

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

March 1, 2022

FROM

TERRY W. THOMPSON, Director, Real Estate Services Department

BRADLEY GATES, Interim Director, Workforce Development Department

SUBJECT

Revenue Sublease Agreement with the State of California for Office Space in San Bernardino for the Workforce Development Department

RECOMMENDATION(S)

1. Find that pursuant to California Government Section 25526.6, an eight-year revenue sublease agreement, with the State of California acting on behalf of its Employment Development Department, commencing and retroactive to January 1, 2022 through December 31, 2029, for the use of approximately 10,350 square feet of office space located at 500 Inland Center Drive in San Bernardino is in the public interest and that the sublease will not substantially conflict or interfere with the County's use of the property.
2. Approve an eight-year revenue sublease (**County Contract No. 22-112**), with the State of California acting on behalf of its Employment Development Department, commencing and retroactive to January 1, 2022 through December 31, 2029, for approximately 10,350 square feet of office space located at 500 Inland Center Drive in San Bernardino for total revenue in the amount of \$2,665,813.

(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 and Stakeholders.

FINANCIAL IMPACT

Approval of this item will not result in the use of additional Discretionary General Funding (Net County Cost). The total revenue to be received by the County during this eight-year agreement is \$2,665,813. Revenue will be deposited in the Workforce Development Department (WDD) fund (5715662260). Maintenance, custodial and utility services are provided by the County's landlord under the provisions of the County's Lease Agreement No. 20-190 with WM Inland Investors IV LP. The revenue to be received by the County from the State of California (State) includes rent for the subleased premises, the State's share of costs for utilities and janitorial services, and the State's reimbursement for certain improvements; consisting of cabling, fire alarm monitoring and installation, security camera system installation, security services and an accordion wall installed at the request of both the County and the State. The improvements are all amortized over the first four years of the sublease. While rent for the subleased premises will continue to escalate at 2% annually, the revenue to be received by the County from January 1, 2026 through the expiration of the sublease will decrease because the improvements will have been fully reimbursed as of December 31, 2025. Annual revenue is as follows:

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<u>Year</u>	<u>Annual Revenue</u>
January 1, 2022 – December 31, 2022	\$324,451
January 1, 2023 – December 31, 2023	\$331,126
January 1, 2024 – December 31, 2024	\$337,910
January 1, 2025 – December 31, 2025	\$344,864
January 1, 2026 – December 31, 2026	\$320,699*
January 1, 2027 – December 31, 2027	\$328,016
January 1, 2028 – December 31, 2028	\$335,521
January 1, 2029 – December 31, 2029	<u>\$343,226</u>
Total Revenue	\$2,665,813

*Costs to the State included for cabling, fire alarm monitoring and installation, accordion wall, and security camera equipment and installation will be fully amortized as of December 31, 2025.

BACKGROUND INFORMATION

The recommended action will find that, a new eight-year revenue sublease agreement commencing and retroactive to January 1, 2022 through December 31, 2029, with the State acting on behalf of its Employment Development Department, for approximately 10,350 square feet of office space located at 500 Inland Center Drive in San Bernardino, is in the public interest. The sublease will not substantially conflict or interfere with the County's use of the property, and it will provide approval for the new eight-year revenue sublease with the State.

On April 21, 2020 (Item No. 55), the Board of Supervisors (Board) approved a 10-year Lease Agreement No. 20-190 (New Master Lease), with two five-year options to extend the term of the lease with WM Inland Investors IV, LP for the projected period of April 1, 2021 through March 31, 2031 for 24,000 square feet of office space at 500 Inland Center Drive, Suite 508 in San Bernardino (New Premises), subject to landlord's completion of turnkey tenant improvements. Following landlord's actual completion of the improvements, the term of the New Master Lease commenced on April 1, 2021 and shall expire on March 31, 2031.

The New Master Lease replaced WDD's prior lease, Contract No. 09-89, for premises located at 658 East Brier Street, Suite 100 in San Bernardino (Prior Premises). A portion of the Prior Premises was shared with the State to facilitate receipt of State and County unemployment services at one location. The Prior Premises was vacated by both WDD and the State on August 30, 2021.

On August 4, 2021, the County and the State entered into a Space Use Permit (Initial Permit) for the State's temporary use of 5,000 square feet of the New Premises for the period August 1, 2021 to December 31, 2021 at no cost to the State while the parties negotiated the terms of a sublease for 10,350 square feet of the New Premises. On January 26, 2022, due to ongoing sublease negotiations, the parties entered into another Space Use Permit (Second Permit) to extend the State's temporary use of 5,000 square feet of the New Premises for the period January 1, 2022, through the earlier of the commencement of the sublease or March 1, 2022 at no cost to the State. The Initial Permit and the Second Permit were executed by the Real Estate Services Director pursuant to his authority in County Code Section 18.0104. Extended negotiations regarding the terms of the sublease and associated operation costs have delayed presentation of the item for Board approval.

This new eight-year revenue sublease with the State, will provide for the occupancy of approximately 10,350 square feet of office space located at 500 Inland Center Drive, San

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Bernardino commencing and retroactive to January 1, 2022 through December 31, 2029, provided that at any time on or after January 1, 2026, either party may terminate the sublease with 90 days prior written notice.

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 Sublease Terms

Sublessee:	State of California
Location:	500 Inland Center Drive, Suite 508 San Bernardino
Size:	Approximately 10,350 square feet of office space
Term:	Eight years, commencing and retroactive to January 1, 2022
Options:	None
Rent:	Cost per sq. ft. per month: \$2.61 (also includes operating costs, and reimbursement for improvement costs amortized through December 31, 2025) Monthly: \$27,037.62 Annual: \$324,451.44 *Mid-range for comparable facilities in the San Bernardino area per the competitive set analysis on file with the Real Estate Service Department
Annual Increases:	2%
Improvement Costs:	Provided by County through the provisions of the Master Lease
Custodial:	Provided by County through the provisions of the Master Lease
Maintenance:	Provided by County through the provisions of the Master Lease
Utilities:	Provided by County through the provisions of the Master Lease, except that County pays excess electrical costs, which have been factored into the rent
Insurance:	Both parties are self-insured public entities
Right to Terminate:	Both parties have the right to terminate with 90-days' notice effective at any time on or after January 1, 2026
Parking:	Sufficient for both County and State needs

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PROCUREMENT

Pursuant to California Government Code Section 25526.6, the Board may grant leases for use of any County property to a state in the manner and upon the terms and conditions as the Board determines, upon a finding by the Board that the leases are in the public interest and that the lease will not substantially conflict or interfere with the County's use of the property.

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 February 3, 2022; Workforce Development Department (Fred Burks, Administrative Supervisor II, 387-9845) on January 11, 2022; Purchasing Department (Bruce Cole, Supervising Buyer, 387-2148) on January 6, 2022; Finance (Kathleen Gonzalez, Administrative Analyst, 387-5412 and Carl Lofton, Administrative Analyst, 387-5404) on February 7, 2022; and County Finance and Administration (Diana Atkeson, Deputy Executive Officer, 387-4376) on February 8, 2022.

(KB: 677-7961)

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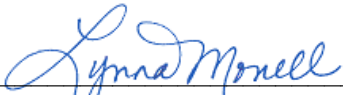
Record of Action of the Board of Supervisors
San Bernardino County

APPROVED (CONSENT CALENDAR)

Moved: Joe Baca, Jr. Seconded: Dawn Rowe

Ayes: Col. Paul Cook (Ret.), Janice Rutherford, Dawn Rowe, Curt Hagman, Joe Baca, Jr.

Lynna Monell, CLERK OF THE BOARD

BY 
DATED: March 1, 2022



cc: RESD - Thompson w/agree for sign
Contractor - C/O RESD w/agree
File - w/agree

CCM 03/2/2022