

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

February 9, 2021

FROM

TERRY W. THOMPSON, Director, Real Estate Services Department

WILLIAM L. GILBERT, Director, Arrowhead Regional Medical Center

SUBJECT

Amendment No. 13 to Lease Agreement with Rose Hut, LLC for Medical Clinic Space for Arrowhead Regional Medical Center in Fontana

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. 87-1047 with Rose Hut, LLC for an additional two years, for the period of March 4, 2021 through March 3, 2023, following a permitted month-to-month holdover for the period of December 4, 2020 through March 3, 2021, (for an aggregate term of 34.75 years) for the continued use of 6,800 square feet of medical clinic space for Arrowhead Regional Medical Center in Fontana.
2. Approve **Amendment No. 13 to Lease Agreement No. 87-1047** with Rose Hut, LLC, to extend the term of the lease for an additional two years, for the period of March 4, 2021 through March 3, 2023 following a permitted month-to-month holdover for the period of December 4, 2020 through March 3, 2021, and adjust the rental rate schedule for 6,800 square feet of medical clinic space at 16854 Ivy Avenue in Fontana, for Arrowhead Regional Medical Center in the amount of \$435,504.

(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 amendment, including the permitted holdover, is \$435,504. Lease payments will be made from the Real Estate Services Department (RESA) Rents budget (7810001000) and reimbursed from the Arrowhead Regional Medical Center (ARMC) budget (9110004200). Sufficient appropriation is included in the 2020-21 budget and will be included in future recommended budgets. Annual lease costs are as follows.

**Amendment No. 13 to Lease Agreement with Rose Hut, LLC for Medical Clinic Space for Arrowhead Regional Medical Center in Fontana
February 9, 2021**

<u>Period</u>	<u>Annual Lease Cost</u>
December 4, 2020 thru March 3, 2021	\$ 47,124
March 4, 2021 thru March 3, 2022	\$192,264
March 4, 2022 thru March 3, 2023	<u>\$196,116</u>
Total Cost	\$435,504

BACKGROUND INFORMATION

The recommended action will amend an existing lease with Rose Hut, LLC, to extend the term of the lease for the period of March 4, 2021 through March 3, 2023, following a permitted month-to-month holdover for the period of December 4, 2020 through March 3, 2021, (for an aggregate term of 34.75 years) for 6,800 square feet of medical clinic space to allow ARMC to continue to provide services to County residents in the Fontana area.

On December 7, 1987 (Item No. 12), the Board of Supervisors (Board) approved a seven-year lease agreement, No. 87-1047 (Ivy Lease) for 5,800 square feet of clinic space at 16854 Ivy Avenue in Fontana (Ivy Premises). The original term of the Ivy Lease was for the period of July 1, 1988 through June 30, 1995. In the 32.6 years since the Ivy Lease was originally approved, the Board has approved 12 amendments to extend the term through December 3, 2020, add 1,000 square feet of additional space, 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	June 27, 1988	28
2	January 23, 1989	16
3	October 3, 1995	25
4	August 19, 1997	16
5	July 25, 2000	40
6	December 17, 2002	77
7	April 10, 2007	26
8	November 18 2008	53
9	November 16, 2010	40
10	March 3, 2015	48
11	March 7, 2017	47
12	December 4, 2018	58

On March 19, 2019 (Item No. 62), the Board approved a 15-year lease agreement, No. 19-193, with Baseline Sierra ARMC, LLC (Baseline Lease) for the construction of a 25,000 square feet clinic and office space for an ARMC family health center at the northwest corner of Baseline Avenue and Sierra Avenue in Fontana (Baseline Premises) to replace the Ivy Premises.

The Baseline Lease landlord experienced delays during the entitlement process for the Baseline Premises. Subsequently, on September 29, 2020 (Item No. 54), the Board approved Amendment No. 1 to the Baseline Lease to extend the projected improvement completion date from April 1, 2021 to July 15, 2021.

Because the Ivy Lease was scheduled to expire on December 3, 2020, RESD contacted the Ivy Lease landlord and negotiated a two year extension for the period of March 4, 2021 through March 3, 2023, following a three month permitted holdover with landlord consent, for the period of December 4, 2020 through March 3, 2021. Extending the term of the Ivy Lease will provide adequate time for ARMC to relocate into the Baseline Premises as well as vacate the Ivy

**Amendment No. 13 to Lease Agreement with Rose Hut, LLC for Medical Clinic Space for Arrowhead Regional Medical Center in Fontana
February 9, 2021**

Premises and return possession to the Ivy Lease landlord on or before March 3, 2023. The County has the right to terminate the Ivy Lease with 90-days' notice during the extended term.

Amendment No. 13 to the Ivy Lease extends the term of the lease for the period of March 4, 2021 through March 3, 2023, following a permitted month-to-month holdover, and adjusts the rental rate schedule. All other terms and conditions of the Ivy Lease remain unchanged.

Staff has reviewed the recommended action for the Ivy Lease 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:	Rose Hut, LLC (Stephen Claro, Managing Member)
Location:	16854 Ivy Avenue, Fontana
Size:	6,800 square feet of clinic space
Term:	Two years, commencing on March 4, 2021
Options:	None
Rent:	Cost per sq. ft. per month: Approximately \$2.36 modified gross* Monthly: \$16,022 Annual: \$192,264 *Mid-range for comparable clinic facilities in the Fontana area as supported by a market survey on file with RESD
Annual Increases:	2%
Improvement Costs:	None
Custodial	Provided by County
Maintenance:	Provided by County
Utilities	Provided by Lessor
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

**Amendment No. 13 to Lease Agreement with Rose Hut, LLC for Medical Clinic Space for Arrowhead Regional Medical Center in Fontana
February 9, 2021**

PROCUREMENT

On December 7, 1987 (Item No. 12), the Board approved the Ivy Lease, which was procured according to County Policy 12-02 – Leasing Privately Owned Real Property for County Use (Policy), using a Formal Request for Proposals (RFP). The Policy provides that the Board may approve the use of an alternative procedure to the use of a Formal RFP to procure leased space 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.

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 two-year period of March 4, 2021 through March 3, 2023, following a permitted month-to-month holdover for the period of December 4, 2020 through March 3, 2021, will provide for an aggregate term of 34.75 years.

RESO completed a competitive analysis of the market and found the rental rate for the extended term of the Ivy Lease to be competitive, the Ivy Premises best meets the requirements of the department until it can relocate to the Baseline Premises, minimizes disruption to the program activities, and will allow ARMC to continue to serve the residents in the Fontana area. RESO requests the Board's approval to extend the Ivy Lease two years.

REVIEW BY OTHERS

This item has been reviewed by County Counsel (Agnes Cheng, Deputy County Counsel and Charles Phan, Deputy County Counsel, 387-5455) on January 12, 2021; ARMC (Staci McClane, Associate Hospital Administrator, 580-6145) on January 8, 2021; Purchasing (Bruce Cole, Supervising Buyer, 387-2148) on January 8, 2021; Finance (Yael Verduzco, Administrative Analyst III, 387-5285 and Carl Lofton, Administrative Analyst, 387-5404) on January 25, 2021; and County Finance and Administration (Matthew Erickson, County Chief Financial Officer, 387-5423) on January 25, 2021.

(JAG: 677-8210)

**Amendment No. 13 to Lease Agreement with Rose Hut, LLC for Medical
Clinic Space for Arrowhead Regional Medical Center in Fontana
February 9, 2021**

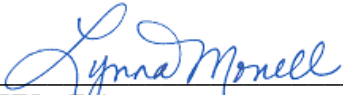
Record of Action of the Board of Supervisors
County of San Bernardino

APPROVED (CONSENT CALENDAR)

Moved: Joe Baca, Jr. Seconded: Janice Rutherford

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

Lynna Monell, CLERK OF THE BOARD

BY 
DATED: February 9, 2021



cc: RESD- Thompson w/agree
Contractor- C/O RESD w/agree
File- w/agree

LA 02/18/2021