

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

August 8, 2023

FROM

TERRY W. THOMPSON, Director, Real Estate Services Department

GEORGINA YOSHIOKA, Director, Department of Behavioral Health

SUBJECT

Amendment to Lease Agreement with AP-Transpark Office, LLC, a Delaware Limited Liability Company for Office Space in Ontario

RECOMMENDATION(S)

Approve **Amendment No. 4 to Lease Agreement No. 13-537** with AP-Transpark Office, LLC, a Delaware Limited Liability Company, to extend the term of the Lease for 10 years, from October 1, 2024 through September 30, 2034, due to the concurrent exercise of two existing five-year extension options, provide for tenant improvements to be performed by the landlord, adjust the rental rate schedule, and update standard lease agreement language for approximately 34,469 square feet of office space at 2940 Inland Empire Boulevard in Ontario, for the Department of Behavioral Health, at a cost of \$11,581,668.
(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 require Discretionary General Funding (Net County Cost). The total cost of the amendment is \$11,581,668. Lease payments will be made from the Real Estate Services Department (RESD) Rents budget (7810001000) and reimbursed from the Department of Behavioral Health (DBH) budget (9200001000). The total cost is funded by Federal Financial Participation Drug and Mental Health Medi-Cal, Mental Health Services Act, Substance Use Prevention and Treatment Block Grant, California Work Opportunities and Responsibility to Kids (CaWORKS), 1991 and 2011 Realignment, and Inland Empire Health Plan Enhanced Care Management fund. Adequate appropriation and revenue have been included in the 2023-24 budgets and will be included in future recommended budgets. Annual lease costs are as follows:

<u>Extended Lease Term</u>	<u>Annual</u>
October 1, 2024 - September 30, 2025	\$1,034,076
October 1, 2025 - September 30, 2026	\$1,058,892
October 1, 2026 - September 30, 2027	\$1,083,708
October 1, 2027 - September 30, 2028	\$1,112,664
October 1, 2028 - September 30, 2029	\$1,141,608
October 1, 2029 - September 30, 2030	\$1,170,156

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October 1, 2030 - September 30, 2031	\$1,199,412
October 1, 2031 - September 30, 2032	\$1,229,388
October 1, 2032 - September 30, 2033	\$1,260,132
October 1, 2033 - September 30, 2034	<u>\$1,291,632</u>
Total	\$11,581,668

BACKGROUND INFORMATION

The recommended action will amend existing Lease Agreement No. 13-537 (Lease) to extend the term of the Lease for 10 years from October 1, 2024 through September 30, 2034, due to the concurrent exercise of two existing five-year extension options. The amendment will also provide for tenant improvements to be performed by AP-Transpark Office, LLC (Landlord), adjust the rental rate schedule, and update standard lease agreement language for approximately 34,469 square feet of office space located at 2940 Inland Empire Boulevard in Ontario (Premises).

On July 9, 2013 (Item No. 35), the Board of Supervisors (Board) approved a 10-year Lease Agreement, with two five-year options to extend the term for 34,469 square feet of office space at the Premises for use by DBH. The original lease term was from June 1, 2014 through May 30, 2024. In the nine years since the lease was originally approved, the Board has approved three amendments to revise the commencement and end dates of the initial term of the Lease, reflect a change of property ownership, and update standard lease agreement language.

<u>Amendment No.</u>	<u>Approval Date</u>	<u>Item No.</u>
1	August 19, 2014	41
2	February 10, 2015	38
3	August 7, 2018	20

DBH requested that RESD process an amendment to extend the existing term of the Lease, which is currently scheduled to expire on September 30, 2024, for 10 years from October 1, 2024 through September 30, 2034, due to the concurrent exercise of two existing five-year extension options. The early exercise of both existing five-year extension options facilitates the Landlord's performance of certain improvements for DBH at the premises and removes a mutual right of early termination in exchange for a County-only early termination right effective on or after September 30, 2031, by providing the Landlord with not less than 180-days prior written notice. The improvements, which will be performed by the Landlord at its sole cost, include electrical and heating, ventilation, and air conditioning upgrades, cubicle and office expansions, workstation reconfigurations, furniture and flooring updates, drywall repairs, painting, and replacement doors that comply with the American Disabilities Act. The amendment will also adjust the rental rate schedule and update standard lease agreement language. All other Lease terms 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 for Extended Term

Lessor: AP-Transpark Office, LLC, a Delaware Limited Liability Company

Location: 2490 Inland Empire Boulevard, in Ontario

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Size:	34,469 square feet of office space
Term:	Existing term, which ends on September 30, 2024, is extended for 10 years from October 1, 2024 through September 30, 2034
Options:	None remaining
Rent:	Cost per square foot per month (extended term): \$2.50* Monthly: \$86,173 Annual: \$1,034,076 *Mid-range for comparable office space in the Ontario area per supporting lease comparable on file
Annual Increases:	2.5%
Improvement Costs:	Provided by Lessor at its cost
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
Holdover:	In the event the County shall holdover and continue to occupy the Premises with the consent of the Landlord, expressed or implied, the tenancy shall be deemed to be a tenancy from month-to-month upon the same terms and conditions, including rent, as existed and prevailed at the time of the expiration of the term of this Lease, which either party may terminate on 30 days' notice
Right to Terminate:	County may terminate at any time effective on or after September 30, 2031, by providing landlord with not less than 180 days prior notice
Parking:	Sufficient for County needs

PROCUREMENT

On July 9, 2013 (Item No. 35), the Board approved Lease Agreement No. 13-537, which was procured on July 9, 2013 (Item No. 35), according to County Policy 12-02 – Leasing Privately Owned Real Property for County Use (Policy). 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.

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REVIEW BY OTHERS

This item has been reviewed by County Counsel (Agnes Cheng, Deputy County Counsel, and Dawn Martin, Deputy County Counsel, 387-5455) on July 12, 2023; Behavioral Health (Lydia Bell, Administrative Manager, 386-9732) on July 12, 2023; Purchasing (Michelle Churchill, Supervising Buyer, 387-2148) on June 6, 2023; Finance (Chris Lange, Administrative Analyst, 386-8393, and Garrett Baker, Administrative Analyst, 387-3077) on July 24, 2023; and County Finance and Administration (Valerie Clay, Deputy Executive Officer, 387-5423) on July 24, 2023.

(JF: 269-1984)

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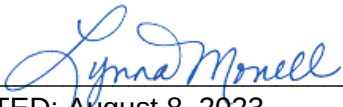
Record of Action of the Board of Supervisors
San Bernardino County

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: August 8, 2023



cc: RESD - Thompson w/ agree
Contractor c/o RESD w/ agree
File w/ agree
JLL 08/11/2023