

**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

GEORGINA YOSHIOKA, Director, Department of Behavioral Health

SUBJECT

Lease Agreement with San Bernardino Community College District for Office Space in San Bernardino

RECOMMENDATION(S)

1. Find that approval of a lease agreement with San Bernardino Community College District for office space, is an exempt project under the California Environmental Quality Act Guidelines Section 15301 – Existing Facilities (Class 1).
2. Approve a **Lease Agreement No. 24-655** with San Bernardino Community College District for approximately 29,969 square feet of office space for the Department of Behavioral Health located at 550 E. Hospitality Lane, First Floor, Suite 100, Suite 150, and Third Floor, Suite 325 in San Bernardino, in the amount of \$11,631,456, for 10 years for the projected period of May 1, 2025 through April 30, 2035, subject to the landlord's completion of certain turnkey tenant improvements, with one five-year extension option to extend the term of the lease.
3. Authorize the Purchasing Agent to issue purchase orders, as necessary, for a total amount not to exceed \$100,000, for any contingencies and/or minor change orders that may arise to complete certain turnkey tenant improvements set forth in the lease in Recommendation No. 2 (Four votes required).
4. Direct the Real Estate Services Department to file the Notice of Exemption in accordance with the California Environmental Quality Act.
5. Authorize the Auditor-Controller/Treasurer/Tax Collector to post the necessary adjustments to the Real Estate Services Department 2024-25 budget, 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 result in the use of Discretionary General Funding (Net County Cost). The total cost of this 10-year lease agreement (Lease) is \$11,631,456. Lease payments will be made from the Real Estate Services Department (RESA) Rents budget (7810001000) and reimbursed from the Department of Behavioral Health (DBH) budget (9201011000). DBH lease costs are funded by Federal, State, and State Mental Health Realignment funds.

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RESD requests the Auditor-Controller/Treasurer/Tax Collector to post the following adjustments to the 2024-25 budget to cover two month's rent for May and June of 2025:

Cost Center	GL Account	Description	Action	Amount
7810001000	52002905	Rents & Leases-Structures Improvement & Grounds	Increase	\$172,940
7810001000	55415013	Services & Supplies Transfer In	Increase	\$172,940

Sufficient appropriation will be included in future recommended budgets. Annual lease costs for a projected commencement date of May 1, 2025, are as follows:

<u>Year</u>	<u>Annual Rent</u>	<u>Amortization of Improvements</u>	<u>Annual Lease Cost*</u>
May 1, 2025 - April 30, 2026	\$863,112	\$174,528	\$1,037,640
May 1, 2026 - April 30, 2027	\$888,276	\$174,528	\$1,062,804
May 1, 2027 - April 30, 2028	\$913,452	\$174,528	\$1,087,980
May 1, 2028 - April 30, 2029	\$942,228	\$174,528	\$1,116,756
May 1, 2029 - April 30, 2030	\$970,992	\$174,528	\$1,145,520
May 1, 2030 - April 30, 2031	\$999,768	\$174,528	\$1,174,296
May 1, 2031 - April 30, 2032	\$1,028,532	\$174,528	\$1,203,060
May 1, 2032 - April 30, 2033	\$1,060,908	\$174,528	\$1,235,436
May 1, 2033 - April 30, 2034	\$1,093,272	\$174,528	\$1,267,800
May 1, 2034 - April 30, 2035	\$1,125,636	\$174,528	\$1,300,164
Total Cost	\$9,886,176	\$1,745,280	\$11,631,456

* Includes monthly amortized tenant improvement payments

BACKGROUND INFORMATION

DBH Administration desires to relocate the following divisions into a neighboring building: Compliance, Payroll, and Human Resources. This move will allow DBH Administration to expand its footprint at its current location at 303 East Vanderbilt Way, while maintaining proximity to the divisions identified above. These divisions oversee mental health and substance use disorder services, support department wide initiatives, and support administrative functions to meet the needs of DBH and its clients. As a result of increased demand for these services, DBH continues to expand to create an integrated service experience for county residents by regularly implementing technological and program changes - increasing staffing and resources when necessary - to promote wellness, recovery, and resiliency for its clients.

The total cost of this Lease is comprised of \$9,886,176 in base rent and \$1,745,280 in tenant improvements amortized over the 10-year term. The initial base rent is \$2.40 per square foot per month, subject to 3% annual increases. The turnkey tenant improvements - adding \$0.49 per square foot per month to the lease cost - include modifications needed for the space to meet DBH's business needs. The tenant improvements include a full built-to-suit facility, including all new offices, training rooms, conference rooms, private offices, a new break room, all new flooring, and paint throughout.

Although turnkey improvements are included in the proposed monthly payments, RESD requests, on behalf of DBH, that the Board of Supervisors (Board) authorize the Purchasing Agent to issue purchase orders, as necessary for any contingencies and/or minor change orders that may arise in order to complete the turnkey tenant improvements, for a total amount not to exceed \$100,000. Pursuant to Public Contract Code Section 20137, four votes are

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required to approve change orders for this type of project. All change orders and/or contingencies will be approved by DBH prior to authorizing any work or payment to San Bernardino Community College District (SBCCD).

The proposed lease was reviewed pursuant to the California Environmental Quality Act (CEQA) and determined to be categorically exempt pursuant to Section 15301 – Existing Facilities (Class 1) of the CEQA Guidelines.

Summary of Lease Terms

Lessor:	SBCCD Steven J. Sutorus Business Manager
Location:	550 E. Hospitality Lane, First Floor, Suite 100, Suite 150, and Third Floor, Suite 325 in San Bernardino
Size:	29,969 square feet of office space
Term:	10 years, projected to commence on May 1, 2025 through April 30, 2035; subject to landlord's completion of certain tenant improvements
Options:	One five-year option to extend the term of the lease
Rent:	Cost per square foot per month: \$2.89* full-service gross Monthly: \$86,470 Annual: \$1,037,640 *Mid-range for comparable facilities in the San Bernardino area per the competitive set analysis on file with RESD. Base rent at \$2.40 per square foot per month plus tenant improvements at \$0.49 per square foot per month.
Annual Increases:	3%
Improvement Costs:	Lessor shall contribute a Tenant Improvement allowance in the amount of \$1,648,295 (\$55 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 \$0.49 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
Maintenance:	Provided by Lessor
Utilities:	Provided by Lessor, except for County reimbursement for After-Hours Heating, Ventilation, and Air Conditioning Use

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Insurance: The Certificate of Liability Insurance as required by the lease will be obtained by RESD prior to occupancy

Right to Terminate: No right to terminate for convenience during the initial 10-year term; County can terminate with 90-days' notice during the extended terms, if any

Parking: Sufficient for County needs

PROCUREMENT

Pursuant to County Policy 12-02, Exceptions to Policy, Publicly Owned Real Property, a formal Request for Proposal is not required under Policy 12-02 for leases of real property owned by a federal agency, the State, a city, a county, a school district, special district, or other public entity. The subject property is owned by SBCCD, a public entity. RESD determined this location to be best suited for the department based on the programmatic needs to best serve the residents of the county. County Policy provides that the Board shall approve all such leases.

REVIEW BY OTHERS

This item has been reviewed by County Counsel (John Tubbs II, and Dawn Martin, Deputies County Counsel, 387-5455) on June 17, 2024; Behavioral Health (Lydia Bell, Administrative Manager, 386-9732) on June 25, 2024; Auditor-Controller/Treasurer/Tax Collector (Charlene Huang, Auditor-Controller Manager, 382-7022) on June 21, 2024; Purchasing (Ariel Gill, Supervising Buyer, 387-2070) on June 18, 2024; Finance (Paul Garcia, Administrative Analyst, 386-8393, and Yael Verduzco, Principal Administrative Analyst, 387-5285) on July 3, 2024; and County Finance and Administration (Paloma Hernandez-Barker, Deputy Executive Officer, 387-5423) on July 5, 2024.

(BR: 531-2674)

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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 07/24/2024