

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

August 20, 2024

FROM

**TERRY W. THOMPSON, Director, Real Estate Services Department
JAMES LOCURTO, Director, Transitional Assistance Department**

SUBJECT

Amendment to Lease Agreement with 10875 Rancho LLC for Office Space in Adelanto

RECOMMENDATION(S)

1. Find that approval of Amendment No. 8 to Lease Agreement No. 02-303 with 10875 Rancho LLC for office space, is an exempt project under the California Environmental Quality Act Guidelines Section 15301 – Existing Facilities (Class 1).
2. Approve the Real Estate Services Department's use of an alternative procedure in lieu of a formal Request for Proposal, as allowed per County Policy 12-02 - Leasing Privately Owned Real Property for San Bernardino County Use, to lease approximately 21,728 square feet of office space located at 10875 Rancho Road in Adelanto, for the Transitional Assistance Department for the retroactive period of August 1, 2024 through July 31, 2029, following a permitted one-month holdover for the period of July 1, 2024 through July 31, 2024, adding a five-year option to extend, and increasing the amount by \$3,707,127, including the permitted holdover amount of \$54,755, from \$10,473,227 to \$14,180,354.
3. Approve **Amendment No. 8** to Lease **Agreement No. 02-303** with 10875 Rancho LLC to extend the term of the lease five years, for the retroactive period of August 1, 2024 through July 31, 2029, adjust the rental rate schedule, add a five-year option to extend, and update standard lease agreement language, for 21,728 square feet of office space for the Transitional Assistance Department, located at 10875 Rancho Road in Adelanto, increasing the amount by \$3,707,127, from \$10,473,227 to \$14,180,354.
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 additional Discretionary General Funding (Net County Cost). The total cost of Amendment No. 8 (Amendment) to Lease Agreement No. 02-303 (Lease), is \$3,707,127 including the holdover amount of \$54,755. Lease payments will be made from the Real Estate Services Department (RESD) Rents budget (7810001000) and reimbursed from the Human Services (HS) budget (5013241000). Sufficient appropriation is included in the 2024-25 HS and RESD budgets and will be included in future recommended budgets. Annual lease costs are as follows:

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<u>Year</u>	<u>Annual Lease Cost</u>
*July 1, 2024 - July 31, 2024	\$54,755
August 1, 2024 - July 31, 2025	\$687,940
August 1, 2025 - July 31, 2026	\$708,583
August 1, 2026 - July 31, 2027	\$729,838
August 1, 2027 - July 31, 2028	\$751,729
August 1, 2028 - July 31, 2029	\$774,282
Total Cost	\$3,707,127

* One-month permitted holdover period.

BACKGROUND INFORMATION

On April 30, 2002 (Item No. 43), the Board of Supervisors (Board) approved the 10-year Lease, with two five-year options to extend for 10,600 square feet of build-to-suit office space at 10875 Rancho Road in Adelanto. The original term of the Lease was for the period of December 1, 2002 through November 30, 2012. The building was designed specifically for the Transitional Assistance Department (TAD) and included design characteristics to allow for future expansion. In the 21 years since the lease was originally approved, the Board has approved five amendments, which extended the term through June 30, 2024, and the sixth and seventh amendments were executed by the Director of RESD for Change of Property Ownership.

<u>Amendment No.</u>	<u>Approval Date</u>	<u>Item No.</u>
1	November 18, 2008	55
2	October 20, 2009	63
3	June 15, 2010	98
4	December 7, 2010	52
5	April 30, 2019	58
6	January 6, 2020	N/A
7	May 25, 2023	N/A

TAD requested RESD renew the Lease to allow staff to continue providing services to residents in the Adelanto area. The Amendment renews the Lease for a five-year period to extend the term for the retroactive period of August 1, 2024 through July 31, 2029, following a permitted one-month holdover for the period of July 1, 2024 through July 31, 2024, due to prolonged negotiations with 10875 Rancho LLC (Landlord). RESD provided a market analysis of the property and determined that the proposed lease rate from the Landlord was high compared to similar facilities in the Adelanto area. RESD and TAD determined it would be in the best interest of TAD to continue services at this location since it best met their needs and the cost to relocate would outweigh the increased rental costs. RESD was able to negotiate with the Landlord to repaint the interior of the facility.

RESD requests the Board approve the use of an alternative procedure in lieu of another Request for Proposal (RFP), as allowed per County Policy 12-02 (Policy), to extend the term of the Lease for five years and add a five-year option to extend the term. The Policy provides that whenever the Board determines that compliance with the formal RFP requirements would unreasonably interfere with the financial or programmatic needs of the County and would otherwise be in the best interests of the County, the Board may approve an alternative procedure in lieu of another RFP.

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The project to approve the Amendment 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:	10875 Rancho LLC
Location:	10875 Rancho Road, Adelanto, CA 92301
Size:	21,728 square feet of office space
Term:	Five years commencing July 1, 2024
Options:	One five-year option remains
Rent:	Cost per square foot per month: \$2.64* Monthly: \$57,328 Annual: \$687,940 *High-range for comparable facilities in the Adelanto area per the competitive set analysis on file with RESD
Annual Increases:	3%
Improvement Costs:	None
Custodial:	Provided by Lessor
Maintenance:	Provided by Lessor
Utilities:	Provided by Lessor
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
Right to Terminate:	The County has the right to terminate with 90-days' notice
Parking:	Sufficient for County needs

PROCUREMENT

N/A

REVIEW BY OTHERS

This item has been reviewed by County Counsel (John Tubbs II, and Adam Ebright, Deputies County Counsel, 387-5455) on July 23, 2024; Human Services Administrative Support Division (Chris Lange, Deputy Director, 386-8393) on July 18, 2024; Purchasing (Ariel Gill, Supervising

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Buyer, 387-2070) on July 19, 2024; Finance (John Hallen, 388-0208, and Garrett Baker, 387-3077, Administrative Analysts) on August 1, 2024; and County Finance and Administration (Valerie Clay, Deputy Executive Officer, 387-5423) on August 5, 2024.

(BR: 531-2674)

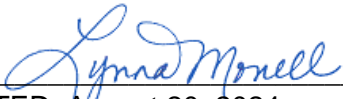
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Record of Action of the Board of Supervisors
San Bernardino County

APPROVED (CONSENT CALENDAR)

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

Lynna Monell, CLERK OF THE BOARD

BY 
DATED: August 20, 2024



cc: Real Estate Services - Thompson w/agree
Contractor - c/o Real Estate Services w/agree
File - w/agree
MBA 08/22/2024