

**LOCAL AGENCY FORMATION COMMISSION  
FOR SAN BERNARDINO COUNTY**

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**DATE:** JULY 11, 2016   
**FROM:** KATHLEEN ROLLINGS-McDONALD, Executive Officer  
SAMUEL MARTINEZ, Assistant Executive Officer  
**TO:** LOCAL AGENCY FORMATION COMMISSION

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**SUBJECT:** Agenda Item #10: Review and Consideration of Contract No. 16-1001429 Between San Bernardino County Transportation Commission and LAFCO for Lease of Harvey House premises and \$130,000 Loan for Interior Improvements located at 1170 West 3rd Street, Unit 150, San Bernardino

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**RECOMMENDATION:**

Staff is recommending that the Commission:

- A. Approve the lease agreement with the San Bernardino County Transportation Commission for the purposes of leasing Unit 150, commonly known as the Harvey House space of the San Bernardino Santa Fe Depot, and authorize the Chairman to sign and execute the lease agreement on behalf of the Commission;
- B. Authorize the payment of an amount not to exceed \$230,000, to fund the necessary renovations and improvements to allow for use of the Harvey House space as the LAFCO staff office, which requires an up-front payment of \$100,000 to the San Bernardino Associated Governments prior to the commencement of construction and the balance of \$130,000 to be amortized over a 5-year term; and,
- C. Authorize the Executive Officer to continue to negotiate with GM Business Interiors on a floor plan for the new office space to be presented to the Commission at a later date.

**BACKGROUND:**

LAFCO's current office space lease will expire on June 30, 2017. In response to the Commission's direction to change the office location and its desire to possibly move to the San Bernardino Santa Fe Depot (Depot), staff has been working with the staff of the San Bernardino Associated Governments (SANBAG) on leasing the historic Harvey House (a former railway hotel and restaurant chain) space of the Depot. The Harvey House space is approximately 3,513 square feet in area. Moving to this location will allow for employee and visitor access to the staff office via public transportation and the potential for hearings to be conducted at the adjacent facility where SANBAG holds its hearings (subject to installation of video recording equipment).

The Depot is jointly owned by SANBAG, acting in its capacity as the San Bernardino County Transportation Commission, and the City of San Bernardino; however, SANBAG has exclusive rights to enter into, amend, or terminate all property agreements at the Depot, pursuant to SANBAG Cooperative Agreement No. 04-040 with the City of San Bernardino.

This change in office location requires a multi-step process. First, as identified in the 2016-17 budget, LAFCO has been negotiating with SANBAG to identify the terms of leasing the Harvey House space. This space has not been occupied since the 1950s and is also a historic place. Therefore, it requires extensive renovation before it can be occupied, as well as working with the restrictions of being a historic place. As identified in the preliminary drawings (included as Attachment #1 to this report) the renovation includes, but is not limited to, the installation of a new HVAC system, construction of men's and women's restrooms, plumbing, installation of lighting fixtures and electrification of the entire space, repair of existing tile flooring and installation of carpet for non-tiled area of the space, repair of plaster and/or wood wall/columns and ceilings, painting and refinishing, and generally restoring all of the space's historic materials and structure elements. These drawings were used to generate the initial estimate to renovate the Harvey House space, totaling \$230,000. The cost to renovate is an obligation of the tenant and, according to the lease, is dependent upon the final scope of work and actual costs incurred. As part of the lease agreement, LAFCO will agree to pay \$100,000 up-front, and LAFCO will then reimburse SANBAG the remainder \$130,000 over the first 5-year term of the lease (\$2,167 per month for 60 months). Of note, the lease does not contain a 10% contingency, but LAFCO staff will closely monitor the renovation costs to stay within the budgeted amount. Additionally, costs for window coverings are not included in this cost, which will be absorbed by the current year budget.

The monthly rent as outlined in the lease is \$0.95 per square foot. Based on the total area of 3,513 square feet, which also includes the area for the new bathrooms, the monthly base rent is \$3,337. In addition to the base rent, LAFCO will also pay its share of the Common Area Operating Expenses (CAM) identified as 9.3% of the total costs to maintain the common areas of the Depot. The items included in the CAM costs include water, sewer, trash, exterior maintenance and 24-hour security. The total estimated

monthly CAM cost (at \$0.67 per square foot) is \$2,354. The total cost per square foot is \$1.62. The current LAFCO office cost is \$1.91 per square foot for the 2,357 square foot useable office area during Fiscal Year 2016-17. The amortized monthly cost for the remainder \$130,000 that SANBAG is shouldering for the renovation is \$2,167 paid separately to SANBAG. The overall monthly rent for the first five-year lease term, which includes the base rent, the CAM costs, and the amortized cost, is \$7,858. After the first term, the estimated total monthly payment would reduce to \$5,691. The lease terms also include an annual inflation factor based on the Consumer Price Index (CPI) rental adjustment factor (not to exceed 3%).

Second, if the Commission approves this lease agreement, additional costs will be incurred as part of the change in office location. These costs, which were approved as part of this year's budget, are currently budgeted as follows:

1. Modular Furniture for New Office Space	\$49,910
2. Moving	5,000
3. Site preparation through the County's ISD	15,000
4. Other (printing of new business cards)	350
<b>ESTIMATED TOTAL</b>	<b>\$70,260</b>

Staff has asked GM Business Interiors to provide a preliminary layout for the new office space utilizing modular furnishings to create the interior office configuration. After a layout is finalized and a final quote provided, LAFCO staff will present to the Commission a draft contract for its consideration. Installation of the new office furnishings will not commence until the renovation is complete.

Staff has also verified with the County's Information Services Department (ISD) that moving to the Depot still allows for maintenance of County connections to mainframe computer functions, inter and intranet facilities, telephone, mail services, etc.

The contract, which is included as Attachment #2 to this report, has been reviewed by LAFCO Counsel, and was approved by SANBAG at its July 6, 2016 Board of Directors meeting. Once the contract is executed by both parties, SANBAG staff will have an architect begin drafting the final construction drawings to be use to solicit construction bids for the actual renovation project.

**CONCLUSION:**

Staff recommends that the Commission take the actions listed on page 1, which are:

- Approve the lease agreement to move to the San Bernardino Santa Fe Depot, which includes the total amount, not to exceed \$230,000, to fund the necessary renovations and improvements, an up-front payment of \$100,000 and the balance of \$130,000 to be amortized monthly over a 5-year term; and,

- Authorize the Executive Officer to continue to negotiate a floor plan design for the new office space to be presented to the Commission, along with purchase contract for furnishings at a later date.

KRM/sm

Attachments:

1. [Preliminary Drawings with Renovation Notes](#)
2. [Draft Contract No. 16-1001429](#)