

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

September 26, 2023

FROM

TERRY W. THOMPSON, Director, Real Estate Services Department
WILLIAM L. GILBERT, Director, Arrowhead Regional Medical Center

SUBJECT

Amendment to Lease Agreement with Moss Colton Properties, LLC for Office Space in Colton

RECOMMENDATION(S)

1. Find that approval of Amendment No. 1 to Lease Agreement No. 22-566 with Moss Colton Properties, LLC for office space, 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. 22-566** with Moss Colton Properties, LLC, to modify the rent that adds additional tenant improvements to meet medical office facility requirements, for the period of October 1, 2023 through September 30, 2033, and provide updates to standard lease agreement language for 51,753 square feet of office space located at 1930 West Valley Boulevard, for Arrowhead Regional Medical Center in Colton, in the amount of \$239,160.
3. Approve a budget adjustment for Real Estate Services Department Rents 2023-24 budget to increase appropriations for lease payments and reimbursements for Amendment No. 1 to Lease Agreement No. 22-566 and authorize the Auditor-Controller/Treasurer/Tax Collector to post the necessary budget adjustment, as detailed in the Financial Impact section (Four votes required).
4. Direct the Clerk of the Board of Supervisors to file and post the Notice of Exemption for the project as required under 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 require Discretionary General Funding (Net County Cost). The total cost of Amendment No. 1 for Lease Agreement No. 22-566 (Lease) for additional office facility improvements is \$239,160. The total revised cost of this 10-year lease is \$25,613,064. Lease payments will be made from the Real Estate Services Department (RES D) Rents budget (7810001000) and reimbursed from the Arrowhead Regional Medical Center (ARMC) budget (9110004200). Lease costs will be 100% funded by State Medi-Cal, Federal Medicare, private insurances, and other ARMC departmental revenue. Sufficient appropriation is included in the 2023-24 ARMC budget and will be included in future recommended budgets.

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RESD is requesting a budget adjustment in the amount of \$1,745,847 for the 2023-24 Rents budget to cover the \$193,983 monthly lease payments for the remaining nine months of 2023-24; the Lease cost will be included in future recommended budgets. Annual Lease costs for a projected commencement date of October 1, 2023, are as follows:

<u>Year</u>	<u>Annual- Lease Cost</u>	<u>Amortized-Tenant Improvements</u>	<u>Total Cost</u>
October 1, 2023 – September 30, 2024	\$1,583,640	\$744,156	\$2,327,796
October 1, 2024 – September 30, 2025	\$1,633,320	\$744,156	\$2,377,476
October 1, 2025 – September 30, 2026	\$1,683,012	\$744,156	\$2,427,168
October 1, 2026 – September 30, 2027	\$1,732,692	\$744,156	\$2,476,848
October 1, 2027 – September 30, 2028	\$1,782,372	\$744,156	\$2,526,528
October 1, 2028 – September 30, 2029	\$1,838,268	\$744,156	\$2,582,424
October 1, 2029 – September 30, 2030	\$1,894,164	\$744,156	\$2,638,320
October 1, 2030 – September 30, 2031	\$1,950,048	\$744,156	\$2,694,204
October 1, 2031 – September 30, 2032	\$2,005,944	\$744,156	\$2,750,100
October 1, 2032 – September 30, 2033	\$2,068,044	\$744,156	\$2,812,200
Total Cost	\$18,171,504	\$7,441,560	\$25,613,064

RESD requests the Auditor-Controller/Treasurer/Tax Collector to post the following adjustments to the 2023-24 budget:

Cost Center	GL Account	Description	Action	Amount
7810001000	52002905	Rents & Leases	Increase	\$1,745,847
7810001000	55415013	Services & Supplies Transfer In	Increase	\$1,745,847

BACKGROUND INFORMATION

The recommended action will amend the existing Lease for additional tenant improvements with Moss Colton Properties, LLC (Landlord), for the projected period of October 1, 2023 through September 30, 2033, for approximately 51,753 square feet of office space located at 1930 West Valley Boulevard in Colton (Premises). ARMC desires to move Administration staff from their current location on the main hospital campus (located at 400 North Pepper Avenue in Colton) to maximize medical space, and relocate them into the Premises, which is located in close proximity to the main campus.

On June 28, 2022 (Item No. 77), the Board of Supervisors (Board) approved the 10-year Lease with two, five-year options to extend for an existing building, subject to Landlord's completion of certain turnkey and state of the art tenant improvements. The term period for the Lease is October 1, 2023 through September 20, 2033.

ARMC requested RESD to amend the Lease to modify the rent, add additional tenant improvements that will allow for a complete build out of the leased space, in the amount of \$239,160, to meet office facility requirements, for the period of October 1, 2023 through September 30, 2033, and provide updates to standard lease agreement language for 51,753 square feet of office space. The tenant improvements include adding ceiling panels, carpet, floor tile, and paint.

The Lease provides the following authority for the RESD Director in administering the Lease: to exercise the County's early termination right; to execute a commencement date certificate to verify the occurrence of the actual commencement date, so long as that date is within 90 days

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of the projected commencement date; execute estoppel certificates confirming facts regarding the Lease and subordination, non-disturbance, and attornment agreements to preserve the County's lease rights during landlord's financing transactions involving the real property to execute amendments to the Lease that solely reflect a successor landlord following the original landlord's sale of the real property and assignment of the lease; and to make determinations regarding the occurrence of reimbursable maintenance events payable due to the intentional misconduct of the County's employees and invitees in the premises, so long as such reimbursement does not exceed \$5,000 per event.

The project to approve the Lease with the Landlord was reviewed pursuant to the California Environmental Quality Act and determined to be categorically exempt under Guidelines Section 15301 – Existing Facilities (Class 1) because there is no possibility that the leasing of the subject property will have significant effect on the environment.

The budget adjustments are required to the 2023-24 RESD Rents budget to increase appropriations for lease payments and reimbursements from the Arrowhead Regional Medical Center (ARMC).

Summary of Lease Terms

Lessor:	Moss Colton Properties, LLC (Glenn L. Moss, Managing Member)
Location:	1930 West Valley Boulevard in Colton
Size:	51,753 square feet of office space
Term:	10 years with projected commencement date of October 1, 2023, subject to landlord's completion of certain turnkey tenant improvements
Options:	Two, five-year options to extend the term of the lease
Rent:	Cost per square foot per month: \$2.55* Monthly: \$ 131,970 Annual: \$ 1,583,640 *Mid-range for comparable facilities in the Colton area per the competitive set analysis on file with RESD
Annual Increases:	3%
Improvement Costs:	\$7,441,560, which shall be amortized over the 10-year term of the Lease, and an allocation for up to \$100,000 for any contingencies and/or minor change orders to the turnkey improvements to be authorized and paid by purchase orders as needed
Custodial:	Provided by Lessor
Maintenance:	Provided by Lessor; except County reimbursement of certain maintenance and repairs expenses at the premises incurred by

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the landlord resulting from the intentional misconduct of County or its invitees, not to exceed \$5000 per event

Utilities: Provided by Lessor, County to pay electrical costs in excess of \$99,365 per lease year or \$0.16 per square foot per month (electrical utility expense cap) subject to 2% annual increases

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

Holdover: With the Consent of the Landlord with the same terms and conditions, including rent

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

Amendments of existing leases are exempt from the requirement for a formal Request for Proposal process as provided in County Policy 12-02 – Leasing Privately Owned Real Property for County Use, provided the amendment does not exceed the maximum term (including options) of the lease.

REVIEW BY OTHERS

This item has been reviewed by County Counsel (John Tubbs II, Deputy County Counsel, and Charles Phan, Deputy County Counsel, 387-5455) on August 4, 2023; Arrowhead Regional Medical Center (Andrew Goldfrach, Chief Operating Officer, 580-6170) on August 8, 2023; Purchasing (Michelle Churchill, Supervising Buyer, 387-2070) on August 21, 2023; Finance (Jenny Yang, Administrative Analyst, 387-4884, and Garrett Baker, Administrative Analyst, 387-3077) on September 8, 2023; and County Finance and Administration (Valerie Clay, Deputy Executive Officer, 387-5423) on September 11, 2023.

(PN: 677-8321)

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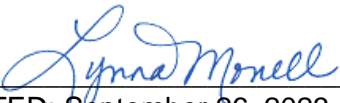
Record of Action of the Board of Supervisors
San Bernardino County

APPROVED (CONSENT CALENDAR)

Moved: Joe Baca, Jr. Seconded: Jesse Armendarez

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

Lynna Monell, CLERK OF THE BOARD

BY 
DATED: September 26, 2023



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

CCM 09/29/2023