

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

**May 20, 2025**

**FROM**

**TERRY W. THOMPSON, Director, Real Estate Services Department**

**JEANY GLASGOW, Director, Children and Family Services**

**SUBJECT**

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

**RECOMMENDATION(S)**

1. Find that approval of Amendment No. 2 to Lease Agreement No. 23-1273 with AIAT, 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. 2 to Lease Agreement No. 23-1273** with AIAT, LLC, adjusting the term of the lease for the 15-year period projected to commence on August 1, 2025, through July 31, 2040, subject to the latest of the following to occur: (i) landlord's substantial completion of certain tenant improvements, (ii) the County's receipt from landlord of a temporary or final certificate of occupancy, or (iii) written acceptance of the improvements by the County, and adjusting the rent schedule with the revised final improvement costs, for the use of approximately 33,278 total square feet of office space, located at 2145-2185 East Highland Avenue in San Bernardino, with a proposed increase totaling \$1,637,864, and a change in rent schedule to include a one-time lump sum rent advancement of \$375,376 equal to four months of the base rent, to be credited to the County towards months nine through 12 during the first year of the lease term, for the new total contract amount of \$31,921,316.
  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 Amendment No. 2 (Amendment) to Lease Agreement No. 23-1273 (Lease) with AIAT, LLC (Landlord) will not result in the use of additional Discretionary General Funding (Net County Cost). To account for the increase in Tenant Improvement costs, a lump sum payment of \$1,637,864 will be made for the revised final improvements. Additionally, this Amendment includes a change in the rent schedule to include a one-time payment to AIAT, LLC of \$375,376 for the lump sum rent advancement of \$375,376, equal to four months of the base rent to be credited to the County towards months nine through, and inclusive of, 12 in the first year of the Lease term. The above payments will be made to the Landlord by the Real Estate Services Department (RESD) within ten business days from execution of this Amendment. All costs of

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the final tenant improvements of \$1,637,864 and the four months of base rent of \$375,376 for a total of \$2,013,240 will be funded with 85% Federal and State Funding, and 15% existing department local share. Lease payments and Tenant Improvement costs will be made from the RESD Rents budget (7810001000) and reimbursed from the Human Services budget (5015011000). Sufficient appropriation is included in RESD's 2024-25 budget and will be included in future recommended budgets.

Base Rent Annual lease costs are as follows:

<b>Year</b>	<b>Annual Rent</b>
Lease Year 1*	\$1,126,127
Lease Year 2	\$1,165,542
Lease Year 3	\$1,206,336
Lease Year 4	\$1,248,558
Lease Year 5	\$1,292,257
Lease Year 6	\$1,337,486
Lease Year 7	\$1,384,298
Lease Year 8	\$1,432,749
Lease Year 9	\$1,482,895
Lease Year 10	\$1,534,796
Lease Year 11	\$1,588,514
Lease Year 12	\$1,644,112
Lease Year 13	\$1,701,656
Lease Year 14	\$1,761,214
Lease Year 15	\$1,822,856

\*Includes a lump sum payment representing four months of base rent in the amount of \$375,376 that shall be advanced by the County and credited towards months nine through, and inclusive of, 12 during Lease Year 1.

**BACKGROUND INFORMATION**

The recommended action will amend the Lease with the Landlord, with the term of the Lease for the period of 15 years for the projected commencement date of August 1, 2025, through July 31, 2040, reflect the revised final Tenant Improvement costs and all current and prior Change Orders as of the date this Amendment is mutually executed, adjust the rent schedule to reflect a credit of \$375,376 of prepaid rents in months nine through, and inclusive of, 12 of the first year of the Lease term, and update standard lease agreement language for the continuing need for the Children and Family Services Department (CFS) to provide services for its clients in the San Bernardino County. The above payments will be made within ten business days from execution of this Amendment.

On December 5, 2023 (Item No. 57), the Board of Supervisors (Board) approved the Lease with two five-year options to extend the term with the Landlord for 33,278 square feet of office space at 2145-2185 East Highland Avenue in San Bernardino. The original term was for the period of May 1, 2024, through April 30, 2039, with a total contract amount of \$1,331,120.

On July 9, 2024 (Item No. 43), the Board of Supervisors approved an amendment to the Lease for the period of May 1, 2024, through April 30, 2039, to revise the rent schedule based on updated construction costs associated with turnkey tenant improvements and provide a lump

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sum payment for the costs of prevailing wages with a total contract amount of \$8,554,054. These improvements include private intake rooms, shower facilities, quiet areas for schoolwork and downtime, both indoor and outdoor recreational spaces, private offices for meetings with Social Workers and other County support services, as well as additional office space for the Child Placement Services administration.

On April 1, 2025, the Landlord identified additional construction costs that had been incurred. After verification through the County's cost review process, these costs were confirmed to exceed the \$100,000 change order allowance. Consequently, an amendment to the Lease was required to address the excess costs and adjust the rent schedule accordingly. This adjustment reflects the increased Tenant Improvement cost, resulting in a lump sum payment of \$1,637,864, along with a one-time rent advancement payment of \$375,376. The lump sum payment structure will allow the County to reduce overall costs over the 15-year Lease term.

In accordance with County Policy 12-02 and with Board approval of an alternative leasing procedure, the County pursued a 15-year Lease for approximately 33,278 square feet of office space in San Bernardino for CFS, projected to commence August 1, 2025, through July 31, 2040, with two optional five-year extensions. The Lease is contingent on the Landlord completing specified turnkey tenant improvements. Although the lease rate is on the higher end for a 15-year term, a competitive area analysis conducted by RESD determined that the location is the most suitable for CFS due to its proximity to the target demographic and alignment with programmatic needs.

The project to approve the Amendment with the Landlord was reviewed pursuant to the California Environmental Quality Act and determined to be categorically exempt under Guidelines Section 15301 – Existing Facilities (Class 1) due to the impossibility of leasing this property having a significant effect on the environment.

Summary of Lease Terms

Lessor:	AIAT, LLC Mohammad, Lutifi, Principal Member
Location:	2145-2185 East Highland Avenue in San Bernardino
Size:	33,278 square feet
Term:	15-year Lease projected to commence August 1, 2025
Options:	Two five-year options to extend
Rent:	Cost per square foot per month: \$2.82 Monthly: \$93,844 Annual: \$1,126,128
Annual Increases:	3.5% annually beginning in the second year
Improvement Costs:	Landlord total fixed cost for the improvements is \$1,331,120 (\$40 per square foot) any cost exceeding the fixed improvement cost shall be amortized monthly over the initial 15-year term of

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the Lease and payable by County, and an allocation of up to \$100,000 for approved unforeseen contingencies and/or approved change orders to the tenant improvements to be authorized and paid by purchase orders as needed

Custodial:	County responsibility
Maintenance:	Landlord responsibility except County furniture, fixture and equipment
Utilities:	Provided by Lessor, subject to an electrical cap rate of \$0.32 per square foot subject to 3% annual increases
Insurance:	The Certificate of Liability Insurance, as required by the Lease, is on file with RESD
Holdover:	Month-to-month basis upon the same provisions of the Lease
Right to Terminate:	Available to the County at beginning of year 10 with 90 days' notice
Parking:	Exclusive parking lot and spaces sufficient for County needs

**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 April 28, 2025; Risk Management (Whitney Fields, Director, 386-8623) on March 26, 2025; Auditor-Controller/Treasurer/Tax Collector (Charlene Huang, Auditor-Controller Manager, 382-7022) on May 1, 2025; Children and Family Services (Jeany Glasgow, Director, 387-2792) on May 1, 2025; Purchasing (Ariel Gill, Supervising Buyer, 387-2070) on May 1, 2025; Finance (John Hallen, 388-0208, and Eduardo Mora, 387-4376, Administrative Analysts) on May 2, 2025; and County Finance and Administration (Paloma Hernandez-Barker, Deputy Executive Officer, 387-5423) on May 6, 2025.

(AR: 501-7579)

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Record of Action of the Board of Supervisors  
San Bernardino County

**APPROVED (CONSENT CALENDAR)**

Moved: Joe Baca, Jr. Seconded: Curt Hagman  
Ayes: Col. Paul Cook (Ret.), Dawn Rowe, Curt Hagman, Joe Baca, Jr.  
Absent: Jesse Armendarez

Lynna Monell, CLERK OF THE BOARD

BY   
DATED: May 20, 2025



cc: RESD - Thompson w/agree  
Contractor - c/o RESD w/agree  
File - w/agree  
MBA 05/21/2025