

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

July 28, 2020

**FROM**

**TERRY W. THOMPSON, Director, Real Estate Services Department**

**SANDRA HARMSSEN, Interim Director, Workforce Development Department**

**SUBJECT**

Amendment No. 3 to Lease Agreement with San Bernardino Community College District for Office Space for the Workforce Development Department 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. 09-89 with San Bernardino Community College District for two years for the period of August 1, 2020 through July 31, 2022, following a permitted holdover for the period of July 1, 2019 through July 31, 2020, for the continued use of 16,642 square feet of office space for the Workforce Development Department in San Bernardino.
2. Approve **Amendment No. 3 to Lease Agreement No. 09-89** with San Bernardino Community College District to reflect a change in property ownership from Tri City North Owner, LLC to San Bernardino Community College District, extend the term of the lease through a negotiated term of two years for the period of August 1, 2020 through July 31, 2022, following a 13 month permitted holdover for the period of July 1, 2019 through July 31, 2020, adjust the rent schedule, and update standard lease agreement language for approximately 16,642 square feet of office space for the Workforce Development Department in San Bernardino in the amount of \$1,385,451.

(Presenter: Terry W. Thompson, Director, 387-5252)

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

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

**FINANCIAL IMPACT**

Approval of this item will not result in the use of Discretionary General Funding (Net County Cost). The total cost of this two-year lease amendment is \$1,385,451. Lease payments will be made from the Rents budget (7810001000) and reimbursed from the Workforce Development Department (WDD) budget (5715662260). WDD is a federal and state funded program through the Workforce Innovation and Opportunity Act (WIOA). The State of California Employment Development Department (EDD) subleases a portion of the leased space from WDD and pays its pro rata share of approximately 48% of the lease costs and related expenses directly to WDD. Sufficient appropriation is included in both the Rents and WDD 2020-21 budgets and will be included in future recommended budgets. Annual lease costs are as follows:

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<u>Period</u>	<u>Lease Cost</u>
July 1, 2019 – July 31, 2020	\$ 481,586
August 1, 2020 – July 31, 2021	\$ 444,541
August 1, 2021 – July 31, 2022	<u>\$ 459,324</u>
<b>Total Cost</b>	<b><u>\$1,385,451</u></b>

**BACKGROUND INFORMATION**

The recommended action will amend an existing lease agreement with San Bernardino Community College District (CC) to reflect a change of property ownership, from Tri City North Owner, LLC (Tri) to CC, extend the term of the lease for the period of August 1, 2020 through July 31, 2022 through a negotiated two year extension following a 13 month permitted holdover for the period of July 1, 2019 through July 31, 2020, adjust the rent schedule, and update standard lease agreement language for approximately 16,642 square feet of office space located at 658 East Brier Street, Suite 100, in San Bernardino for WDD because of the continuing need to provide employment services for job seeker and employers in the San Bernardino area.

On February 10, 2009 (Item No. 34), the Board of Supervisors (Board) approved Lease Agreement No. 09-89, with one five-year option to extend the term of the lease, with Rancon Realty Fund IV, for approximately 16,642 square feet of office space located at 658 East Brier Street, Suite 100, in San Bernardino for WDD (Brier Lease). The original term of the Brier Lease was for the period of July 1, 2009 through June 30, 2014. In the 11 years since the lease was originally approved, the Board has approved two amendments extending the term of the lease for the period of July 1, 2014 through June 30, 2019, adjusting the rent schedule, reflecting a change of property ownership from Rancon Realty Fund IV to Tri, and updating standard lease agreement language.

<u>Amendment No.</u>	<u>Approval Date</u>	<u>Item No.</u>
1	May 6, 2014	49
2	September 15, 2015	52

The State EDD occupies approximately 8,039 square feet of office space at 658 East Brier Street, Suite 100, in San Bernardino under Sublease Agreement No. 09-740. This sublease expired on June 30, 2014 and EDD has continued to occupy the subleased space under a permitted holdover. Following the Board's approval of the pending amendment to the Brier Lease, RESD will negotiate an extension of the EDD sublease to concurrently expire on July 31, 2022 and WDD and RESD will return to the Board for approval of the sublease amendment.

On March 15, 2018 the County Administrative Office approved Capital Improvement Program Request No. 18-218 submitted by WDD for approximately 28,120 square feet of office space in the San Bernardino area to co-locate both WDD and EDD. On June 26, 2018 (Item No. 44), the Board approved and authorized a Request for Proposals (RFP) and the Real Estate Services Department (RESD) released the RFP requesting responses for an occupancy date of July 1, 2019 or sooner. On August 15, 2018, RESD and WDD agreed to obtain Board approval to reject all the proposals received as none adequately met the requirements of the RFP and issue a new RFP. On November 6, 2018 (Item No. 36), the Board rejected all proposals received in response to the June 26, 2018 RFP and approved and authorized the release of a new RFP. RESD released the new RFP, which included a boundary extension requested by WDD. The RFP selection committee determined that one of the proposals was acceptable and extended

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negotiations commenced for additional concessions requested by WDD delaying the presentation of the new lease to the Board for approval. On April 21, 2020 (Item No. 55), the Board approved Lease Agreement No. 20-190 with two five-year options to extend the term of the lease with WM Inland Investors IV, LP (Inland) for approximately 24,000 square feet of office space located at 500 Inland Center Drive, Suite 508, in San Bernardino (Inland Lease). The initial term of the Inland Lease is for the projected period of April 1, 2021 through March 31, 3031, subject to landlord's completion of turnkey tenant improvements.

During a concurrent time, the currently occupied property at 658 East Brier Street was acquired by new ownership and several offers of attractive terms for the renewal of the Brier Lease were offered and considered by WDD, which delayed a final determination of the site to be occupied. On July 1, 2019, as WDD considered options from CC and continued to negotiate for additional concessions from Inland, the Brier Lease went into holdover and the County has continued to occupy the leased premises and abide by the provisions and conditions of the Brier Lease. Amendment No. 3 to the Brier Lease reflects a change of property ownership from Tri to CC, provides for a negotiated lease extension of two years for the period of August 1, 2020 through July 31, 2022, following a permitted holdover for the period of July 1, 2019 through July 31, 2020, with no increase in the rent for the first year of the extended term, adjusts the rent schedule for the second year of the extended term, and updates standard lease agreement language. Extending the term of the Brier Lease will provide adequate time for WDD to relocate to the premises under the Inland Lease as well as vacate the premises under the Brier Lease and return possession to CC. The County has the right to terminate the Brier Lease with 90-days' notice during the extended term and the RESD Director shall have the authority to exercise the County's termination right.

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:	San Bernardino Community College District (Jose F. Torres, Interim Chancellor)
Location:	658 East Brier Street, Suite 100, San Bernardino
Size:	Approximately 16,642 square feet of office space
Term:	Two years commencing August 1, 2020
Options	None
Rent:	Cost per sq. ft. per month: \$2.23 Monthly: \$ 37,045.05 Annual: \$444,541 *Mid-range for comparable facilities in the San Bernardino area per the competitive set analysis on file with RESD
Annual Increases:	3%

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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:	County has the right to terminate with 90 days' written notice
Parking:	Sufficient for County needs

**PROCUREMENT**

On February 10, 2009 (Item No. 34) the Board approved the Brier Lease, which was procured according to County Policy 12-02 – Leasing Privately Owned Real Property for County Use (Policy), using a Solicitation of Proposals process. The Policy provides that the Board may approve the use of an alternative procedure to the use of a 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. The use of an alternate process to the Policy is requested by WDD and RESD for this amendment to extend the term of the Brier Lease to accommodate the pending relocation to the premises under the Inland Lease as well as to vacate the premises under the Brier Lease and return its possession to CC. RESD completed a competitive analysis of the area and found the lease rate is competitive for a two-year term.

**REVIEW BY OTHERS**

This item has been reviewed by County Counsel (Agnes Cheng, Deputy County Counsel and Sophie Akins, Deputy County Counsel, 387-5455) on July 7, 2020; WDD (Fred Burks, Administrative Supervisor, 387-9845) on June 30, 2020; Purchasing Department (Bill Brock, Buyer II, 387-2464) on June 27, 2020; Finance (Kathleen Gonzalez, Administrative Analyst, 387-5412 and Wen Mai, Principal Administrative Analyst, 387-4020) on July 8, 2020; and County Finance and Administration (Matthew Erickson, County Chief Financial Officer, 387-5423) on July 12, 2020.

(KB: 677-7961)

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

**APPROVED (CONSENT CALENDAR)**

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

Lynna Monell, CLERK OF THE BOARD

BY   
DATED: July 28, 2020



cc: RESD- Thompson w/agree  
Contractor- C/O RESD w/agree  
File- w/agree  
la 07/31/2020