



San Bernardino County

Legislation Text

File #: 3255, Agenda Item #: 74

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

November 17, 2020

FROM

TERRY W. THOMPSON, Director, Real Estate Services Department

VERONICA KELLEY, Director, Department of Behavioral Health

SUBJECT

Extension of Lease Agreement with RVF Properties, LLC for Office Space for the Department of Behavioral Health in Victorville

RECOMMENDATION(S)

Authorize the Director of the Real Estate Services Department to extend Lease Agreement No. 98-51 with RVF Properties, LLC for three years for the period of December 1, 2020 through November 30, 2023 (for an aggregate term of 25 years), following a permitted month-to-month holdover for the period of August 1, 2019 through November 30, 2020, by delivering written notice exercising the County's existing three-year extension option for approximately 14,515 square feet of office space for the Department of Behavioral Health at 12625 Hesperia Road in Victorville in the amount of \$1,387,636.

(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 three-year lease extension, including the permitted holdover, is \$1,387,636. Lease payments will be made from the Real Estate Services Department (RESA) Rents budget (7810001000) and reimbursed from the Department of Behavioral Health (DBH) budget (9200001000). DBH lease costs are funded 30% Federal, 28% State and 42% State Mental Health Realignment funds. Sufficient appropriation is included in the 2020-21 Rents and DBH budgets and will be included in future recommended budgets. Annual lease costs are as follows:

<u>Period</u>	<u>Annual Lease Cost</u>
August 1, 2019 - November 30, 2020	\$ 450,544
December 1, 2020 - November 30, 2021	\$ 304,812
December 1, 2021 - November 30, 2022	\$ 311,784
December 1, 2022 - November 30, 2023	\$ 320,496
Total Cost	\$1,387,636

BACKGROUND INFORMATION

The recommended action will authorize the Director of RESD to extend Lease Agreement No. 98-51 with RVF Properties, LLC (RVF) for three years for the period of December 1, 2020 through November 30, 2023, following a permitted 16-month holdover for the period of August 1, 2019 through November 30, 2020, by delivering written notice to RVF to exercise the County's existing three year extension option for 14,515 square feet of office space for DBH in Victorville. The three-year extension of the lease due to the County's exercise of its existing extension option is on the same terms and conditions except monthly rent, which shall be adjusted to market rates. RESD negotiated a rental rate of \$1.75 per square foot per month (\$304,812 annually) for the first year of the extended term, which is a decrease of \$0.19 per square foot per month from the rental rate for the prior term of \$1.94 per square foot per month (\$337,908 annually).

On January 27, 1998, (Item No. 18), the Board of Supervisors (Board) approved a 10-year lease agreement, No. 98-51, with three two-year options to extend the term of the lease for approximately 13,674 square feet of office space located at 12625 Hesperia Road in Victorville. The original term of the lease was for the period of August 1, 1998 through July 31, 2008. In the 22 years since the lease was originally approved, the Board has approved three amendments to expand the premises, extend the term of the lease, reflect changes in the property ownership, provide for tenant improvements, add one three-year option to extend the term of the lease, adjust the rental rate schedule, and update standard lease agreement language.

<u>Amendment No.</u>	<u>Approval Date</u>	<u>Item No.</u>
1	March 7, 2000	35
2	March 17, 2009	43
3	September 25, 2012	55

DBH needs to maintain an office in the Victorville area to continue to serve its residents. DBH requested RESD process an amendment to exercise an existing three year option to extend the term of the lease on the same terms and conditions, except that monthly rent would be adjusted to market rates. During negotiations on the market rent, the lease went into a permitted holdover. Although the parties reached an agreement on the market rent, despite staff efforts, RVF has declined to execute an amendment due to its desire to modify existing terms and conditions as part of the extension, including changes to the existing indemnity language which is the Board-approved standard language per County Policy. The existing option to extend on the same terms and conditions is a unilateral right of the County that was previously granted by RVF in the lease, which can be exercised by the County by delivering a written notice to RVF without the need for a mutually executed amendment. Exercising the existing option is recommended to take the lease out of a month-to-month holdover and provide for a fixed, certain term. Except the monthly rent, all other terms and conditions of the Lease shall remain the same.

A companion item on today's agenda recommends the Board authorize the Director of RESD to extend Lease Agreement No. 02-1013 with RVF for three years for the period of December 1, 2020 through November 30, 2023 by delivering written notice exercising the County's existing three-year extension option for adjacent clubhouse space.

Summary of Lease Terms

Lessor: RVF Properties, LLC, a California limited liability company
(Roseann Armienti, Managing Member)

Location: 12625 Hesperia Road in Victorville

Size: 14,515 square feet of office space

Term:	Three Years, commencing December 1, 2020
Options:	None
Rent:	Cost per sq. ft. per month: \$1.75* full service gross Monthly: \$25,401 Annual: \$304,812 *Mid-range for comparable facilities in the Victorville area per the competitive set analysis on file with RESD
Annual Increases:	6.5% in year two and 2.79% in year three
Improvement Costs:	None
Custodial:	Provided by Lessor
Maintenance:	Provided by Lessor
Utilities:	Provided by Lessor
Insurance:	The Certificate of Liability Insurance as required by the lease is on file with RESD
Right to Terminate:	The County has the right to terminate with 90 days' notice
Parking:	Sufficient for County needs

PROCUREMENT

On January 27, 1998 (Item No. 18), the Board approved Lease Agreement No. 98-51, which was procured according to County Policy 12-02 - Leasing Privately Owned Real Property for County Use (Policy) using a Formal Request for Proposals process. The procurement process required by the Policy does not apply to amendments of existing leases, provided the amendment does not exceed the maximum term (including options) of the lease.

The Policy also requires a thorough and detailed review by the County Administrative Office or designee to validate the need and for RESD to provide a competitive analysis of any lease with a term of more than 20 years. Exercising the existing three-year option to extend the term of the lease for the period of December 1, 2020 through November 30, 2023 will provide for an aggregate term of 25 years. RESD completed a competitive analysis of the area and found the negotiated rental rate is competitive, this facility best meets the requirements of the department, and the department would save moving expenses if it stays in the current location.

REVIEW BY OTHERS

This item has been reviewed by County Counsel (Agnes Cheng, Deputy County Counsel, 387-5455) on October 21, 2020; DBH (Michael Knight, Assistant Director, 388-0808 and Emily Petrus, Administrative Supervisor, 388-0949) on October 9, 2020; Purchasing (Bruce Cole, Buyer II, 387-2464) on October 9, 2020; (Carl Lofton, Administrative Analyst, 387-5404 and Chris Lange, Administrative Analyst, 386-8393) on November 2, 2020; and County Finance and Administration (Matthew Erickson, County Chief Financial Officer, 387-5423) on November 2, 2020.

(JAG: 677-8210)