

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

July 23, 2024

FROM

TERRY W. THOMPSON, Director, Real Estate Services Department

JEANY ZEPEDA, Director, Children and Family Services

SUBJECT

Lease Agreement with 1250 Fairfax, LLC and 521 East 11th St., LLC, dba Three Carnegie Plaza for Office Space in San Bernardino

RECOMMENDATION(S)

1. Find that approval of a Lease Agreement with 1250 Fairfax, LLC and 521 East 11th St., LLC, dba Three Carnegie Plaza, 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 Proposals as allowed per County Policy 12-02 - Leasing Privately Owned Real Property for County Use, to lease approximately 13,168 square feet of office space for 10 years for the projected period of July 1, 2025 through June 30, 2035, with two five-year extension options, for Children and Family Services, located at 735 East Carnegie Drive, Suite 200 in San Bernardino, for the amount of \$4,858,571.
3. Approve a **Lease Agreement No. 24-692** with 1250 Fairfax, LLC and 521 East 11th St., LLC, dba Three Carnegie Plaza, for 10 years for the projected period of July 1, 2025 through June 30, 2035, with two five-year extension options, for approximately 13,168 square feet of office space for Children and Family Services located at 735 East Carnegie Drive, Suite 200 in San Bernardino for the amount of \$4,858,571.
4. Authorize the Director of the Real Estate Services Department to approve and execute any other documents and take any other actions necessary to complete this transaction or perform lease requirements prior to or throughout the term, subject to County Counsel review.
5. Authorize the Purchasing Agent to issue purchase orders, as necessary, for a total amount not to exceed \$50,000, for any unforeseen contingencies and/or change orders that may arise during construction in order to complete the tenant improvements set forth in the Lease Agreement with 1250 Fairfax, LLC and 521 East 11th St., LLC, dba Three Carnegie Plaza (Four votes required).
6. 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

Improve County Government Operations.

Operate in a Fiscally-Responsible and Business-Like Manner.

FINANCIAL IMPACT

**Lease Agreement with 1250 Fairfax, LLC and 521 East 11th St., LLC,
dba Three Carnegie Plaza for Office Space in San Bernardino
July 23, 2024**

Approval of this item will not result in the use of Discretionary General Funding (Net County Cost). The total cost of this 10-year Lease Agreement (Lease) is \$4,858,571, comprising of \$3,894,671 in rent and \$963,900 in tenant improvement costs amortized over the initial term. All costs associated with this Lease will be funded with 79% Federal and State funding and 21% existing department local share. Lease payments will be made from the Real Estate Services Department (RESD) Rents budget (7810001000) and reimbursed from the Children and Family Services (CFS) budget (5011101000). Sufficient appropriation will be included in future recommended budgets. Annual lease costs are as follows:

<u>Year</u>	<u>Annual Rent*</u>	<u>Amortization of Improvements</u>	<u>Annual Lease Cost*</u>
July 1, 2025 - June 30, 2026	\$339,734	\$96,390	\$436,124
July 1, 2026 - June 30, 2027	\$349,926	\$96,390	\$446,316
July 1, 2027 - June 30, 2028	\$360,424	\$96,390	\$456,814
July 1, 2028 - June 30, 2029	\$371,237	\$96,390	\$467,627
July 1, 2029 - June 30, 2030	\$382,374	\$96,390	\$478,764
July 1, 2030 - June 30, 2031	\$393,845	\$96,390	\$490,235
July 1, 2031 - June 30, 2032	\$405,660	\$96,390	\$502,050
July 1, 2032 - June 30, 2033	\$417,830	\$96,390	\$514,220
July 1, 2033 - June 30, 2034	\$430,365	\$96,390	\$526,755
July 1, 2034 - June 30, 2035	<u>\$443,276</u>	<u>\$96,390</u>	<u>\$539,666</u>
Total Cost	\$3,894,671	\$963,900	\$4,858,571

*Annual figures are rounded to the nearest whole number.

BACKGROUND INFORMATION

The mission of CFS is to protect endangered children, preserve and strengthen families, and develop alternative family settings. Within CFS, the System Resources Division (SRD) provides education and training, develops policies and procedures, and manages compliance. Currently, SRD staff are assigned to various CFS district and court offices with inadequate space for providing training. CFS desires to relocate SRD to a centralized location that will allow for collaboration. Additionally, this division reports directly to CFS Administration leadership, as well as collaborating with the Juvenile Dependency Court located in the city of San Bernardino. SRD's work product must remain confidential, therefore separate work areas are critical to its operations. As such, the CFS Risk Management unit was forced into a shared desk environment due to lack of capacity for staff to remain located in the same office. This unit requires control and oversight due to the sensitivity of documentation handled and communication provided. As such the relocation to a different building will correct already existing capacity issues.

CFS requested that RESD search for properties within the city limits of San Bernardino and direct neighboring cities, closely located to CFS Administration leadership and the Juvenile Dependency Court. RESD was able to locate an available property located at 735 East Carnegie in San Bernardino. The relocation will better meet the needs of CFS' staff and allow them to better serve the needs of county residents.

The total cost of this Lease is comprised of \$3,894,671 in base rent and \$963,900 in tenant improvements amortized over the 10-year term. The initial base rent is \$2.15 per square foot per month, subject to 3% annual increases. The turnkey tenant improvements - adding \$0.61 per square foot to the least costs, include modifications needed for the space to meet SRD's operational needs, including a lobby reception area, private offices, a large conference meeting

**Lease Agreement with 1250 Fairfax, LLC and 521 East 11th St., LLC,
dba Three Carnegie Plaza for Office Space in San Bernardino
July 23, 2024**

room, and training rooms. San Bernardino County (County) has the right to terminate the Lease for convenience after the start of year eight of the initial 10-year term.

Although turnkey improvements are included in the proposed monthly payments, RESD requests, on behalf of CFS, that the Board of Supervisors (Board) authorize the Purchasing Agent to issue purchase orders, as necessary, for a total amount not to exceed \$50,000, for any contingencies and/or minor change orders that may arise in order to complete the turnkey tenant improvements set forth in the Lease. Pursuant to Public Contract Code Section 20137, four votes are required to approve change orders for this type of project. All change orders and/or contingencies will be approved by CFS prior to authorizing any work or payment to the Landlord.

The project to approve the Lease 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:	1250 Fairfax, LLC and 521 East 11th St., LLC, dba Three Carnegie Plaza
Location:	735 East Carnegie Drive, Suite 200, San Bernardino, CA 92408
Size:	13,168 square feet
Term:	10 years, commencing on the projected commencement date of July 1, 2025, and expiring on June 30, 2035
Options:	Two, five-year options to extend the term of the lease
Rent:	Cost per square foot per month: *\$2.76 Monthly: \$36,344 Annual: \$436,124 *Mid-range for comparable facilities in the San Bernardino area per the competitive set analysis on file with RESD. Base rent at \$2.15 per square foot per month plus tenant improvements at \$0.61 per square foot per month.
Annual Increases:	3%
Improvement Costs:	Lessor shall contribute a Tenant Improvement allowance in the amount of \$197,520 (\$15 per square foot) to the Lessee. Any costs exceeding the allowance, up to an additional \$50 per square foot, will be amortized and paid by Lessee up to \$0.61 per square foot throughout the term of the Lease for the Lessor to complete the Tenant Improvements in accordance with Lessee approved specifications, on or before the Projected Occupancy Date.
Custodial:	Provided by Lessor

**Lease Agreement with 1250 Fairfax, LLC and 521 East 11th St., LLC,
dba Three Carnegie Plaza for Office Space in San Bernardino
July 23, 2024**

Maintenance:	Provided by Lessor
Utilities:	Provided by Lessor, except for reimbursement of excess electric utility expenses that exceed the annual cap of \$47,404.80 (adjusted annually by 3%). Heating, Ventilation, and Air Conditioning (HVAC) services provided during building hours of operation from Monday through Friday, 7:00 am to 6:00 pm and Saturday 9:00 am to 12:00 pm excluding County holidays. After-hours HVAC charges, without mark-up shall be \$65 per hour of use.
Insurance:	The Certificate of Liability Insurance as required by the lease will be obtained by RESD prior to occupancy
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 may only terminate upon the eighth year of the Lease with 180 days' notice, and not earlier for default
Parking:	Sufficient for County Needs

PROCUREMENT

RESD is requesting that the Board approve the use of an alternative procedure in lieu of a formal Request for Proposal (RFP) as allowed per County Policy 12-02, to lease approximately 13,168 square feet of office space at 735 East Carnegie Drive, Suite 200, San Bernardino, for CFS due to the immediate programmatic needs of the department. RESD determined this location to be best suited for the department after exhausting all other options in the limited boundary areas. County Policy provides that the Board may approve the use of an alternative procedure to the use of a RFP process whenever the Board 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.

REVIEW BY OTHERS

This item has been reviewed by County Counsel (John Tubbs II, and Kaleigh Ragon, Deputies County Counsel, 387-5455) on June 24, 2024; Children and Family Services (Jeany Zepeda, Director, 387-2792) on June 26, 2024; Purchasing (Ariel Gill, Supervising Buyer, 387-2070) on June 20, 2024; Finance (John Hallen, Administrative Analyst, 388-0208, and Yael Verduzco, Principal Administrative Analyst, 387-5285) on July 2, 2024; and County Finance and Administration (Paloma Hernandez-Barker, Deputy Executive Officer, 387-5423) on July 5, 2024.

(BR: 531-2674)

**Lease Agreement with 1250 Fairfax, LLC and 521 East 11th St., LLC,
dba Three Carnegie Plaza for Office Space in San Bernardino
July 23, 2024**

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

Lynna Monell, CLERK OF THE BOARD

BY 
DATED: July 23, 2024



cc: RESD - Thompson w/agree
 Contractor - c/o RESD w/agree
 File - w/agree
CCM 08/2/2024