

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

May 19, 2020

**FROM**

**TERRY W. THOMPSON, Director, Real Estate Services Department**  
**SANDRA HARMSSEN, Interim Director, Workforce Development Department**

**SUBJECT**

Amendment No. 3 to Lease Agreement with Rancho Tech, LLC for Office Space for the Workforce Development Department in Rancho Cucamonga

**RECOMMENDATION(S)**

1. Approve the Real Estate Services Department's use of an alternative procedure in lieu of a Formal Request for Proposals as allowed per County Policy 12-02 – Leasing Privately Owned Real Property for County Use, to add one additional two-year option to extend the term of the Lease Agreement No. 02-328 (a potential aggregate term of twenty-five years) for the Workforce Development Department.
2. Approve **Amendment No. 3 to Lease Agreement No. 02-328** with Rancho Tech, LLC to extend the term of the lease five years for the period of June 1, 2020 through May 31, 2025 (through the exercise of an existing option to extend), following a permitted holdover from May 1, 2019 through May 31, 2020, for approximately 24,162 square feet of office space in Rancho Cucamonga for the Workforce Development Department in the amount of \$2,969,317.

(Presenter: Terry W. Thompson, Director, 387-5252)

**COUNTY AND CHIEF EXECUTIVE OFFICER GOALS & OBJECTIVES**  
**Operate in a Fiscally-Responsible and Business-Like Manner.**

**FINANCIAL IMPACT**

Approval of this item will not result in the use of Discretionary General Funding (Net County Cost). The total cost of this five-year amendment is \$2,969,317. Lease payments will be made from the Rents budget (7810001000) and reimbursed from the Workforce Development Department (WDD) budget (5715352260). Other costs associated with this lease include electric utility costs, if any, in excess of the utility cap, which at present is approximately \$0.36/sq. ft. (\$8,698/month) will be paid from the WDD budget. It is anticipated that approximately 44% of the lease costs will be reimbursed to WDD by the State of California Employment Development Department (EDD) that sub-leases a portion of the space from the County. Sufficient appropriation is included in both the Rents and WDD 2019-20 budgets and will be included in future recommended budgets. Annual lease costs are as follows:

<u>Period</u>	<u>Lease Cost</u>
May 1, 2019 – May 31, 2020	\$ 490,009
June 1, 2020 – May 31, 2021	\$ 467,100
June 1, 2021 – May 31, 2022	\$ 481,308

**Amendment No. 3 to Lease Agreement with Rancho Tech, LLC for Office Space for the Workforce Development Department in Rancho Cucamonga  
May 19, 2020**

<u>Period</u>	<u>Lease Cost</u>
June 1, 2022 – May 31, 2023	\$ 495,804
June 1, 2023 – May 31, 2024	\$ 510,300
June 1, 2024 – May 31, 2025	\$ 524,796
<b>Total Cost</b>	<b>\$2,969,317</b>

**BACKGROUND INFORMATION**

The recommended action will amend an existing lease with the Rancho Tech, LLC (RT) to extend the term five years, for the period of June 1, 2020 through May 31, 2025 through the exercise of the County’s existing option to extend, following a thirteen month permitted holdover from May 1, 2019 through May 31, 2020, add one additional two-year option to extend the term of the lease, adjust the rent schedule, and update standard lease agreement language because of the continued need to provide employment services in the Rancho Cucamonga area.

WDD provides employment services for both job seekers and employers in the Rancho Cucamonga area. On May 7, 2002 (Item No. 42), the Board of Supervisors (Board) approved a ten-year Lease Agreement No. 02-328, with two five-year options to extend the term of the lease, with Rancho Tech, LLC (RT) for approximately 24,162 square feet of office space at 9650 Ninth Street in Rancho Cucamonga. The original term of the lease was from January 1, 2003 through December 31, 2012. In the eighteen years since the lease was originally approved, the Board has approved two amendments which extended the term from May 1, 2014 through April 30, 2019; provided required ADA improvements, carpet and paint improvements, exterior and parking lot improvements at the landlord’s sole expense, provided for a one-time payment by WDD in the amount of \$126,209 as the cost of tenant improvements to the lobby, changed the critical completion date of the tenant improvements and provided for payment of approved change orders.

<u>Amendment No.</u>	<u>Approval Date</u>	<u>Item No.</u>
1	May 6, 2014	51
2	July 28, 2015	67

WDD requested the Real Estate Services Department prepare an amendment exercising the County’s existing five-year option to extend the term of the lease. Negotiations with RT regarding the terms and conditions of the lease have delayed presentation of the amendment until now and on April 30, 2019 the lease went into holdover. Amendment No. 3 to Lease Agreement No. 02-328 provides for the continued use of approximately 24,162 square feet of office space located at 9650 Ninth Street in Rancho Cucamonga by extending the term of the lease five years for the period of June 1, 2020 through May 31, 2025, following a permitted holdover, updates the rent schedule, adds a new two-year option to extend the term of the lease, and updates standard lease agreement language.

Staff has reviewed the recommended action pursuant to the California Environmental Quality Act (CEQA) and has determined that it does not constitute a project. Accordingly, no further action is required under CEQA.

**Summary of Lease Terms**

Lessor: Rancho Tech, LLC  
(Isaac Moradi, Manager)

**Amendment No. 3 to Lease Agreement with Rancho Tech, LLC for  
Office Space for the Workforce Development Department in Rancho  
Cucamonga  
May 19, 2020**

Summary of Lease Terms

Location:	9650 Ninth Street, Rancho Cucamonga
Size:	Approximately 24,162 square feet of office space
Term:	Five years commencing June 1, 2020
Options:	One two-year option
Rent:	Cost per sq. ft. per month: \$1.61 Monthly: \$38,925 Annual: \$467,100 Low-range for comparable facilities in the Rancho Cucamonga area per 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 except that County is obligated to pay for any electric costs that exceed a cap of \$0.18/sq. ft./month (presently at approximately \$0.36/sq. ft./month), which cap escalates by 3% annually
Insurance:	The Certificate of Liability Insurance, as required by the lease, is on file with RESD
Right to Terminate:	The County has no right to terminate during the second extended term
Parking:	Sufficient for County needs

**PROCUREMENT**

On May 7, 2002 (Item No. 42), the Board approved Lease Agreement No. 02-328, which was procured according to County Policy No. 12-02, Leasing Privately Owned Real Property for County Use (Policy), using a Request For Proposals 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. Nonetheless, the Policy also requires a thorough and detailed review by the County Administrative Office or designee to validate the need for and provide a competitive analysis of any lease with a term of more than twenty years. Exercising the five-year option that extends the term from June 1, 2020 to May 31, 2025 will provide for an aggregate term of twenty-three years and adding one new two-year option, if exercised, will potentially yield an aggregate term of twenty-five years.

**Amendment No. 3 to Lease Agreement with Rancho Tech, LLC for  
Office Space for the Workforce Development Department in Rancho  
Cucamonga  
May 19, 2020**

RESD completed a competitive analysis of the area and found the negotiated rental rate is competitive, this facility best meets the requirements of the department, and the department would save moving expenses if it stays in the current location. Staff recommends the Board approve the additional extension of the term and the addition of a new two-year option to extend the term of the lease without the requirement for a RFP process.

**REVIEW BY OTHERS**

This item has been reviewed by County Counsel (Agnes Cheng, Deputy County Counsel and Sophie Akins, Deputy County Counsel, 387-5455) on April 8, 2020; WDD (Fred Burks, Administrative Supervisor II, 387-9845) on March 27, 2020; Purchasing Department (Bruce Cole, Supervising Buyer , 387-2070) on March 27, 2020; Finance (Kathleen Gonzalez, Administrative Analyst, 387-5001 and Wen Mai, Principal Administrative Analyst, 387-4020) on April 28, 2020; and County Finance and Administration (Matthew Erickson, County Chief Financial Officer, 387-5423) on May 4, 2020.

(KB: 677-7961)

**Amendment No. 3 to Lease Agreement with Rancho Tech, LLC for  
Office Space for the Workforce Development Department in Rancho  
Cucamonga  
May 19, 2020**

Record of Action of the Board of Supervisors  
County of San Bernardino

**APPROVED (CONSENT CALENDAR)**

Moved: Robert A. Lovingood Seconded: Josie Gonzales  
Ayes: Robert A. Lovingood, Janice Rutherford, Dawn Rowe, Curt Hagman, Josie Gonzales

Lynna Monell, CLERK OF THE BOARD

BY   
DATED: May 19, 2020



cc: RESD- Thompson w/agree  
Contractor- C/O RESD w/agree  
File- w/agree  
la 05/28/2020