

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

October 26, 2021

FROM

TERRY W. THOMPSON, Director, Real Estate Services Department

JOSH DUGAS, Director, Department of Public Health

SUBJECT

Amendment to Lease Agreement with John R. Hosman, LLC for Office and Clinic Space for the Department of Public Health in Twentynine Palms

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 the lease three years for the period of November 1, 2021 through October 31, 2024 (for an aggregate term of 26 years) and add one three-year option to extend the term (for an aggregate term of 29 years, if exercised) of Lease Agreement No. 98-423 with John R. Hosman, LLC for the Department of Public Health at 6527 Desert Queen Avenue in Twentynine Palms.
2. Approve **Amendment No. 9** to Lease **Agreement No. 98-423** with John R. Hosman, LLC to extend the term of the lease three years for the period of November 1, 2021 through October 31, 2024, add one three-year option to extend the term of the lease, provide for turnkey tenant improvements to be completed by landlord, adjust the rental rate schedule, and update standard lease agreement language for 1,800 square feet of office and clinic space for the Department of Public Health, Women, Infants and Children at 6527 Desert Queen Avenue in Twentynine Palms in the amount of \$103,752.

(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 \$103,752. Lease payments will be made from the Real Estate Services Department (RESA) Rents budget (7810001000) and reimbursed from the Department of Public Health (DPH) Women, Infants and Children (WIC) budget (9300061000), which is 100% federally funded. 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:

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<u>Year</u>	<u>Annual Lease Cost</u>	<u>Estimate of Other Costs Associated With This Lease</u>
November 1, 2021 – October 31, 2022	\$33,936	\$8,812
November 1, 2022 – October 31, 2023	\$34,584	\$9,076
November 1, 2023 – October 31, 2024	<u>\$35,232</u>	<u>\$9,348</u>
Total Cost	\$103,752	\$27,236

BACKGROUND INFORMATION

The recommended action will amend an existing lease with John R. Hosman, LLC, by extending the term of the lease three years for the period of November 1, 2021 through October 31, 2024, adding one three-year option to extend the term of the lease, providing for turn-key tenant improvements to be completed by landlord, adjusting the rental rate schedule, and updating standard lease agreement language because of the continuing need to provide DPH services in the Twentynine Palms area.

On June 16, 1998 (Item No. 14), the Board of Supervisors (Board) approved a five-year lease agreement, No. 98-423, with three two-year options to extend the term of the lease for 1,800 square feet of office and clinic space located at 6527 Desert Queen Avenue in Twentynine Palms for DPH. The original term of the lease was for the period of September 1, 1998 through August 31, 2003. In the 23 years since the lease was originally approved, the Board has approved eight amendments to extend the term of the lease, adjust the rental rate schedule, add options to extend the term of the lease, a change of property ownership and update standard lease agreement language.

<u>Amendment No.</u>	<u>Approval Date</u>	<u>Item No.</u>
1	November 18, 2003	48
2	August 16, 2005	25
3	August 7, 2007	45
4	July 14, 2009	41
5	July 10, 2012	44
6	August 25, 2015	42
7	October 16, 2018	37
8	October 8, 2019	34

DPH requested RESD negotiate an extension of the lease for three-years for the period of November 1, 2021 through October 31, 2024, add one three-year option to extend the term of the lease, provide for turn-key tenant improvements which include paint and carpet throughout the facility to be completed by landlord, adjust the rental rate schedule, and update standard lease agreement language. All other terms and conditions 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. Accordingly, no further action is required under CEQA.

Summary of Lease Terms

Lessor: John R. Hosman, LLC
(John R. Hosman, Member)

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Location:	6527 Desert Queen Avenue, Twentynine Palms
Size:	1,800 square feet of office and clinic space
Term:	Three years commencing November 1, 2021
Options:	One three-year option remains
Rent:	Cost per sq. ft. per month: 1.57* modified gross Monthly: \$2,828 Annual: \$33,936 *Mid-range for comparable facilities in the Twentynine Palms area per the competitive set analysis on file with RESD
Annual Increases:	2%
Improvement Costs:	\$14,976 in turn-key improvements (\$416 per month) to be constructed by landlord and amortized over the 36 months of the extended term
Custodial:	Provided by County
Maintenance:	Provided by Lessor
Utilities:	Provided by Lessor except that County pays for interior electric and gas and telephone service
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 effective on or at any time after October 31, 2024
Parking:	Sufficient for County needs

PROCUREMENT

On June 16, 1998 (Item No. 14), the Board approved a five-year lease agreement, No. 98-423 with three two-year options to extend the term of the lease for 1,800 square feet of office and clinic space located at 6527 Desert Queen Avenue in Twentynine Palms, which was procured in accordance with County Policy 12-02 – Leasing Privately Owned Real Property for County Use (Policy 12-02) using a formal Request for Proposals (RFP) process to procure the requested clinic space. On August 7, 2007 (Item No. 45), the Board approved the use of an alternative procedure in lieu of a formal RFP process as provided in Policy 12-02, to negotiate additional extensions to the term of the lease. The current term of the lease expires on October 31, 2021 and there are no remaining options to extend the term of the lease.

Policy 12-02 requires that the Board approve the use of an alternative procedure to the use of a Formal RFP whenever the Board determines that compliance with the Formal RFP

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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. Policy 12-02 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. Approval of the recommended extension of three-years and addition of one three-year option to extend the term of the lease and 29 years, respectively will result in an aggregate term of 26 years and 29 years respectively.

RESO, acting in its approved capacity as the CAO 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 anticipated long-term requirements of the department, and if the options are exercised, it would minimize disruption to services and save on relocation costs. Therefore, RESO and DPH recommend that the Board approve extending the term of the lease three years for the period of November 1, 2021 through October 31, 2024 and adding one three-year option to extend the term of the lease without the use of a formal RFP process.

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 4, 2021; Public Health (Jeany Zepeda, Assistant Director, 387-6222) on September 28, 2021; Purchasing (Bruce Cole, Supervising Buyer, 387-2148) on September 21, 2021; Real Estate Services (Jennifer Costa, Assistant Director, 387-5000) on October 5, 2021; Finance (Paul Garcia, Administrative Analyst, 386-8392 and Carl Lofton, Administrative Analyst, 387-5404) on October 12, 2021 and County Finance and Administration (Matthew Erickson, County Chief Financial Officer, 387-5423) on October 12, 2021.

(PN: 677-8321)

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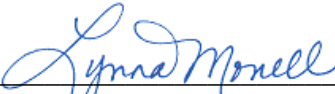
Record of Action of the Board of Supervisors
San Bernardino County

APPROVED (CONSENT CALENDAR)

Moved: Joe Baca, Jr. Seconded: Col. Paul Cook (Ret.)

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

Lynna Monell, CLERK OF THE BOARD

BY 
DATED: October 26, 2021



cc: RESD- Thompson w/agree
Contractor- C/O RESD w/agree
File- w/agree
LA 11/2/2021