

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

May 5, 2026

**FROM**

**TERRY W. THOMPSON, Director, Real Estate Services Department**

**TRACY REECE, Chief Probation Officer, Probation Department**

**SUBJECT**

Amendment to Lease Agreement with KB Tri-City II MT, LLC, a Delaware Limited Liability Company for Office Space in San Bernardino

**RECOMMENDATION(S)**

1. Find that approval of Amendment No. 1 to Lease Agreement No. 25-175 with KB Tri-City II MT, LLC, a Delaware Limited Liability Company, for Office Space in San Bernardino, is an exempt project under the California Environmental Quality Act Guidelines, Section 15301 - Existing Facilities (Class 1).
2. Approve **Amendment No. 1 to Lease Agreement No. 25-175** with KB Tri-City II MT, LLC , a Delaware Limited Liability Company, to authorize tenant improvements and project-related costs at 862 East Hospitality Lane in San Bernardino, resulting in a total contract increase of \$1,529,647, from \$22,504,913 to \$24,034,560, as detailed below, with County's subsequent execution conditioned upon and not effective until Landlord provides satisfactory verification of its reinstatement to good standing with the California Franchise Tax Board and the California Secretary of State:
  - a. Increase tenant improvement construction costs by \$745,036, from \$4,643,327 to \$5,388,363, inclusive of soft costs for design change orders totaling \$534,884.
  - b. Tenant improvement costs of \$784,611, including work supervision, contingency, and escrow administration fees.
3. Authorize the Chair of the Board of Supervisors to execute Amendment No. 1 to Lease Agreement No. 25-175 with KB Tri-City II MT, LLC, a Delaware Limited Liability Company, within five business days after and conditioned upon Board of Supervisors' approval and the County's receipt of verification of KB Tri-City II MT, LLC's reinstatement of good standing by the California Franchise Tax Board and the California Secretary of State, subject to County Counsel review.
4. Direct the Director of the Real Estate Services Department to transmit Amendment No.1 executed on behalf of the County to the Clerk of the Board of Supervisors within 30 days of execution.
5. Authorize the Director of the Real Estate Services Department to approve and execute any other escrow-related documents, including amendments and draws from the Escrow and Disbursement Agreement, and take any other actions necessary to complete the transaction in Recommendation No. 2, subject to County Counsel review.
6. Authorize the Purchasing Agent to issue purchase orders, as necessary, for a total amount not to exceed \$200,000, for any contingencies and/or minor change orders that may arise in order to complete turnkey tenant improvements set forth in the lease (Four votes required).

**Amendment to Lease Agreement with KB Tri-City II MT, LLC, a Delaware Limited Liability Company for Office Space in San Bernardino  
May 5, 2026**

7. Authorize the Purchasing Agent to issue purchase orders and/or contracts in the total amount not to exceed \$475,000, to Convergent Technologies LLC, for installation of security cameras and key-card access system through existing Contract No. 4400025786.
  8. Direct the Real Estate Services Department to file the Notice of Exemption in accordance with the California Environmental Quality Act.
  9. Authorize the Auditor-Controller/Treasurer/Tax Collector to post the necessary budget adjustments as detailed in the Financial Impact section (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 the use of Discretionary General Funding (Net County Cost). Amendment No. 1 (Amendment) to Lease Agreement No. 25-175 (Lease) increases the contract amount by \$1,529,647 to support completion of tenant improvements, including \$745,036 for tenant improvements, \$215,535 for supervision, \$538,836 for contingency, and \$30,240 for related escrow fees for a 12-month period.

These costs will be funded through the Real Estate Services Department (RESD) Rents budget and reimbursed by the Probation Department (Probation) as part of the County Government Center Master Plan (WBSE 10.10.1255). Other tenant improvement costs, including security access systems and purchase orders authorized by the Purchasing Agent, will be funded by Probation through existing ongoing Proposition 172 funds.

The budget adjustment below reflects the net incremental costs, which represent the remaining balance after accounting for costs and payments incurred to date. These costs include \$745,036 for tenant improvements, \$29,801 for supervision, \$74,504 for contingency, and \$30,240 for escrow fees for a 12-month period, for a total of \$879,581.

As of March 31, 2026, RESD has funded \$464,333 in contingency costs and \$185,733 in supervision costs, which have been applied to reduce the overall amounts reflected above.

The following budget adjustments are necessary to increase the 2025-26 budget:

<b>Fund Center</b>	<b>Commitment Item</b>	<b>Description</b>	<b>Action</b>	<b>Amount</b>	<b>WBSE</b>
7700003100	54304030	Structures & Improvements to Structures	Decrease	\$879,581	10.10.1255
7700003100	55305030	Operating Transfers Out	Increase	\$879,581	10.10.1255

**BACKGROUND INFORMATION**

On March 25, 2025 (Item No. 56), the Board of Supervisors (Board) approved the Lease with KB Tri-City II MT, LLC (Landlord) for approximately 59,018 square feet of office space, located at 862 East Hospitality Lane in San Bernardino, to serve as Probation’s Administrative Headquarters. The facility will consolidate Probation’s administrative operations into a single location to better support departmental functions and operational efficiency.

**Amendment to Lease Agreement with KB Tri-City II MT, LLC, a Delaware  
Limited Liability Company for Office Space in San Bernardino  
May 5, 2026**

In connection with the Lease, the parties executed a Disbursement Agreement dated May 30, 2025, through an escrow account to establish a mechanism for administering and disbursing funds associated with the tenant improvements for the building. The Disbursement Agreement established an Independent Budget Account to facilitate the disbursement of tenant improvement funds through the escrow agent Nevada Construction Services, dba Partner Engineering and Science, Inc.

Since execution of the Disbursement Agreement, the Landlord retained Pacific Design Directions, Inc., as the contractor to construct the tenant improvements pursuant to a construction contract executed on December 23, 2025. The updated construction contract reflects revised actual construction costs of \$5,388,363, which exceeds the originally anticipated construction costs by \$745,036. This increase in construction costs is inclusive of soft costs and design change orders of \$534,884. The increase in construction costs is primarily attributable to adjustments in prevailing wage rates and increases in material and equipment costs since the original project budget was established, and other market-driven economic factors affecting the construction industry.

In addition to the revised construction costs, the project budget includes a work supervision fee of \$215,535, a contingency for tenant improvement expenses totaling \$538,836, soft costs including design costs and design change orders to develop the final plans, and escrow administration fees of \$2,520 per month for an estimated 12-month escrow period, totaling \$30,240, which are required to administer the construction disbursement process and provide contingency for unforeseen construction-related expenses. Approval of this Amendment will ensure sufficient funds are available in escrow to complete the tenant improvements required for occupancy of Probation's Administrative Headquarters.

Prior to execution of the Amendment, the Landlord was found to be in good standing with the California Secretary of State, however, Landlord's entity was in "forfeiture" status with the California Franchise Tax Board (CFTB), rendering agreements entered into during such status voidable. While reinstatement is in process and not expected prior to the May 5, 2026 Board meeting, the parties seek to proceed with conditional Board approval to minimize further delay to the approval process and construction progress. The Amendment will not be valid or enforceable until the Landlord provides satisfactory verification of reinstatement, and the County executes the Amendment following such verification. The Chair will execute the Amendment within five business days after and conditioned upon Board approval and the County's receipt of verification of Landlord's reinstatement of good standing, subject to County Counsel review, and the Amendment funding will be deposited into escrow within 15 business days thereafter.

Approval of this item will authorize the Director of RESD to approve and execute any documents necessary to complete this transaction, subject to County Counsel review. This includes authority to execute escrow-related documents, including amendments to and draws from the Escrow and Disbursement Agreement, within the approved budget threshold identified in Recommendation No. 2.

The proposed Amendment to the Disbursement Agreement memorializes the following:

- Incorporation of the contractor into the Disbursement Agreement framework.
- Recognition of the updated construction contract and revised construction costs.

**Amendment to Lease Agreement with KB Tri-City II MT, LLC, a Delaware Limited Liability Company for Office Space in San Bernardino  
May 5, 2026**

- Deposit of an additional \$879,581, including contingency, to address the cost shortfall associated with the tenant improvements.
- Confirmation that the County will continue to administer construction management activities through County staff rather than Nevada Construction Services.

Recommendation No. 4 will authorize the Purchasing Agent to issue purchase orders and/or contracts in the total amount not to exceed \$475,000, to Converjint Technologies LLC, for installation of security cameras and key-card access system, through the existing Contract No. 4400025786. Board approval of this purchase is required as this amount exceeds the Board delegated authority to the Purchasing Agent.

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 – Existing Facilities because the Amendment anticipates repairs, leasing and minor alterations of an existing building with no expansion of existing or former use.

**Summary of Lease Terms**

Lessor: KB Tri-City II MT, LLC, a Delaware Limited Liability Company  
Jeff Pori, Chief Executive Officer

Location: 862 East Hospitality Lane, San Bernardino

Size: 59,018 square feet

Term: 10 years, commencing the later of (i) substantial completion of the tenant improvements; or (ii) the County's receipt of a Certificate of Occupancy obtained by KB Tri-City II MT, LLC

Options: One five-year option

Rent: Cost per square foot per month: \$2.20  
Monthly: \$129,839  
Annual: \$1,558,075  
\*Mid-range for comparable facilities in the San Bernardino area per the competitive set analysis on file with RESD

Annual Increases: 3%

Improvement Costs: County shall pay a total cost of \$6,172,974 for turnkey tenant improvements, which include construction costs of \$5,388,363, inclusive of soft costs of \$534,884, a 4% work supervision fee of \$215,535 a contingency for tenant improvement expenses of \$538,836, and escrow administration fees totaling \$30,240

Custodial: Lessor

Maintenance: Lessor

Utilities: Lessor

**Amendment to Lease Agreement with KB Tri-City II MT, LLC, a Delaware  
Limited Liability Company for Office Space in San Bernardino  
May 5, 2026**

Insurance: The Certificate of Liability Insurance, as required by the Lease, is on file with RESD

Holdover: Upon the end of the term, if permitted by Lessor, the Lease shall continue on a month-to-month term at a monthly rent that is 150% of the rent applicable during the last rental period, all other terms shall remain the same as the terms and conditions which existed at the time of expiration

Right to Terminate: None

Option to Purchase: County has the right to purchase the property beginning at the third year of the Lease term at a fair market value price, and the County has the first right of refusal as to any other parties who may express an interest in purchasing the property

Parking: Sufficient for County needs

**PROCUREMENT**

Not applicable.

**REVIEW BY OTHERS**

This item has been reviewed by County Counsel (John Tubbs II and Maria Insixiengmay, Deputies County Counsel, 387-5455) on April 23, 2026; Probation (Thomas Kamara, Director of Probation Administration, 387-5822) on April 3, 2026; Auditor-Controller/Treasurer/Tax Collector (Charlene Huang, Auditor-Controller Manager, 382-7022) on April 9, 2026; Purchasing (Ariel Gill, Supervising Buyer, 387-2070) on April 3, 2026; and County Finance and Administration (Matthew Dalton, 387-5005, and Eduardo Mora, 387-4376, Administrative Analysts, and Yael Verduzco, Principal Administrative Analyst, 387-5285) on April 27, 2026.

(BR: 531-2674)

**Amendment to Lease Agreement with KB Tri-City II MT, LLC, a Delaware  
Limited Liability Company for Office Space in San Bernardino  
May 5, 2026**

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

Lynna Monell, CLERK OF THE BOARD

BY   
DATED: May 5, 2026



cc:    RESD - Thompson w/agree for sign  
         Contractor - c/o RESD w/agree  
         File - w/agree  
MBA    05/12/2026