

**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

JOSHUA DUGAS, Director, Department of Public Health

SUBJECT

Amendment to Lease Agreement with 590 North D Street, a Delaware Limited Liability Company for Clinic Space in San Bernardino

RECOMMENDATION(S)

1. Find that approval of Amendment No. 1 to Lease Agreement No. 23-869, with 590 North D Street, a Delaware Limited Liability Company for clinic 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. 23-869**, with 590 North D Street, a Delaware Limited Liability Company, to update the term of the lease to reflect the commencement date of November 1, 2024, adjust the rental rate schedule to reflect the new commencement date for the term of November 1, 2024, through October 31, 2039, and update standard lease agreement language, for 14,894 square feet of clinic space, located at 590 North D Street in San Bernardino, for the Department of Public Health, and increasing the total lease amount by \$517,562, from \$16,696,720 to \$17,214,282 for completion of tenant improvements.
3. 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 Amendment No. 1 (Amendment) to Lease Agreement No. 23-869 (Lease) with 590 North D Street, a Delaware Limited Liability Company (Landlord) will not result in the use of Discretionary General Funding (Net County Cost). The total cost of this Amendment is \$17,214,282. Lease payments will be made from the Real Estate Services (RES) Rents budget (7810001000) and reimbursed from the Department of Public Health (DPH) budget (AAA PHL). Other costs associated with this lease include utility expenses, which will be paid from the DPH budget. The DPH budget is funded by Medi-Cal, Medicare, lab fees collected through MOUs with partnered cities and hospitals, private insurance, private pay, and 1991 Realignment funding. Sufficient revenue and appropriation have been included in the 2024-25 budget and will be included in future recommended budgets. Annual lease costs are as follows:

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Lease Year	Annual Rent	Annual Improvement Cost	Total Annual Cost
Option Fee	(One-Time) \$100		\$100
*November 1, 2024, to November 30, 2024	\$20,480	\$38,083	\$58,563
*December 1, 2024, to December 31, 2024	\$28,407	\$38,083	\$66,490
**January 1, 2025, to October 31, 2025	\$409,590	\$380,830	\$790,420
November 1, 2025, to October 31, 2026	\$511,164	\$456,996	\$968,160
November 1, 2026, to October 31, 2027	\$531,612	\$456,996	\$988,608
November 1, 2027, to October 31, 2028	\$552,876	\$456,996	\$1,009,872
November 1, 2028, to October 31, 2029	\$574,992	\$456,996	\$1,031,988
November 1, 2029, to October 31, 2030	\$597,984	\$456,996	\$1,054,980
November 1, 2030, to October 31, 2031	\$621,912	\$456,996	\$1,078,908
November 1, 2031, to October 31, 2032	\$646,788	\$456,996	\$1,103,784
November 1, 2032, to October 31, 2033	\$672,660	\$456,996	\$1,129,656
November 1, 2033, to October 31, 2034	\$699,564	\$456,996	\$1,156,560
November 1, 2034, to October 31, 2035	\$727,548	\$456,996	\$1,184,544
November 1, 2035, to October 31, 2036	\$756,648	\$456,996	\$1,213,644
November 1, 2036, to October 31, 2037	\$786,912	\$456,996	\$1,243,908
November 1, 2037, to October 31, 2038	\$818,388	\$456,996	\$1,275,384
November 1, 2038, to October 31, 2039	\$851,124	\$456,996	\$1,308,120
***One lump sum payment			\$550,593
Total Cost:	\$9,808,749	\$6,854,940	\$17,214,282

*November 1, 2024, through December 31, 2024, reflects the monthly rental payment.

**January 1, 2025, through October 31, 2025, reflects a 10-month total cost.

***One lump sum payment reflects the total additional cost for tenant improvements, which will be paid directly to the landlord.

BACKGROUND INFORMATION

On August 22, 2023 (Item No. 66), the Board of Supervisors (Board) approved the Lease, with one five-year option to extend for a total of 14,894 square feet of clinic space, located at 590 North D Street in San Bernardino (Premises). The original projected term was from July 1, 2024, through June 30, 2039, subject to the landlord's completion of certain turnkey tenant improvements, with one five-year option to extend the term. The Lease also included an option to purchase the premises, with an Option Fee of \$100, located at the Premises for \$10,000,000, less rents, specifying a closing date no earlier than the Landlord's receipt of a temporary certificate of occupancy for the Premises, following substantial completion of the improvements.

On November 1, 2024, DPH took possession of the first floor of the Premises, followed by possession of the second floor on December 20, 2024. As a result, the commencement date of the Lease was revised to reflect a new commencement date for the term beginning November 1, 2024, and ending October 31, 2039. As the first floor was the only occupied space during November 1, 2024, through December 31, 2024, the rent was adjusted accordingly to reflect the occupancy during that period, resulting in a decrease of lease costs by \$33,031.

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During the tenant improvements, DPH exceeded the allocated change order allowance due to necessary modifications required to accommodate operational needs. The original total tenant improvement cost of \$6,854,940, which was amortized over the term of the Lease, increased by \$550,593. This additional amount will be paid to the Landlord in a one-time lump sum no later than May 30, 2025. As a result, the total tenant improvements cost increased to \$7,405,533.

The project to approve the Amendment was reviewed pursuant to the California Environmental Quality Act (CEQA) and determined to be categorically exempt under CEQA Guidelines Section 15301 – Class 1 Existing Facilities because the Amendment is to secure property to operate within the existing structure with no expansion of the existing Lease.

Summary of Lease Terms

Lessor:	590 North D Street, a Delaware Limited Liability Company Jason Tolleson, Member
Location:	590 North D Street in San Bernardino
Size:	14,894 square feet of clinic space
Term:	November 1, 2024, through October 31, 2039
Options:	One five-year option
Rent:	Cost per square foot per month: approximately \$5.31 Full- Service Gross* Monthly: \$79,042 Annual: \$790,420 (prorated) *High-range for comparable facilities in the San Bernardino area per the competitive set analysis on file with RESD; base rent at \$2.75 per square foot per month, plus tenant improvements at \$2.56 per square foot per month
Annual Increases:	4%
Improvement Costs:	\$7,405,533
Custodial:	Provided by County
Maintenance:	Provided by Lessor
Utilities:	Provided by Lessor, County to pay utility costs in excess of \$30,000 per lease year or \$0.17 per square foot per month (utility expense cap) subject to 3% annual increases
Insurance:	The Certificate of Liability Insurance, as required by the Lease, is on file with RESD
Holdover:	County has the right to Holdover subject to a 90-day termination

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notice

Right to Terminate: Lease terminates upon close of escrow at any time after County takes occupancy; County has the right to terminate the Lease with 90-days' notice at any time during any extended term

Option to Purchase: If exercised, County has the right to purchase property at \$10,000,000; Option Fee is \$100

Parking: Sufficient for County needs

PROCUREMENT

Not applicable.

REVIEW BY OTHERS

This item has been reviewed by County Counsel (John Tubbs II, and Adam Ebright, Deputies County Counsel, 387-5455) on April 29, 2025; Public Health (Shannon Bailey, Division Chief, 387-9146) on April 23, 2025; Purchasing (Dylan Newton, Buyer III, 387-3377) on April 23, 2025; Finance (Iliana Rodriguez, 387-4205, and Eduardo Mora, 387-3077, Administrative Analysts) on May 1, 2025; and County Finance and Administration (Paloma Hernandez-Barker, Deputy Executive Officer, 387-5423) on May 4, 2025.

(DM: 677-8388)

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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
Contractor - c/o RESD w/agree
File - w/agree
MBA 05/27/2025