

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

**May 20, 2025**

**FROM**

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

**JEANY GLASGOW, Director, Children and Family Services**

**SUBJECT**

Amendment to Lease Agreement with Palm Court Office Solutions 2, LLC for Office Space in Victorville

**RECOMMENDATION(S)**

1. Find that approval of Amendment No. 5 to Lease Agreement No. 12-761 with Palm Court Office Solutions 2, LLC for building space, is an exempt project under the California Environmental Quality Act Guidelines, Section 15301 – Existing Facilities (Class I).
2. Approve **Amendment No. 5 to Lease Agreement No. 12-761** with Palm Court Office Solutions 2, LLC, through the use of an alternative procedure as allowed per County Policy 12-02 – Leasing Privately Owned Real Property for County Use, add five years to the term of the lease, adjust the commencement date to June 1, 2025, for the total lease term of 15 years with a termination date of May 31, 2040, adjust the rent schedule, and update standard lease agreement language for the use of 38,360 square feet of office space, located at 15020 Palmdale Road in Victorville, in the amount of \$9,941,096, for a new total cost in the amount of \$35,596,606.
3. Approve Subordination, Non-disturbance, and Attornment **Agreement No. 25-348**, among San Bernardino County, Palm Court Office Solutions 2, LLC, and First Citizens Bank & Trust Company, in connection with Lease Agreement No. 12-761, for approximately 38,360 square feet of office space, for the Department of Children and Family Services, located at 15020 Palmdale Road in Victorville, at no cost.
4. Authorize the Director of the Real Estate Services Department to execute the Subordination, Non-Disturbance, and Attornment Agreement, exercise and execute any other Lease documents and take any other actions necessary to complete the transactions in Recommendation Nos. 2 and 3 subject to County Counsel review.
5. Direct the Director of the Real Estate Services Department to transmit the fully executed agreement in recommendation No. 3 to the Clerk of the Board within 30 days of execution.
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.**

**Provide for the Safety, Health, and Social Service Needs of County Residents**

**FINANCIAL IMPACT**

**Amendment to Lease Agreement with Palm Court Office Solutions 2,  
LLC for Office Space in Victorville  
May 20, 2025**

Approval of Amendment No. 5 (Amendment) to Lease Agreement No. 12-761 (Lease) will not result in the use of additional Discretionary General Funding (Net County Cost). The total cost of changing the commencement date and adding five years to the Lease is \$9,941,096. Lease payments will be made from the Real Estate Services Department (RESD) Rents budget (7810001000) and reimbursed from the Human Services (HS) budget (5011181000). The HS Administrative Claim budget is funded by 85% Federal/State funding and 15% Local Share. Sufficient appropriation is included in the 2024-25 budgets and will be included in future recommended budgets. Annual lease costs are as follows:

<b>Year</b>	<b>Building Annual Rent</b>	<b>Additional Cost Associated with the Lease</b>	<b>Total Annual Rent</b>
June 1, 2025 – May 31, 2026	\$1,219,848	\$46,032	\$1,265,880
June 1, 2026 – May 31, 2027	\$1,256,443	\$46,953	\$1,303,396
June 1, 2027 – May 31, 2028	\$1,294,137	\$47,892	\$1,342,029
June 1, 2028 – May 31, 2029	\$1,332,961	\$48,849	\$1,381,810
June 1, 2029 – May 31, 2030	\$1,372,950	\$49,827	\$1,422,777
June 1, 2030 – May 31, 2031	\$1,414,138	\$50,823	\$1,464,961
June 1, 2031 – May 31, 2032	\$1,456,562	\$51,840	\$1,508,402
June 1, 2032 – May 31, 2033	\$1,500,259	\$53,934	\$1,554,193
June 1, 2033 – May 31, 2034	\$1,545,267	\$53,934	\$1,599,201
June 1, 2034 – May 31, 2035	\$1,591,625	\$55,013	\$1,646,638
June 1, 2035 – May 31, 2036	\$1,639,374	\$56,113	\$1,695,487
June 1, 2036 – May 31, 2037	\$1,688,555	\$57,235	\$1,745,790
June 1, 2037 – May 31, 2038	\$1,739,212	\$58,380	\$1,797,592
June 1, 2038 – May 31, 2039	\$1,791,388	\$59,547	\$1,850,935
June 1, 2039 – May 31, 2040	\$1,845,130	\$60,738	\$1,905,868
Previous amendment remaining value			(\$13,543,863)
<b>Total Cost</b>			<b>\$9,941,096</b>

**BACKGROUND INFORMATION**

The recommended action will amend the Lease with Palm Court Office Solutions 2, LLC, (Palm Court) adding five years to the term, adjusting the commencement date to June 1, 2025, for a total of 15 years, with a termination date of May 31, 2040. The Amendment will update the rental rate schedule for approximately 38,360 square feet of office space, occupied by the Department of Children and Family Services (CFS) at 15020 Palmdale Road in Victorville (Premises). The Amendment also separates the parking lot from the Leased Premises. The parking lot will be included in a separate lease with Palm Court on a separate Board item. Additionally, the action recommends approving a Subordination, Non-Disturbance, and Attornment Agreement (SNDA) among the County and First Citizens Bank & Trust Company in connection with the Lease.

On October 2, 2012 (Item No. 31), the Board of Supervisors (Board) approved the original Lease for the period of September 1, 2013, through August 31, 2023. In the 11 years since the Lease was originally approved, the Board has approved four amendments to extend the term, adjust the rental rate schedule, approve a change of ownership, increase square footage, update standard lease language, and approve the addition of a fixed supplemental maintenance fee in addition to the rent, due to high maintenance costs.

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<b>Amendment No.</b>	<b>Approval Date</b>	<b>Item No.</b>
1	May 21, 2013	53
2	March 11, 2014	26
3	April 21, 2020	50
4	January 9, 2024	38

On March 7, 2024, RESD began to prepare an amendment to adjust the commencement date and add five years to the term for the period of June 1, 2025, to May 31, 2040. Either party may terminate the Lease by giving the other party 90-days' prior written notice. All other terms and conditions of the Lease remain the same.

On March 18, 2024, the Landlord requested that a SNDA for the Lease be executed to facilitate its loan financing. A SNDA is an agreement entered into between the Tenant (County), Landlord, and the Lender of the Landlord, to establish the relationship between the County and Lender, who would not otherwise have a direct relationship, and provide that each party will fulfill all the provisions and responsibilities pursuant to the Lease. The Lease currently provides that the County will subordinate its leasehold interest in the premises, as defined in the Lease, to Landlord's Lender. Execution of the SNDA will protect and preserve the County's leasehold rights in the event of a lender foreclosure.

The project to approve this Amendment was reviewed pursuant to the California Environmental Quality Act (CEQA) and determined to be categorically exempt under CEQA Guidelines Section 15301 – Existing Facilities (Class I) 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: Palm Court Office Solutions 2, LLC

Location: 15020 Palmdale Road, in Victorville

Size: 38,360 square feet of building space

Term: 15 years, commencing June 1, 2025

Options: Two five-year options to extend

Rent: Cost per square foot per month: \*2.65 full-service gross  
Monthly: \$101,654  
Annual: \$1,219,848  
\*Mid-range for comparable facilities in the Victorville area per the competitive set analysis on file

Annual Increases: 3%

Improvement Costs: None

Custodial: Provided by Lessor

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Maintenance: Provided by Lessor, an electrical cap of \$0.10 per square foot and subject to 2% annual increases for electric and gas paid by County; all other utilities are paid by Lessor

Utilities: Provided by Lessor

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

Holdover: Month-to-month basis upon the same provisions of the Lease

Right to Terminate: County has the right to terminate with 90-Days' Notice

Parking: 60 secured parking spaces in the secured parking lot (in addition to 28 existing secured parking spaces and 238 regular parking spaces) pursuant to a separate lease agreement with Palm Court

**PROCUREMENT**

Not applicable.

**REVIEW BY OTHERS**

This item has been reviewed by County Counsel (John Tubbs II, and Daniella Hernandez, Deputies County Counsel, 387-5455) on May 12, 2025; Risk Management (Whitney Fields, Director, 386-8623) on March 26, 2025; Children and Family Services (Jeany Glasgow, Director, 387-2792) on April 2, 2025; Purchasing (Dylan Newton, Buyer, 387-3377) on April 21, 2025; Finance (John Hallen, 388-0208, and Eduardo Mora, 387-4376, Administrative Analysts) on April 30, 2025; and County Finance and Administration (Paloma Hernandez-Barker, Deputy Executive Officer, 387-5423) on May 4, 2025.

(AR: 501-7579)

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Record of Action of the Board of Supervisors  
San Bernardino County

**APPROVED (CONSENT CALENDAR)**

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

Lynna Monell, CLERK OF THE BOARD

BY   
DATED: May 20, 2025



cc: RESD - Thompson w/agree for sign  
Contractor - c/o RESD w/agree  
File - w/agree  
MBA 05/27/2025