

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

August 6, 2019

FROM

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

SUBJECT

Amendment No. 3 to Lease Agreement with Perricomm3, LLC for Office and Warehouse Space and Vacant Land for the Department of Public Health, Mosquito Vector Control Program 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 expand the leased premises by 30,483 square feet and extend the term of Lease Agreement No. 13-941 by five years from May 1, 2024 to April 30, 2029, with Perricomm3, LLC, for the Department of Public Health, Mosquito Vector Control Program in San Bernardino.
 2. Approve Amendment No. 3 to Lease Agreement No. 13-941 with Perricomm3, LLC, to expand the leased premises by approximately 30,483 square feet, as of November 1, 2019, make tenant improvements totaling \$805,920, extend the term of the lease, which currently expires on April 30, 2024, by five years for the period of May 1, 2024 through April 30, 2029, adjust the rent schedule, and update standard lease agreement language for approximately 6,832 square feet of office and warehouse space, as expanded, at 248 S. Sierra Way, Units B through E, and approximately 42,733 square feet of vacant land, as expanded, at 111 Cluster Street in San Bernardino for the Department of Public Health, Mosquito Vector Control Program in the amount of \$1,933,206.
 3. Authorize the Purchasing Department to issue purchase orders, as necessary, for a total amount not to exceed \$25,000 for any contingencies and/or change orders that may arise in order to complete the turn-key tenant improvements set forth in the Amendment No. 3 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 require Discretionary General Funding (Net County Cost). The total cost of this amendment for the expanded premises and the tenant improvements for the remainder of the existing term and the extended term through April 30, 2029 is \$1,933,206. The total tenant improvements cost of \$805,920, includes a one-time, lump sum reimbursement to the landlord of \$717,000 upon completion and acceptance of the improvements and \$88,920 that will be amortized into the monthly rent. Payments will be paid from the Rents budget (7810001000) and reimbursed from the Department of Public Health (DPH) Mosquito Vector Control Program (MVCP) budget (930054100), which is funded by property assessments, billed services and

permit fees. Sufficient appropriation is included in the Rents and DPH/MVCP 2019-20 budgets and will be included in future recommended budgets. Annual lease costs are as follows:

<u>Period</u>	<u>Annual Lease Costs</u>
Remainder of Existing Term:	
November 1, 2019 – April 30, 2020	\$ 57,150
May 1, 2020 – April 30, 2021	\$ 116,760
May 1, 2021 – April 30, 2022	\$ 119,220
May 1, 2022 – April 30, 2023	\$ 121,680
May 1, 2023 – April 30, 2024	\$ 124,140
Extended Term:	
May 1, 2024 – April 30, 2025	\$ 128,232
May 1, 2025 – April 30, 2026	\$ 131,520
May 1, 2026 – April 30, 2027	\$ 135,612
May 1, 2027 – April 30, 2028	\$ 138,900
May 1, 2028 – April 30, 2029	\$ 142,992
Total Cost	\$1,216,206*

*This includes the amortization of \$88,920 in improvement costs. An additional one-time reimbursement of \$717,000 will also be paid for the remainder of the tenant improvement costs.

BACKGROUND INFORMATION

The recommended action will amend the existing lease agreement with Perricomm3, LLC to expand the leased premises by approximately 30,483 square feet, as of November 1, 2019, make tenant improvements totaling \$805,920, extend the term of the lease, which currently expires on April 30, 2024, for five years for the period of May 1, 2024 through April 30, 2029, adjust the rent schedule, and update standard lease agreement language for approximately 6,832 square feet of office and warehouse space, as expanded, at 248 S. Sierra Way, Units B through E, and approximately 42,733 square feet of vacant land, as expanded, at 111 Cluster Street in San Bernardino because of the continued need for MVCP in the San Bernardino area.

On November 19, 2013 (Item No. 47), the Board of Supervisors (Board) approved a 10-year lease agreement, No. 13-941, for 4,082 square feet of office and warehouse space located at 248 S. Sierra Way, Units D & E, and a 15,000 square foot vacant lot located at 111 Cluster Street in San Bernardino. The original term of the lease was from February 1, 2014 through January 31, 2024. In the five years since the lease was originally approved, the Board has approved two amendments to revise the commencement date, adjust the rent payment schedule, add janitorial service, reflect a change of ownership, and update standard lease agreement language.

<u>Amendment No.</u>	<u>Approval Date</u>	<u>Item No.</u>
1	April 22, 2014	43
2	October 17, 2017	20

MVCP provides vector control service for county and city areas served. Disease surveillance, community education, abatement, and code enforcement is provided in relation to vectors such as mosquitos, rodents, ticks, and nuisance pests. Currently, MVCP is in need of additional office and warehouse space to address emerging vector control issues in the County. By extending the lease term at the current location, MVCP will be able to make capital improvement investments and save on moving costs. The current facility is near DPH Administration offices and centrally located in the service area.

On May 17, 2019, MVCP requested that the Real Estate Services Department (RESA) negotiate (i) an expansion of the leased premises by approximately 30,483 square feet as follows: add approximately 2,750 square feet of warehouse space, identified as Units B & C at 248 S. Sierra Way for a total, after expansion, of approximately 6,832 square feet of space, identified as Units

B through E at 248 S. Sierra Way and add approximately 27,733 square feet of vacant land at 111 Cluster Street for a total, after expansion, of approximately 42,733 square feet of space at 111 Cluster Street; (ii) landlord's performance of certain tenant improvements; and (iii) an early extension of the existing term of the lease, which is scheduled to expire on April 30, 2024 for the expanded premises for five years through April 30, 2029. The rent for the expanded premises for the remainder of the existing term is calculated at the same cost per square foot as prior to the expansion but the rent for the expanded premises during the extended term is calculated based on market rates. RESD conducted a market survey of comparable properties in the San Bernardino area and determined that the rate negotiated for this lease for the extended term was within an acceptable market rate for specialized use properties of this type.

The improvements will include remodeled office and warehouse space, a conference room, wet-curb area for an aquarium, insectary, laboratory, laundry, upgraded restroom facilities with a shower, and a 42,733 square foot fenced paved lot for the storage of vehicles and chicken flocks. MVCP has unique operations that require office and warehouse specifications to meet program needs, safety, and legal requirements; these capital improvements encompass these requirements. The cost of the improvements is \$805,920, of which \$717,000 will be paid as a one-time, lump sum reimbursement to the landlord upon completion and acceptance of the improvements and \$88,920 will be amortized into the monthly rent.

RESD negotiated a five year extension to the lease, securing a competitive lease rate of approximately \$1.39 per square foot for combination office and warehouse space. The fenced and paved lot on Cluster Street is leased at no additional cost. The County will have the right to terminate with a 90-days' notice at any time after April 30, 2024.

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:	Perricomm3, LLC (James D. Franklin, Managing Member)
Location:	248 S. Sierra Way, Units B through E, and parking 111 Cluster Street
Size:	6,832 square feet of office and warehouse space at 248 S. Sierra Way and 42,733 square feet of vacant land at 111 Cluster Street
Term:	Five years commencing May 1, 2024
Options:	None

	<u>Cost per sq. ft. per month</u>	<u>Monthly</u>	<u>Annual</u>
Rent (old)	Approximately \$1.40 (based on 4,082 sq ft)	\$ 5,722	\$ 68,664
(new)	Approximately \$1.39 (based on 6,832 sq ft)**	\$ 9,252	\$114,300
(extended)	Approximately \$1.56 (based on 6,832 sq ft)**	\$10,686	\$128,232

**Low-Mid range for comparable facilities in the San Bernardino area per supporting lease comparables on file; the price per square foot includes \$780 per month amortized tenant improvements: this equates to approximately \$0.11 per square foot additional cost

Summary of Lease Terms

Annual Increases:	Approximately 2.7%
Improvement Costs:	\$805,920 (\$717,000 shall be reimbursed as one-time, lump sum payment; \$88,920 to be amortized over the lease term) and an allocation up to \$25,000 for any contingencies and change order work to the turn-key improvements set forth in Amendment No. 3 to be authorized and paid by purchase orders as needed
Custodial:	Provided by Lessor
Maintenance:	Provided by Lessor
Utilities:	Provided by Lessor. County to pay electrical costs in excess of \$11,341 per lease year or \$1.66 per square foot per year (electrical utility expense cap) subject to 2% annual increases
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 a 90-days' notice after April 30, 2024
Parking:	Sufficient for County needs

PROCUREMENT

On November 19, 2013 (Item No. 47), the Board approved Lease Agreement, No. 13-941, which was procured via a Solicitation of Proposals (SOP) pursuant to County Policy 12-02 – Leasing Privately Owned Real Property for County Use (Policy). Extending the term of the lease would normally require a Formal Request for Proposals (Formal RFP) process. However, the Policy also provides that the Board may approve the use of an alternative procedure to the 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 market analysis of comparable sites and found the rental rate for the extended term to be competitive. This site best meets the requirements of MVCP in the San Bernardino area and the department would save moving expenses if it stays in the current location. MVCP requests the Board approve RESD's request to extend the term of Lease Agreement No. 13-941 by five years for the period of May 1, 2024 through April 30, 2029, to enable MVCP to continue to operate and address emerging vector control issues in the County.

REVIEW BY OTHERS

This item has been reviewed by County Counsel (Agnes Cheng, Deputy County Counsel, Adam Ebright, Deputy County Counsel, and Luke Wooley, Deputy County Counsel, 387-5455) on July 10, 2019; Department of Public Health (Corwin Porter, Assistant Director, 387-6218) on June 28, 2019; Purchasing Department (Michael Candelaria, Buyer III, 387-0321) on June 24, 2019; Finance (Paul Garcia, Administrative Analyst, 386-8392 and Ginger Roosa, Principal Administrative Analyst, 387-4883) on July 19, 2019; and County Finance and Administration (Kelly Welty, Deputy Executive Officer, 387-5423) on July 19, 2019.

(PN: 677-8321)