



San Bernardino County

Legislation Text

File #: 3106, Agenda Item #: 76

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

October 27, 2020

FROM

TERRY W. THOMPSON, Director, Real Estate Services Department

SUBJECT

Amendment No. 1 to Revenue Lease Agreement with American Beef Packers, Inc. for a County-owned Dairy Property in Ontario

RECOMMENDATION(S)

Approve Amendment No. 1 to revenue Lease Agreement No. 15-720 with American Beef Packers, Inc., to extend the term of the lease five years for the period of November 1, 2020 through October 31, 2025, adjust the rental rate, increase the security deposit appropriately and update standard lease agreement language for the continued use of approximately 34.77 acres of County-owned dairy property and certain improvements at 7777 Schaefer Avenue and 7849 Schaefer Avenue in Ontario for total revenue in the amount of \$414,000 (Four votes required).

(Presenter: Terry W. Thompson, Director, 387-5252)

COUNTY AND CHIEF EXECUTIVE OFFICER GOALS & OBJECTIVES

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

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 during this five-year amendment is \$414,000. Revenue received from this lease will be deposited in the special income fund (7801202734) for properties acquired under the provisions of the California Wildlife, Coastal and Parkland Conservation Act of 1988 (Proposition 70). Annual revenue of \$82,800 will not increase over the five-year term. Annual revenue is as follows:

<u>Year</u>	<u>Annual Revenue</u>
November 1, 2020 - September 31, 2021	\$ 82,800
November 1, 2021 - September 31, 2022	\$ 82,800
November 1, 2022 - September 31, 2023	\$ 82,800
November 1, 2023 - September 31, 2024	\$ 82,800
November 1, 2024 - September 31, 2025	\$ 82,800
Total Revenue	\$414,000

BACKGROUND INFORMATION

The recommended action will amend an existing revenue lease with American Beef Packers, Inc. (ABP)

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through a negotiated term extension, extending the term of the lease five years for the period of November 1, 2020 through October 31, 2025, adjust the rental rate, increase the security deposit, and update standard lease agreement language for ABP's use of approximately 34.77 acres of County-owned dairy land and certain improvements located at 7777 Schaefer Avenue and 7849 Schaefer Avenue in Ontario.

On May 18, 1993, utilizing funds made available to the County under the provisions of Proposition 70, the County purchased a 34.77 acre dairy property improved with a 3,050 single family residence with an address of 7777 Schaefer Avenue and a second single family residence comprising 3,275 square feet with an address of 7849 Schaefer Avenue in Ontario. The dairy has been leased continually with the exception of a two-year period, from December, 2008 through October 2010, during which, the dairy remained vacant and unleased.

On October 6, 2015 (Item No. 50), the Board of Supervisors (Board) approved a five-year, 17-day lease, Agreement No. 15-720, with one two-year option to extend the term of the lease with ABP for 34.77 acres of County-owned dairy property, including the two residences located at 7777 Schaefer Avenue and 7849 Schaefer Avenue in Ontario, for use in producing beef cattle. Loss of dairy equipment due to vandalism and theft during the period of vacancy precluded the use of the property as a milking dairy. ABP's operation requires only the use of the corrals, hay barns, and wells. Consequently the agreement excluded the use of the dairy barn and any associated milking equipment. The original term of the lease was for the period of October 15, 2015 through October 31, 2020.

ABP indicated to the Real Estate Services Department (RESA) its desire to extend the lease for five years rather than exercise its existing two-year extension option. RESA conducted a market survey of comparable leased property in the Ontario area of San Bernardino County and determined that the rent should increase to more accurately reflect current market rates. The amendment provides for the continued use by ABP through a five year negotiated extension of the term of the lease for the 34.77 acres of County-owned dairy land and certain improvements for the period of November 1, 2020 through October 31, 2025, retain the existing two-year option to extend the term of the lease, adjusts the monthly rent to reflect current market rates, increases the security deposit to reflect a total of two months rent, and updates standard lease agreement language. All other provisions and terms of the lease agreement remain the same.

Summary of Revenue Lease Terms

Lessee:	American Beef Packers, Inc. (Gerben Hettinga, President)
Location:	7777 and 7849 Schaefer Avenue, Ontario
Size:	Approximately 34.77 of dairy land, a 3,050 square foot single-family residence and a 3,275 square foot single-family residence
Term:	Five years commencing November 1, 2020
Options	One two-year option remains
Revenue:	Monthly: \$6,900* Annual: \$82,800 *Mid-range for comparable facilities in the Ontario area per supporting lease comparables on file
Annual Increases:	None

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Improvement Costs:	None
Maintenance:	Provided by Lessee except for residential septic system, roof, heating and air conditioning system and all major subsurface infrastructure including water wells, well casing and piping, unless the cause of such failure is due to the negligence of the Lessee
Utilities:	Provided by Lessee
Security Deposit:	\$13,800
Insurance:	The Certificate of Liability Insurance, as required by the lease, is on file with RESD
Right to Terminate:	County has the right to terminate with 180-days' prior written notice

PROCUREMENT

This lease is exempt from the procurement requirements because Government Code Section 25536 (d) permits the Board to enter into agricultural leases with a four-fifths vote.

REVIEW BY OTHERS

This item has been reviewed by County Counsel (Agnes Cheng, Deputy County Counsel, 387-5455) on October 2, 2020; Finance (Carl Lofton, Administrative Analyst, 387-5404) on October 9, 2020; and County Finance and Administration (Matthew Erickson, County Chief Financial Officer, 387-5423) on October 9, 2020.

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