

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

January 24, 2023

FROM

**TERRY W. THOMPSON, Director, Real Estate Services Department
BRADLEY GATES, Director, Workforce Development Department**

SUBJECT

Revenue Sublease Agreement with the State of California for Office Space in Rancho Cucamonga

RECOMMENDATION(S)

1. Find that, pursuant to California Government Section 25526.6, a three-year, 10-month revenue sublease agreement with the State of California, acting on behalf of its Employment Development Department, commencing and retroactive to August 1, 2021 through May 31, 2025, for the use of approximately 10,118 square feet of office space located at 9650 Ninth Street in Rancho Cucamonga, is in the public interest and that the sublease will not substantially conflict or interfere with San Bernardino County's use of the property.
 2. Approve a three-year, 10-month revenue sublease (**County Contract No. 23-28**) with the State of California, acting on behalf of its Employment Development Department, commencing and retroactive to August 1, 2021 through May 31, 2025, for approximately 10,118 square feet of office space located at 9650 Ninth Street in Rancho Cucamonga for total revenue in the amount of \$1,000,873.
- (Presenter: Terry W. Thompson, Director, 387-5000)

COUNTY AND CHIEF EXECUTIVE OFFICER GOALS & OBJECTIVES

Operate in a Fiscally-Responsible and Business-Like Manner.

Pursue County Goals and Objectives by Working with Other Agencies and Stakeholders.

FINANCIAL IMPACT

Approval of this item will not result in the use of Discretionary General Funding (Net County Cost). The total revenue to be received by San Bernardino County (County) during this three-year, 10-month agreement is \$1,000,873. The revenue will be deposited in the Workforce Development Department (WDD) fund (5715352260). Maintenance, custodial, and utility services are provided by the County's landlord under the provisions of the County's Lease Agreement No. 02-328 with Rancho Tech, LLC. The revenue to be received by the County from the State of California (State) includes rent for the subleased premises, the State's share of costs for utilities, janitorial services, fire alarm monitoring, security services, and rent payments are retroactive to August 1, 2021. Fire alarm monitoring and security services are all amortized over the first three years, 10 months of the sublease. The rent will escalate at 3% annually. Annual revenue is as follows:

| <u>Year</u> | <u>Annual Revenue</u> |
|--------------------------------|-----------------------|
| August 1, 2021 – July 31, 2022 | \$ 248,903* |

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| | |
|--------------------------------|--------------------|
| August 1, 2022 – July 31, 2023 | \$ 257,402* |
| August 1, 2023 – July 31, 2024 | \$ 265,901 |
| August 1, 2024 – May 31, 2025 | <u>\$ 228,667</u> |
| Total Revenue | \$1,000,873 |

*Retroactive Payments

BACKGROUND INFORMATION

The recommended action will find that a new three-year, 10-month revenue sublease agreement commencing and retroactive to August 1, 2021 through July 31, 2025, with the State acting on behalf of its Employment Development Department (EDD), for approximately 10,118 square feet of office space located at 9650 Ninth Street in Rancho Cucamonga, is in the public interest and that the sublease will not substantially conflict or interfere with the County’s use of the property, and will provide approval for the new three-year, ten-month revenue sublease with the State.

On May 7, 2002 (Item No. 42), the Board of Supervisors (Board) approved 10-year Lease Agreement No. 02-328 (Master Lease), with two five-year options to extend the term of the lease with Rancho Tech, LLC (RT) for the period of January 1, 2003 through December 31, 2012, for 24,162 square feet of office space at 9650 Ninth Street in Rancho Cucamonga, subject to landlord’s completion of turnkey tenant improvements. In the 20 years since the Master Lease was originally approved, the Board has approved three amendments which revised the commencement date of the initial term to May 1, 2014 to April 30, 2019, adjusted the rental rate schedule, extended the term of the Master Lease from May 1, 2019 through May 31, 2025, added one two-year option to extend the term of the Master Lease, and updated standard lease agreement language.

| <u>Amendment No.</u> | <u>Approval Date</u> | <u>Item No.</u> |
|----------------------|----------------------|-----------------|
| 1 | May 6, 2014 | 51 |
| 2 | July 28, 2015 | 67 |
| 3 | May 19, 2020 | 79 |

On January 10, 2017 (Item No. 31), the Board approved a two-year, three-month revenue sublease Agreement No. 17-28 (Existing Sublease) with the State on behalf of the State’s EDD, for the period of February 1, 2017 through April 30, 2019, for approximately 10,540 square feet of office space located at 9650 Ninth Street in Rancho Cucamonga.

On May 1, 2019, both the Master Lease and the Existing Sublease went into holdover and the County and the State continued to occupy its respective spaces and abide by terms of the Master Lease and Existing Sublease, respectively. In accordance with the Existing Sublease, the State has paid holdover rent as of May 1, 2019. Negotiations for a new sublease (Replacement Sublease) with the State could not be completed until the Master Lease was formally extended.

On May 19, 2020 (Item No 79), the Board approved an extension to the Master Lease through May 31, 2025. However, due to protracted negotiations between the State and the County over numerous terms and provisions of the Replacement Sublease, the State postponed Replacement Sublease discussions until the form of sublease for the State’s use of a portion of the County-leased space at the new San Bernardino WDD-facility, located at 508 Inland Center Drive in San Bernardino, was approved. With the approval by the Board on March 1, 2022 (Item No. 51), of Sublease Agreement No. 22-112 for the State’s sublease of a portion of the

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San Bernardino WDD facility, the State agreed to use substantially the same form of sublease agreement for the Replacement Sublease.

This new three-year, 10-month revenue Replacement Sublease with the State may be terminated by either party at any time on or after August 1, 2023, with 90-days' prior written notice.

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 Sublease Terms

| | |
|---------------------|--|
| Sublessee: | State of California |
| Location: | 9650 Ninth Street, Rancho Cucamonga |
| Size: | Approximately 10,118 square feet of office space |
| Term: | Three years, 10 months commencing and retroactive to August 1, 2021 |
| Options: | None |
| Rent: | Cost per square foot per month: \$2.05 (also includes operating costs through May 31, 2025)* Monthly: \$20,741.90 Annual: \$248,903.80 *Mid-range for comparable facilities in the Rancho Cucamonga area per the competitive set analysis on file with RESD |
| Annual Increases: | 3% |
| Improvement Costs: | None |
| Custodial: | Provided by County through the provisions of the Master Lease |
| Maintenance: | Provided by County through the provisions of the Master Lease |
| Utilities: | Provided by County through the provisions of the Master Lease, except that County pays excess electrical costs to the master landlord, which have been factored into the rent payable by the State |
| Insurance: | Both parties are self-insured public entities |
| Right to Terminate: | Both parties have the right to terminate with 90-days' notice effective at any time on or after August 1, 2023 |

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Parking: Sufficient for both County and State needs

PROCUREMENT

Pursuant to California Government Code Section 25526.6, the Board may grant leases for use of any County property to the State in the manner and upon the terms and conditions as the Board determines, upon a finding by the Board that the leases are in the public interest and that the lease will not substantially conflict or interfere with the County's use of the property.

REVIEW BY OTHERS

This item has been reviewed by County Counsel (Agnes Cheng, Deputy County Counsel, and Sophie A. Akins, Deputy County Counsel, 387-5455) on December 1, 2022; Workforce Development (Fred Burks, Administrative Supervisor, 387-9845) on December 27, 2022; Purchasing (Bruce Cole, Supervising Buyer, 387-2148) on December 28, 2022; Finance (Carl Lofton, Administrative Analyst, 387-5404, and Penelope Chang, Administrative Analyst, 387-5423) on December 28, 2022; and County Finance and Administration (Valerie Clay, Deputy Executive Officer, 387-5423) on January 5, 2023.

(KB: 677-7961)

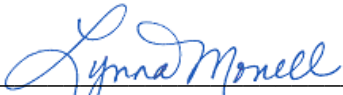
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Record of Action of the Board of Supervisors
San Bernardino County

APPROVED (CONSENT CALENDAR)

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

Lynna Monell, CLERK OF THE BOARD

BY 
DATED: January 24, 2023



cc: RESD - Thompson w/agree for sign
Contractor - C/O RESD w/agree
File - w/agree

CCM 01/24/2023