

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

October 8, 2024

**FROM**

**TERRY W. THOMPSON, Director, Real Estate Services Department  
JEANY ZEPEDA, Director, Children and Family Services**

**SUBJECT**

Amendment to Lease Agreement with Redlands Railway District, LLC, for Office Space in Redlands

**RECOMMENDATION(S)**

1. Find that approval of Amendment No. 1 to Lease Agreement No. 24-179 with Redlands Railway District, 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. 1** to Lease Agreement **No. 24-179** with Redlands Railway District, LLC, adjusting the projected commencement date for the 10-year period to February 1, 2025, through January 31, 2035, removing the early termination language, and adjusting the rent schedule with final improvement cost amortization, for the use of approximately 16,996 total square feet of office space located at 31 West Stuart Avenue, Suite 100 and 101 West Stuart Avenue, in Redlands, with a proposed increase of \$277,057 to the improvement costs, for the total improvement cost of \$1,521,160, which will be amortized over the 10-year term, for a total contract cost of \$8,137,934.
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 Redlands Railway District, 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.**

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

**FINANCIAL IMPACT**

Approval of this item will not result in additional Discretionary General Funding (Net County Cost). The total cost of Amendment No. 1 (Amendment) to Lease Agreement No. 24-179 (Lease) is \$8,137,934, comprising \$6,616,774 in rent and \$1,521,160 in tenant improvement costs amortized over the initial term. The original contract amount of \$7,860,877 will increase by \$277,057 for a total contract amount of \$8,137,934. Lease payments will be made from the Real Estate Services Department (RESD) Rents budget (7810001000) and reimbursed from the Human Services Administrative Claim (HS) budget (5011101000). Other costs associated with this Amendment include janitorial costs at an estimated total of \$559,197 over the 10-year term,

**Amendment to Lease Agreement with Redlands Railway District, LLC, for  
Office Space in Redlands  
October 8, 2024**

which will be paid from the HS budget. Sufficient appropriation is included in the 2024-25 budget and will be included in future recommended budgets. The annual estimated Lease costs are as follows:

<u>Year</u>	<u>Rent Costs</u>	<u>Amortized Improvement Costs</u>	<u>Total Rent Costs</u>	<u>Other Lease Costs</u>
February 1, 2025 - January 1, 2026	\$577,185	\$152,116	\$729,301	\$48,779
February 1, 2026 - January 1, 2027	\$594,500	\$152,116	\$746,616	\$50,242
February 1, 2027 - January 1, 2028	\$612,335	\$152,116	\$764,451	\$51,750
February 1, 2028 - January 1, 2029	\$630,705	\$152,116	\$782,821	\$53,302
February 1, 2029 - January 1, 2030	\$649,626	\$152,116	\$801,742	\$54,901
February 1, 2030 - January 1, 2031	\$669,115	\$152,116	\$821,231	\$56,548
February 1, 2031 - January 1, 2032	\$689,189	\$152,116	\$841,305	\$58,245
February 1, 2032 - January 1, 2033	\$709,864	\$152,116	\$861,980	\$59,992
February 1, 2033 - January 1, 2034	\$731,160	\$152,116	\$883,276	\$61,792
February 1, 2034 - January 1, 2035	<u>\$753,095</u>	<u>\$152,116</u>	<u>\$905,211</u>	<u>\$63,646</u>
<b>Total Cost</b>	<b>\$6,616,774</b>	<b>\$1,521,160</b>	<b>\$8,137,934</b>	<b>\$559,197</b>

**BACKGROUND INFORMATION**

On February 27, 2024 (Item No. 48), the Board of Supervisors (Board) approved the Lease with Redlands Railway District, LLC (Redlands Railway), in the amount of \$7,860,877, with two five-year options to extend the term, for 16,996 square feet of office space at 31 West Stuart Ave, Suite 100 and 101 West Stuart Avenue, in Redlands.

The original term of the Lease was for the period of October 1, 2024, through September 30, 2034. Due to unforeseen delays in the city permitting and the review process, the projected commencement date was moved to February 1, 2025, through January 31, 2035. At the time of the initial Lease, final improvement costs were yet to be determined, and the parties intended to amend the Lease to reflect final improvement cost amortization. The increase in costs to the overall project were due to prevailing wage increases and industry wide construction cost increases since the original budget was developed.

CFS requested that RESD negotiate the project cost overages with Redlands Railway and prepare the Amendment. RESD and Redlands Railway came to terms that the County would pay \$195,000 out of \$365,000 of the cost overages and Redlands Railway would amortize the \$195,000 amount at 8% interest over 10 years. Redlands Railway will contribute a Tenant Improvement allowance to the County in the amount of \$1,064,588 (\$62.64 per square foot) towards tenant improvements to be applied to mutually approved County specifications. Included in the rent schedule are final construction costs for turnkey tenant improvements for CFS's administrative facility, including new breakrooms, bathrooms, administrative offices, private offices, cubicle areas, a secure lobby, and secure staff area. These tenant improvement costs will increase the annual lease costs in this amendment from \$701,595 to \$729,312 in year one; this increase reflects the improvement costs of \$1,521,160 amortized over the 10-year term of the Lease, for a total cost of \$8,137,934.

Although turnkey improvements are included in the proposed monthly payments, RESD requests, on behalf of CFS, that the Board authorize the Purchasing Agent to issue purchase orders, as necessary, for a total amount not to exceed \$100,000, for any contingencies and/or

**Amendment to Lease Agreement with Redlands Railway District, LLC, for  
Office Space in Redlands  
October 8, 2024**

minor change orders that may arise in order to complete the turnkey tenant improvements set forth in the Amendment, pursuant to Public Contracts Code § 22032. All change orders and/or contingencies will be approved by CFS prior to authorizing any work or payment to Redlands Railway.

The project to approve the Lease 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.

Summary of Lease Terms

Lessor:	Redlands Railway District, LLC
Location:	31 West Stuart Avenue, Suite 100 and 101 West Stuart Ave Redlands, CA 92374
Size:	16,996 Square Feet
Term:	10 years, commencing on the projected commencement date February 1, 2025, and expiring on January 31, 2035
Options:	Two, five-year options to extend the term of the Lease
Rent:	Cost per square foot per month: \$3.58 (Rounded) Monthly: \$60,775 Annual: \$729,301 *Mid-range for comparable facilities in the Redlands area per the competitive set analysis on file with RESD. Base rent at \$2.83 per square foot per month plus tenant improvements at \$0.75 per square foot per month
Annual Increases:	3%
Improvement Costs:	Lessor shall contribute a Tenant Improvement allowance in the amount of \$1,064,588 (\$62.64 per square foot) to the Lessee; Tenant Improvement allowance to be applied to mutually approved County specifications, Landlord to provide bathroom specification at 101 West Stuart based on City codes and occupancy levels for office space at Landlord's sole cost; any costs exceeding the allowance, up to an additional \$61.47 per square foot will be amortized and paid by Lessee at \$0.75 per square foot throughout the term of the Lease for the Lessor to complete the Tenant Improvements in accordance with Lessee approved specifications, on or before the Projected Occupancy Date
Custodial:	Provided by County, excluding the restrooms at 31 West Stuart, which are shared common space

**Amendment to Lease Agreement with Redlands Railway District, LLC, for  
Office Space in Redlands  
October 8, 2024**

Maintenance:	Provided by Lessor
Utilities:	Provided by Lessor, except for reimbursement of excess electric utility expenses that exceed the annual cap of \$61,186 (adjusted annually by 3%)
Insurance:	The Certificate of Liability Insurance as required by the Lease will be obtained by RESD prior to occupancy
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:	No termination right in the initial term
Parking:	Sufficient for County needs

**PROCUREMENT**

Not applicable.

**REVIEW BY OTHERS**

This item has been reviewed by County Counsel (John Tubbs II, and Daniella Hernandez, Deputies County Counsel, 387-5455) on September 5, 2024; Children and Family Services (Jeany Zepeda, Director, 387-2792) on September 16, 2024; Purchasing (Ariel Gill, Supervising Buyer, 387-2070) on September 8, 2024; Finance (John Hallen, 388-0208, and Garrett Baker, 387-3077, Administrative Analysts) on September 20, 2024; and County Finance and Administration (Valerie Clay, Deputy Executive Officer, 387-5423) on September 23, 2024.

(BR: 531-2674)

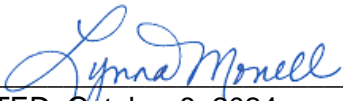
**Amendment to Lease Agreement with Redlands Railway District, LLC, for  
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Record of Action of the Board of Supervisors  
San Bernardino County

**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: October 8, 2024



cc: RESD - Thompson w/agree  
Contractor - c/o RESD w/agree  
File - w/agree  
MBA 10/8/2024