

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

May 21, 2024

FROM

TERRY W. THOMPSON, Director, Real Estate Services Department

JAMES LOCURTO, Director, Transitional Assistance Department

JEANY ZEPEDA, Director, Children and Family Services

SHARON NEVIN, Director, Department of Aging and Adult Services

SUBJECT

Amendment to Lease Agreement with Foothill Cedar Holdings, Inc. for Office Space in Needles

RECOMMENDATION(S)

1. Find that approval of Amendment No. 3 to Lease Agreement No. 13-37 with Foothill Cedar Holdings, Inc. for office space, is an exempt project under the California Environmental Quality Act Guidelines Section 15301 – Existing Facilities (Class 1).
2. Approve **Amendment No. 3 to Lease Agreement No. 13-37** with Foothill Cedar Holdings, Inc. to extend the term of the lease five years for the period of June 1, 2024 through May 31, 2029, following a permitted eight and one half month holdover for the period of September 15, 2023 through May 31, 2024, adjust the rental rate schedule, and update standard lease agreement language for 9,000 square feet of office space for the Transitional Assistance Department, Children and Family Services Department, and the Department of Aging and Adult Services, located at 1090 and 1096 East Broadway Street in Needles, in the amount of \$1,522,560 including the permitted holdover amount of \$175,102.
3. 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

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 request of additional budgeted Discretionary General Funding (Net County Cost). The total cost of Amendment No. 3 (Amendment) to Lease Agreement No.13-37 (Lease), including the permitted holdover, is \$1,522,560. Lease payments will be made from the Real Estate Services Department (RESA) Rents budget (7810001000) and reimbursed from the Human Services (HS) budget (5013651000). Other costs associated with this lease include electrical and gas, which will be paid from the HS Administrative Claim budget. Sufficient appropriation is included in the 2023-24 HS and RESA budgets and will be included in future recommended budgets. Annual Lease costs are as follows:

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| <u>Year</u> | <u>Annual Lease Cost</u> | <u>Estimate of Other Costs</u> |
|------------------------------------|--------------------------|--------------------------------|
| *September 15, 2023 - May 31, 2024 | \$175,102 | \$12,000 |
| June 1, 2024 - May 31, 2025 | \$253,800 | \$12,360 |
| June 1, 2025 - May 31, 2026 | \$261,414 | \$12,731 |
| June 1, 2026 - May 31, 2027 | \$269,256 | \$13,113 |
| June 1, 2027 - May 31, 2028 | \$277,334 | \$13,506 |
| <u>June 1, 2028 - May 31, 2029</u> | <u>\$285,654</u> | <u>\$13,911</u> |
| Total Cost | \$1,522,560 | \$77,621 |

* Holdover Period

BACKGROUND INFORMATION

On February 12, 2013 (Item No. 39), the Board of Supervisors (Board) approved a ten-year Lease, with two five-year extension options, for 9,000 square feet of office space at 1090 and 1096 East Broadway Street in Needles. The original term of the Lease was from August 1, 2013 through July 31, 2023. On December 17, 2013 (Item No. 61), the Board approved Amendment No. 1 which changed the commencement date from August 1, 2013 to September 15, 2013, and changed the end date from July 31, 2023 to September 14, 2023. In the 11 years since the Lease was originally approved, the Board has approved two amendments to change the commencement date, reflect a change of ownership, and update standard lease agreement language.

| <u>Amendment No.</u> | <u>Approval Date</u> | <u>Item No.</u> |
|----------------------|----------------------|-----------------|
| 1 | December 17, 2013 | 61 |
| 2 | August 23, 2016 | 57 |

The Transitional Assistance Department (TAD), Children and Family Services (CFS), and the Department of Aging and Adult Services (DAAS) requested RESD renew the Lease to allow staff to continue providing services to residents in the Needles area. Due to protracted negotiations with the landlord regarding market rental rates, the Lease went into a permitted holdover on September 15, 2023. RESD was able to negotiate a rental rate of \$2.35 per square foot per month (\$253,800 annually) for the first year of the extended term, with 3% annual rent escalations thereafter. The Amendment will include tenant improvements to the office space at the landlord's sole cost, these improvements include new carpet and paint throughout the suite. The Amendment also reflects an eight and one half-month permitted holdover, adjusts the rent rate schedule, and updates standard lease agreement language.

The project to approve the Amendment 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: | Foothill Cedar Holdings, Inc. |
| Location: | 1090 and 1096 E. Broadway Street, Needles |
| Size: | 9,000 square feet of office space |
| Term: | Five years commencing June 1, 2024 |

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| | |
|---------------------|--|
| Options: | One five-year option remains |
| Rent: | Cost per square foot per month: \$2.35* Monthly: \$21,150 Annual: \$253,800 *High-range for comparable facilities in the Needles area per the competitive set analysis on file with RESD |
| Annual Increases: | 3% |
| Improvement Costs: | None |
| Custodial: | Provided by Lessor |
| Maintenance: | Provided by Lessor |
| Utilities: | County to provide electrical and gas; Lessor to provide water, trash, fire alarm and sewer |
| Insurance: | The Certificate of Liability Insurance, as required by the lease, is on file with RESD |
| 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: | The County has the right to terminate with 180-days' notice |
| Parking: | Sufficient for County needs |

PROCUREMENT

On August 7, 2012 (Item No. 38), the Board approved an alternative procedure in lieu of a Formal Request for Proposals process as provided in County Policy 12-02 - Leasing Privately Owned Real Property for County Use (Policy). On February 12, 2013 (Item No. 39), the Board approved the Lease. 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.

REVIEW BY OTHERS

This item has been reviewed by County Counsel (John Tubbs II, Jacqueline Carey-Wilson, Adam Ebright, and Kaleigh Ragon, Deputies County Counsel, 387-5455) on April 26, 2024; Human Services Administrative Support Division (Chris Lange, Deputy Director, 386-8393) on April 22, 2024; Purchasing (Ariel Gill, Supervising Buyer, 387-2070) on April 21, 2024; Finance (John Hallen, 388-0208, and Garrett Baker, 387-3077, Administrative Analysts) on May 1, 2024; and County Finance and Administration (Valerie Clay, Deputy Executive Officer, 387-5423) on May 1, 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.), Dawn Rowe, Curt Hagman, Joe Baca, Jr.
Absent: Jesse Armendarez

Lynna Monell, CLERK OF THE BOARD

BY



DATED: May 21, 2024



cc: RESD - Thompson w/agree
 Contractor - c/o RESD w/agree
 File - w/agree
CCM 05/22/2024