

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

July 23, 2024

FROM

TERRY W. THOMPSON, Director, Real Estate Services Department

SUBJECT

Ratification Actions Taken by the Chief Executive Officer Regarding Entitlement and Option Agreement with Majestic Realty Co.

RECOMMENDATION(S)

Ratify actions taken by the Chief Executive Officer to acknowledge and not dispute the position taken by Majestic Realty Co. that, pursuant to Section 13.3 of Entitlement and Option Agreement No. 22-12 with Majestic Realty Co., the time period for Majestic Realty Co. to exercise their option to enter into a revenue Development Ground Lease with San Bernardino County was tolled 126 weeks, plus 30 days, such that the time period for Majestic Realty Co. to exercise the option to lease expires on January 14, 2027.

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

COUNTY AND CHIEF EXECUTIVE OFFICER GOALS & OBJECTIVES

Create, Maintain and Grow Jobs and Economic Value in the County.

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

Ensure Development of a Well-Planned, Balanced, and Sustainable County.

FINANCIAL IMPACT

Approval of this item will not result in the use of Discretionary General Funding (Net County Cost). There is no cost associated with the tolling, or extension, period.

On January 26, 2022, San Bernardino County (County) received an initial deposit of \$1,000,000 from Majestic Realty Co. (Majestic) for the Entitlement and Option Agreement No. 22-12 (EOA) to provide Majestic with a 24-month entitlement period and an option to enter into a revenue Development Ground Lease (Lease) for an initial term of 65 years with two 17-year options to extend the term for approximately 46.2 acres of vacant County-owned land located on the southeast corner of Remington Avenue and Flight Avenue in Chino (Assessor's Parcel Numbers 1055-061-01, 1055-061-02, 1055-071-01, 1055-071-02, and portions of 1055-051-01 and 1055-051-02) (Property). On January 11, 2024, the County received an additional deposit of \$250,000 for Majestic exercising the option to extend the term of the EOA for 180 days. The initial deposit is fully refundable to Majestic if it terminates the EOA for any reason within the first 90 days and, thereafter, all deposits are refundable if Majestic terminates for a Full Refund Matter. If the EOA is terminated for any other reason, the County will retain \$250,000 of the deposit with the remainder to be refunded to Majestic.

If Majestic exercises its option to enter into the Lease, the County will hold \$1,000,000 of the total deposits to be applied against the installments of rent and \$250,000 of the total deposits as

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a security deposit. The County will receive rent in the amount of 50% of the net revenue from Majestic's contemplated development at the Property.

BACKGROUND INFORMATION

On January 11, 2022 (Item No. 32), the Board of Supervisors (Board) approved the EOA with Majestic with an entitlement period of 24 months, commencing upon mutual execution, a payment of \$10 for the initial entitlement period, an initial lease deposit of \$1,000,000, an option to extend the entitlement period for 180 days for an additional deposit of \$250,000, and an option to enter into the Lease with an initial term of 65 years with two 17-year options to extend the term of the Lease (for an aggregate term of 99 years if both options are exercised) with net revenue to be equally split between Majestic and the County, from the development of approximately 46.2 acres of the vacant Property.

On January 8, 2024, Majestic exercised its option to extend the entitlement period for 180 days and provided the County an additional deposit of \$250,000, such that the time period for Majestic to exercise their option to enter into the Lease with the County had an expiration date of July 16, 2024.

By letter dated June 18, 2024, Majestic advised the County of Force Majeure events that, pursuant to Section 13.3 of the EOA, tolled, or extended, the term of the EOA by 126 weeks, plus 30 days, such that the time period for Majestic to exercise the option to lease expires on January 14, 2027.

Section 13.3 of the EOA provides that "[d]uring the pendency of a Force Majeure and for a period of thirty (30) days thereafter, the running of the Option Term . . . shall be tolled." This section of the EOA defines Force Majeure to include various factors beyond the reasonable control of both parties.

Staff with the County Administrative Office and the Real Estate Services Department reviewed the June 18, 2024 letter and Section 13.3 of the EOA. Based on this review, the Chief Executive Officer issued a letter, dated July 12, 2024, that acknowledged and did not dispute the position taken by Majestic that, pursuant to Section 13.3 of the EOA, the time period for Majestic to exercise their option to enter into the Lease with the County was tolled 126 weeks, plus 30 days, confirming the time period for Majestic to exercise the option to lease expires on January 14, 2027.

PROCUREMENT

The EOA, which includes an option to lease the Property on the terms and conditions in the Lease, was procured in accordance with Government Code Section 25526 following the Board's declaration of its intention to lease the Property with the adoption of Resolution 2019-132 on August 20, 2019 (Item No. 48). The County may also enter into the EOA with an option to lease the Property pursuant to County Code of Ordinances, Title 1, Division 10, commencing with Section 110.0101.

REVIEW BY OTHERS

This item has been reviewed by County Counsel (John Tubbs II, Deputy County Counsel, and Julie Surber, Principal Assistant County Counsel, 387-5455) on July 17, 2024; Finance (Garrett Baker, Administrative Analyst, 387-3077) on July 17, 2024; and County Finance and Administration (Valerie Clay, Deputy Executive Officer, 387-5423) on July 17, 2024

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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: July 23, 2024



cc: File - Real Estate Service/general
MBA 07/30/2024