

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

**May 20, 2025**

**FROM**

**TERRY W. THOMPSON, Director, Real Estate Services Department**

**GEORGINA YOSHIOKA, Director, Department of Behavioral Health**

**SUBJECT**

Amendment to Lease Agreement with Mill Street Properties, Inc. for Office Space in San Bernardino

**RECOMMENDATION(S)**

1. Find that approval of Amendment No. 1 to Lease Agreement No. 14-267 with Mill Street Properties, Inc. 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. 14-267** with Mill Street Properties, Inc., to extend the term of the lease three years, for the period of June 1, 2025, through May 31, 2028, by exercising an existing option, following a permitted 47-month holdover beginning July 1, 2021, through May 31, 2025, in the amount of \$1,334,932, and update standard lease agreement language for an approximately 13,927 square foot office building located at 201 & 237 West Mill Street in San Bernardino for the Department of Behavioral Health, increasing the total lease amount by \$2,424,580, for a new total lease amount of \$4,547,068.
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 not result in the use of Discretionary General Funding (Net County Cost). The total cost of Amendment No. 1 (Amendment) to Lease Agreement No. 14-267 (Lease) is \$2,424,580. Lease payments will be made from the Real Estate Services Department (RESD) Rents budget (7810001000) and reimbursed from the Department of Behavioral Health (DBH) budget (9200001000), which will be funded by Federal Financial Participation Medi-Cal, Mental Health Services Act, and Realignment funds. Sufficient appropriation is included in the 2025-26 RESD Rents and DBH budgets and will be included in future recommended budgets. Annual lease costs are as follows:

<b>Year</b>	<b>Lease Cost</b>
*July 1, 2021 – November 31, 2021	\$135,790
**December 1, 2021 – May 31, 2025	\$1,199,142

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June 1, 2025 – May 31, 2026	\$352,632
June 1, 2026 – May 31, 2027	\$362,664
June 1, 2027 – May 31, 2028	\$374,352
<b>Total Cost</b>	<b>\$2,424,580</b>

\*Holdover Period

\*\*Holdover Period Increased Rent

**BACKGROUND INFORMATION**

This Amendment extends the Lease for an additional three years, from June 1, 2025, through May 31, 2028, following a permitted 47-month holdover from July 1, 2021, to May 31, 2025. The total rent payable during the holdover period shall not exceed \$1,334,932. The Lease extension is executed under the County's existing extension option and maintains the same terms and conditions, except for the monthly rent, which will be adjusted to market rates.

On April 8, 2014 (Item No. 39), the Board of Supervisors (Board) approved the seven-year Lease with an option to extend for an additional three years with Mill Street Properties, Inc (Landlord). The Lease covers 13,927 square feet of office space at 201 & 237 West Mill Street in San Bernardino, designated for DBH program operations. The original Lease term ran from July 1, 2014, to June 30, 2021.

In January 2021, the County and Landlord entered into negotiations for a longer-term lease that included developing and upgrading the facility. However, negotiations with Mill Street Properties, Inc. were prolonged due to discussions on potential expansion and development plans, including the Landlord's purchase of neighboring property. As a result, the Lease expired on July 1, 2021, and the facility remained in a permitted holdover status from that date. In January 2025, DBH requested that RESD process an amendment to exercise the final three-year extension and update standard lease language. Both parties have agreed to extend the Lease term and revisit the expansion project after the lease has been extended.

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:	Mill Street Properties, Inc. Joe Fuentes, Property Manager
Location:	201 & 237 Mill Street San Bernardino, CA
Size:	Approximately 13,927 square feet
Term:	Three years commencing June 1, 2025
Options:	None
Rent:	Cost per square foot per month: \$2.11* Monthly: \$29,386 Annual: \$352,632

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\*Mid-range for comparable facilities in the San Bernardino area  
per the competitive set analysis on file with RESD

Annual Increases:	2.8%
Improvement Costs:	N/A
Custodial:	Provided by Lessor
Maintenance:	Provided by Lessor
Utilities:	Provided by Lessor; County to pay electrical costs in excess of \$51,343 per lease year or \$0.31 per square foot per month (electrical utility expense cap) subject to 2.5% annual increases
Insurance:	The Certificate of Liability Insurance, as required by the Lease, is on file with the 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:	County has the right to terminate with 90-days
Parking:	Sufficient for County needs

**PROCUREMENT**

On April 8, 2014 (Item No. 39) the Board approved the Lease, which was procured according to County Policy 12-02 – Leasing Privately Owned Real Property for County Use (Policy) using a Solicitation of Proposals. The procurement process required by the Policy does not apply to amendments of existing leases, provided the amendment does not exceed the maximum term (including options) of the lease. Extending the term of the Lease three years for the period of June 1, 2025, through May 31, 2028, will provide for an aggregate term of 10 years and 11 months.

A competitive market analysis conducted by RESD confirmed that the rental rate for the extended term is competitive. This facility remains the best fit for DBH's operational needs, minimizes program disruptions, eliminates relocation costs, and allows DBH to continue effectively serving residents in the San Bernardino area.

**REVIEW BY OTHERS**

This item has been reviewed by County Counsel (John Tubbs II, and Dawn Martin, Deputies County Counsel, 387-5455) on April 1, 2025; Behavioral Health (Lydia Bell, Administrative Manager, 387-9732) on April 15, 2025; Purchasing (Dylan Newton, Buyer III, 387-3377) on April 8, 2025; Finance (Paul Garcia, 386-8393, and Eduardo Mora, 387-4376, Administrative Analysts) on April 28, 2025; and County Finance and Administration (Paloma Hernandez-Barker, Deputy Executive Officer, 387-5423) on May 4, 2025.

(BR: 531-2674)

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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.), Dawn Rowe, Curt Hagman, Joe Baca, Jr.  
Absent: Jesse Armendarez

Lynna Monell, CLERK OF THE BOARD

BY   
DATED: May 20, 2025



cc: RESD - Thompson w/agree  
Contractor - c/o RESD w/agree  
File - w/agree  
MBA 05/27/2025