



# San Bernardino County

## Legislation Text

File #: 3649, Agenda Item #: 52

### 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**

**PHALOS HAIRE, Director, Preschool Services Department**

#### **SUBJECT**

Amendment No. 9 to Lease Agreement with Hwal Soo Shin and Hyun Shin for Office/Classroom Space and Playground and Parking Areas for the Preschool Services Department in Highland

#### **RECOMMENDATION(S)**

Approve Amendment No. 9 to Lease Agreement No. 97-118 with Hwal Soo Shin and Hyun Shin, to extend the term of the lease for three years for the period of March 1, 2021 through February 29, 2024 by exercising the first of two three-year options to extend the term of the lease, following a six-month permitted holding over for the period of September 1, 2020 through February 28, 2021, adjust the rental rate and update standard lease agreement language for 3,000 square feet of classroom and office space, 9,700 square feet of playground area, and 15,905 square feet of parking area at 26887 East Fifth St. in Highland for the Preschool Services Department in the amount of \$180,528.

(Presenter: Terry W. Thompson, Director, 387-5000)

#### **COUNTY AND CHIEF EXECUTIVE OFFICER GOALS & OBJECTIVES**

**Operate in a Fiscally-Responsible and Business-Like Manner.**

**Pursue County Goals and Objectives by Working with Other Agencies.**

#### **FINANCIAL IMPACT**

Approval of this item will not result in the use of additional Discretionary General Funding (Net County Cost) as Preschool Services Department (PSD) lease costs are approximately 86% federally funded and 14% state funded. The total cost of this three-year amendment is \$180,528. Lease payments will be made from the Rents budget (7810001000) and reimbursed from the PSD budget (5911682220). Other costs associated with this lease include custodial costs, utilities, minor interior maintenance and maintenance of the grounds, parking lot and playground areas, which will be paid from the PSD budget. Sufficient appropriation is included in the 2020-21 budget and will be included in future recommended budgets. Annual lease costs are as follows:

<u>Year</u>	<u>Annual Lease Cost</u>	<u>Estimate of Other Costs Associated With This Lease</u>
September 1, 2020 - February 28, 2021	\$ 26,280	\$ 12,085
March 1, 2021 - February 28, 2022	\$ 50,400	\$ 24,894

March 1, 2022 - February 28, 2023	\$ 51,408	\$ 25,641
March 1, 2023 - February 29, 2024	<u>\$ 52,440</u>	<u>\$ 26,410</u>
<b>Total Cost</b>	<b>\$180,528</b>	<b>\$ 89,030</b>

**BACKGROUND INFORMATION**

The recommended action will amend an existing lease with Hwal Soo Shin and Hyun Shin, extend the term of the lease for three years for the period of March 1, 2021 through February 29, 2024 by exercising the first of two three-year options to extend the term of the lease, following a permitted six-month holding over for the period of September 1, 2020 through February 28, 2021, adjust rental rate, and update standard lease agreement language because of the need for PSD to provide Head Start services for its clients in the Highland area.

PSD has occupied this Highland preschool site since 1997. On February 25, 1997 (Item No. 14), the Board of Supervisors (Board) approved a five-year Lease Agreement No. 97-118, with three two-year options to extend the term of the lease, with Kyung Ryal Park and Choon Ja Park for approximately 3,000 square feet of classroom and office space, 9,700 square feet of playground area, and 15,905 square feet of parking area located at 26887 E. Fifth Street in Highland. The original term of the lease was for the period of September 1, 1997 through August 31, 2001. In the 24 years since the lease was originally approved, the Board has approved eight amendments to extend the term, reflect a change of ownership, add option periods, and update standard lease agreement language.

<u>Amendment No.</u>	<u>Approval Date</u>	<u>Item No.</u>
1	November 20, 2001	57
2	October 28, 2003	40
3	August 30, 2005	58
4	September 11, 2007	29
5	September 28, 2010	50
6	May 21, 2013	52
7	August 25, 2015	47
8	June 13, 2017	77

PSD requested the Real Estate Services Department (RESO) exercise an available three-year option to extend the term of the lease following a permitted six month holding over during which period the County has continued to occupy the premises and abide by the provisions of the lease for the period September 1, 2020 through February 28, 2021, and during which Landlord negotiations on a City of Highland Right of Way project were conducted which resulted in no effect to the Premises. RESO conducted a market survey of comparable properties in the Highland area and determined the current rate of \$4,380 (approximately \$1.46 per square foot) is within current market rates, but in the low range. RESO negotiated a three-year extension of the term of the lease at a reduced monthly rate of \$4,200 (approximately \$1.40 per square foot) with 2% annual increases.

Amendment No. 9 to Lease Agreement No. 97-118, extends the term three years by exercising the first of two three-year options, for the period of March 1, 2021 through February 29, 2024, following a permitted six-month hold over for the period of September 1, 2020 through February 28, 2021, adjusts the rental rate schedule, updates standard lease agreement language, and provides for the continued use of approximately 3,000 square feet of classroom and office space, approximately 9,700 square feet of playground area and approximately 15,905 square feet of parking area.

Staff has reviewed the recommended action pursuant to the California Environmental Quality Act (CEQA) and has determined that it does not constitute a project under CEQA. Accordingly, no further action is required

under CEQA.

Summary of Lease Terms

Lessor:	Hwal Soo Shin and Hyun Shin
Location:	26887 East Fifth Street, Highland
Size:	Approximately 3,000 square feet of classroom and office space, 9,700 square feet of playground area, and 15,905 square feet of parking area
Term:	Three years commencing March 1, 2021
Options	One three-year option remains
Rent:	Cost per sq. ft. per month: \$1.40 Monthly: \$4,200 Annual: \$50,400 *Low-range for comparable facilities in the Highland area per the competitive set analysis on file with RESD
Annual Increases:	2%
Improvement Costs:	None
Custodial	Provided by County
Maintenance:	Provided by Lessor; except the County provides minor interior maintenance, and maintenance of the grounds, playground, parking areas
Utilities:	Provided by County
Insurance:	The Certificate of Liability Insurance, as required by the lease, will be on file with the Real Estate Services Department
Right to Terminate:	County has the right to terminate with 90-days' notice
Parking:	Sufficient for County needs

**PROCUREMENT**

On February 25, 1997 (Item No. 14), the Board approved a five-year Lease Agreement No. 97-118, with three two-year options to extend the term of the lease, procured using an alternative procedure as provided in County Policy12-02- Leasing Privately Owned Real Property for County Use (Policy). The procurement process required by 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 for and provide a competitive analysis of any lease with a term of more than 20 years. Exercising the three-year option to extend the term of the lease in this amendment will yield an aggregate term of 27 years.

RESA completed a market analysis of comparable properties and found the current rental rate to be competitive but in the low range. The site best meets the needs of the department for a preschool site in the Highland area. RESA was able to negotiate a modest decrease in the cost of the annual rent.

#### **REVIEW BY OTHERS**

This item has been reviewed by County Counsel (Agnes Cheng, Deputy County Counsel, 387-5455) on January 11, 2021; PSD (Phalos Haire, Director, 383-2044) on December 17, 2020; Purchasing Department (Bruce Cole, Buyer III, 387-0321) on December 17, 2020; Finance (Paul Garcia, Administrative Analyst III, 386-8392 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.

(LB: 453-5227)