



# San Bernardino County

## Legislation Text

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**File #: 5110, Agenda Item #: 55**

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

**November 16, 2021**

#### **FROM**

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

**SHARRON NEVINS, Director, Department of Aging Adult Services**

#### **SUBJECT**

Amendment to Lease Agreement with Fairway Business Centre on Milliken, LLC for Office Space for Department of Aging Adult Services in Rancho Cucamonga

#### **RECOMMENDATION(S)**

1. Approve Amendment No. 3 to Lease Agreement No. 08-104 with Fairway Business Centre on Milliken, LLC to correct the name of the landlord entity from Fairway Business Centre to Fairway Business Centre On Milliken, LLC, extend the term of the lease five years, for the period of December 1, 2021 through November 30, 2026, following a permitted holdover for the period of June 1, 2020 through November 30, 2021, due to the County's exercise of an existing five-year extension option, correct the square footage of the premises from approximately 24,438 square feet to 24,772 square feet, increasing the premises by approximately 334 square feet, provide for certain turn-key tenant improvements to be performed by landlord with the improvement cost to be reimbursed in one lump sum, adjust the rental rate schedule, and update standard lease agreement language for approximately 24,772 square feet of office space for Department of Aging Adult Services at 9445 Fairway View Place in Rancho Cucamonga in the total amount of \$3,995,585.
2. Authorize the Purchasing Department to issue purchase orders, as necessary, for a total amount not to exceed \$10,000 for any contingencies and/or change orders that may arise in order to complete the turn-key tenant improvements set forth in the Amendment No. 3 to be constructed by landlord (Four votes required).

(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 result in the use of additional Discretionary General Funding (Net County Cost) which was allocated in the first quarter budget report, as approved by the Board of Supervisors (Board) on January 8, 2019 (Item No. 49). The total cost of this five-year amendment is \$3,995,585. Lease payments will be made from the Real Estate Services Department (RESA) Rents budget (7810001000) and reimbursed from the Human Services (HS) Administrative Claim budget (5015011000). Sufficient appropriation is included in both the 2021-22 Rents and HS Administrative Claim budgets and will be included in future recommended

budgets. Lease costs are as follows:

<u>Period</u>	<u>Annual Lease Cost*</u>
June 1, 2020 - November 30, 2021	\$ 901,764
December 1, 2021 - November 30, 2022	\$ 612,875**
December 1, 2022 - November 30, 2023	\$ 612,905
December 1, 2023 - November 30, 2024	\$ 612,905
December 1, 2024 - November 30, 2025	\$ 627,568
December 1, 2025 - November 30, 2026	\$ 627,568
<b>Total Cost</b>	<b>\$3,995,585</b>

\*All rents based on original 24,438 square feet for the extended five-year period

\*\*Includes one-time payment of \$11,700 for turnkey tenant improvements

### **BACKGROUND INFORMATION**

The recommended action will amend Lease Agreement No. 08-104, by correcting the name of the landlord entity from Fairway Business Centre to Fairway Business Centre On Milliken, LLC extending the term of the lease for five years, for the period of December 1, 2021 through November 30, 2026, following a permitted holdover for the period of June 1, 2020 through November 30, 2021, due to the County's exercise of an existing five-year extension option, correct the square footage of the premises from 24,438 square feet to 24,772 square feet, increasing the premises by approximately 334 square feet, provide for certain turn-key tenant improvements to be performed by landlord with the improvement cost to be reimbursed in one lump sum, adjust the rental rate schedule, and update standard lease agreement language.

On March 4, 2008 (Item No. 67), the Board of Supervisors (Board) approved a six-year Lease Agreement, No. 08-104, with one four-year option to extend the term of the lease for 20,085 square feet of office space for the Department of Aging and Adult Services (DAAS) at 9445 Fairway View Place in Rancho Cucamonga. The original term of the lease was for the period of June 1, 2008 to May 31, 2014. In the 13 years since the lease was originally approved, the Board has approved two amendments to extend the term of the lease, adjust the rental rate schedule, add options to extend the term, provide for tenant improvements to the premises, expand the premises, and update standard lease agreement language.

<u>Amendment No.</u>	<u>Approval Date</u>	<u>Item No.</u>
1	June 17, 2014	66
2	November 17, 2015	41

DAAS requested that RESD negotiate an extension of the lease term and landlord's completion of certain turn-key tenant improvements. During negotiations, the landlord advised that the size of the premises, as re-measured by landlord, has been mis-stated as 24,438 square feet, but should be 24,772 square feet. Despite the square footage correction, the landlord agreed to calculate rental rates during the extended term at the original 24,438 square feet. However, rents will be calculated at the corrected 24,772 square feet for any further extensions of the lease term.

Amendment No. 3 to Lease Agreement No. 08-104 provides for a correction of the name of the landlord entity from Fairway Business Centre to Fairway Business Centre On Milliken, LLC, a five-year extension of the term of the lease for the period of December 1, 2021 through November 30, 2026, following a permitted holdover for the period of June 1, 2020 through November 30, 2021, correction of the square footage of the premises from approximately 24,438 square feet to approximately 24,772 square feet, increasing the premises by approximately 334 square feet, landlord's completion of certain turn-key tenant improvements with the improvement cost to be reimbursed in one lump sum of \$11,700, an adjustment of the rental rate schedule,

and an update of standard lease agreement language. The base rental rate of \$2.05 per square foot per month (\$50,098) for the first year of the extended term, which is calculated on the original square feet of the premises, will increase by 2% for the second year, will not increase for the third year, will increase by 2.5% for the fourth year, and will not increase for the fifth year of the extended term. All other terms and conditions of the lease remain unchanged.

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:	Fairway Business Centre on Milliken, LLC (Roseann Armienti, Manager & Kyle Desmet, Asset Manager)
Location:	9445 Fairway View Place, Rancho Cucamonga
Size:	24,772 square feet of office space
Term:	Five years commencing December 1, 2021, following a permitted holdover for the period of June 1, 2020 through November 30, 2021
Options:	One five-year option
Rent:	Cost per sq. ft. per month: \$2.05* full service gross Monthly: \$50,098 Annual: \$601,176 *Mid-range for comparable facilities in the Rancho Cucamonga area per the competitive set analysis on file with RESD
Annual Increases:	2% for the second year, no increase for the third year, 2.5% for the fourth year, and no increase for the fifth year
Improvement Costs:	Provided by Lessor at a cost of \$11,700 and an allocation up to \$10,000 for any contingencies and change order work to the turn-key tenant improvements set forth in Amendment No. 3 to be authorized by RESD and/or DAAS representatives and paid by purchase orders as needed
Custodial:	Provided by Lessor
Maintenance:	Provided by Lessor
Utilities:	Provided by Lessor, except that County shall pay for electric costs that exceed the electric utility expense cap
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 90 days' notice

Parking: Sufficient for County needs

### **PROCUREMENT**

On March 4, 2008 (Item No. 67), the Board approved Lease Agreement No. 08-104, which was procured according to County Policy 12-02, Leasing Privately Owned Real Property for County Use (Policy 12-02), using a Solicitation of Proposals process. Policy 12-02 does not apply to amendments of existing leases (including an amendment to exercise an option to extend the term of a lease), provided the amendment does not exceed the maximum term (including options) of the lease.

### **REVIEW BY OTHERS**

This item has been reviewed by County Counsel (Agnes Cheng, Deputy County Counsel, and Jacqueline Carey-Wilson, Deputy County Counsel, 387-5455) on October 29, 2021; Human Services (John Hallen, Administrative Analyst, 388-0288) on October 22, 2021; Purchasing Department (Bruce Cole, Supervising Buyer, 387-2148) on October 19, 2021; Finance (Chris Lange, Administrative Analyst, 386-8393 and Carl Lofton, Administrative Analyst, 387-5404) on October 29, 2021; and County Finance and Administration (Diana Atkeson, Deputy Executive Officer, 387-4376) on October 29, 2021.

(LB: 453-5227 & LD 453-5349)