

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

September 23, 2025

FROM

TERRY W. THOMPSON, Director, Real Estate Services Department
MELANIE OROSCO, County Librarian, Library

SUBJECT

Subordination and Non-disturbance Agreement for Lease with City of Fontana, and Fontana Public Facilities Financing Authority for Library and Office Space in Fontana

RECOMMENDATION(S)

- ~~1. Find that approval of Subordination and Non-disturbance Agreement to Lease Agreement No. 08-21 with City of Fontana and Fontana Public Facilities Financing Authority for library and office space, is exempt project under the California Environmental Quality Act Guidelines, Section 15301—Existing Facilities (Class 1).~~
 - 2.1. Approve Subordination and Non-disturbance Agreement for Lease with City of Fontana and Fontana Public Facilities Financing Authority, for approximately 86,000 square feet of library and office space, located at 8437 Sierra Avenue in Fontana, for County Library, at no cost, as required to facilitate the City of Fontana's bond financing.
 - 3.2. Authorize the Director of the Real Estate Services Department to execute the Subordination and Non-Disturbance Agreement with City of Fontana and Fontana Public Facilities Financing Authority and take any other actions necessary to complete the transaction.
 - 4.3. Direct the Director of the Real Estate Services Department to return the fully executed document in Recommendation No. 2 to the Clerk of the Board of Supervisors within 30 days of execution.
 - ~~5. 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.

FINANCIAL IMPACT

Approval of the Subordination and Non-disturbance Agreement (SNDA) will not result in the use of additional Discretionary General Funding (Net County Cost) as there are no costs associated with the SNDA.

BACKGROUND INFORMATION

On January 8, 2008 (Item No. 36), the Board of Supervisors (Board) approved Lease Agreement No. 08-21 (Lease) for 86,000 square feet of library and office space for the County Library, located at 8437 Sierra Avenue in Fontana, with then owner, City of Fontana (City), for the term of January 1, 2008, through December 31, 2027, with two five-year options to extend the term.

The City of Fontana (Landlord) has requested that a SNDA for the Lease be executed to facilitate the City's planned bond issuance. The SNDA is an agreement entered into between the Tenant (County), Landlord, and Fontana Public Facilities Financing Authority (PFFA), a joint exercise of

powers entity duly organized and existing under and by virtue of the laws of the State of California, to establish the relationship between the County and PFFA, who would not otherwise have a direct relationship, and provide that each party will fulfill all the provisions and responsibilities pursuant to the Lease. The City and the PFFA desire to finance and refinance the costs of the acquisition, construction and installation of certain capital improvements located in the City, including the Lease property, through the issuance by the PFFA of lease revenue bonds.

As a condition to issuing the lease revenue bonds, the PFFA has required that the County subordinate its interests in the Lease property under the Lease to the liens of the revenue bonds. The Lease currently provides that the County will subordinate its leasehold interest in the premises, as defined in the Lease, to the Landlord's Lender. The County is subordinating its leasehold interest to the liens, securing the City's lease revenue bonds. The SNDA includes a non-disturbance clause ensuring the County retains uninterrupted occupancy and operational rights at the Fontana Library so long as it is not in default under the Lease.

The City is preparing to issue lease revenue bonds in late September 2025, with pricing scheduled for the week of September 23, 2025, and closing scheduled for October 2, 2025. Execution of the SNDA is necessary to maintain favorable bond pricing and ensure the transaction proceeds as scheduled.

~~The recommended action is not a project under the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines Section 15378(b)(4), as it involves the creation of government funding mechanisms and other fiscal activities that do not involve a commitment to any specific project which may result in a potentially significant physical impact on the environment. Approval of the Subordination, Non-Disturbance, and Attornment Agreement (SNDA) is an administrative action related to an existing lease and will not result in any direct or reasonably foreseeable indirect physical changes to the environment. The project 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.~~

PROCUREMENT

Not applicable.

REVIEW BY OTHERS

This item has been reviewed by County Counsel (John Tubbs II, and Daniella Hernandez, Deputies County Counsel, 387-5455) on September 15, 2025; Library (Melanie Orosco, Librarian, 520-2352) on September 15, 2025; Purchasing (Ariel Gill, Supervising Buyer, 387-2070) on September 15, 2025; and County Finance and Administration (Celia McDonald, 387-4286, and Eduardo Mora, 387-4376, Administrative Analysts) on September 16, 2025.

(JAG: 677-8210)