted four-month holdover for the period of September 1, 2019 through December 31, 2019, and adjusts the rental rate schedule. 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: Lugonia Redlands, LLC
(Yoon Ja Han, Managing Member)

Location: 800 East Lugonia Avenue, Suite K, Redlands

Size: 3,000 square feet of office and clinic space

Term: Two years commencing January 1, 2020

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Summary of Lease Terms

Options:	None
Rent:	Cost per sq. ft. per month: \$1.41 Monthly: \$4,233 Annual: \$50,796 *Mid-range for comparable facilities in the Redlands area per supporting lease comparables on file
Annual Increases:	3%
Improvement Costs:	None
Custodial:	Provided by County
Maintenance:	Provided by Lessor
Utilities:	Electricity and gas provided by County
Insurance:	The Certificate of Liability Insurance, as required by the Lease, is on file with the Real Estate Services Department.
Right to Terminate:	The County has the right to terminate with 90-days' notice
Parking:	Sufficient for County needs

PROCUREMENT

On January 11, 2011 (Item No. 43), the Board of Supervisors (Board) approved Lease Agreement No. No. 11-11, which was procured according to County Policy 12-02 – Leasing Privately Owned Real Property for County Use (Policy), using a Solicitation of Proposals (SOP) process. 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.

REVIEW BY OTHERS

This item has been reviewed by County Counsel (Agnes Cheng, Deputy County Counsel and Adam Ebright, Deputy County Counsel, 387-5455) on November 12, 2019; Department of Public Health (Corwin Porter, Assistant Director, 387-9146) on October 31, 2019; Purchasing Department (Michelle Churchill, Supervising Buyer, 387-2070) on November 7, 2019; Finance (Paul Garcia, Administrative Analyst, 387-8392 and Monique Amis, Administrative Analyst, 387-4883) on November 26, 2019; and County Finance and Administration (Matthew Erickson, County Chief Financial Officer, 387-5423) on November 27, 2019.

(JAG: 677-8210)

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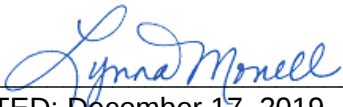
Record of Action of the Board of Supervisors
County of San Bernardino

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: December 17, 2019



cc: RESD- Thompson w/agree
Contractor- C/O RESD w/agree
File- w/agree
la 12/23/2019