

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

February 27, 2024

FROM

TERRY W. THOMPSON, Director, Real Estate Services Department

JEANY ZEPEDA, Director, Children and Family Services

SUBJECT

Lease Agreement with Redlands Railway District, LLC for Office Space in Redlands

RECOMMENDATION(S)

1. Find that approval of a Lease Agreement with Redlands Railway District, LLC for office space is an exempt project under the California Environmental Quality Act Guidelines Section 15301 - Existing Facilities (Class 1).
2. Approve the Real Estate Services Department's use of an alternative procedure in lieu of a formal Request for Proposal, as allowed per County Policy 12-02 - Leasing Privately Owned Real Property for San Bernardino County Use, to lease approximately 16,996 square feet of office space for a 10-year term, for the projected period of October 1, 2024 through September 30, 2034, with two five-year extension options, located at 31 West Stuart Avenue, Suite 100 and 101 West Stuart Avenue, in Redlands.
3. Approve Lease **Agreement No. 24-179** with Redlands Railway District, LLC for 10 years for the projected period of October 1, 2024 through September 30, 2034, with two five-year extension options, for approximately 16,996 square feet of office space for Children and Family Services located at 31 West Stuart Ave, Suite 100 and 101 West Stuart Avenue, in Redlands, in the amount of \$7,860,877.
4. Authorize the Director of the Real Estate Services Department to approve and execute any other documents and take any other actions necessary to complete this transaction or perform lease requirements prior to or throughout the term, subject to County Counsel review.
5. Authorize the Purchasing Agent to issue purchase orders, as necessary, for a total amount not to exceed \$50,000, for any unforeseen contingencies and/or change orders that may arise during construction in order to complete the tenant improvements set forth in the Lease Agreement with Redlands Railway District, LLC (Four votes required).
6. Direct the Real Estate Services Department to file the Notice of Exemption in accordance with the California Environmental Quality Act.

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

COUNTY AND CHIEF EXECUTIVE OFFICER GOALS & OBJECTIVES

Improve County Government Operations.

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

FINANCIAL IMPACT

Approval of this item will not result in additional Discretionary General Funding (Net County Cost). The total cost of this 10-year Lease Agreement (Lease) is \$9,497,534, comprising

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\$6,616,770 in rent, \$1,244,107 in tenant improvement costs amortized over the initial term, and \$1,636,657 estimated janitorial costs. Lease payments will be made from the Real Estate Services Department (RES D) Rents budget (7810001000) and reimbursed from the Children and Family Services (CFS) budget (5011101000). Other costs associated with this lease include janitorial, which will be paid from the CFS budget. Sufficient appropriation is included in the 2023-24 budget and will be included in future recommended budgets. The annual estimated lease costs are as follows:

<u>Year</u>	<u>Total Lease Cost</u>	<u>Other Lease Costs</u>
October 1, 2024 - September 30, 2025	\$701,595	\$142,766
October 1, 2025 - September 30, 2026	\$718,910	\$147,049
October 1, 2026 - September 30, 2027	\$736,745	\$151,461
October 1, 2027 - September 30, 2028	\$755,116	\$156,005
October 1, 2028 - September 30, 2029	\$774,037	\$160,685
October 1, 2029 - September 30, 2030	\$793,525	\$165,505
October 1, 2030 - September 30, 2031	\$813,599	\$170,471
October 1, 2031 - September 30, 2032	\$834,275	\$175,585
October 1, 2032 - September 30, 2033	\$855,570	\$180,852
October 1, 2033 - September 30, 2034	<u>\$877,505</u>	<u>\$186,278</u>
Total Cost	\$7,860,877	\$1,636,657

BACKGROUND INFORMATION

The mission of CFS is to protect endangered children, preserve and strengthen families, and develop alternative family settings. Services as mandated by law and regulation, will be provided in the least intrusive manner with a family centered focus. This mission is accomplished in collaboration with the family, a wide variety of public and private agencies, and members of the community.

CFS Administration has co-located at the Human Services (HS) Administration building, 150 South Lena Road, San Bernardino for approximately 20 years. Originally, CFS consisted of three staff before growing as a department, which resulted in the addition of an Assistant Director, Secretary, Budget and Administrative Services, System Resources Division Administration (including support staff), and the Project Management /Communication and Outreach Unit. At the same time, HS Administration staff has also grown, which resulted in a building reconfiguration of its floorplan layout approximately 10 years ago to accommodate staff growth.

Given CFS' continued growth and enhanced business model and HS Administration's floor plan limitations, additional space for CFS administration is necessary to maintain its business operations. Additionally, CFS has relocated some administration staff off-site in the service regions due to a shortage of workspace at HS Administration.

CFS requested that RESD negotiate a lease at 31 West Stuart Avenue, Suite 100 and 101 West Stuart Avenue, in Redlands, to provide the needed space for CFS administrative staff. The relocation will better meet the needs of CFS' staff and clients and allow them to better serve the needs of county residents.

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The total cost of this Lease is \$7,860,877, comprising \$6,616,770 in rent and \$1,244,107 in tenant improvements amortized over the 10-year term of the Lease. The initial base rent is \$2.83 per square foot per month plus \$0.61 per square foot for certain tenant improvements, with the rental rate schedule subject to 3% annual increases. The turnkey improvements include a full build-to-specifications suite for CFS administrative and business operations. San Bernardino County (County) has the right to terminate the Lease for convenience after the start of year eight of the initial 10-year term.

Although turnkey improvements are included in the proposed monthly payments, RESD requests, on behalf of CFS, that the Board of Supervisors (Board) authorize the Purchasing Department to issue purchase orders, as necessary, for a total amount not to exceed \$50,000, for any contingencies and/or minor change orders that may arise in order to complete the turnkey tenant improvements set forth in the Lease, pursuant to Public Contracts Code § 22032. All change orders and/or contingencies will be approved by CFS prior to authorizing any work or payment to Redlands Railway District, LLC.

Recommendation No. 4 will authorize the RESD Director to also approve and execute any other documents and take any other actions necessary to complete this transaction or perform lease requirements throughout the term, including, but not limited to, commencement date certificates, estoppel certificates, subordination, non-disturbance, and attornment agreements, and change or ownership or assignment amendments.

The project to approve the Lease was reviewed pursuant to the California Environmental Quality Act (CEQA) and determined to be categorically exempt under CEQA Guidelines Section 15301 – Existing Facilities (Class 1) because there is no possibility that the leasing of the subject property will have a significant effect on the environment.

Summary of Lease Terms

Lessor:	Redlands Railway District LLC
Location:	31 West Stuart Avenue, Suite 100 and 101 West Stuart Ave Redlands, CA 92374
Size:	16,996 Square Feet
Term:	10 years, commencing on the projected commencement date October 1, 2024, and expiring on September 30, 2034
Options:	Two, five-year options to extend the term of the lease
Rent:	Cost per square foot per month: \$3.44 Monthly: \$58,466.24 Annual: \$701,595 *Mid-range for comparable facilities in the Redlands area per the competitive set analysis on file with RESD. Base rent at \$2.83 per square foot per month plus tenant improvements at \$0.61 per square foot per month
Annual Increases:	3%

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Improvement Costs:	Lessor shall contribute a Tenant Improvement allowance in the amount of \$934,780 (\$55 per square foot) to the Lessee. Tenant Improvement allowance to be applied to mutually approved County specifications, Landlord to provide bathroom specification at 101 West Stuart based on City codes and occupancy levels for office space at Landlord's sole cost. Any costs exceeding the allowance, up to an additional \$50.00 per square foot will be amortized and paid by Lessee at \$0.61 per square foot throughout the term of the Lease for the Lessor to complete the Tenant Improvements in accordance with Lessee approved specifications, on or before the Projected Occupancy Date.
Custodial:	Provided by County, excluding the restrooms at 31 West Stuart, which are shared common space
Maintenance:	Provided by Lessor
Utilities:	Provided by Lessor, except for reimbursement of excess electric utility expenses that exceed the annual cap of \$61,185.60 (adjusted annually by 3%)
Insurance:	The Certificate of Liability Insurance as required by the Lease will be obtained by RESD prior to occupancy
Holdover:	Upon the end of the term, if permitted by Lessor the Lease shall continue on a month-to-month term upon the same terms and conditions which existed at the time of expiration
Right to Terminate:	180 Day Notice after the eighth year
Parking:	Sufficient for County needs

PROCUREMENT

RESD is requesting that the Board approve the use of an alternative procedure in lieu of a formal Request for Proposal (RFP) as allowed per County Policy 12-02, to lease approximately 16,996 square feet of office space at 31 West Stuart Avenue, Suite 100 and 101 West Stuart Avenue, in Redlands, for CFS due to the immediate programmatic needs of the department. RESD determined this location to be best suited for the department after exhausting all other options in the limited boundary areas. County Policy provides that the Board may approve the use of an alternative procedure to the use of a RFP process whenever the Board determines that compliance with the 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.

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REVIEW BY OTHERS

This item has been reviewed by County Counsel (John Tubbs II, and Kaleigh Ragon, Deputies County Counsel, 387-5455) on December 8, 2023; Children and Family Services (Jeany Zepeda, Director, 387-2792) on December 21, 2023; Purchasing (Ariel Gill, Supervising Buyer, 387-2070) on December 12, 2023; Finance (John Hallen, Administrative Analyst, 388-0208, and Yael Verduzco, Principal Administrative Analyst, 387-5285) on February 8, 2024; and County Finance and Administration (Valerie Clay, Deputy Executive Officer, 387-5423) on February 8, 2024.

(BR: 531-2674)

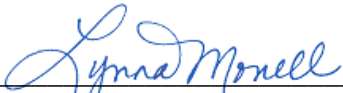
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Record of Action of the Board of Supervisors
San Bernardino County

APPROVED (CONSENT CALENDAR)

Moved: Curt Hagman Seconded: Joe Baca, Jr.
Ayes: Col. Paul Cook (Ret.), Jesse Armendarez, Dawn Rowe, Curt Hagman, Joe Baca, Jr.

Lynna Monell, CLERK OF THE BOARD

BY 
DATED: February 27, 2024



cc: RESD - Thompson w/ agree
 Contractor c/o RESD w/ agree
 File w/ agree
JLL 02/29/2024