

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

January 14, 2025

FROM

TERRY W. THOMPSON, Director, Real Estate Services Department

JAMES LOCURTO, Director, Transitional Assistance Department

SUBJECT

Amendment to Lease Agreement with The Phoenix, LLC, a California Limited Liability Company, for Office Space in Yucaipa

RECOMMENDATION(S)

1. Find that approval of Amendment No. 4 to Lease Agreement No. 12-408 with The Phoenix, LLC, a California limited liability company, for office space is an exempt project under the California Environmental Quality Act Guidelines Section 15301 – Existing Facilities (Class I).
2. Approve **Amendment No. 4 to Lease Agreement No. 12-408** with The Phoenix, LLC, a California limited liability company, through the use of an alternative procedure as allowed per County Policy 12-02 – Leasing Privately Owned Real Property for County Use, to extend the term of the lease for 10 years, for the period of February 1, 2025 through January 31, 2035, by concurrently exercising two remaining five-year options to extend, following a permitted holdover period from September 5, 2023 through January 31, 2025 at a cost of \$852,961, provide for the landlord's completion of turnkey tenant improvements with costs to be amortized over eight years of the term of the lease, adjust the rental rate schedule, add two additional five-year options to extend the term of the lease, update the County's Termination Rights to reflect a 180-Day Notice option beginning the eighth year on February 1, 2033, and update standard lease agreement language for approximately 20,059 square feet of office space for the Transitional Assistance Department located at 32353 Yucaipa Boulevard in Yucaipa for a total cost of \$8,885,406, for a new total contract amount of \$14,544,438.
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 The Phoenix, LLC, a California limited liability company (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.

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

Provide for the Safety, Health and Social Service Needs of County Residents.

FINANCIAL IMPACT

**Amendment to Lease Agreement with The Phoenix, LLC, a California Limited Liability Company, for Office Space in Yucaipa
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Approval of this item will not result in the use of Discretionary General Funding (Net County Cost). The total cost of Amendment No. 4 (Amendment) to Lease Agreement No. 12-408 (Lease), including turnkey tenant improvements to be amortized over eight of the 10 years of the extended term of the lease, commencing February 1, 2025, through January 31, 2035, following a permitted holdover for the period of September 5, 2023, through January 31, 2025, is \$8,885,406. Lease payments will be made from the Real Estate Services Department (RESD) Rents budget (7810001000) and reimbursed from the Human Services (HS) Administrative Claim budget (5014101000). Sufficient appropriation is included in the 2024-25 budget and will be included in future recommended budgets. Annual lease costs are as follows:

Lease Year	Annual Lease Cost	Amortized Tenant Improvements	Total Annual Cost
September 5, 2023 - January 31, 2025*			\$852,961
February 1, 2025 – January 31, 2026	\$661,947	\$0	\$661,947
February 1, 2026 – January 31, 2027	\$681,805	\$0	\$681,805
February 1, 2027 - January 31, 2028	\$702,260	\$55,496	\$757,755
February 1, 2028 - January 31, 2029	\$723,327	\$55,496	\$778,823
February 1, 2029 - January 31, 2030	\$745,027	\$55,496	\$800,523
February 1, 2030 - January 31, 2031	\$767,378	\$55,496	\$822,874
February 1, 2031 - January 31, 2032	\$790,399	\$55,496	\$845,895
February 1, 2032 - January 31, 2033	\$814,111	\$55,496	\$869,607
February 1, 2033 - January 31, 2034	\$838,535	\$55,496	\$894,030
February 1, 2034 - January 31, 2035	\$863,688	\$55,496	\$919,186
Total Cost	\$7,588,477	\$443,968	\$8,885,406

*Reflects permitted holdover period.

BACKGROUND INFORMATION

Approval of the Amendment will extend the term by 10 years, exercising two existing five-year options to extend, following a permitted holdover period from September 5, 2023, through January 31, 2025, for the property located at 32353 Yucaipa Boulevard in Yucaipa (Premises). The Amendment will also add two five-year options to extend, update the rental rate schedule, add turnkey tenant improvements, update termination language, and update standard lease agreement language.

On June 19, 2012 (Item No. 51) San Bernardino County (County) Board of Supervisors (Board) approved the 10-year Lease for the period of May 1, 2013, through April 30, 2023, which was dependent upon the substantial completion of tenant improvements. In the 11 years since the Lease was originally approved, the Board has approved three amendments to the Lease, which changed the term of the Lease to the period of September 5, 2013, through September 4, 2023, due to delays in construction, updated the Premises to 20,059 square feet, and reflected changes of ownership.

Amendment No.	Approval Date	Item No.
1	April 8, 2014	46
2	February 10, 2015	42
3	November 1, 2016	47

**Amendment to Lease Agreement with The Phoenix, LLC, a California Limited Liability Company, for Office Space in Yucaipa
January 14, 2025**

The Transitional Assistance Department (TAD) provides a wide array of Federal and State mandated social services and income assistance programs to residents of the county, including the City of Yucaipa and surrounding areas. TAD's goals are to meet the basic needs of families, while working with them to attain self-sufficiency and to promote work and personal responsibility. Support programs include financial, nutritional, and/or medical assistance.

On October 8, 2024, the County Administrative Office (CAO) approved Capital Improvement Program Project request No. 25-091 submitted by HS on behalf of TAD for the tenant improvements at the Premises.

TAD requested that RESD negotiate an amendment to extend the existing term of the Lease, which expired on September 4, 2023. Approval of this Amendment was delayed due to continued negotiations concerning the rental rate at renewal, termination rights, and improvement specifications. On September 5, 2023, the Lease went into a permitted holdover and TAD has continued to occupy the Premises and abide by the terms of the Lease.

The proposed improvements include improved security and safety measures, remodeling of the public lobby reception and in-take interview area, and modifications to the exterior staff patio to prevent vandalism and ensure safety. The Phoenix, LLC (Landlord) has agreed to finance the exterior patio improvements at its sole cost. Other improvements are to be performed by the Landlord and will be amortized over eight years and repaid by the County through monthly lease payments.

The early exercise of both existing five-year extension options is a condition for the Landlord to complete the exterior patio improvements for TAD at the Premises. The Amendment will add two five-year options to extend the term of the Lease and will update the termination language to allow the County the right to terminate the Lease on or after the eighth year of this extended term by providing the Landlord with not less than 180-days prior written notice. The Amendment will also adjust the rental rate schedule and update standard lease agreement language. All other Lease terms remain unchanged.

The project to approve the Amendment to the Lease was reviewed pursuant to the California Environmental Quality Act (CEQA) and determined to be categorically exempt under Section 15301- Class 1 Existing Facilities because the proposed Lease is to secure property to operate within the existing structure with negligible or no expansion of existing use.

Summary of Lease Terms

Lessor:	The Phoenix, LLC, a California limited liability company James V. Dickey and Janice L. Dickey
Location:	32353 Yucaipa Boulevard, Yucaipa
Size:	20,059 square feet of office space
Term:	February 1, 2025, through January 31, 2035
Options:	Two five-year options
Rent:	Cost per square foot per month: \$2.75 Monthly: \$55,162

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	Annual: \$661,947 *Mid-range for comparable facilities in the Yucaipa area per the competitive set analysis on file with RESD
Annual Increases:	3% annual increases beginning in year two
Improvement Costs:	Except for the exterior patio improvements, all other improvements are provided by Lessor at a cost of \$443,968, with the cost to be amortized over eight years at \$4,625 per month
Custodial:	Provided by Lessor
Maintenance:	Provided by Lessor
Utilities:	Provided by Lessor
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, including rent, which existed at the time of expiration
Right to Terminate:	County may terminate the lease with a 180-day written notice beginning in year eight of the extension
Parking:	Sufficient for County needs

PROCUREMENT

Policy 12-02 requires a thorough and detailed review by the County Administrative Office (CAO) or designee to validate the need for and provide a competitive analysis of any lease with a term of more than 20 years. Approval of the Amendment will yield an aggregate term of 22 years, and a potential aggregate term of 33 years if both extension options are exercised.

RESD, acting in its approved capacity as the CAO designee to review proposed real property leases under Policy 12-02, completed a market analysis of comparable properties and found the current rental rate, including annual increases during the 10-year extended term, to be competitive. The site best meets the long-term requirements of TAD, and if the extension is approved by the Board, would minimize disruption to TAD's operations and save moving costs.

REVIEW BY OTHERS

This item has been reviewed by County Counsel (John Tubbs II, and Adam Ebright, Deputies County Counsel, 387-5455) on December 20, 2024; Human Services (James Locurto, Director, 388-0245, and Christopher Lange, Deputy Director, 386-8393) on December 12, 2024; Purchasing (Ariel Gill, Supervising Buyer, 387-2070) on December 12, 2024; Finance (Ivan Ramirez, 387-4020, and John Hallen, 388-0208, Administrative Analysts) on December 23, 2024; and County Finance and Administration (Valerie Clay, Deputy Executive Officer, 387-5423) on December 23, 2024.

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

Lynna Monell, CLERK OF THE BOARD

BY 
DATED: January 14, 2025



cc: RESD - Thompson w/agree
Contractor - c/o RESD w/agree
File - w/agree
MBA 01/16/2025