

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

December 16, 2025

FROM

**TERRY W. THOMPSON, Director, Real Estate Services Department
GEORGINA YOSHIOKA, Director, Department of Behavioral Health**

SUBJECT

Amendment to Lease Agreement with MTK SoCal Investments, LLC, for Office and Medical Space in Needles

RECOMMENDATION(S)

1. Find that approval of Amendment No. 3 to Lease Agreement No. 12-684 with MTK SoCal Investments, 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. 12-684** with MTK SoCal Investments, LLC, through the use of an alternative procedure as allowed per County Policy 12-02 – Leasing Privately Owned Real Property for County Use, to:
 - a. Extend the term of the Lease through the use of available Options to Extend for 10 years commencing on January 1, 2026 through December 31, 2035, following a permitted holdover period from March 1, 2023 through December 31, 2025.
 - b. Expand the existing premises, which consist of 3,528 square feet of existing space, by adding 1,688 square feet of expansion space, for a total of 5,216 square feet.
 - c. Establish a separate rent commencement date for the expansion space, which shall begin upon the later of: (i) the Landlord's substantial completion of the tenant improvements in accordance with the Lease; (ii) issuance of a Certificate of Occupancy; or (iii) the County's written acceptance of the improved space, "Expansion Commencement Date", with a projected expansion completion date of October 1, 2026, and rent commencing at that time consistent with Paragraph 4(B) of the Lease.
 - d. Adjust the rental rate schedule.
 - e. Add one five-year option to extend the term.
 - f. Authorize the Landlord to provide design, obtain permits, and construct tenant improvements in accordance with County-approved plans and specifications, at the Landlord's sole cost and expense, to be reimbursed by the County through amortization over the Lease term.
 - g. Update standard lease language and conditions for office and medical space for the Department of Behavioral Health, located at 1600 Bailey Avenue in Needles, increasing the total lease amount by \$3,387,384, from \$1,278,855 for a new total amount of \$4,666,239, inclusive of \$344,250 for the holdover period.
3. Authorize the Purchasing Department to issue purchase orders, as necessary, in a total amount not to exceed \$100,000 for contingencies and/or change orders required to complete the tenant improvements specified in Amendment No. 3 to Lease Agreement No. 12-684, to be performed by the Landlord (Four votes required).

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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.

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 Discretionary General Funding (Net County Cost). The Department of Behavioral Health (DBH) lease costs will be funded by Federal Financial Participation Medi-Cal, 1991 and 2011 Realignment and Behavioral Health Services Act funds. The total cost of Amendment No. 3 (Amendment) to Lease Agreement No. 12-684 (Lease) is \$3,387,384. This amount includes \$344,250 in permitted holdover rent for the period from March 1, 2023 through December 31, 2025, and \$1,427,904 in amortized tenant improvement costs, which will be reimbursed through monthly payments over the Lease term. The remaining balance represents lease payments due from January 1, 2026 through December 31, 2035. Lease payments will be made from the Real Estate Services Department (RESD) Rents budget and reimbursed by the Department of Behavioral Health (DBH). 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	Lease Cost
*March 1, 2023 - December 31, 2025	\$344,250
**January 1, 2026 - December 31, 2026	\$147,606
January 1, 2027 - December 31, 2027	\$302,628
January 1, 2028 - December 31, 2028	\$307,080
January 1, 2029 - December 31, 2029	\$311,664
January 1, 2030 - December 31, 2030	\$316,380
January 1, 2031 - December 31, 2031	\$321,240
January 1, 2032 - December 31, 2032	\$326,244
January 1, 2033 - December 31, 2033	\$331,404
January 1, 2034 - December 31, 2034	\$336,708
January 1, 2035 - December 31, 2035	\$342,180
Total Cost:	\$3,387,384

*Holdover Period

**Projected Expansion Space Commencement October 1, 2026

BACKGROUND INFORMATION

DBH is responsible for providing mental health and substance use disorder (SUD) services to County residents experiencing severe mental illness (SMI) and/or SUD. Approval of this project supports DBH's ongoing efforts to expand the availability of core Specialty Mental Health Services to children, youth, and adults with SMI in underserved regions of the County, including the Needles area.

Approval of this Amendment will enable DBH to modernize and expand its existing Needles Behavioral Health Outpatient Clinic (Clinic), located at 1600 Bailey Avenue in Needles, by adding treatment and consultation rooms to the existing facility. The expansion will improve access to behavioral health services and accommodate increased staffing levels to meet growing community needs.

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In addition to expanding the Clinic, this project represents the first phase of a broader initiative by DBH to enhance the behavioral health infrastructure in the Needles region. In a future action, DBH anticipates returning to the Board of Supervisors (Board) to request approval for a new lease to support the establishment of a Clubhouse that will operate as a peer support center for adults ages 18 and older who are at risk of, or living with, a serious mental illness. The Clubhouse will provide recovery-focused services including, peer support, job training, educational opportunities, and social activities, all delivered by individuals with lived experience. Together, the expanded Clinic and future Clubhouse will provide a combined service footprint of approximately 10,660 square feet, creating a fully integrated facility that strengthens DBH's capacity to serve residents in the tri-state area. Once completed, DBH anticipates that the Clinic and Clubhouse combined will serve approximately 4,200 unduplicated clients annually, significantly improving local access to behavioral health services and promoting recovery, resilience, and wellness for the Needles community.

On October 23, 2012 (Item No. 55), the Board approved the 10-year Lease for 3,528 square feet of office space at 1600 Bailey Avenue in Needles for use by DBH. The original term was for the period of March 1, 2013 through February 28, 2023. In the approximately 12 years since the Lease was originally approved, the Board has approved two amendments to reflect a change in the commencement date and for Landlord-provided Internet bandwidth improvements reimbursed by the County.

Amendment No.	Approval Date	Item No.
1	February 26, 2013	44
2	July 27, 2021	45

DBH requested that RESD negotiate an amendment to extend the existing term, which expired on February 28, 2023. Approval of this Amendment was delayed due to continued negotiations concerning the terms and possible tenant improvements to be performed by the Landlord. On March 1, 2023, the Lease went into a permitted holdover, and DBH continued to occupy the premises and abide by the terms.

This Amendment will authorize a 10-year extension, using the available two five-year options to extend the term for the projected period of January 1, 2026 through December 31, 2035, following a permitted holdover period from March 1, 2023 through December 31, 2025. The Amendment will update all lease language and provisions to the County's standard format, adjust the rental rate schedule, add a five-year option to extend, and authorize the Landlord to provide tenant improvements in accordance with County-approved plans and specifications.

The project to approve the Amendment was reviewed pursuant to the California Environmental Quality Act (CEQA) and determined to be categorically exempt under Section 15301 - Existing Facilities (Class 1) 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: MTK SoCal Investments, LLC
Jason Tolleson, Agent

Location: 1600 Bailey Avenue, Needles

Size: Approximately 5,216 square feet, consisting of 3,528 ("Existing

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Space") and 1,688 square feet ("Expansion Space")

Term: 10 years commencing January 1, 2026 through December 31, 2035 (Expansion Space term will commence October 1, 2026, rather than January 1, 2026)

Options: One five-year option to extend the term

Rent: Cost per square foot per month base rent: \$2.30*
Total Combined Monthly: \$24,860**
Annual: \$147,606 (Year 1)

\$302,628 (Subsequent Years)

*Mid-range for comparable facilities in the Needles area per the competitive set analysis on file with RESD

**The Project rent commencement date for the expansion space is October 1, 2026

Annual Increases: Approximately 3%

Improvement Costs: \$1,427,904; provided by Lessor, County reimbursement amortized throughout the term of the Lease in the monthly rent

Custodial: Provided by Lessee

Maintenance: Provided by Lessor

Utilities: Provided by Lessor with County to pay for electricity in excess of an electric utility expense cap of \$0.26 per square foot per month 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 upon the same terms and conditions which existed at the time of expiration

Right to Terminate: The County has no right to terminate the Lease for convenience during the 10-year term; County 90 Days' Notice Termination Rights resume beginning January 1, 2036

Parking: Sufficient for County needs

PROCUREMENT

Policy 12-02 provides that the Board may approve the use of an alternative procedure in lieu of a Formal Request for Proposal (RFP) process whenever the Board determines that compliance with the Formal RFP requirements would unreasonably interfere with the financial or programmatic needs of the County, or when the use of an alternative procedure would otherwise be in the best interest of the County.

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In this case, RESD believes that the use of an alternative process is preferable and in the best interest of the County. Issuing a Formal RFP for new leased space would likely result in substantial moving and relocation costs, including the need to vacate the existing facility, physically relocate staff and operations, and incur related downtime. These disruptions would adversely affect DBH's ability to provide vital mental health and substance use disorder services to the community, services that depend on continuity of location, accessibility for clients, and operational stability.

Additionally, the current site fully meets DBH's operational, programmatic, and space requirements. Relocating to a different facility would not provide any programmatic advantage and would instead introduce unnecessary financial and logistical burdens.

By utilizing an alternative procurement approach, the County can avoid relocation costs, maintain uninterrupted service delivery, and preserve DBH's established presence within the community it serves. This approach also supports program continuity, minimizes operational impact, and aligns with the County's commitment to ensuring accessible, high-quality behavioral health services without disruption.

For these reasons, RESD recommends that the Board authorize the use of the alternative procurement process permitted under Policy 12-02.

REVIEW BY OTHERS

This item has been reviewed by County Counsel (John Tubbs II and Dawn Martin, Deputies County Counsel, 387-5455) on November 24, 2025; Behavioral Health (Lydia Bell, Administrative Manager, 658-1053) on November 24, 2025; Purchasing (Ariel Gill, Supervising Buyer, 387-2070) on November 13, 2025; and County Finance and Administration (Paul Garcia, Administrative Analyst, 386-8392, and Yael Verduzco, Principal Administrative Analyst, 387-5285) on December 4, 2025.

(JF: 269-1984)

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Record of Action of the Board of Supervisors
San Bernardino County

APPROVED (CONSENT CALENDAR)

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

Lynna Monell, CLERK OF THE BOARD

BY 

DATED: December 16, 2025



cc: RESD - Thompson w/agree
Contractor - c/o RESD w/agree
File - w/agree
CCM 12/29/2025