

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

June 10, 2025

FROM

TERRY W. THOMPSON, Director, Real Estate Services Department

ARLENE MOLINA, Director, Preschool Services Department

SUBJECT

Amendment to Lease Agreement with ADURS Investments, LLC, for Classroom and Office Space, and Playground and Parking Area in Redlands

RECOMMENDATION(S)

1. Find that approval of Amendment No. 10 to Lease Agreement No. 94-1244 with ADURS Investments, LLC, for classroom and office space, and playground and parking area is an exempt project under the California Environmental Quality Act Guidelines, Section 15301 – Existing Facilities (Class I).
2. Approve **Amendment No. 10 to Lease Agreement No. 94-1244** with ADURS 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 extend the term of the lease for five years, for the period of July 1, 2025, through June 30, 2030, by concurrently exercising the existing three-year agreement and two-year option to extend, following a permitted holdover period from November 1, 2024, through June 30, 2025, at a cost of \$64,064, adjust the rental rate schedule, add one five-year option to extend, and update standard lease agreement language, for approximately 4,400 square feet of classroom and office space, and approximately 2,900 square feet of playground and parking area, for the Preschool Services Department, at 15 North Center Street in Redlands, in the amount of \$729,632, for a new total contract amount of \$2,698,695.
3. 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.

FINANCIAL IMPACT

Approval of Amendment No. 10 (Amendment) to Lease Agreement No. 94-1244 (Lease) will not result in the use of Discretionary General Funding (Net County Cost), as Preschool Services Department (PSD) lease costs are 90% federally funded and 10% state funded. The total cost of this Amendment including the holdover period from November 1, 2024, through June 30, 2025 is \$729,632. The cost for the classroom and office space is \$708,752, and the cost for the playground space is \$20,880; there are no lease costs associated with the parking space. Lease payments will be made from the Real Estate Services Department (RESD) Rents budget (7810001000) and reimbursed from the PSD budget (591572220). Sufficient appropriation is

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included in the 2024-25 budget and will be included in future recommended budgets. Annual lease costs are as follows:

Lease Year	Classroom/Office Annual Lease Cost	Playground Annual Lease Cost	Total Annual Lease Cost
November 1, 2024 – June 30, 2025*	\$64,064	\$0	\$64,064
July 1, 2025 - June 30, 2026	\$121,440	\$4,176	\$125,616
July 1, 2026 - June 30, 2027	\$125,136	\$4,176	\$129,312
July 1, 2027 - June 30, 2028	\$128,832	\$4,176	\$133,008
July 1, 2028 - June 30, 2029	\$132,528	\$4,176	\$136,704
July 1, 2029 - June 30, 2030	\$136,752	\$4,176	\$140,928
Total Lease Cost:	\$708,752	\$20,880	\$729,632

* Reflects permitted holdover period.

BACKGROUND INFORMATION

On December 13, 1994 (Item No. 27), the Board of Supervisors (Board) approved the three-year Lease, with three three-year options to extend the term with Keith R. McIntosh and Michael J. McIntosh (McIntosh), for approximately 4,400 square feet of classroom and office space and 2,900 square feet of playground and parking area, located at 15 North Center Street in Redlands (Premises). The original term was for the period of September 15, 1994, through September 14, 1997. In the 31 years since the lease was originally approved, the Board has approved nine amendments extending the term through the exercise of options, adjusting the rent schedule, adding additional options to extend the term, adding an In-Kind and Cost Sharing Reporting provision to the Lease, reflecting a change of ownership to ADURS Investments, LLC, and updating standard lease agreement language.

Amendment No.	Approval Date	Item No.
1	December 9, 1997	5
2	July 11, 2000	47
3	December 16, 2003	73
4	September 26, 2006	35
5	October 20, 2009	67
6	November 27, 2012	55
7	January 26, 2016	19
8	September 12, 2017	54
9	October 8, 2019	32

PSD requested that RESD negotiate an amendment to extend the existing term, which expired on October 31, 2024. Approval of this Amendment was delayed due to continued negotiations concerning the rental rate. On October 31, 2024, the Lease went into a permitted holdover and PSD has continued to occupy the Premises and abide by the terms of the Lease.

This Amendment will extend the term for the period of July 1, 2025, through June 30, 2030, adjust the rental rate schedule for the extended term to include playground rent, add one five-year option to extend the term, update the holdover terms to include a 3% increase for the base rent for the first two months of holdover and adjust the holdover base rent thereafter to fair

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market value, and update standard lease agreement language. All other Lease terms remain unchanged.

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 36 years, and a potential aggregate term of 41 years, if the added extension option is 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 five-year extended term, to be competitive. The site best meets the long-term requirements of PSD, and if the extension is approved by the Board, would minimize disruption to PSD operations and save relocation costs.

The project to approve the Amendment to the Lease was reviewed pursuant to the California Environmental Quality Act 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:	ADURS Investments, LLC Richard C. Smith, Managing Member
Location:	15 North Center Street, Redlands
Size:	Approximately 4,400 square feet of classroom and office space, and approximately 2,900 square feet of playground and parking area
Term:	July 1, 2025, through June 30, 2030
Options:	One five-year option
Rent:	Classroom and Office Cost per square foot per month: \$2.30 Monthly: \$10,120 Annual: \$121,440 Playground Cost per square foot per month: \$0.12 Monthly: \$348 Annual: \$4,176 *Mid-range for comparable facilities in the Redlands area per the competitive set analysis on file with RESD
Annual Increases:	3%
Improvement Costs:	None
Custodial:	Provided by County
Maintenance:	Provided by Lessor; County provides minor maintenance

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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 with the exception of base rent which will increase 3% for the first two months of holdover and thereafter be adjusted to fair market value
Right to Terminate:	County has the right to terminate with 180-days' notice except in the event of loss of funding, County has the right to terminate with 90-days' notice
Parking:	Sufficient for County's needs

PROCUREMENT

Not applicable.

REVIEW BY OTHERS

This item has been reviewed by County Counsel (John Tubbs II, and Adam Ebright, Deputies County Counsel, 387-5455) on May 7, 2025; Preschool Services (Arlene Molina, Director, 383-2078) on May 5, 2025; Purchasing (Dylan Newton, Buyer III, 387-3377) on May 6, 2025; Finance (Allegra Pajot, 388-0218, and Eduardo Mora, 387-4376, Administrative Analysts) on May 21, 2025; and County Finance and Administration (Paloma Hernandez-Barker, Deputy Executive Officer, 387-5423) on May 23, 2025.

(YG: 655-0268)

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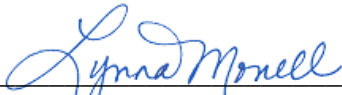
Record of Action of the Board of Supervisors
San Bernardino County

APPROVED (CONSENT CALENDAR)

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

Lynna Monell, CLERK OF THE BOARD

BY


DATED: June 10, 2025



cc: RESD - Thompson w/agree
Contractor - c/o RESD w/agree
File - w/agree
MBA 06/24/2025