

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

March 26, 2024

FROM

**TERRY W. THOMPSON, Director, Real Estate Services Department
GEORGINA YOSHIOKA, Director, Department of Behavioral Health**

SUBJECT

Amendment to Lease Agreement with Southern California Schools Facilities Corporation for Office Space in San Bernardino

RECOMMENDATION(S)

1. Find that approval of Amendment No. 5 to Lease Agreement No. 09-438 with Southern California Schools Facilities Corporation, 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 Proposal as allowed per County Policy 12-02 - Leasing Privately Owned Real Property for San Bernardino County use, to extend the term of the lease five years for the period of April 1, 2024 through March 31, 2029, for 13,891 square feet of office space for the Department of Behavioral Health at 1950 Sunwest Lane, Suite 200, in San Bernardino in the amount of \$1,972,437, including the permitted 12-month holdover amount of \$307,248.
3. Approve **Amendment No. 5 to Lease Agreement No. 09-438** with Southern California Schools Facilities Corporation to extend the term of the lease five years for the period of April 1, 2024 through March 31, 2029, following a permitted 12-month holdover for the period of April 1, 2023 through March 31, 2024, adjusting the rental rate schedule, and updating standard lease agreement language for 13,891 square feet of office space for the Department of Behavioral Health at 1950 Sunwest Lane, Suite 200, in San Bernardino in the amount of \$1,972,437, including the permitted holdover amount of \$307,248.
4. Authorize the Purchasing Agent to issue purchase orders, as necessary, for a total amount not to exceed \$50,000, for any change orders that may arise in order to complete the landlord improvements set forth in Amendment No. 5 to Lease Agreement No. 09-438 with Southern California Schools Facilities Corporation (Four votes required).
5. 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 this item will not result in the use of Discretionary General Funding (Net County Cost). The total cost of Amendment No. 5 (Amendment) to Lease Agreement No. 09-438

**Amendment to Lease Agreement with Southern California Schools
Facilities Corporation for Office Space in San Bernardino
March 26, 2024**

(Lease) is \$1,972,437, including the permitted holdover in the amount of \$307,248 which has been paid to the Southern California Schools Facilities Corporation (Landlord) during the holdover period. Lease payments will be made from the Real Estate Services Department (RESD) Rents budget (7810001000) and reimbursed from the Department of Behavioral Health (DBH) budget (9200001000). DBH lease costs are funded by Federal Financial Participation Medi-Cal and Mental Health Services Act funds. Sufficient appropriations and revenue are included in the DBH and RESD 2023-24 budgets and will be included in future recommended budgets. Annual lease costs are as follows:

<u>Year</u>	<u>Cost</u>
*April 1, 2023 – March 31, 2024	*\$ 307,248
April 1, 2024 – March 31, 2025	\$ 315,533
April 1, 2025 – March 31, 2026	\$ 324,052
April 1, 2026 – March 31, 2027	\$ 332,802
April 1, 2027 – March 31, 2028	\$ 341,787
<u>April 1, 2028 – March 31, 2029</u>	<u>\$ 351,015</u>
Total Cost	\$ 1,972,437

*Reflects the permitted holdover.

BACKGROUND INFORMATION

On June 2, 2009 (Item No. 31), the Board of Supervisors (Board) approved the Lease for an initial term of October 1, 2009 through September 30, 2016, with three three-year options to extend for 13,891 square feet of office space at 1950 Sunwest Lane, Suite 200, in San Bernardino. In the 15 years since the Lease was originally approved, the Board has approved four amendments to reflect a change of ownership, exercise two of the three options to extend the term through March 31, 2023, perform tenant improvements, and update standard Lease language.

<u>Amendment No.</u>	<u>Approval Date</u>	<u>Item No.</u>
1	June 22, 2010	95
2	July 26, 2016	38
3	March 28, 2017	41
4	March 10, 2020	48

DBH requested RESD renew the Lease to allow the Workforce Education and Training (WET) program to continue providing services to residents in the San Bernardino area. Due to protracted negotiations with the Landlord regarding market rental rates and tenant improvements, the Lease went into a permitted holdover on April 1, 2023. RESD was able to negotiate a rental rate of \$1.89 per square foot per month (\$315,533 annually) for the first year of the extended term, with 2.7% annual rent escalations thereafter. Additionally, the Landlord agreed to tenant improvements including new flooring and paint throughout the suite, at the Landlord's sole cost, as a result of the County agreeing to extend the Lease by five years. The recommended Amendment will extend the term of the Lease five years for the period of April 1, 2024 through March 31, 2029, while maintaining the final three-year option to extend that was included in the original Lease. The Amendment also reflects a 12-month permitted holdover, adjusts the rental rate schedule, and updates standard Lease language.

RESD requests, on behalf of DBH, that the Board of Supervisors (Board) authorize the Purchasing Department 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

**Amendment to Lease Agreement with Southern California Schools
Facilities Corporation for Office Space in San Bernardino
March 26, 2024**

complete the tenant improvements set forth in the amendment, which requires four votes from the Board, pursuant to Public Contracts Code § 22032. All change orders and/or contingencies will be approved by RESD and DBH prior to authorizing any work or payment to Southern California Schools Facilities Corporation.

The project to approve the Amendment to 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:	Southern California Schools Facilities Corporation
Location:	1950 Sunwest Lane, Suite 200, San Bernardino
Size:	13,891 square feet of office space
Term:	Five years commencing April 1, 2024
Options:	One three-year option remains
Rent:	Cost per square foot per month: \$1.89* Monthly: \$26,294 Annual: \$315,533 *Low-range for comparable facilities in the San Bernardino area per the competitive set analysis on file with RESD
Annual Increases:	2.7%
Improvement Costs:	None
Custodial:	Provided by Lessor
Maintenance:	Provided by Lessor
Utilities:	Provided by Lessor
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 upon the same terms and conditions which existed at the time of expiration
Right to Terminate:	The County has the right to terminate with 90-days' notice
Parking:	Sufficient for County needs

**Amendment to Lease Agreement with Southern California Schools
Facilities Corporation for Office Space in San Bernardino
March 26, 2024**

PROCUREMENT

On June 2, 2009 (Item No. 31), the Board approved the Lease, which was procured according to County Policy 12-02 - Leasing Privately Owned Real Property for County Use (Policy), using a Solicitation of Proposals process. The Policy provides that the Board may approve the use of an alternative procedure to the use of a Request for Proposal (RFP) 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 interests of the County. RESD completed a competitive analysis of the area and found the negotiated rental rate for the extended term is competitive and remaining at the current location will allow DBH to avoid considerable moving expenses.

REVIEW BY OTHERS

This item has been reviewed by County Counsel (John Tubbs II, and Dawn Martin, Deputies County Counsel, 387-5455) on February 27, 2024; Behavioral Health (Lydia Bell, Administrative Manager, 386-9732) on February 29, 2024; Purchasing (Ariel Gill, Supervising Buyer, 387-2070) on February 29, 2024; Finance (Chris Lange, 386-8393, and Garrett Baker, 387-3077, Administrative Analysts) on March 5, 2024; and County Finance and Administration (Valerie Clay, Deputy Executive Officer, 387-5423) on March 11, 2024.

(BR: 531-2674)

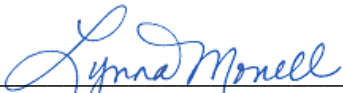
**Amendment to Lease Agreement with Southern California Schools
Facilities Corporation for Office Space in San Bernardino
March 26, 2024**

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

Lynna Monell, CLERK OF THE BOARD

BY 
DATED: March 26, 2024



cc: RESD - Thompson w/ agree
 Contractor c/o RESD w/ agree
 File w/ agree
JLL 03/29/2024