

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

September 24, 2024

FROM

TERRY W. THOMPSON, Director, Real Estate Services Department

ARLENE MOLINA, Interim Director, Preschool Services Department

SUBJECT

Lease Agreement with Potomac Plaza, LLC, for Classroom, Office Space, Playground, and Parking Space in San Bernardino

RECOMMENDATION(S)

1. Find that approval of a Lease Agreement with Potomac Plaza, LLC, for classroom, office space, playground, and parking 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 Proposals, as allowed per County Policy 12-02 — Leasing Privately Owned Real Property for County Use, to procure a new 15-year lease for the period of October 1, 2024 through September 30, 2039, with two five-year extension options, for the property located at 2382 Del Rosa Avenue in San Bernardino, for the Preschool Services Department.
 3. Approve a new Lease Agreement **No. 24-896** with Potomac Plaza, LLC, for 15 years for the period of October 1, 2024 through September 30, 2039, with two five-year options to extend the term of the Lease, for approximately 8,292 square feet of classroom and office space, and approximately 6,375 square feet of playground area, and staff parking at 2382 Del Rosa Avenue in San Bernardino, for the Preschool Services Department, in the amount of \$4,120,478, which includes a total Improvement Cost of \$507,600.
 4. Approve permitted holdover amount of \$336,578, under prior Lease Agreement No. 17-862.
 5. Authorize the Director of the Real Estate Services Department to approve and execute any other documents and take any other actions necessary to complete this transaction, subject to County Counsel review.
 6. 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.

FINANCIAL IMPACT

Approval of this item will not require Discretionary General Funding (Net County Cost) as Preschool Services Department (PSD) lease costs are 84% federally funded and 16% state funded. The total cost of this 15-year lease (Lease) with Potomac Plaza, LLC (Landlord) is \$4,120,478, which includes tenant improvement costs totaling \$507,600. An additional cost of \$336,578 was paid under prior Lease Agreement No. 17-862 for a permitted holdover. Lease

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payments will be made from the Real Estate Services Department (RES D) Rents budget (7810001000) and reimbursed from the PSD's budget (5910002220). Other costs associated with this Lease include custodial and utility costs, and routine maintenance of the heating and air conditioning system, which will be paid from the PSD budget (5910002220). Sufficient appropriation and revenue are included in the 2024-25 Rents and PSD's budgets and will be included in future recommended budgets. Annual Lease costs are as follows:

<u>Year</u>	<u>Annual Lease Cost</u>
October 1, 2024 – September 30, 2025	\$195,028
October 1, 2025 – September 30, 2026	\$200,879
October 1, 2026 – September 30, 2027	\$206,969
October 1, 2027 – September 30, 2028	\$212,939
October 1, 2028 – September 30, 2029	\$218,909
October 1, 2029 – September 30, 2030	\$224,880
October 1, 2030 – September 30, 2031	\$231,845
October 1, 2031 – September 30, 2032	\$238,810
October 1, 2032 – September 30, 2033	\$245,775
October 1, 2033 – September 30, 2034	\$252,741
October 1, 2034 – September 30, 2035	\$260,701
October 1, 2035 – September 30, 2036	\$268,661
October 1, 2036 – September 30, 2037	\$276,622
October 1, 2037 – September 30, 2038	\$284,582
October 1, 2038 – September 30, 2039	<u>\$293,537</u>
Total Cost	\$3,612,878

Holdover period under the prior lease December 1, 2022 – September 30, 2024 is\$336,578

**Annual figures are rounded up to the nearest whole number.

BACKGROUND INFORMATION

On March 14, 2017, the County Administrative Office (CAO) approved Capital Improvement Program (CIP) Project No. 17-282 to expand the PSD facility and to procure a 15-year lease as part of an expansion project at many of the PSD sites. The prior lease (Lease Agreement No. 17-862), approved on November 14, 2017 (Item No. 33), for 2382 Del Rosa Avenue in San Bernardino had a term of December 1, 2017, through November 30, 2022, with two five-year options to extend the term of the lease.

RES D and the Landlord will be entering a new lease with a term of October 1, 2024, through September 30, 2039, terminating the prior lease, after the holdover period expires on September 30, 2024, and including tenant improvement costs to add 5 classrooms, totaling \$507,600. The Lease provides for the continued use of the facility, adjusts the rent schedule, and updates standard lease agreement language.

Approval of this item will authorize the Director of RES D to approve and execute any other documents and take any other actions necessary to complete this transaction, subject to County Counsel review. Recommendation No. 5, authorizes the RES D Director, in administering the Lease, to:

- Execute estoppel certificates confirming facts regarding the lease and subordination, non-disturbance, and attornment agreements (SNDA), to preserve the County's lease rights during landlord's financing transactions involving the real property, provided that lender

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requested modifications which materially differ from the County's standard form shall be subject to Board of Supervisors (Board) approval.

- Execute non-substantive 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.
- Exercise the County's Early Termination Option.

The Director of RESD will not be authorized to execute any documents that would bind the County to any actions not contemplated by, or arising from, the transaction which is the subject of these recommendations.

County Policy No. 12-02 - Leasing Privately Owned Real Property for County Use (Policy) via a Solicitation of Proposals process provides that the Board may approve the use of an alternative procedure in lieu of a formal Request for Proposals (RFP) process, 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.

The project to approve 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), which consists of the operation, repair, maintenance, permitting, leasing, licensing, or minor alteration of existing public or private structures, facilities, mechanical equipment, or topographical features, involving negligible or no expansion of existing or former use. The Lease is to secure property to operate within the existing structure with negligible or no expansion of existing use.

Summary of Lease Terms

Lessor:	Potomac Plaza, LLC
Location:	2382 Del Rosa Avenue, in San Bernardino
Size:	Approximately 8,292 square feet of classroom space and office space, and 6,375 square feet of playground area, and parking space
Term:	15 years commencing October 1, 2024
Options:	Two five-year options to extend the term of the Lease
Rent:	Cost per square foot per month: \$1.96 Monthly: \$16,252 Annual: \$195,028 *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 pays \$507,600 for the Total Improvement Cost within 180 days following the completion of the project when the County receives a final Certificate of Occupancy

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Custodial:	Provided by the County
Maintenance:	Provided by Lessor, except for repairs and maintenance of the playground area which will be provided by the County
Utilities:	County pays all of the utility costs (gas, electric, sewer, water, and trash), including telephone line and any additional dumpsters costs as needed
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 180-days' notice
Parking:	Provided by the Lessor and must be sufficient to meet the County's needs

PROCUREMENT

N/A

REVIEW BY OTHERS

This item has been reviewed by County Counsel (John Tubbs II, and Adam Ebright, Deputies County Counsel, 387-5455) on August 22, 2024; Preschool Services (Arlene Molina, Interim Director, 383-2028) on August 28, 2024; Purchasing (Ariel Gill, Supervising Buyer, 387-2070) on August 27, 2024; Finance (Paul Garcia, Administrative Analyst, 386-8392, and Yael Verduzco, Principal Administrative Analyst, 387-5285) on September 9, 2024; and County Finance and Administration (Valerie Clay, Deputy Executive Officer, 387-5423) on September 9, 2024.

(KB:453-9865)

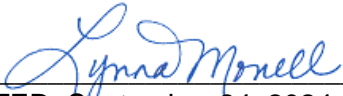
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Record of Action of the Board of Supervisors
San Bernardino County

APPROVED (CONSENT CALENDAR)

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

Lynna Monell, CLERK OF THE BOARD

BY 
DATED: September 24, 2024



cc: RES - Thompson w/agree
Contractor - c/o RES w/agree
File - w/agree
MBA 09/25/2024