

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

January 28, 2025

FROM

TERRY W. THOMPSON, Director, Real Estate Services Department

GEORGINA YOSHIOKA, Director, Department of Behavioral Health

SUBJECT

Amendment to Lease Agreement with Vanderbilt Partners, LLC for Office Space in San Bernardino

RECOMMENDATION(S)

1. Find that approval of Amendment No. 3 to Lease Agreement No. 13-702 with Vanderbilt Partners, LLC 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. 13-702** with Vanderbilt Partners, LLC to extend the term of the lease five years, for the period of February 1, 2025, through January 31, 2030, following a permitted six-month holdover period, for approximately 70,000 square foot office building located at 303 East Vanderbilt Way in San Bernardino for the Department of Behavioral Health, increasing the total lease amount by \$12,628,584, from \$17,015,866 to \$29,644,450, which includes a 6-month permitted holdover in the amount of \$928,584.
3. Approve an Option to Purchase the entire property for an appraised fair market value, for an Option Fee of \$100.00.
4. Authorize the Purchasing Agent to issue purchase orders, as necessary, for a total amount not to exceed \$50,000, for any change orders that may arise during construction in order to complete the improvements set forth in the lease agreement with Vanderbilt Partners, LLC (Four votes required).
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.

Provide for the Health and Social Services Needs of County Residents.

FINANCIAL IMPACT

Approval of this item will not result in the use of Discretionary General Funding (Net County Cost). The total cost of Amendment No. 3 (Amendment) to Lease Agreement No. 13-702 (Lease) of \$12,628,584 in lease payments will be made from the Real Estate Services Department (RESA) Rents budget (7810001000) and reimbursed from the Department of Behavioral Health (DBH) budget (9200001000), which will be funded by Federal Financial Participation Medi-Cal, Mental Health Services Act, and Realignment funds. Sufficient

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appropriation is included in the 2024-25 RESD Rents and DBH budgets and will be included in future recommended budgets. Annual lease costs are as follows:

Year	Lease Cost
August 1, 2024- January 31, 2025	*\$928,584
February 1, 2025 – January 31, 2030	\$11,700,000
Total Cost	\$12,628,584

*Holdover period

BACKGROUND INFORMATION

This Amendment extends the lease term by five years, changes the termination notice, revises the rent schedule, authorizes the Purchasing Department to increase the amount of purchase orders that may be issued for any contingencies and/or minor change orders that may arise to complete the tenant improvements for DBH at 303 East Vanderbilt Way in San Bernardino (Property). The Amendment, brought forward at the earliest Board date so not to create negative financial impacts to Vanderbilt Partners, LLC, also includes an option to purchase the premises at the end of the 12th month of the Lease Amendment Term through the expiration of the Lease. From there, a Purchase and Sale Agreement (PSA) shall be negotiated and agreed upon substantially in the form attached to the Lease with purchase price at fair market value determined through a third party appraisal process.

On August 20, 2013 (Item No. 56), the County Board of Supervisors (Board) approved the Lease, with two five-year options to extend, for 45,000 square feet of office space for DBH at the Property, subject to the successful sale and execution of a lease by the successful bidder for the Vanderbilt Building. F&R County Building, LLC was the successful bidder at an auction held on October 3, 2013, and subsequently executed the Lease on October 15, 2013. The original term of the Lease was from May 1, 2014, through April 30, 2024. Since the inception of the Lease, the Board has approved amendments to reflect a change of ownership from F&R County Building, LLC to Vanderbilt Partners, LLC (Landlord); an increase to the leased area to 70,000 square feet; a change in the commencement and end dates, the date the County can terminate the Lease, and adjustments to the rent schedule.

Amendment No.	Approval Date	Item No.
1	March 11, 2014	30
2	October 7, 2014	37

With a continuing need for DBH services at this location, DBH requested that RESD prepare an amendment to extend the term of the Lease by seven years. All other terms and conditions of the Lease remain unchanged.

The project to approve the Amendment with the Landlord was reviewed pursuant to the California Environmental Quality Act (CEQA) and is an exempt project under the CEQA Guidelines Section 15301 - Existing Facilities (Class 1). Class 1 consists of the operation, repair, maintenance, permitting, leasing, licensing, or minor alteration of existing public or private structures, facilities, mechanical equipment, or topographical features, involving negligible or no expansion of existing or former use. The proposed Lease is to secure property to operate within the existing structure with negligible or no expansion of existing use.

On August 20, 2013 (Item No. 56), the Board approved the Lease, which was procured according to County Policy No. 12-02 - Leasing Privately Owned Real Property for County Use

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(Policy), using a Solicitation of Proposals. 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. The Policy also requires a thorough and detailed review by the County Administrative Office or designee to validate the need for and provide a competitive analysis of any lease with a term of more than 20 years. Extending the term of the Lease five years for the period of February 1, 2025, through January 31, 2030, will provide for an aggregate term of 15 and a half years.

RESA completed a competitive analysis of the market and found the rental rate for the extended term to be competitive, this facility best meets the requirements of DBH, minimizes disruption to the program activities, saves on relocation cost, and will allow DBH to continue to serve the residents in the San Bernardino area.

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Summary of Lease Terms

Lessor:	Vanderbilt Partners, LLC Jian Torkan, President
Location:	303 East Vanderbilt Way, San Bernardino
Size:	Approximately 70,000 square feet of office space
Term:	Five years commencing February 1, 2025
Options:	Two five-year options
Rent:	Cost per square foot per month: \$2.78* Monthly: \$195,000 Annual: \$2,340,000 *High-range for comparable facilities in the San Bernardino area per the competitive set analysis on file with RESD
Annual Increases:	None
Holdover:	With the consent of the Landlord with the same terms and conditions, including rent
Improvement Costs:	Landlords Responsibility, HVAC, Interior Improvements, Plumbing Systems, Landscape Irrigation System, Window Glass
Custodial:	Provided by Lessor
Maintenance:	Provided by Lessor
Utilities:	Provided by Lessor, subject to an electrical utility expense cap of \$0.22 per square foot, increased annually by 2%
Insurance:	The Certificate of Liability Insurance, as required by the Lease, is on file with RESD
Right to Terminate:	Either party has the right to terminate following expiration of the term with (180) days' prior written notice
Option to Purchase:	County has the right to purchase the property after the 12 th month of the Lease term for an appraised fair market value; Option Fee is \$100.00.
Parking:	Sufficient for County needs

PROCUREMENT

N/A

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REVIEW BY OTHERS

This item has been reviewed by County Counsel (John Tubbs II, and Dawn Martin, Deputies County Counsel, 387-5455) on December 5, 2024; Behavioral Health (Lydia Bell, Administrative Manager, 386-9732) on December 13, 2024; Purchasing (Ariel Gill, Supervising Buyer, 387-2070) on December 12, 2024; Finance (Paul Garcia, 386-8393, and Ivan Ramirez, 387-4020, Administrative Analysts) on January 16, 2025; and County Finance and Administration (Valerie Clay, Deputy Executive Officer, 387-5423) on January 16, 2025.

(KLB: 453-9865)

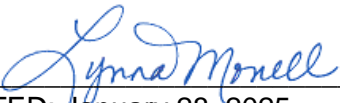
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Record of Action of the Board of Supervisors
San Bernardino County

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: January 28, 2025



cc: RESD - Thompson w/agree
 Contractor - c/o RESD w/agree
 File - w/agree
CCM 01/30/2025