

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

June 28, 2022

**FROM**

**TERRY W. THOMPSON, Director, Real Estate Services Department  
WILLIAM L. GILBERT, Director, Arrowhead Regional Medical Center**

**SUBJECT**

Lease Agreement with Moss Colton Properties, LLC for Office Space for Arrowhead Regional Medical Center in Colton

**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 San Bernardino County Use to lease approximately 51,753 square feet of office space from Moss Colton Properties, LLC for 10 years for the projected period of October 1, 2023 through September 30, 2033, subject to landlord's completion of certain turnkey tenant improvements, with two five-year options to extend the term of the lease for Arrowhead Regional Medical Center at 1930 West Valley Boulevard in Colton.
2. Approve a new lease **Agreement No. 22-566** with Moss Colton Properties, LLC for 10 years for the projected period of October 1, 2023 through September 30, 2033, subject to landlord's completion of certain turnkey tenant improvements, with two five-year options to extend the term of the lease, for approximately 51,753 square feet of office space for the Arrowhead Regional Medical Center at 1930 West Valley Boulevard in Colton in the amount of \$25,373,904.
3. Authorize the Purchasing Department to issue purchase orders, as necessary, for a total amount not to exceed \$100,000, for any contingencies and/or minor change orders that may arise in order to complete the turnkey tenant improvements set forth in the lease (Four votes required).

(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 require additional Discretionary General Funding (Net County Cost). The total cost of this 10-year agreement is \$25,373,904, comprising \$18,171,504 for rent and \$7,202,400 for turnkey tenant improvements, which will be entirely amortized over the 10-year term of the lease. Lease payments will be made from the Real Estate Services Department (RESD) Rents budget (7810001000) and reimbursed from the Arrowhead Regional Medical Center (ARMC) budget (9110004200). The financial investment for the lease will be 100% funded by State Medi-Cal, Federal Medicare, private insurances, and other departmental revenue. A positive financial return is anticipated due to increased patient volume generated

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from providing additional or new services resulting in revenue growth. Sufficient appropriation will be included in the 2023-24 Rents and ARMC recommended budgets and will be included in future recommended budgets. Annual lease costs for a projected commencement date of October 1, 2023, are as follows:

<u>Year</u>	<u>Annual Lease Cost*</u>
October 1, 2023 – September 30, 2024	\$2,303,880
October 1, 2024 – September 30, 2025	\$2,353,560
October 1, 2025 – September 30, 2026	\$2,403,252
October 1, 2026 – September 30, 2027	\$2,452,932
October 1, 2027 – September 30, 2028	\$2,502,612
October 1, 2028 – September 30, 2029	\$2,558,508
October 1, 2029 – September 30, 2030	\$2,614,404
October 1, 2030 – September 30, 2031	\$2,670,288
October 1, 2031 – September 30, 2032	\$2,726,184
October 1, 2032 – September 30, 2033	<u>\$2,788,284</u>
<b>Total Cost</b>	<b>\$25,373,904</b>

\*Includes monthly amortized tenant improvement payments

**BACKGROUND INFORMATION**

The recommended action will approve a new 10-year lease agreement with Moss Colton Properties, LLC (Moss Colton), for the projected period of October 1, 2023 through September 30, 2033, subject to landlord’s completion of certain turnkey tenant improvements, with two five-year options to extend the lease term for approximately 51,753 square feet of office space located at 1930 West Valley Boulevard in Colton. ARMC desires to move staff from their current location on the main hospital campus in the Medical Office Building (MOB) located at 400 North Pepper Avenue in Colton and to relocate into 51,753 square feet of office space at the Moss Colton campus, to allow ARMC to expand its inpatient care programs on Valley Boulevard, which is located in close proximity to the ARMC main campus.

The relocation will better meet the needs of ARMC’s patients through vacating space in MOB that will allow expansion of the inpatient care programs which will increase the revenues to ARMC. The new 10-year lease with Moss Colton will align with current and future care delivery models for efficient and effective population health management, while also accommodating growth and services.

This lease is part of a larger campus wide strategy for ARMC to expand clinical services within the hospital and move non-clinical operations off-site were appropriate. Specifically, this lease will allow the hospital to move medical records and other departments off-site to allow room to build out a state-of-the-art hybrid operating suite.

On June 15, 2022, the County Administrative Office approved Capital Improvement Program (CIP) Project Request No. 22-148 submitted by ARMC, to lease approximately 51,753 square feet of office space located at 1930 West Valley Boulevard in Colton.

RESD negotiated a 10-year lease with two five-year options to extend the term of the lease. The term of the lease is for 10 years for the projected period of October 1, 2023 through September 30, 2033, subject to landlord’s completion of certain turnkey tenant improvements set forth in the lease. The total cost of the 10-year lease is \$25,373,904, comprising

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\$18,171,504 for rent and \$7,202,400 for turnkey tenant improvements, which will be entirely amortized over the 10-year term of the lease. The initial rent, including turnkey improvements, is \$3.71 per square foot per month, full-service gross, with the rental rate subject to 3% annual increases. The turnkey improvements include additional staff workspace, meeting, and conference rooms to accommodate staff. San Bernardino County (County) has the right to terminate the lease with 90-days' notice at any time during any extended terms, if exercised, but not during the initial 10-year term.

Although turnkey improvements are included in the proposed monthly payments, RESD requests, on behalf of ARMC, that the Board of Supervisors (Board) authorize the Purchasing Department to issue purchase orders, as necessary, for a total amount not to exceed \$100,000 for any contingencies and/or minor change orders that may arise in order to complete the turnkey tenant improvements set forth in the lease. All change orders and/or contingencies will be approved by ARMC prior to authorizing any work or payment(s) to the landlord.

The lease provides the following authority for the RESD Director in administering the lease: to exercise the County's early termination right; to execute a commencement date certificate to verify the occurrence of the actual commencement date so long as that date is within 90 days of the projected commencement date; execute estoppel certificates confirming facts regarding the lease and subordination, non-disturbance, and attornment agreements to preserve the County's lease rights during landlord's financing transactions involving the real property to execute amendments to the lease that solely reflect a successor landlord following the original landlord's sale of the real property and assignment of the lease, and to make determinations regarding the occurrence of reimbursable maintenance events payable due to the intentional misconduct of the County's employees and invitees in the premises so long as such reimbursement does not exceed \$5,000 per event.

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:	Moss Colton Properties, LLC (Glenn L. Moss, Managing Member)
Location:	1930 West Valley Boulevard in Colton
Size:	51,753 square feet of office space
Term:	10 years with projected commencement date of October 1, 2023, subject to landlord's completion of certain turnkey tenant improvements
Options:	Two five-year options to extend the term of the lease
Rent:	Cost per sq. ft. per month: \$3.71* full-service gross Monthly: \$191,990 Annual: \$2,303,880 *High-range for comparable facilities in the Colton area per the competitive set analysis on file; base rent at \$2.55 per square

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	foot per month plus tenant improvements at \$1.16 per square foot per month
Annual Increases:	3%
Improvement Costs:	\$7,202,400, which shall be amortized over the 10-year term of the lease, and an allocation for up to \$100,000 for any contingencies and/or minor change orders to the turnkey improvements to be authorized and paid by purchase orders as needed
Custodial:	Provided by Lessor
Maintenance:	Provided by Lessor; except County reimbursement of certain maintenance and repairs expenses at the premises incurred by the landlord resulting from the intentional misconduct of County or its invitees not to exceed \$5,000 per event
Utilities:	Provided by Lessor, County to pay electrical costs in excess of \$99,365 per lease year or \$0.16 per square foot per month (electrical utility expense cap) subject to 3% annual increases
Insurance:	The Certificate of Liability Insurance as required by the lease will be obtained by RESD prior to occupancy
Right to Terminate:	No right to terminate for convenience during the initial 10-year term; County can terminate with 90-days' notice during the extended terms, if any
Parking:	Sufficient for County needs

**PROCUREMENT**

RESD is requesting the Board to approve the use of an alternative procedure in lieu of a Formal Request for Proposals (RFP) as allowed per County Policy 12-02 - Leasing Privately Owned Real Property for County Use, to lease approximately 51,753 square feet of office space in Colton for ARMC for 10 years for the projected period of October 1, 2023 through September 30, 2033, subject to landlord's completion of certain turnkey tenant improvements, with two five-year options to extend the term of the lease. Policy 12-02 provides that the Board may approve the use of an alternative procedure to the use of a Formal RFP process whenever the Board determines that compliance with the Formal RFP requirements would unreasonably interfere with the financial or programmatic needs of the County, or when the use of an alternative procedure would otherwise be in the best interest of the County.

RESD, acting in its approved capacity as the County Administrative Office designee to review proposed real property leases under Policy 12-02, completed a competitive analysis of the area and found the lease rate is competitive for a 10-year term and this premises best meets the requirements of the department due to its close proximity to the ARMC main campus.

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**REVIEW BY OTHERS**

This item has been reviewed by County Counsel (Agnes Cheng, Deputy County Counsel, and Charles Phan, Deputy County Counsel, 387-5455) on April 11, 2022; Arrowhead Regional Medical Center (Andrew Goldfrach, Chief Operating Officer, 580-6170) on April 11, 2022; Purchasing (Bruce Cole, Supervising Buyer, 387-2148) on April 11, 2022; Finance (Yael Verduzco, Principal Administrative Analyst, 387-5285, Jenny Yang, Administrative Analyst, 387-4884, and Carl Lofton, Administrative Analyst, 387-5404) on June 11, 2022; and County Finance and Administration (Diana Atkeson, Deputy Executive Officer, 387-4376) on June 11, 2022.

(PN: 677-8321)

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Record of Action of the Board of Supervisors  
San Bernardino County

**APPROVED (CONSENT CALENDAR)**

Moved: Janice Rutherford Seconded: Col. Paul Cook (Ret.)  
Ayes: Col. Paul Cook (Ret.), Janice Rutherford, Dawn Rowe, Joe Baca, Jr.  
Absent: Curt Hagman

Lynna Monell, CLERK OF THE BOARD

BY  \_\_\_\_\_  
DATED: June 28, 2022



cc: RESD- Thompson w/agree  
Contractor- C/O RESD w/agree  
File- w/agree  
LA 07/15/2022