

**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

GILBERT RAMOS, Director, Transitional Assistance Department

SHARON NEVINS, Director, Department of Aging and Adult Services

SUBJECT

Amendment No. 6 to Lease Agreement with Pioneer Partners, Inc. for Office Space for Transitional Assistance Department in Yucca Valley

RECOMMENDATION(S)

1. Approve **Amendment No. 6 to Lease Agreement No. 93-1116** with Pioneer Partners, Inc. to extend the term of the lease for five years for the period of August 1, 2020 through July 31, 2025 (for an aggregate term of 32 years) by exercising an existing option to extend the term of the lease, following a permitted six-month holdover period from February 1, 2020 through July 31, 2020, provide for turn-key tenant improvements to be performed by landlord with the improvement cost to be amortized over the 60-month extended term, adjust the rent schedule, and update standard lease agreement language for approximately 25,000 square feet of office space at 56357 Pima Trail in Yucca Valley for Transitional Assistance Department and the Department of Aging and Adult Services in the amount of \$3,702,496.
2. Authorize the Purchasing Department to issue purchase orders, as necessary, for a total amount not to exceed \$45,000 for any contingencies and/or change orders that may arise in order to complete the turn-key tenant improvements set forth in Amendment No. 6 to be constructed by landlord (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.

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 five-year amendment, including the permitted holdover at the current lease rate of \$54,250 per month for six months and turn-key tenant improvements at a cost of \$357,544, is \$3,702,496. The improvement cost totaling \$357,544 will be amortized over the 60-month extended lease term. Lease payments will be made from the Rents budget (7810001000) and reimbursed from the Human Services (HS) Administrative Claim budget (5010001000). The HS Administrative Claim budget is 86% federal and state funded, 7% realignment revenue, and 7% Discretionary General Funding (Net County Cost). Sufficient appropriation is included in the 2020-21 Rents and HS Administrative Claim budgets and will be included in future recommended budgets. Annual lease costs are as follows.

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<u>Period</u>	<u>Annual Lease Cost</u>
February 1, 2020 – July 31, 2020	\$ 325,500
August 1, 2020 - July 31, 2021	\$ 650,509
August 1, 2021 - July 31, 2022	\$ 650,509
August 1, 2022 - July 31, 2023	\$ 670,774
August 1, 2023 - July 31, 2024	\$ 691,748
August 1, 2024 - July 31, 2025	<u>\$ 713,456</u>
Total Cost	\$3,702,496*

*This includes the turn-key tenant improvement costs of \$357,544, which have been amortized over the 60-month extended lease term.

BACKGROUND INFORMATION

The recommended action will extend an existing lease with Pioneer Partners, Inc., for five years by exercising an existing option to extend the term of the lease for the period August 1, 2020 through July 31, 2025, following a permitted six-month holdover for the period of February 1, 2020 through July 31, 2020, provide for turn-key tenant improvements to be performed by landlord with the improvement cost to be amortized over the 60-month extended term, adjust the rent schedule, and update standard lease agreement language for approximately 25,000 square feet of office space for the Transitional Assistance Department (TAD) and the Department of Aging and Adult Services (DAAS) because of the continuing need to provide services for their clients in the Yucca Valley area.

On November 23, 1993 (Item No. 29), the Board of Supervisors (Board) approved a 10-year lease agreement, No. 09-1116, for 15,000 square feet of office space at 56357 Pima Trail in Yucca Valley for use by TAD and DAAS. The original term of the lease was for the period of February 1, 1995 through January 31, 2005. In the 27 years since the lease was originally approved, the Board has approved five amendments to extend the term through January 31, 2020, provide for tenant improvements, increase the premises by 10,000 square feet for a total of 25,000 square feet, adjust the rent schedule, reflect a change in property ownership, and update standard lease agreement language.

<u>Amendment No.</u>	<u>Approval Date</u>	<u>Item No.</u>
1	July 16, 1996	28
2	November 26, 1996	12
3	August 13, 2002	47
4	April 13, 2010	82
5	April 7, 2015	46

In November 2019, TAD and DAAS requested the Real Estate Services Department (RESA) negotiate an extension of the term of the lease and include a turn-key tenant improvement project to renovate the reception and lobby, which have suffered a decline in utility as operations and staff needs have changed in the years since the lease initially commenced. A scope of work for the turn-key tenant improvement project was prepared and negotiations on the costs and rental rate continued through April 2019. Painting and carpet replacement, pursuant to the specifications set forth in the amendment, will be performed by landlord at its expense.

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RES D conducted a market survey of comparable properties in the Yucca Valley area and determined that the \$2.17 per square foot per month rental rate currently charged for the premises is above the market rate. RES D was able to negotiate a reduction in the rental rate to \$1.93 per square foot per month, bringing the rent into an acceptable market range for the area. Landlord agreed to amortize the turn-key tenant improvements totaling \$357,544 over the 60-month extended term, adding \$5,959 per month (\$0.24 per square foot per month) to the monthly base rate.

RES D requests, on behalf of TAD and DAAS, that the Board also 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 turn-key tenant improvements set forth in the amendment. All change orders will be approved by TAD prior to authorizing any change order work or payment(s) to the Landlord.

There is an ongoing need for community support in the Yucca Valley region and this location meets the needs for TAD and DAAS. This Amendment No. 6 to lease agreement No. 93-1116 allows for the continued use of 25,000 square feet of office space in Yucca Valley by extending the term for five years for the period of August 1, 2020 through July 31, 2025 following a permitted six-month holdover period of February 1, 2020 through July 31, 2020, providing for the completion of turn-key tenant improvements, adjusting the rent schedule, and updating standard lease agreement language

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:	Pioneer Partners, Inc. (Frank Heard, President)
Location:	56357 Pima Trail, Yucca Valley
Size:	25,000 square feet of office space
Term:	Five years commencing August 1, 2020
Options:	None
Rent:	Cost per sq. ft. per month: \$1.93 base rent + \$0.24 amortized turn-key tenant improvements: Monthly: \$54,209 Annual: \$650,509 *low-range for comparable facilities in the Yucca Valley area per the competitive set analysis on file with RES D
Annual Increases:	3.5%, commencing August 1, 2022
Improvement Costs:	Provided by Lessor at a cost of \$357,544 and upon landlord's completion and County's acceptance of the turn-key tenant

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improvements to be amortized over the 60-month extended lease term at a rate of \$0.24 per square foot per month and an allocation up to \$45,000 for any contingencies and change order work to the turn-key tenant improvements set forth in Amendment No.64 to be authorized and paid by purchase orders as needed.

Custodial:	Provided by Lessor
Maintenance:	Provided by Lessor
Utilities:	Provided by Lessor, except that County pays for electric costs that exceed an expense cap
Insurance:	The Certificate of Liability Insurance, as required by the lease, is on file with RESD.
Right to Terminate:	County has the right to terminate with 90 days' notice, subject to repayment of any unamortized tenant improvement cost.
Parking:	Sufficient for County needs

PROCUREMENT

On November 23, 1993 (Item No. 29), the Board approved Lease Agreement No. 09-1116, which was procured according to County Policy 12-02 – Leasing Privately Owned Real Property for County Use (Policy), using a Formal Request for Proposals (Formal RFP) 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.

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 for the five-year period of August 1, 2020 through July 31, 2025 will provide for an aggregate term of 32 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 TAD and DAAS to continue to serve the residents in the Yucca Valley area. RESD requests the Board's approval to extend the lease through the exercise of its existing five-year extension option.

REVIEW BY OTHERS

This item has been reviewed by County Counsel (Agnes Cheng, Deputy County Counsel, and Adam Ebright, Deputy County Counsel and Jackie Carey-Wilson, Deputy County Counsel, 387-5455) on June 30, 2020; Human Services (John Hallen, Administrative Analyst III, 387-0321) on May 26, 2020; Purchasing Department (Bruce Cole, Buyer III, 387-0321) on June 1, 2020; Finance (Wen Mai, Principal Administrative Analyst, 387-4020) on July 7, 2020; and County Finance and Administration (Matthew Erickson, County Chief Financial Officer, 387-5423) on July 12, 2020.

(LB: 453-5227)

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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

BY 
DATED: July 28, 2020



cc: RESD- Thompson w/agree
 Contractor- C/O RESD w/agree
 File- w/agree
la 07/31/2020