

**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 for the Department of Public Health, Preparedness and Response 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 extend the term of Lease Agreement No. 13-942 for eight years from July 1, 2021 to June 30, 2029 with Perricomm3, LLC, for the Department of Public Health, Preparedness and Response Program in San Bernardino.
2. Approve **Amendment No. 3** to Lease **Agreement No. 13-942** with Perricomm3, LLC, to reduce the leased premises by approximately 30,483 square feet as of November 1, 2019, extend the term of the lease, which currently expires on June 30, 2021, for eight years, for the period of July 1, 2021 through June 30, 2029, adjust the rent schedule, and update standard lease agreement language for approximately 15,206 square feet of remaining office and warehouse space at 247 S. Boyd Street, Units A-H, in San Bernardino for the Department of Public Health, Preparedness and Response Program in the amount of \$2,506,956.

(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 the use of Discretionary General Funding (Net County Cost). The total cost of this amendment for the reduced premises for the remainder of the existing term and for the extended term through June 30, 2029 is \$2,506,956, calculated at the same cost per square foot as prior to the premise reduction, resulting in a cost savings of \$58,135 over the remaining lease term due to the reduction in square footage. Payments will be paid from the Rents budget (7810001000) and reimbursed from the Department of Public Health (DPH) Preparedness and Response Program (PRP) budget (9300091000), which is 100% grant funded. Sufficient appropriation is included in the Rents and PRP 2019-20 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 Costs</u>
Remainder of Existing Term:	
November 1, 2019 – June 30, 2020	\$ 138,624
July 1, 2020 – June 30, 2021	\$ 211,728
Extended Term:	
July 1, 2021 – June 30, 2022	\$ 244,272
July 1, 2022 – June 30, 2023	\$ 249,936
July 1, 2023 – June 30, 2024	\$ 255,600
July 1, 2024 – June 30, 2025	\$ 264,912
July 1, 2025 – June 30, 2026	\$ 272,412
July 1, 2026 – June 30, 2027	\$ 281,724
July 1, 2027 – June 30, 2028	\$ 289,224
July 1, 2028 – June 30, 2029	<u>\$ 298,524</u>
Total Cost	\$2,506,956

BACKGROUND INFORMATION

The recommended action will amend an existing lease agreement with Perricomm3, LLC to reduce the leased premises by approximately 30,483 square feet as of November 1, 2019, extend the term of the lease, which currently expires on June 30, 2021, by eight years for the period of July 1, 2021 through June 30, 2029, adjust the rent schedule, and update standard lease agreement language for approximately 15,206 square feet of remaining office and warehouse space at 247 S. Boyd Street, Units A-H, in San Bernardino because of the continued need for PRP asset storage in the San Bernardino area.

On November 19, 2013 (Item No. 43), the Board of Supervisors (Board) approved a seven-year lease agreement, No. 13-942, for 15,206 square feet of office and warehouse space located at 247 S. Boyd Street, Units A-H, 2,750 square feet of warehouse space located at 248 S. Sierra Way, Units B&C, and a 27,733 square foot vacant lot located at 111 Cluster Street in San Bernardino. The original term of the lease was from July 1, 2014 through June 30, 2021. In the six years since the lease was originally approved, the Board has approved two amendments to add janitorial service, adjust the rent payment schedule, reflect a change of property ownership, and updated standard lease agreement language.

<u>Amendment No.</u>	<u>Approval Date</u>	<u>Item No.</u>
1	April 22, 2014	42
2	October 17, 2017	21

PRP is responsible for planning, achieving and maintaining readiness for effective response to emergencies and disasters that affect the health and well-being of the residents of San Bernardino County. PRP is mandated by the Center for Disease Control to meet established levels and standards of preparedness, complete work plans and protocols, and meet specified goals identified by the State of California Department of Public Health.

On May 17, 2019, PRP requested the Real Estate Services Department (RESA) to reduce the size of the Premises by surrendering approximately 2,750 square feet of warehouse space located at 248 S. Sierra Way, Units B & C and approximately 27,733 square feet of vacant land located at 111 Cluster Street in San Bernardino to Landlord and negotiate an early extension of

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the existing term of the lease, which is scheduled to expire on June 30, 2021, for the remaining premises of approximately 15,206 square feet of office and warehouse space at 247 South Boyd Street Suites A-H, San Bernardino, which would align with the proposed amendment for DPH's lease at the same complex for the Mosquito and Vector Control Program (MVC). The rent for the extended term is calculated based on market rates, and there is no cost for the 27,733 square foot vacant lot. 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 current location accommodates the PRP staff, Department Operations Center (DOC) and the DPH emergency warehouse, which includes a generator. PRP is moving a portion of warehouse operations to Hesperia in an effort to maintain readiness for effective response to serve the communities in the High Desert, thereby allowing PRP to reduce the footprint in San Bernardino.

RESD negotiated an eight year extension to the lease, securing a competitive lease rate of approximately \$1.34 per square foot for the combination office and warehouse space commencing July 1, 2021. The County will have the right to terminate with 90-days' notice at any time after June 30, 2021.

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: 247 S. Boyd Street, Units A-H

Size: 15,206 total square feet of office and warehouse space

Term: Eight years commencing July 1, 2021

Options: None

		<u>Cost per sq. ft. per month</u>	<u>Monthly</u>	<u>Annual</u>
Rent	(old)	Approximately \$1.13 (based on 17,956 sq ft)	\$20,353	\$244,236
	(new)	Approximately \$1.14 (based on 15,206 sq ft for the remainder of existing term)*	\$17,328	\$207,936
	(extended)	Approximately \$1.34 (based on 15,206 sq ft for the extended term)	\$20,356	\$244,272

*Low-range for comparable office/warehouse facilities in the San Bernardino area per supporting lease comparables on file

Annual Increases: Approximately 2.7%

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Summary of Lease Terms

Improvement Costs:	None
Custodial:	Provided by Lessor
Maintenance:	Provided by Lessor
Utilities:	Provided by Lessor. County to pay electrical costs in excess of \$18,855 per lease year or \$1.24 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 90-days' notice after June 30, 2021
Parking:	Sufficient for County needs

PROCUREMENT

On November 19, 2013 (Item No. 43), the Board approved Lease Agreement, No. 13-942, 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. The rent for the remainder of the existing term is below market for the premises. During the extended term rent is calculated based on market rates. This site best meets the requirements of PRP in the San Bernardino area, and saves moving expenses if it stays in the current location. PRP requests the Board approve RESD's use of an alternative procedure to extend the term of Lease Agreement No. 13-942 by eight years for the period of July 1, 2021 through June 30, 2029 to enable PRP to continue to provide the Center for Disease Control mandated established levels and standards of preparedness, complete work plans and protocols, in order to meet specified goals identified by the State of California Department of Public Health.

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 25, 2019; Finance (Paul Garcia, Administrative Analyst, 386-8392 and Ginger Roosa, 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)

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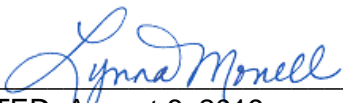
Record of Action of the Board of Supervisors
County of San Bernardino

APPROVED (CONSENT CALENDAR)

Moved: Robert A. Lovingood Seconded: Dawn Rowe

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

Lynna Monell, CLERK OF THE BOARD

BY 
DATED: August 6, 2019



cc: RESD-Thompson w/agree
Contractor c/o RESD w/agree
File- w/agree
vh 08/8/2019