

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

**REPORT/RECOMMENDATION TO THE BOARD OF DIRECTORS
OF SAN BERNARDINO COUNTY FIRE PROTECTION DISTRICT
AND RECORD OF ACTION**

June 25, 2024

FROM

TERRY W. THOMPSON, Director, Real Estate Services Department

DON DAY, Director, Project and Facilities Management Department

DAN MUNSEY, Fire Chief/Fire Warden, San Bernardino County Fire Protection District

SUBJECT

Assignment and Amendment to Lease Agreement with Summitview Capital, Inc. for Office Space in San Bernardino

RECOMMENDATION(S)

1. Acting as the governing body of San Bernardino County:
 - a. Find that approval of Amendment No. 10 to Lease Agreement No. 02-37 with Summitview Capital, Inc. for office space, is an exempt project under the California Environmental Quality Act Guidelines Section 15301 – Existing Facilities (Class 1).
 - b. Approve the Real Estate Services Department’s use of an alternative procedure in lieu of a formal Request for Proposal, as allowed per County Policy 12-02 - Leasing Privately Owned Real Property for San Bernardino County Use, to lease approximately 21,977 square feet of office space located at 620 South E Street in San Bernardino, for the Project and Facilities Management Department for the period of July 1, 2024 through June 30, 2029, following a permitted three-month holdover for the period of April 1, 2024 through June 30, 2024, increasing the amount by \$2,177,652 including the permitted holdover amount of \$77,436.
 - c. Approve **Amendment No. 10 to Lease Agreement No. 02-37** with Summitview Capital, Inc. to assign the Lease from the San Bernardino County Fire Protection District to San Bernardino County as Lessee, extend the term of the lease five years for the period of July 1, 2024 through June 30, 2029, following a permitted three-month holdover for the period of April 1, 2024 through June 30, 2024, adjust the rental rate schedule, add two five-year options to extend, and update standard lease agreement language for 21,977 square feet of office space for the Project and Facilities Management Department, located at 620 South E Street in San Bernardino, increasing the amount by \$2,177,652 including the permitted holdover amount of \$77,436.
 - d. Find that San Bernardino County paying \$25,812 in holdover rent and \$14,000 in estimated expenses for the month of June 2024, totaling \$39,812 in lieu of the San Bernardino County Fire Protection District, serves the San Bernardino County purpose of finding immediate available office space to relocate staff for the Project and Facilities

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- Management Department by obtaining the assignment and extension of the existing lease.
- e. 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 in order to complete the landlord improvements set forth in Amendment No. 10 to Lease Agreement No. 02-37 with Summitview Capital, Inc. (Four votes required).
 - f. Direct the Real Estate Services Department to file the Notice of Exemption in accordance with the California Environmental Quality Act.
2. Acting as the governing body of the San Bernardino County Fire Protection District, approve Amendment No. 10 to Lease Agreement No. 02-37 with Summitview Capital, Inc., to assign the Lease from the San Bernardino County Fire Protection District to San Bernardino County as Lessee following a permitted three-month holdover in the amount of \$77,436 during the period of April 1, 2024 through June 30, 2024, for 21,977 square feet of office space located at 620 South E Street in San Bernardino.
(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 this item will not result in the use of additional budgeted Discretionary General Funding (Net County Cost). The total rental cost of Amendment No. 10 (Amendment) to Lease Agreement No. 02-37 (Lease) is \$2,177,652, including the permitted holdover amount of \$77,436. The estimate of other costs associated with this Lease is \$1,128,189. San Bernardino County Fire Protection District (SBCFPD) previously occupied this facility and vacated it on May 31, 2024, paying \$51,624 (two months) of the holdover rent, which was paid by the SBCFPD budget (1070002421). One month of holdover rent, equaling \$25,812, will be made from the Real Estate Services Department (RESD) Rents budget (7810001000) and reimbursed by the Project and Facilities Management Department (PFMD) budget (7700001000). Estimated expenses of \$14,000 for June 2024 will be covered by the PFMD budget (7700001000), in lieu of the SBCFPD budget, as this payment serves the San Bernardino County (County) purpose of finding immediate available office space to relocate staff for PFMD by obtaining the assignment and extension of the existing lease. Lease payments will be made from the RESD Rent budget. (7810001000) and reimbursed by the PFMD budget (7700001000). Other costs associated with this Lease include custodial, utility expenses, and minor interior maintenance, which will be paid directly from the PFMD budget. Additionally, other costs include one-time improvement cost paid to the Landlord in the amount of \$92,000, upon substantial completion of the tenant improvements. Sufficient appropriation is included in the 2024-25 RESD Rent and PFMD budgets and will be included in future recommended budgets. Annual Lease costs are as follows:

<u>Year</u>	<u>Annual Lease Cost</u>	<u>Estimate of Other Costs</u>	<u>Total Annual Cost</u>
One-time improvement costs		\$ 92,000	\$ 92,000
* April 1, 2024 - May 31, 2024	\$ 51,624	\$ 28,000	\$ 79,624
** June 1, 2024 - June 30, 2024	\$ 25,812	\$ 14,000	\$ 39,812
July 1, 2024 - June 30, 2025	\$ 395,592	\$187,260	\$674,852
July 1, 2025 - June 30, 2026	\$ 407,448	\$192,878	\$600,326

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July 1, 2026 - June 30, 2027	\$ 419,676	\$198,664	\$618,340
July 1, 2027 - June 30, 2028	\$ 432,264	\$204,624	\$636,888
July 1, 2028 - June 30, 2029	<u>\$ 445,236</u>	<u>\$210,763</u>	<u>\$655,999</u>
Total Cost	\$2,177,652	\$1,128,189	\$3,397,841

* Holdover Period - SBCFPD Expense

** Holdover Period –PFMD Expense

BACKGROUND INFORMATION

On January 15, 2002 (Item No. 50), the Board of Supervisors (Board) approved the Lease, with one three-year option to extend for 21,977 square feet of office space at 620 South E Street in San Bernardino. The original term of the Lease was for the period of April 1, 2002 through March 31, 2009. In the 22 years since the Lease was originally approved, the Board has approved nine amendments extending the term through March 31, 2024, adjusting the monthly rent, adding additional options to extend the term, providing for tenant improvements, and reflecting changes of ownership.

<u>Amendment No.</u>	<u>Approval Date</u>	<u>Item No.</u>
1	April 9, 2002	39
2	April 27, 2007	29
3	May 12, 2009	68
4	August 7, 2012	57
5	March 17, 2015	62
6	March 22, 2016	90
7	March 20, 2018	62
8	March 23, 2021	75
9	December 7, 2021	70

SBCFPD previously occupied this building from the initial date of January 15, 2002, and vacated the facility on May 31, 2024, moving to their new headquarters at 598 South Tippecanoe Avenue in San Bernardino. Due to 620 South E Street being vacant and available, PFMD requested that RESD negotiate a lease renewal for the department’s use of the facility.

RESD was able to negotiate a rental rate of \$1.50 per square foot per month (\$395,592 annually) for the first year of the extended term, with 3% annual rent escalations thereafter. Additionally, Summitview Capital, Inc. (Landlord) agreed to paint the interior of the facility, replace all lights, replace all ceiling tiles, mount televisions with secure backing, deep clean the carpets, and make repairs at a cost to Landlord of two hundred three thousand six hundred fifty-eight (\$203,658) and a cost to County not to exceed ninety-two thousand (\$92,000). Approval of Recommendation No. 1e will 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 be necessary to complete the landlord improvements. Pursuant to Public Contract Code Section 20137, four votes are required to approve change orders for this type of project.

PFMD will vacate approximately 8,036 square feet of its Project Management Department (PMD) space located at the County Government Center (CGC) at 385 North Arrowhead Ave, 3rd Floor in San Bernardino. The location at 620 South E Street in San Bernardino will temporarily relocate PMD to a 21,977 square foot existing facility, to accommodate growth of County business operations and allow flexibility at the CGC. The relocation of PMD will allow

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for filling of current vacancies in County positions, to grow and provide essential public service, and provide essential support for County departments in an efficient manner.

The recommended Amendment will assign the Lease from SBCFPD to the County, extend the term of the Lease five years, for the period of July 1, 2024 through June 30, 2029, add two five-year options to extend, and allow the County 120-day termination rights after 36 months of the five-year term. The Amendment also reflects a three-month permitted holdover, adjusts the rental rate schedule, and updates standard lease language.

The project to approve the 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 1) because there is no possibility that the leasing of the subject property will have a significant effect on the environment.

On January 15, 2002 (Item No. 50), the Board approved the Lease, which was procured according to County Policy 12-02 – Leasing Privately Owned Real Property for County Use (Policy), using a formal Request for Proposals (RFP) process. RESD requests the Board approve the use of an alternative procedure in lieu of another RFP process to obtain a lease assignment and extend the term of the Lease for five years and add two five-year options to extend the term. The Policy provides that whenever the Board determines that compliance with the formal RFP requirements would unreasonably interfere with the financial or programmatic needs of the County and would otherwise be in the best interests of the County, the Board may approve an alternative procedure in lieu of another RFP.

Assigning and extending the term of the lease for the five-year period of July 1, 2024 through June 30, 2029, will provide for an aggregate term of 27 years. RESD completed a competitive analysis of the market and found the rental rate for the extended term to be competitive. The current location also best meets the requirements of PFMD and will provide for the immediate need for space to perform and provide essential services to the public and County departments.

Summary of Lease Terms
for the County

Lessor:	Summitview Capital, Inc.
Lessee:	San Bernardino County
Location:	620 South E Street, San Bernardino
Size:	21,977 square feet of office space
Term:	Five years commencing July 1, 2024
Options:	Two five-year options
Rent:	Cost per square foot per month: \$1.50* Modified Gross Monthly: \$32,966 Annual: \$395,592 *Low-range for comparable facilities in the San Bernardino area per the competitive set analysis on file with RESD

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Annual Increases:	3%
Improvement Costs:	Cost to Landlord for Improvements is equal to two hundred three thousand six hundred fifty-eight dollars (\$203,658). Cost to County for Improvements is not to exceed ninety-two thousand dollars (\$92,000)
Custodial:	Provided by County
Maintenance:	To be provided by Lessor; except County shall provide minor interior maintenance
Utilities:	Provided by County
Insurance:	The Certificate of Liability Insurance, as required by the 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, except rent which shall be at 110% of the rent in effect prior to the expiration of the Lease
Right to Terminate:	The County has the right to terminate with an effective termination date after the thirty-sixth (36) month of the five-year term, upon 120-days' notice
Parking:	Sufficient for County needs

PROCUREMENT

N/A.

REVIEW BY OTHERS

This item has been reviewed by County Counsel (John Tubbs II, and Daniel J. Pasek, Deputies County Counsel, and Scott Runyan, Principal Assistant County Counsel 387-5455) on June 7, 2024; San Bernardino County Fire Protection District (Dan Munsey, Fire Chief/Fire Warden, 387-5952) on June 3, 2024; Project and Facilities Management (Robert Gilliam, Chief of Project Management, 387-5000) on June 6, 2024; Purchasing (Ariel Gill, Supervising Buyer, 387-2070) on May 30, 2024; Finance (Ivan Ramirez, 387-4020, and Garrett Baker, 387-3077, Administrative Analysts) on June 4, 2024; and Finance and Administration (Valerie Clay, Deputy Executive Officer, 387-5423) on June 7, 2024.

(BR: 531-2674)

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Record of Action of the Board of Directors
San Bernardino County Fire Protection District

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/SECRETARY

BY  _____
DATED: June 25, 2024



cc: RESD - Thompson w/ agree
 Contractor c/o RESD w/ agree
 File w/ agree
JLL 06/28/2024