

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

July 9, 2024

FROM

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

SUBJECT

Amendment to Lease Agreement with AIAT, LLC, for Office Space in San Bernardino

RECOMMENDATION(S)

1. Find that approval of Amendment No. 1 to Lease Agreement No. 23-1273 with AIAT, 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. 23-1273** with AIAT, LLC, adjusting the term of the lease for the 15-year period of October 1, 2024 through September 30, 2039, subject to the latest of the following to occur: (i) landlord's substantial completion of certain tenant improvements, (ii) San Bernardino County's receipt from landlord of a temporary or final certificate of occupancy, or (iii) written acceptance of the improvements by San Bernardino County, and adjusting the rent schedule with final improvement cost amortization, for the use of approximately 33,278 total square feet of office space located at 2145-2185 East Highland Avenue in San Bernardino, with a proposed increase totaling \$8,554,054, which includes a one-time reimbursement payment of \$1,801,704 for the improvement costs associated with prevailing wage, and \$6,752,350 for amortized improvement costs over the 15-year term.
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.

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

FINANCIAL IMPACT

Approval of this item will result in the use of additional Discretionary General Funding (Net County Cost). The additional cost of \$8,554,054 related to the contract amendment includes a one-time reimbursement to AIAT, LLC of \$1,801,704 for an increase to previously incurred improvement costs associated with prevailing wage requirements, to be funded with Net County Cost. The remaining balance of \$6,752,350 related to tenant improvements will be funded with 79% Federal and State Funding, and 21% existing department local share. Lease payments will be made from the Real Estate Services Department (RESD) Rents budget (7810001000) and reimbursed from the Human Services budget (5015011000). Approval of the necessary appropriation and revenue adjustments are not requested at this time but will be

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included in a future countywide budget report presented to the Board of Supervisors (Board) for approval, if necessary.

Year	Annual Amortization of Improvements Costs
One-time Lump Sum Payment	\$1,801,704
Lease Year 1	\$450,157
Lease Year 2	\$450,157
Lease Year 3	\$450,157
Lease Year 4	\$450,157
Lease Year 5	\$450,157
Lease Year 6	\$450,157
Lease Year 7	\$450,157
Lease Year 8	\$450,157
Lease Year 9	\$450,157
Lease Year 10	\$450,157
Lease Year 11	\$450,157
Lease Year 12	\$450,157
Lease Year 13	\$450,157
Lease Year 14	\$450,157
Lease Year 15	\$450,157
Amortized Subtotal	*\$6,752,350
Total Costs	\$8,554,054

*Annual figures are rounded to the nearest whole number.

BACKGROUND INFORMATION

The recommended action will amend an existing lease with AIAT, LLC, adjusting the term of the lease for the period of 15 years commencing October 1, 2024, through September 30, 2039, adjusting the rent schedule and updating standard lease agreement language. The lease is for the continuing need for Children and Family Services (CFS) to provide services for its clients in the San Bernardino area.

On December 5, 2023 (Item No. 57), the Board approved 15-year Lease Agreement No. 23-1273, in the amount of \$23,060,517, with two five-year options to extend the term of the lease with AIAT, LLC, for 33,278 square feet of office space at 2145-2185 East Highland Avenue in San Bernardino. The amount included \$21,729,397 for lease costs and approximately \$1,331,120 for tenant improvements. The original term of the lease was for the period of May 1, 2024, through April 30, 2039. 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 once known.

On February 27, 2024, RESD prepared Amendment No. 1 to the lease for the projected period of October 1, 2024 through September 30, 2039, to adjust the rent schedule. Included in the rent schedule are final construction costs for turnkey tenant improvements: private intake rooms, shower facilities, quiet space for schoolwork and downtime, indoor and outdoor recreational space, private offices to meet with social workers and other County support service staff, and office space for Child Placement Services administration staff. These tenant improvement costs will increase the annual lease costs in this amendment from \$88,741 to

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\$450,157 per year; this increase reflects the improvement costs of \$6,752,350 amortized over the 15-year term of the lease, and in addition a one-time lump sum payment of \$1,801,704, for a total improvement costs of \$8,554,054.

The project to approve Amendment No. 1 to Lease Agreement 23-1273 with AIAT, LLC was reviewed pursuant to the California Environmental Quality Act and determined to be categorically exempt under Guidelines Section 15301 – Existing Facilities (Class 1) due to the impossibility of leasing this property having a significant effect on the environment.

Summary of Lease Terms

Lessor:	AIAT, LLC Mohammad Lutifi Principal
Location:	2145-2185 East Highland Avenue in San Bernardino
Size:	33,278 square feet
Term:	15-year Lease projected to begin October 1, 2024, and expiring on September 30, 2039
Options:	Two five-year options to extend
Rent:	Cost per square foot per month: \$2.82* Monthly: \$93,844 Annual: \$1,126,128 *This rent is on the higher end of the market range in this market due to extensive base building improvements and Landlord is willing to provide for the special use of the property as a new youth foster care facility
Annual Increases:	3.5% annually beginning in the second year
Improvement Costs:	Landlord total fixed cost for the improvements is \$1,331,120 (\$40 per square foot) and County's total improvement costs are \$8,554,054 of which \$1,801,704 is a one-time lump payment and \$6,752,350 will amortized for the 15-year term of the Lease. The cost shall be amortized monthly in the amount of \$37,513 estimated \$450,157 per year, and payable by County, and an allocation of up to \$100,000 for approved unforeseen contingencies and/or approved change orders to the tenant improvements to be authorized and paid by purchase orders as needed
Custodial:	County responsibility
Maintenance:	Landlord responsibility except County furniture, fixtures, and equipment
Utilities:	Provided by Lessor, subject to an electrical cap rate of \$0.32

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per square foot, 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 basis upon the same provisions of the Lease
- Right to Terminate: Available to the County at beginning of year 10 with 90 days' notice
- Parking: Exclusive parking lot with spaces sufficient for County needs

PROCUREMENT

On December 5, 2023 (Item No. 57), the Board approved the lease, which was procured according to County Policy 12-02 – Leasing Privately Owned Property for County Use (Policy) via an alternative procedure process. The procurement process required by County Policy 12-02 does not apply to amendments of existing leases, provided the amendment does not exceed the maximum term (including options) of the Lease.

REVIEW BY OTHERS

This item has been reviewed by County Counsel (John Tubbs II, and Kaleigh Ragon, Deputies County Counsel, 387-5455) on June 26, 2024; Children and Family Services (Jeany Zepeda, Director, 387-2792) on April 4, 2024; Purchasing (Ariel Gill, Supervising Buyer, 387-2070) on April 11, 2024; Finance (John Hallen, 388-0208, and Penelope Chang, 387-4886, Administrative Analysts) on June 26, 2024; and County Finance and Administration (Valerie Clay, Deputy Executive Officer, 387-5423) on June 27, 2024

(AR: 501.7579)

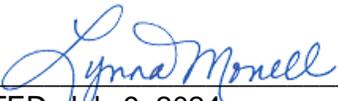
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Record of Action of the Board of Supervisors
San Bernardino County

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: July 9, 2024



cc: RESD - Thompson w/agree
Contractor - c/o RESD w/agree
File - w/agree
CCM 07/10/2024