

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

December 7, 2021

FROM

TERRY W. THOMPSON, Director, Real Estate Services Department

JOSH DUGAS, Director, Department of Public Health

SUBJECT

Amendment 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)

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 amend Lease Agreement No. 11-11 with Lugonia Redlands, LLC, to extend the term of the lease three years, for the period of January 1, 2022 through December 31, 2024, and add one three-year option to extend the term of the lease for the Department of Public Health, Women, Infants and Children Program at 800 East Lugonia Avenue, Suite K, in Redlands.
2. Approve **Amendment No. 5** to Lease **Agreement No. 11-11** with Lugonia Redlands, LLC, to extend the term of the lease three years, for the period of January 1, 2022 through December 31, 2024, add one three-year option to extend the term of the lease, 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 \$166,584.

(Presenter: Terry W. Thompson, Director, 387-5000)

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 three-year amendment is \$166,584. Lease payments will be made from the Real Estate Services Department (RESA) 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. Other costs associated with this lease include custodial and utility expenses, which will be paid from the DPH budget. Sufficient appropriation is included in the 2021-22 Rents and DPH budgets and will be included in future recommended budgets. Annual lease costs are as follows:

**Amendment to Lease Agreement with Lugonia Redlands, LLC, for Office Space for the Department of Public Health, Women, Infants and Children Program in Redlands
December 7, 2021**

<u>Year</u>	<u>Lease Cost</u>	<u>Estimate of Other Costs Associated With This Lease</u>
January 1, 2022 – December 31, 2022	\$ 53,892	\$17,783
January 1, 2023 – December 31, 2023	\$ 55,512	\$18,316
January 1, 2024 – December 31, 2024	<u>\$ 57,180</u>	<u>\$18,865</u>
Total Cost	\$166,584	\$54,964

BACKGROUND INFORMATION

The recommended action will amend an existing lease with Lugonia Redlands, LLC, by extending the term of the lease for three years by using an alternative procedure in lieu of a Formal Request of Proposal as allowed per County Policy 12-02 – Leasing Privately Owned Real Property for County Use, for the period of January 1, 2022 through December 31, 2024, adding one three-year option to extend the term of the lease, adjusting the rental rate schedule, and updating standard lease agreement language for the use of 3,000 square feet of office and clinic space for the DPH, Women, Infants and Children (WIC) Program because of the continuing need to provide WIC services. The facility best meets the requirements of the department, minimizes disruption to WIC services and will allow WIC to continue to serve residents in the Redlands area.

On January 11, 2011 (Item No. 43), the Board of Supervisors (Board) approved a five-year lease agreement, No. 11-11, with one three-year and one two-year option to extend the term of the lease, for 3,000 square feet of clinic space located 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 10 years since the lease was originally approved, the Board has approved four amendments to amend the commencement date, reflect a change of ownership, extend the term of the lease through December 31, 2021, 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
4	December 17, 2019	44

DPH requested RESD to negotiate an extension of the lease. RESD consulted with DPH about costs associated with relocation as well as the disruption in DPH program operations. DPH provided that the current location saves department funds and provides the necessary facility to serve the Redlands area. DPH further indicated a review of client demographics, market rates provided by RESD, current facility condition, available parking and staffing levels confirmed that extending the term at the current location will be less of a financial burden and programming impact. Overall, this negotiation will relieve the County of paying above market rate and satisfy the needs of the client.

DPH advised RESD to extend the term of Amendment No. 5 to Lease Agreement No. 11-11 for three years by using an alternative procedure in lieu of a Formal Request of Proposal as allowed per County Policy 12-02 – Leasing Privately Owned Real Property for County Use, for the period of January 1, 2022 through December 31, 2024, adding one three-year option to extend the term of the lease, adjusting the rental rate schedule, and updating standard lease

**Amendment to Lease Agreement with Lugonia Redlands, LLC, for Office Space for the Department of Public Health, Women, Infants and Children Program in Redlands
December 7, 2021**

agreement language for the use of 3,000 square feet of office and clinic space for the DPH, Women, Infants and Children (WIC) Program because of the continuing need to provide WIC services. The facility best meets the requirements of the department, minimizes disruption to WIC services and will allow WIC to continue to serve residents in the Redlands area. All other provisions 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 under CEQA. 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 in Redlands
Size:	3,000 square feet of office and clinic space
Term:	Three years commencing January 1, 2022
Options:	One three-year option remains
Rent:	Cost per sq. ft. per month: \$1.497* modified gross Monthly: \$4,491 Annual: \$53,892 *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:	Provided by Lessor, except electricity and gas provided by County
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 this agreement with 90-days' notice
Parking:	Sufficient for County needs

**Amendment to Lease Agreement with Lugonia Redlands, LLC, for Office
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Children Program in Redlands
December 7, 2021**

PROCUREMENT

On January 11, 2011 (Item No. 43), the Board approved Lease Agreement No. 11-11, which was procured according to County Policy 12-02 – Leasing Privately Owned Real Property for County Use (Policy 12-02), using a Solicitation of Proposals process. The Policy provides that the Board may approve the use of an alternative procedure in lieu of a Formal Request for Proposals (RFP) 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 interests of the County.

RESO, acting in its approved capacity as the County Administrative Office designee to review proposed real property leases under Policy 12-02, completed a competitive analysis of the market and found the current rent to be competitive. In addition, this facility best meets the requirements of the department, minimizes disruption to WIC services and will allow WIC to continue to serve residents in the Redlands area.

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 October 25, 2021; Department of Public Health (Joshua Dugas, Director, 387-6222) on September 21, 2021; Purchasing Department (Bruce Cole, Supervising Buyer, 387-2148) on September 30, 2021; Finance (Paul Garcia, Administrative Analyst, 386-8392 and Carl Lofton, Administrative Analyst, 387-5404) on November 17, 2021; and County Finance and Administration (Diana Atkeson, County Chief Financial Officer, 387-4376) on November 17, 2021.

(LD: 435-5894)


**Amendment to Lease Agreement with Lugonia Redlands, LLC, for Office
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December 7, 2021**

Record of Action of the Board of Supervisors
San Bernardino County

APPROVED (CONSENT CALENDAR)

Moved: Joe Baca, Jr. Seconded: Dawn Rowe
Ayes: Col. Paul Cook (Ret.), Janice Rutherford, Dawn Rowe, Curt Hagman, Joe Baca, Jr.

Lynna Monell, CLERK OF THE BOARD

BY 
DATED: December 7, 2021



cc: RESD- Thompson w/agree
Contractor- C/O RESD w/agree
File- w/agree
LA 12/17/2021