

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

May 20, 2025

FROM

TERRY W. THOMPSON, Director, Real Estate Services Department

JAMES LOCURTO, Director, Transitional Assistance Department

SUBJECT

Amendment to Lease Agreement with Red Oak Partners, a California Joint Venture, for Office Space in Rancho Cucamonga

RECOMMENDATION(S)

1. Find that approval of Amendment No. 5 to Lease Agreement No. 94-315 with Red Oak Partners, a California Joint Venture, for office and playground space, is an exempt project under the California Environmental Quality Act Guidelines, Section 15301 – Existing Facilities (Class I).
2. Approve **Amendment No. 5 to Lease Agreement No. 94-315** with Red Oak Partners, a California Joint Venture, through the use of an alternative procedure as allowed per County Policy 12-02 – Leasing Privately Owned Real Property for County Use, to extend the term of the lease for 15-years, for the period of June 1, 2025, through May 31, 2040, add one five-year option to extend, update the termination language, update the electric utility cap, and adjust the rent schedule for approximately 33,000 square feet of office space for the Transitional Assistance Department, located at 10825 Arrow Route in Rancho Cucamonga, in the amount of \$18,185,784, and a new total contract amount of \$39,969,370.
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 Amendment No. 5 (Amendment) to Lease Agreement No. 94-315 (Lease) will not require additional Discretionary General Funding (Net County Cost). The total cost of this Amendment is \$18,185,784. Lease payments will be made from the Real Estate Services Department (RESA) rents budget (7810001000) and reimbursed from the Human Services (HS) Administrative Claim budget (5013351000). The HS Administrative Claim budget is funded by 85% Federal/State funding and 15% Local Share. Sufficient appropriation is included in the 2024-25 Rents and HS Administrative Claim budgets and will be included in future recommended budgets. Annual lease costs are as follows:

Year	Cost
June 1, 2025 - May 31, 2026	\$942,480

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June 1, 2026 - May 31, 2027	\$975,468
June 1, 2027 - May 31, 2028	\$1,009,608
June 1, 2028 - May 31, 2029	\$1,044,948
June 1, 2029 - May 31, 2030	\$1,081,512
June 1, 2030 - May 31, 2031	\$1,119,372
June 1, 2031 - May 31, 2032	\$1,158,552
June 1, 2032 - May 31, 2033	\$1,199,100
June 1, 2033 - May 31, 2034	\$1,241,064
June 1, 2034 - May 31, 2035	\$1,284,504
June 1, 2035 - May 31, 2036	\$1,329,456
June 1, 2036 - May 31, 2037	\$1,375,992
June 1, 2037 - May 31, 2038	\$1,424,148
June 1, 2038 - May 31, 2039	\$1,473,996
June 1, 2039 - May 31, 2040	\$1,525,584
Total Cost:	\$18,185,784

BACKGROUND INFORMATION

On April 19, 1994 (Item No. 28), the Board of Supervisors (Board) approved the Lease with two five-year options to extend the term for 33,000 square feet of office space at 10825 Arrow Route Avenue in Rancho Cucamonga (Premises). The original term was for the period of June 1, 1995, through May 31, 2005. In the 31 years since the Lease was originally approved, the Board has approved four amendments to reflect a change of ownership, extend the term, add additional options to extend the term, adjust the rental rate schedule, provide for turnkey tenant improvements, and update standard lease agreement language.

Amendment No.	Approval Date	Item No.
1	March 15, 2005	63
2	March 23, 2010	60
3	June 02, 2015	73
4	April 21, 2020	46

The Transitional Assistance Department (TAD) requested RESD negotiate the Amendment to the Lease to extend the existing term, which is set to expire on May 31, 2025. The Amendment will extend the term for the period of June 1, 2025, through May 31, 2040, adjust the rental rate schedule, update the termination language to allow for the County to terminate the Lease beginning in year 10 of the Amendment, update the electric utility cap, add one five-year option to extend the term and update standard lease agreement language. This Amendment keeps the Lease out of holdover and allows for Red Oak Partners, a California Joint Venture, to review TAD's request for tenant improvements. All other Lease terms remain unchanged.

The project to approve the Amendment was reviewed pursuant to the California Environmental Quality Act (CEQA) and determined to be categorically exempt under Section 15301- Class 1 Existing Facilities because the proposed Lease is to secure property to operate within the existing structure with negligible or no expansion of existing use.

Summary of Lease Terms

Lessor: Red Oak Partners, a California Joint Venture
August H. Reiter III, Trustee

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Location:	10825 Arrow Route, Rancho Cucamonga, CA 91730
Size:	33,000 square feet of office space.
Term:	June 1, 2025, through May 31, 2040
Options:	One five-year
Rent:	Cost per square foot: \$2.38* Monthly: \$78,540 Annual: \$942,480 *Mid-range for comparable facilities in the Rancho Cucamonga area per the competitive set analysis of file with RESD
Annual Increases:	3.5%
Improvement Costs:	None
Custodial:	Provided by Lessor
Maintenance:	Provided by Lessor
Utilities:	Provided by the Lessor, except that County pays for any electric utility costs that exceed the Electric Utility Expense Cap, as of June 1, 2025, the Cap is \$0.42 per square foot per month with 4% annual escalations
Holdover:	Month-to-month term upon the same terms and conditions, including the rent which existed at the time of expiration
Insurance:	The Certificate of Liability Insurance, as required by the Lease, is on file with RESD
Right to Terminate:	County has the right to terminate with one-year notice after May 31, 2034
Parking:	235 parking stalls; sufficient for County needs

PROCUREMENT

Policy 12-02 requires a thorough and detailed review by the County Administrative Office (CAO) or designee to validate the need for and provide a competitive analysis of any lease with a term of more than 20 years. Approval of the Amendment will yield an aggregate term of 45 years and a potential aggregate term of 50 years if the added extension option is exercised.

RESD, acting in its approved capacity as the CAO designee to review proposed real property leases under Policy 12-02, completed a market analysis of comparable properties and found the current rental rate, including annual increases during the five-year extended term, to be competitive. Policy 12-02 provides that the Board may approve the use of an alternative procedure to the use of a Formal Request For Proposal (RFP) process whenever the Board

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determines that compliance with the 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. The site best meets the long-term requirements of TAD, and if the extension is approved by the Board, it would minimize disruption to TAD operations and save moving costs.

REVIEW BY OTHERS

This item has been reviewed by County Counsel (John Tubbs II, and Adam Ebright, Deputies County Counsel, 387-5455) on April 17, 2025; Transitional Assistance (James Locurto, Director, 388-0245) on April 21, 2025; Purchasing (Dylan Newton, Buyer III, 387-3377) on April 21, 2025; Finance (John Hallen, 388-0208, and Eduardo Mora, 387-4376, Administrative Analysts) on April 30, 2025; and County Finance and Administration (Paloma Hernandez-Barker, Deputy Executive Officer, 387-5423) on May 4, 2025.

(YG: 665-0268)

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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