

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

May 23, 2023

FROM

**TERRY W. THOMPSON, Director, Real Estate Services Department
BRAD GATES, Director, Workforce Development Department**

SUBJECT

Lease Amendment with Vanir Tower Building, Inc. for Office Space in San Bernardino

RECOMMENDATION(S)

Approve **Amendment No. 3 to Lease Agreement No. 15-103** with Vanir Tower Building, Inc. to extend the lease by five years, for the period of June 1, 2023 through May 31, 2028, following a permitted holdover for the period of October 5, 2022 through May 31, 2023, and adjust the rental rate schedule for approximately 14,443 square feet of office space located at 290 N. D Street, Suite 600, in San Bernardino, in the amount of \$1,988,897.
(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). The total cost of this five-year amendment is \$1,988,897. Lease payments will be made from the Real Estate Services Department (RESD) Rents budget (7810001000) and reimbursed from the Workforce Development Department (WDD) budget (5711012260). Other costs associated with this lease include electrical utility expense in excess of \$0.16/square foot, which escalates 2% annually, and is paid from the WDD budget (5711012260). Sufficient appropriation is included in both the RESD Rents and WDD 2022-23 budgets and will be included in future recommended budgets. Annual lease costs are as follows:

<u>Period</u>	<u>Lease Cost</u>
October 5, 2022 – May 31, 2023	\$ 230,717*
June 1, 2023 – May 31, 2024	\$ 337,968
June 1, 2024 – May 31, 2025	\$ 344,664
June 1, 2025 – May 31, 2026	\$ 351,588
June 1, 2026 – May 31, 2027	\$ 358,512
June 1, 2027 – May 31, 2028	<u>\$ 365,448</u>
Total Cost	<u>\$1,988,897</u>

*Holdover Rent

BACKGROUND INFORMATION

Amendment No. 3 to Lease Agreement No. 15-103 (Lease) with Vanir Tower Building, Inc. (Vanir) will extend the term of the Lease for the period of June 1, 2023 through May 31, 2028,

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through a five-year extension. A permitted holdover for a period of October 5, 2022 through May 31, 2023, is due to lease negotiations that took longer and exceeded the lease term expiration date. The amendment provides for San Bernardino County's (County) retention of a two-year option to extend the term of the Lease and provides for the continued use of approximately 14,443 square feet of office space for the WDD administrative offices located at 290 North D Street in San Bernardino, because of the need to offer employment services to employers and jobseekers in the San Bernardino area.

On March 3, 2015 (Item No. 46), the Board of Supervisors (Board) approved a seven-year Lease, with one two-year option to extend the term of the Lease, with Vanir for approximately 14,443 square feet of office space located at 290 North D. Street, Suite 600 in San Bernardino, which also provided an allowance of \$438,130 for turn-key tenant improvements. The Board further authorized the Purchasing Department authority to issue purchase orders up to \$35,000 for contingencies and/or minor change orders related to the completion of the tenant improvements. The original term of the Lease was for the period of September 1, 2015 through August 31, 2022. In the eight years since the Lease was originally approved, the Board has approved two amendments which changed the commencement and end date of the Lease, adjusted the rental rate schedule, and updated the tenant improvement specifications to match the change orders requested by WDD. The Board also authorized the Purchasing Department to issue purchase orders up to an additional \$10,000 for contingencies and/or minor change orders related to the completion of tenant improvements for a total of up to \$45,000.

<u>Amendment No.</u>	<u>Approval Date</u>	<u>Item No.</u>
1	September 15, 2015	53
2	May 3, 2016	47

WDD requested RESD to negotiate a five-year extension of the Lease while retaining the existing two-year option to extend the term of the Lease. The WDD fiscal and operational plan is to stay at this location in excess of the two-year option that is available, and by securing a five-year extension, will avoid a costly move to another location at a rental rate that will likely be at a greater cost. Protracted negotiations regarding the rental rate at renewal delayed the completion of the amendment, and on October 5, 2022, the Lease went into holdover. The County has continued to occupy the premises and abide by the terms of the Lease.

Summary of Lease Terms

Lessor: Vanir Tower Building Inc.
(Dorene Dominguez, President)

Location: 290 North D Street, San Bernardino

Size: Approximately 14,443 square feet of office space

Term: Five years commencing June 1, 2023 through May 31, 2028

Options: One two-year option to extend the term of the Lease

Rent: Cost per square foot per month: \$1.95*
Monthly: \$28,164.00
Annual: \$337,968.00
*Mid-range for comparable facilities in the San Bernardino area

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	per the competitive set analysis on file with RESD
Annual Increases:	Approximately 2%
Custodial:	Provided by Lessor
Maintenance:	Provided by Lessor
Utilities:	Provided by Lessor; Except County pays for electrical utility service in excess of \$27,711 per lease year from the initial commencement date (\$0.16/square foot per month) (electrical utility expense cap) which escalates by 2% annually
Insurance:	The Certificate of Liability Insurance, as required by the Lease, is on file with the RESD
Holdover:	Upon the end of the term, the Lease shall continue on a month-to-month term upon the same terms and conditions including the rent which existed at the time of expiration
Right to Terminate:	County has the right to terminate with 180-days' notice
Parking:	Sufficient for County needs

PROCUREMENT

On March 3, 2015 (Item No. 46), the Board approved a seven-year Lease with one two-year option to extend the term of the Lease, which was procured in accordance with County Policy 12-02, Leasing Privately-owned Real Property for County Use (Policy 12-02) using an alternative procedure. The procurement process required by Policy 12-02 does not apply to amendments of existing agreements, provided the amendment does not exceed the maximum term (including options) of the Lease or the use of an alternative procedure was approved.

REVIEW BY OTHERS

This item has been reviewed by County Counsel (John Tubbs II, Deputy County Counsel, and Suzanne Bryant, Deputy County Counsel, 387-5455) on April 12, 2023; Workforce Development (Fred Burks, Administrative Manager, 387-9845) on April 17, 2023; Purchasing (Bruce Cole, Supervising Buyer, 387-2148) on April 18, 2023; Finance (Carl Lofton, Administrative Analyst, and Garrett Baker, Administrative Analyst, 387-5423) on April 25, 2023; and County Finance and Administration (Valerie Clay, Deputy Executive Officer, 387-5423) on May 3, 2023.

(KB: 677-7961)

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

Lynna Monell, CLERK OF THE BOARD

BY 
DATED: May 23, 2023



cc: RESD - Thompson w/agree
Contractor - c/o RESD w/agree
File - w/agree
CCM 06/1/2023