

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

November 15, 2022

FROM

TERRY W. THOMPSON, Director, Real Estate Services Department

MARTHA ZEPEDA, Director, Community Development and Housing Department

SUBJECT

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

RECOMMENDATION(S)

1. 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 San Bernardino County Use to lease approximately 8,862 square feet of office space for a five year term commencing on the later of: (i) the date of landlord's completion of certain improvements, subject only to minor punch list items as mutually agreed, and written acceptance thereof, or (ii) December 1, 2022 with one five-year extension option for the Community Development and Housing Department at 560 East Hospitality Lane, Suite 200 in San Bernardino.
2. Approve a lease **Agreement No. 22-1165** with San Bernardino Community College District, for five years commencing on the later of: (i) the date of landlord's completion of certain improvements, subject only to minor punch list items as mutually agreed, and written acceptance thereof, or (ii) December 1, 2022 with one five-year extension option, for approximately 8,862 square feet of office space for the Community Development and Housing Department located at 560 East Hospitality Lane, Suite 200 in San Bernardino in the amount of \$1,411,488.

(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 additional Discretionary General Funding (Net County Cost). The total cost of this five-year agreement is \$1,411,488. Lease payments will be made from the Real Estate Services Department (RESD) Rents budget (7810001000) and reimbursed from the Community Development and Housing Department (CDH) budget (6210002496). Approval of the necessary budget adjustments to the RESD and CDH 2022-23 budgets are not requested at this time; however, they will be included on the future mid-year countywide budget report presented to the Board of Supervisors (Board) for approval. Annual lease costs based on a projected commencement date of December 1, 2022 are as follows:

**Lease Agreement with San Bernardino Community College District for
Office Space in San Bernardino
November 15, 2022**

<u>Year</u>	<u>Annual Lease Cost*</u>
December 1, 2022 – November 30, 2023	\$ 265,861
December 1, 2023 – November 30, 2024	\$ 273,836
December 1, 2024 – November 30, 2025	\$ 282,051
December 1, 2025 – November 30, 2026	\$ 290,512
December 1, 2026 – November 30, 2027	<u>\$ 299,228</u>
Total Cost	\$1,411,488

BACKGROUND INFORMATION

The recommended actions will approve RESD's use of an alternative procedure in lieu of issuing a formal Request for Proposal (RFP) as allowed under San Bernardino County (County) Policy 12-02 – Leasing Privately Owned Real Property for County Use, to enter into a new five-year lease agreement with San Bernardino Community College District (SBCCD) for the five-year period commencing on the later of: (i) the date of landlord's completion of certain improvements, subject only to minor punch list items as mutually agreed, and the County's written acceptance thereof, or (ii) December 1, 2022 with one five-year extension option for approximately 8,862 square feet of office space located at 560 East Hospitality Lane, Suite 200 in San Bernardino. CDH used to lease space at 215 North D Street in San Bernardino (Former Premises). However, a fire occurred at the Former Premises on October 8, 2022, which caused extensive damage and made the Former Premises unusable. The lease for the Former Premises has since been terminated by County's RESD director pursuant to his authority as set forth in the lease for the Former Premises. CDH staff has been occupying CDH space throughout the County and tele-working in the interim. CDH has requested that the Board approve a new lease at 560 East Hospitality Lane in San Bernardino (Replacement Premises) to allow CDH to continue providing its essential programs to San Bernardino County communities.

RESD negotiated the lease with SBCCD for the Replacement Premises. The term of the lease for the Replacement Premises is for five years for the period commencing on the later of: (i) the date of landlord's completion of certain improvements, subject only to minor punch list items as mutually agreed, and the County's written acceptance thereof, or (ii) December 1, 2022 with one five-year extension option. The total cost of the five-year lease is \$1,411,488. The initial rent for the first year of the lease is \$2.50 per square foot per month, with the rental rate subject to 3% annual increases beginning on the second year of the lease term.

The landlord will complete minor work to prepare the Replacement Premises for CDH's occupancy, consisting of: (i) touch-up paint to the surfaces of all walls throughout the Premises in the same existing color, (ii) professionally shampoo and deep-clean all existing carpets throughout the Premises, (iii) remove 'stub out' conduits in the large conference room to flush level with the floor and replace/connect the conduits with an active electrical/IT floor receptacle, (iv) remove all bulletin boards throughout the Premises and repair any damage caused by such removal, (v) remove all placards at the entrance to the Premises and repair any damage caused by such removal, and (vi) repair and/or replace all damaged ceiling tiles throughout the Premises to match the existing undamaged tiles, and (vii) patch and/or repair all damage to the walls and other surfaces of the Premises. In the event such preparation work isn't completed on or before December 21, 2022, the County shall have the right to do the work and invoice the landlord for such costs. CDH shall have the right to use all existing landlord-owned furniture, fixtures, and equipment at the Replacement Premises at no additional cost for the term and any extensions thereof. The County shall have the right, its option, to terminate the lease as to the premises or any portion thereof by providing not less than 90-day prior written notice to the

**Lease Agreement with San Bernardino Community College District for
Office Space in San Bernardino
November 15, 2022**

landlord. The County also has the right of first refusal to lease Suite 250 at the building, comprising approximately 8,431 square feet. CDH will return to the Board for approval to lease the expansion space should it desire to exercise the right of first refusal.

The lease allows for the RESD Director in administering the lease, to:

- Exercise the County's early termination right.
- Execute estoppel certificates confirming facts regarding the lease and subordination, non-disturbance, and attornment agreements to preserve the County's lease rights during the landlord's financing transactions involving the real property.
- 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.

Staff has reviewed the recommended action pursuant to the California Environmental Quality Act (CEQA) and has determined that it does not constitute a project. Accordingly, no further action is required under CEQA.

Summary of Lease Terms

Lessor:	San Bernardino Community College District (Steven J. Sutorus, Business Manager)
Location:	560 East Hospitality Lane, Suite 200, San Bernardino
Size:	8,862 square feet of office space
Term:	Five years, commencing on the later of: (i) the date of landlord's completion of certain improvements, subject only to minor punch list items as mutually agreed, and the County's written acceptance thereof, or (ii) December 1, 2022
Options:	One five-year option to extend the term of the lease and a right of first refusal to lease Suite 250 at the building, comprising approximately 8,431 square feet
Rent:	Cost per sq. ft. per month: \$2.50* full-service gross Monthly: \$22,155 Annual: \$265,861 *Mid-range for comparable facilities in the San Bernardino area per the competitive set analysis on file with RESD
Annual Increases:	3%
Improvement Costs:	Preparation work provided by Lessor
Custodial:	Provided by Lessor
Maintenance:	Provided by Lessor
Utilities:	Provided by Lessor, except that County shall pay for electric costs for after-hours HVAC use

**Lease Agreement with San Bernardino Community College District for
Office Space in San Bernardino
November 15, 2022**

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

Right to Terminate County has the right to terminate on 90 days' notice

Parking: Shared use of approximately 300 parking spaces

PROCUREMENT

RESD is requesting that the Board approve the use of an alternative procedure in lieu of a formal RFP as allowed per County Policy 12-02 - Leasing Privately Owned Real Property for County Use, to lease approximately 8,862 square feet of office space at 560 East Hospitality Lane, Suite 200 in San Bernardino for CDH for five years for the period commencing on the later of: (i) the date of landlord's completion of certain improvements, subject only to minor punch list items as mutually agreed, and the County's written acceptance thereof, or (ii) December 1, 2022 with one five-year extension option. Policy 12-02 provides that the Board may approve the use of an alternative procedure to the use of a 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 interest of the County.

RESD, acting in its approved capacity as the County Administrative Office designee to review proposed real property leases under Policy 12-02, completed a competitive analysis of the area and found the lease rate is competitive for a five-year term and that the Replacement Premises best meets the requirements of the department due to its close proximity to the Former Premises and the ability to serve the same community from the Replacement Premises.

REVIEW BY OTHERS

This item has been reviewed by County Counsel (Agnes Cheng, Deputy County Counsel, and Suzanne Bryant, Deputy County Counsel, 387-5455) on November 10, 2022; Community Development and Housing (Martha Zepeda, Director Executive Officer, 387-9146) on October 27, 2022; Purchasing (Bruce Cole, Supervising Buyer, 387-2148) on October 27, 2022; Finance (Paul Garcia, Administrative Analyst, 386-8392, and Penelope Chang, Administrative Analyst, 387-4886) on November 3, 2022; and County Finance and Administration (Diana Atkeson, Deputy Executive Officer, 387-542) on November 3, 2022.

(AR: 893-0002)

**Lease Agreement with San Bernardino Community College District for
Office Space in San Bernardino
November 15, 2022**

Record of Action of the Board of Supervisors
San Bernardino County

APPROVED (CONSENT CALENDAR)

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

Lynna Monell, CLERK OF THE BOARD

BY



DATED: November 15, 2022



cc: RESD - Thompson w/agree
Contractor - C/O RESD w/agree
File - w/agree
CCM 11/23/2022