

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

June 9, 2026

FROM

TERRY W. THOMPSON, Director, Real Estate Services Department

ANDREW GOLDFRACH, ARMC Chief Executive Officer, Arrowhead Regional Medical Center

SUBJECT

Termination Amendment to Lease Agreement with Pepper Clinic LLC for a Proposed Build-to-Suit Medical Clinic in Colton

RECOMMENDATION(S)

Approve **Amendment No. 1 to Lease Agreement No. 24-401** with Pepper Clinic, LLC, for a proposed approximately 60,000-square-foot, build-to-suit, three-story medical clinic located on a portion of Assessor's Parcel Number 0254-071-10-0000 along Pepper Avenue in Colton, which terminates the lease agreement in its entirety prior to construction and commencement, provides for a mutual release of all claims and requires a one-time termination payment of \$5,000 to the County, with no further financial obligations to either party.
(Presenter: Terry W. Thompson, Director, 387-5000)

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

FINANCIAL IMPACT

Approval of this item will not require the use of Discretionary General Funding (Net County Cost). Pepper Clinic LLC (Lessor) will provide a one-time termination payment of \$5,000 to the County, which will be deposited into the Real Estate Services Department's (RESA) Rents budget (7810001000) and reimbursed to the Arrowhead Regional Medical Center (ARMC) budget (9110004200). Approval of Amendment No. 1 (Amendment) to Lease Agreement No. 24- 401 (Lease) eliminates the County's previously approved long-term lease obligation of approximately \$116,810,675. There are no ongoing costs or financial obligations associated with this action.

BACKGROUND INFORMATION

ARMC previously requested approval of a lease agreement with the Lessor to relocate Primary Care and Specialty Clinics, Diagnostics, and Laboratory services currently operating within the main campus. The proposed Lease contemplated the development of a new approximately 60,000 square foot, build-to-suit, three-story medical clinic located along Pepper Avenue in Colton. The relocation was intended to allow ARMC to repurpose existing on-campus space to expand intensive care capacity and develop a clinical simulation center to support graduate medical education programs.

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On February 3, 2023, the County Administrative Office approved Capital Improvement Program Project No. 23-136 for this effort. On May 21, 2024 (Item No. 79), the Board of Supervisors approved the Lease for a 20-year term, which included ground-up construction and turnkey tenant improvements, with an option for the County to ultimately obtain fee ownership of the property at the conclusion of the Lease term. The total Lease value was approximately \$116.8 million, inclusive of rent and improvements.

The project was intended to enhance ARMC's ability to deliver patient care, expand service lines, and support its role as a teaching hospital providing clinical training opportunities in partnership with educational institutions.

During implementation of the Lease, the Lessor experienced challenges securing financing for the proposed project under the Lease's existing terms and conditions. The Lessor requested that the County consider amendments to certain provisions of the Lease that the Lessor's lenders identified as unfavorable from a financing perspective and which impacted the Lessor's ability to obtain favorable funding terms necessary to proceed with the project.

The County engaged in discussions with the Lessor and evaluated several proposed revisions to the Agreement in an effort to support the project while continuing to protect the County's operational, financial, and legal interests. Although the County was willing to make certain concessions, inadequate consideration was proposed to the County, and the parties were ultimately unable to reach mutually acceptable terms regarding the requested modifications.

As a result, both parties agreed that a mutual termination of the Lease was in their respective best interests. The mutual termination provides the County with a one-time compensation payment of \$5,000 and allows ARMC to continue evaluating alternative sites, operational strategies, and solutions to support the future expansion of critical medical and support operations without further delay or uncertainty associated with the existing project.

As part of the termination, the County and Lessor have agreed to a mutual release of all claims related to the Lease, including any costs associated with planning, design, or predevelopment activities. The Lessor will provide the County a one-time termination payment in the amount of \$5,000, after which no further financial obligations will be owed by either party.

This termination eliminates the County's long-term Lease obligation and associated project costs, and no construction or tenant improvements will proceed under this Lease.

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 Termination Terms

Lessor: Pepper Clinic LLC
Philip Lee, Director

Location: Portion of Assessor's Parcel Number 0254-071-10-0000 along
Pepper Avenue in Colton

Original Size: Approximately 60,000 square feet for a build to suit, three story
clinic

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Original Lease Term:	20 years
Amendment Action:	Amendment No. 1 terminates Lease Agreement No. 24-401 in its entirety effective upon full execution by both parties
Improvement Costs:	No construction or tenant improvements will proceed
Financial Obligation:	Neither party shall have continuing financial obligations under the Lease following termination
Termination Payment:	One-time \$5,000 payment from Lessor to County
Right to Terminate:	Lease terminated by mutual agreement through Amendment No. 1

PROCUREMENT

Not applicable.

REVIEW BY OTHERS

This item has been reviewed by County Counsel (John Tubbs II, Deputy County Counsel, 387-5455) on June 2, 2026; ARMC (Andrew Goldfrach, ARMC Chief Executive Officer, 580-3290) on May 7, 2026; Purchasing (Ariel Gill, Supervising Buyer, 387-2070) on May 8, 2026; and County Finance and Administration (Jenny Yang, 387-4884, and Eduardo Mora, 387-4376, Administrative Analysts) on May 20, 2026.

(BR: 531-2674)

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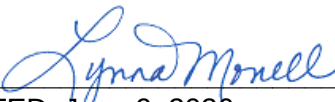
Record of Action of the Board of Supervisors
San Bernardino County

APPROVED (CONSENT CALENDAR)

Moved: Joe Baca, Jr. Seconded: Curt Hagman

Ayes: Col. Paul Cook (Ret.), Jesse Armendarez, Dawn Rowe, Curt Hagman, Joe Baca, Jr.

Lynna Monell, CLERK OF THE BOARD

BY 
DATED: June 9, 2026



cc: RESD - Thompson w/agree
Contractor - c/o RESD w/agree
File - w/agree

MBA 06/24/2026