

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

January 27, 2026

FROM

**TERRY W. THOMPSON, Director, Real Estate Services Department
JAMES LOCURTO, Director, Transitional Assistance Department**

SUBJECT

Amendment to Lease Agreement with Lugunia Offices, LLC, for Office Space in Redlands

RECOMMENDATION(S)

1. Find that approval of Amendment No. 6 to Lease Agreement No. 12-167 with Lugunia Offices, LLC is an exempt project under the California Environmental Quality Act Guidelines, Section 15301 – Existing Facilities (Class I).
2. Approve **Amendment No. 6 to Lease Agreement No. 12-167** with Lugunia Offices, LLC to:
 - a. Extend the term of the lease by five years and twenty-three days, for the period of January 9, 2034 through January 31, 2039, by exercising an existing five-year option to extend and adding an additional twenty-three days to the term of the lease.
 - b. Provide for landlord-completed tenant improvements, with costs amortized over a 10-year period.
 - c. Update the rental rate schedule and standard lease agreement language.
 - d. Continue leasing approximately 27,709 square feet of office space located at 1811 West Lugunia Avenue in Redlands for the Transitional Assistance Department.
 - e. Increase the total lease amount by \$6,743,705, from \$17,499,166 to a new total amount of \$24,242,870.
3. Authorize the Purchasing Agent to issue purchase orders, as necessary, for a total amount not to exceed \$100,000, for any unforeseen contingencies and/or change orders that may arise during construction in order to complete the tenant improvements set forth in the Lease Agreement with Lugunia Offices, LLC (Four votes required).
4. 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 this item will not result in the use of Discretionary General Funding (Net County Cost). Amendment No. 6 (Amendment) to Lease Agreement No. 12-167 (Lease) costs include rent, amortized tenant improvements, and supplemental maintenance, which will continue to be paid from the Real Estate Services Department (RESD) Rents budget (7810001000) and reimbursed from the Human Services (HS) Administrative Claim budget (3000436).

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The HS Administrative Claim budget is funded by a blend of federal, state, and local sources. The amendment amount of \$6,743,705 includes \$269,540 for tenant improvements, which will be amortized over a 10-year period and incorporated into the existing remaining rental rate schedule of \$8,951,791 for a total remaining lease rental rate schedule of \$15, 695,489. Sufficient appropriation is included in the 2025-26 budget and will be included in future recommended budgets. Annual lease costs are as follows:

Lease Year	Annual Rent Cost	Amortized Tenant Improvements	Annual Supplemental Maintenance	Total Annual Cost
February 1, 2026 - January 31, 2027	\$952,440	\$26,954	\$35,276	\$1,014,670
February 1, 2027 - January 31, 2028	\$981,020	\$26,954	\$36,334	\$1,044,308
February 1, 2028 - January 31, 2029	\$1,010,450	\$26,954	\$37,424	\$1,074,828
February 1, 2029 - January 31, 2030	\$1,040,764	\$26,954	\$38,547	\$1,106,265
February 1, 2030 - January 31, 2031	\$1,071,987	\$26,954	\$39,703	\$1,138,644
February 1, 2031 - January 31, 2032	\$1,104,146	\$26,954	\$40,894	\$1,171,994
February 1, 2032 - January 31, 2033	\$1,137,271	\$26,954	\$42,121	\$1,206,346
February 1, 2033 - January 31, 2034	\$1,171,389	\$26,954	\$43,385	\$1,241,728
February 1, 2034 - January 31, 2035	\$1,206,516	\$26,954	\$44,686	\$1,278,156
February 1, 2035 - January 31, 2036	\$1,242,708	\$26,954	\$46,027	\$1,315,689
February 1, 2036 - January 31, 2037	\$1,279,992	\$0	\$47,408	\$1,327,400
February 1, 2037 - January 31, 2038	\$1,318,392	\$0	\$48,830	\$1,367,222
February 1, 2038 - January 31, 2039	\$1,357,944	\$0	\$50,295	\$1,408,239
Total Cost	\$14,875,019	\$269,540	\$550,930	\$15,695,489

BACKGROUND INFORMATION

On March 27, 2012 (Item No. 56), the Board of Supervisors (Board) approved the Lease with then-owner AKS Investments, Inc., for 25,000 square feet of office space located at 1811 West Lugunia Avenue in Redlands (Premises) for use by the Transitional Assistance Department (TAD), including two five-year options to extend. Over the past 12 years, the Board has approved five amendments to the Lease to expand the Premises to approximately 27,709, revise rental rate schedules, reflect ownership changes to Lugunia Offices, LLC (Landlord), modify construction timelines, update lease commencement and expiration dates, update the leased Premises' square feet, extend the term, and update standard lease language. In addition, the Board approved a Subordination, Non-disturbance, and Attornment Agreement (SNDA) to facilitate the Landlord's loan financing.

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Amendment No.	Approval Date	Item No.
1	March 12, 2013	36
2	April 23, 2013	42
3	February 11, 2014	26
4	April 21, 2020	53
5	January 9, 2024	45
SNDA	June 18, 2025	74

On September 16, 2024, the County Administrative Office (CAO) approved Capital Improvement Program Project (CIP) Request No. 25-092 submitted by HS on behalf of TAD for the tenant improvements at the Premises. The approved CIP was based on estimated construction costs; however, once the Landlord bid the project, the costs came in higher than anticipated. As a result, TAD revised the scope of the tenant improvements to reduce costs.

TAD requested RESD draft an amendment to the Lease to allow for the completion of needed tenant improvements that will support ongoing program operations and ensure continued service delivery. In response, the Landlord negotiated an early exercise of an existing extension option as part of the agreement to proceed with the improvements. The proposed Amendment extends the Lease term by five years and twenty-three days, from January 9, 2034, through January 31, 2039, by removing the prorated monthly term, and provides for landlord-completed tenant improvements with the associated costs amortized over a 10-year period. The Amendment also updates the rental rate schedule to reflect these amortized improvement costs and incorporates standard lease language updates, while all other terms of the Lease remain unchanged.

The proposed improvements include enhanced security and safety measures, as well as remodeling of the public lobby reception and intake interview area. All improvements are to be performed by the Landlord and will be amortized over 10 years and repaid by the County through monthly Lease payments. RESD also requests, on behalf of TAD, that the Board authorize the Purchasing Agent to issue purchase orders, as necessary, in a total amount not to exceed \$100,000 for any contingencies and/or minor change orders that may arise in order to complete the turnkey tenant improvements set forth in the Lease. All change orders and/or contingencies will be approved by TAD prior to authorizing any work or payment to the Landlord, which requires four votes from the Board pursuant to Section 14.0114, Informal Bidding Procedures, of the California Uniform Public Construction Cost Accounting Act.

The project to approve this Amendment was reviewed pursuant to the California Environmental Quality Act (CEQA) and determined to be categorically exempt under CEQA Guidelines Section 15301 – Existing Facilities (Class I) because the proposed Amendment is to secure property to operate within the existing structure with negligible or no expansion of existing use.

Summary of Lease Terms

Lessor: Lugunia Offices, LLC
Ron Shahbandi, Managing Member

Location: 1811 West Lugonia Avenue, Redlands

Size: 27,709 square feet of office space

Term: Original term of the Lease was 10 years commencing

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November 19, 2013. Amendment No. 5 to the Lease extended the term 10 years for the period of January 9, 2024 through January 8, 2034, following a permitted 51- day holdover for the period of November 19, 2023 through January 8, 2024. Amendment No. 6 to the Lease extends the term by five years and twenty-three days, from January 9, 2034, through January 31, 2039

- Options: One five-year option remains
- Rent: Cost per square foot: \$2.86*
Monthly: \$79,248
Annual: \$952,440
*Mid-range for comparable facilities in the Redlands area per the competitive set analysis on file with RESD
- Annual Increases: Approximately 3%
- Improvement Costs: \$269,540
- Custodial: Provided by Lessor
- Maintenance: Provided by Lessor
- Utilities: Provided by Lessor, except that County pays for electric costs that exceed an expense cap
- Insurance: The Certificate of Liability Insurance, as required by each Lease, is on file with RESD
- Holdover: Upon the end of the term, if permitted by Lessor, the Lease shall continue on a month-to-month term upon the same terms and conditions which existed at the time of expiration.
- Right to Terminate: County has the right to terminate beginning January 9, 2030, with a 180-day written notice
- Parking: Sufficient for County needs

PROCUREMENT

Not applicable.

REVIEW BY OTHERS

This item has been reviewed by County Counsel (John Tubbs II and Adam Ebright, Deputies County Counsel, 387-5455) on December 29, 2025; Transitional Assistance (James Locurto, Director, 388-0245) on December 30, 2025; Purchasing (Jessica Barajas, Supervising Buyer, 387-2065) on December 22, 2025; and County Finance and Administration (John Hallen, 388-0208, and Eduardo Mora, 387-4376, Administrative Analysts) on January 14, 2026.

(YG: 665-0268)

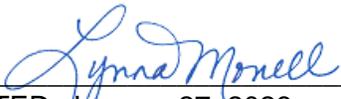
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Record of Action of the Board of Supervisors
San Bernardino County

APPROVED (CONSENT CALENDAR)

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

Lynna Monell, CLERK OF THE BOARD

BY  _____
DATED: January 27, 2026



cc: RESD - Thompson w/agree
 Contractor - c/o RESD w/agree
 File - w/agree
CCM 01/29/2026