



Long Term Ground Lease

The State of California
Department
of General Services

February 11, 2010



Deadline for submittals is
5:00 p.m., April 30, 2010

[State Web Site for Chino RFP](#)

Request for Proposals – *Amended February 24, 2010* California Institution for Men, Chino

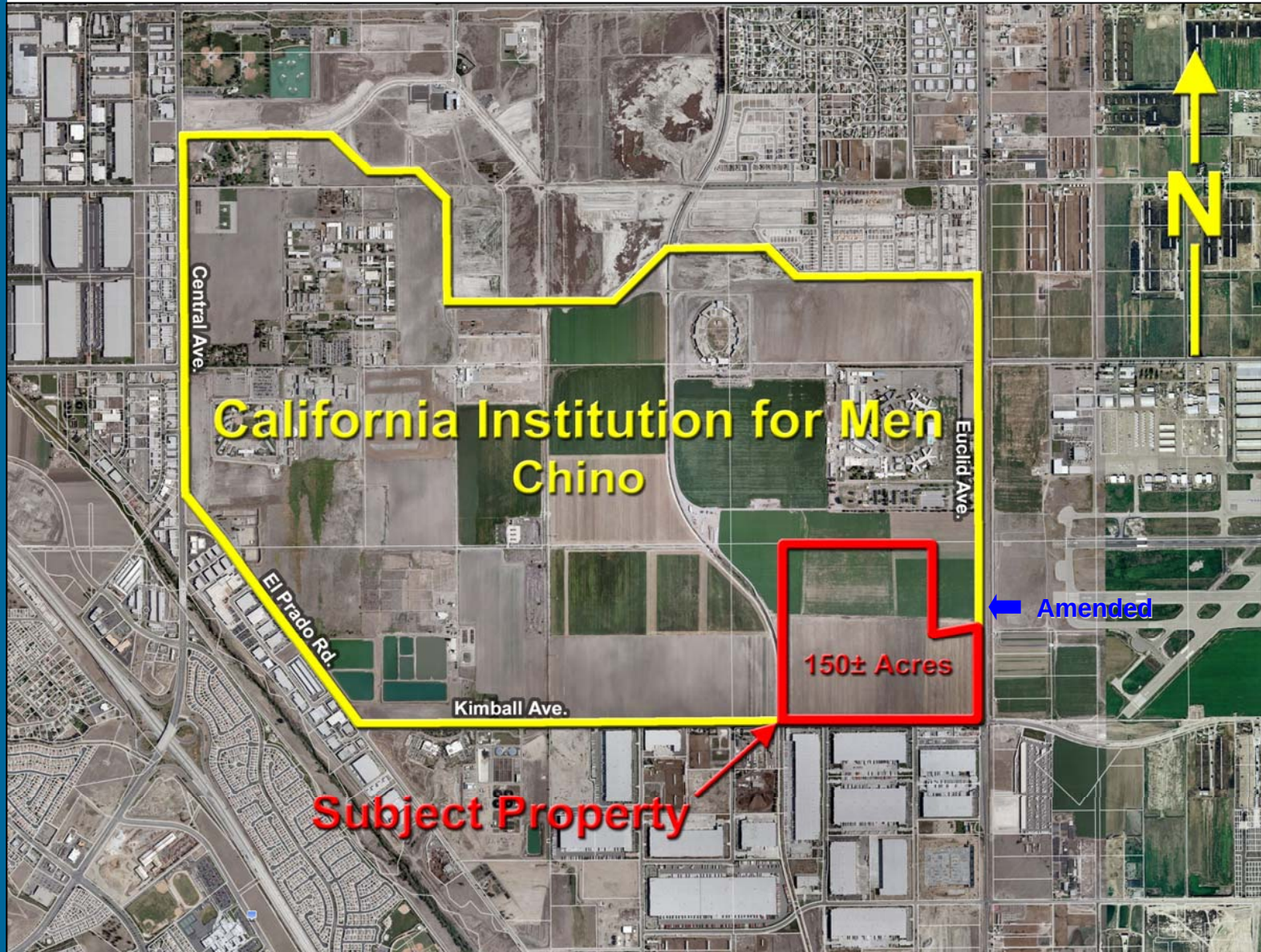


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Note: The highlighted and underlined words in this document indicate links to files on the web site or to other internet web sites

It is the reader's responsibility to contact the State should the information linked not be available

1.0 Introduction and Background

By means of this Request for Proposals ("RFP") the State of California ("State"), through the Department of General Services, Real Estate Services Division, Asset Management Branch ("Department") is making available for long-term lease approximately 150 acres of vacant developable land ("Property") located within the boundaries of the California Institution for Men-Chino ("CIM") located at 14901 Central Avenue, Chino, California, 91708 San Bernardino County.

The goal of the RFP is to receive proposals for the development of the PROPERTY which will maximize ground lease revenue for the State General Fund. The Department is authorized to enter into a long-term lease of the Property under Government Code Section 11011.2 ("Authorizing Legislation") which provides for the lease of State property that is of no immediate need to the State but may have potential future use for State programs.

The Department intends to execute a long-term lease agreement, not to exceed sixty (60) years, with the proposer who, at the sole discretion of the Department, offers the highest and most certain return to the State to meet its stated goals. The selected proposer will be responsible for all costs of development as well as the Department's cost to administer this program.

The RFP will be released in two parts.

Part 1: Concept Proposal

Part 1 requests the submittal of concept proposals for developing and marketing the Property. The proposal must include suggested ground lease terms and a demonstrated discussion on how the suggested terms allow the State to obtain the highest and most certain return. The purpose of **Part 1** is to assist the Department in establishing both project and selection criteria for **Part 2** of the RFP. There is no selection process in **Part 1** as all submitting proposals will be invited to participate in **Part 2** regardless of the content of **Part 1** submittal packages. However, only proposers who submitted **Part 1** proposals will be invited to participate in **Part 2**.

1.0 Introduction and Background – (continued)

Part 2: Detailed Project Proposal

Only proposers who submitted a concept proposal in **Part 1** of the RFP will be invited to participate in **Part 2** of the RFP. **Part 2** of the RFP will address qualifications, financial capacity, and specific project and selection criteria. **Part 2** will also require specific project proposals to address details such as preliminary design, compliance with local jurisdictional zoning and land use requirements, cost estimates, market supported income & leasing projections (e.g., vacancy, absorption, lease rates, and lease adjustments, TI allowances, concessions, leasing commissions, turnover, etc.), lease terms, and a thorough and supported discussion on how the State will obtain the highest and most certain return from the long term ground lease. The discussion must include any “risk-reward” analysis should the proposed ground lease include the State’s participation in lease revenue generated by the development of the Property.

*It is emphasized that proposers need only address **Part 1** of the RFP at this time.*

Interested parties must submit five (5) copies of the proposals in accordance with **Part 1** of the RFP no later than 5:00 p.m. PST on April 30, 2010. Proposals received after the specified date and time will be rejected. Proposals must be submitted as instructed in the RFP and be addressed to:

**Robert McKinnon, Project Manager
Department of General Services
Real Estate Services Division
Asset Management Branch
707 3rd Street, 6th Floor
West Sacramento, CA 95605**

Parties interested in submitting a bid are encouraged to refer regularly to the following web site for addendums or other information related to the sale of the Property:

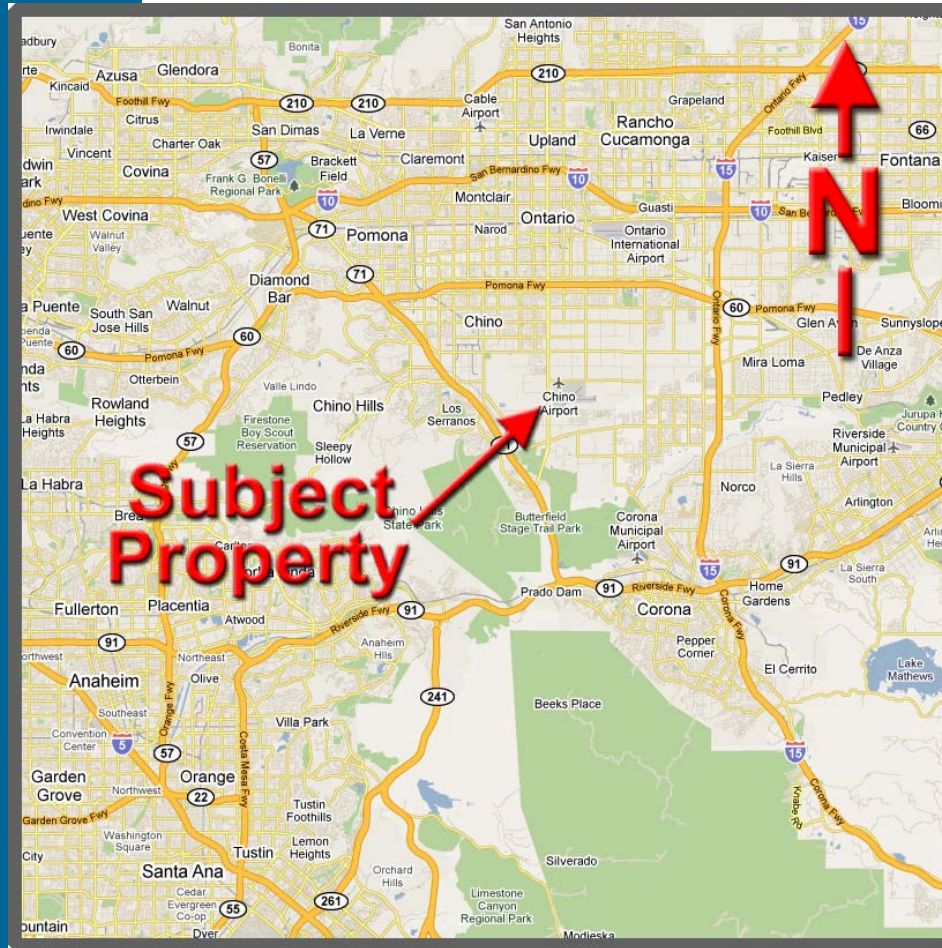
[State Web Site for Chino RFP](#)





2.0 Area Description

The subject Property is located in the City of Chino in southwestern San Bernardino County, approximately 30 miles east of downtown Los Angeles. The City of Chino is adjacent to the cities of Chino Hills, Pomona, and Ontario. The Property is located in the southeast corner of the CIM facility and is roughly bounded by Euclid Avenue (State Route 83) on the east, Kimball Avenue on the south and, remaining CIM property on the west and north.



3.0 Property Description

The Department is offering for lease approximately one hundred and fifty (150) acres of Property located at CIM. The actual legal description of the parcel will be based upon a survey to be completed by the selected developer. The Property is located within a City of Chino redevelopment area.

3.1 Utilities & Infrastructure

The selected proposer will be responsible for determining the adequacy of the infrastructure and utility services to meet the needs of any proposed development. The cost of any on-site or off-site infrastructure or utility service needs will be the responsibility of the selected proposer. Local utilities that serve the Chino area include:

- Potable and recycled water: City of Chino and the Inland Empire Utilities Agency
- Waste Water: Inland Empire Utilities Agency
- Storm Water: San Bernardino Flood Control District
- Solid Waste: San Bernardino Sanitation District
- Electrical: Southern California Edison
- Natural Gas: Southern California Gas Company

3.2 Environmental Conditions

The selected proposer will be responsible for compliance with all environmental (CEQA) regulations including preparation and certification of an environmental impact report, mitigated negative declaration, or other environmental compliance that may be required.

3.3 Land Use Regulations, Policies and Entitlements

The selected proposer will be responsible for obtaining all entitlements required by the City of Chino for the development of the Property to include site approval and design of the off-site and on-site improvements.





4.0 Development Constraints

The selected proposer will be responsible for assessing the impacts of the [Runway Protection Zones](#) (RPZ) that overlay the Property related to the operation of the Chino Airport, a general aviation facility that is located to the east of the subject Property. The proposer will be responsible for obtaining any development permits that may be required by the San Bernardino County Department of Airports.

5.0 Key Dates

The schedule of events for the solicitation of proposals and proposal selection is outlined below:

- RFP **Part 1** Issued: February 11, 2010
- Proposal Due Date for **Part 1** of the RFP: April 30, 2010
- RFP **Part 2** Issued: June 1, 2010
- Proposal Due Date for **Part 2** of the RFP: August 1, 2010
- Selection of Proposal: September 1, 2010
- Execution of Ground Lease: October 1, 2010

The Department reserves the right to modify the above projected dates.

Questions or requests for clarifications of this RFP must be requested via e-mail and directed to:

Robert.mckinnon@dgs.ca.gov

6.0 Evaluation and Selection Criteria

As previously noted, there is no evaluation or selection process associated with proposers' **Part 1** submittals. The **Part 1** submittal is simply a concept proposal the State will use in establishing specific project and selection criteria for **Part 2** of the RFP.

However, the **Part 1** submittal should include sufficient project and economic detail to reasonably support the proposer's approach to developing and marketing the Property. Supporting detail may include identification of building coverage / net rentable area, development cost estimates, projected lease-up and operating pro-forma, equity position and financing terms, ground lease terms, developer's fee, etc. The **Part 1** proposal should include enough detail for the Department to determine the viability of the concept proposal and revenue opportunity that the development concept represents.

The **Part 1** submittal should also provide discussion on how the concept proposal provides the Department with the best opportunity to meet its objective of maximizing revenue from the Property.

The Department may contact proposers for additional information and/or clarification on submitted **Part 1** proposals.

Only proposers who submitted **Part 1** concept proposals will be invited to participate in **Part 2** of the RFP. In **Part 2** of the RFP, the Department will provide more specific project and selection criteria in order to make its decision to enter into exclusive negotiations with the proposer, who, in the sole discretion of the Department, represents the best opportunity for the State to meet its objectives of maximizing revenue from the Property. **Part 2** will also address specific criteria requiring proposers to demonstrate their qualifications and financial capacity to develop the Property.

The **Part 2** process should not be interpreted as a bid process. The Department will reserve the right to make its selection based on its sole and absolute discretion, and the Department reserves the right to reject any or all proposals at any time for any reason.





7.0 Proposal Requirements

Proposals submitted in **Part 1** must be sufficiently detailed and descriptive in the Department's sole discretion to assess the viability of the proposal. The Department will best be able to consider proposals that include, but are not limited to, the items described below.

Organization

Cover Letter: Introductory cover letter addressing proposers' development experience and past projects similar in nature to the Property's development. Summary overview of the proposers' conceptual approach to developing the Property with emphasis on elements that support project feasibility (i.e., cost, income, financing, marketing, and return projections for both proposer and the State. Proposals suggesting anything other than a fixed ground lease should address the State's "risk-reward" of any participatory ground lease terms. The proposer should also identify the form of probable development entity (corporation, LLC, LLP, etc.).

Body of Proposal: Expanded support on elements summarized in the Cover Letter. Discussion may include, but are not limited to:

- Current market conditions (i.e., lease rates, vacancy, concessions, absorption, etc.).
- Physical details of concept project to include scale, scope, size and mix.
- General discussion on concept project's compliance with local land use restrictions and the overall entitlement and permitting process.
- Project phasing
- Development schedule (through stabilized occupancy)
- Economic projections (cost, equity positions, financing (sources & structure), development pro-forma, operating pro-forma, rates of return (State and proposer), etc.
- Discussion of State's return on a ground lease to include risk vs. reward and payment position (in relation to proposer's return, development fee, and debt).

8.0 Financial Terms and Conditions

Part 1 of this RFP requires only general discussion as to the source of funds that will be secured for the development of the Property. **Part 1** also requires that the source of the State's ground lease income be identified (i.e., fixed ground rent, participation, etc.).

Part 2 of the RFP process will require the proposer to provide additional financial information and more specific detail to include specific sources of equity, construction financing, and permanent financing. Proposers will be required to provide letters of interest or commitment from equity partners and lenders, as well as timing for such funding. Proposer shall provide a statement of financial qualifications, including a recent balance sheet and income statement.

Please note that the State will not subordinate the land to any financing position.

The Department will choose to negotiate a lease agreement with the proposer who poses the best opportunity for the State to meet its objectives of generating the highest revenue return to the State over the term of the ground lease

9.0 Due Diligence and Inspection of the Property

It is the responsibility of the proposer, at its sole cost and expense, to undertake such investigations as the proposer may deem necessary in connection with the condition of the Property and the appropriateness of the Property for the proposer's intended use. The proposer shall provide to the Department, at no cost, upon the Department's request, complete copies of all inspection reports obtained by the proposer concerning the Property.

The Property is currently under the control of the Department of Corrections and Rehabilitation (CDCR). The proposers will be permitted to conduct due diligence on the Property subject to a schedule and plan to be approved by the Department. Access to the Property will be strictly controlled and under supervision of CDCR personnel. Please refer to [Right of Entry](#) form Exhibit B.



SUBMITTAL DEADLINE:

All proposals must be submitted **by 5:00 p.m. on April 30, 2010**. Interested buyers are required to submit five (5) copies of their proposal to:

Robert McKinnon,
Project Manager
Dept. of General Services
Real Estate Services Division
Asset Management Branch
707 3rd Street, 6th Floor
West Sacramento, CA 95605



For additional information not contained in this RFP, please call Robert McKinnon at (916) 376-1814.

10.0 Representations and Warranties

The Department obtained the information contained within this RFP from sources deemed reliable. However, the Department makes no guarantees, warranties, or representations nor expresses or implies any opinion concerning the accuracy or completeness of the information provided. It is furnished solely as an aid to parties interested in leasing the Property. Interested parties are responsible for undertaking all necessary investigations on and off the Property.

Proposer should represent and warrant to the Department that the statements contained in their proposal are true and correct as of the date of the proposal and shall be true and correct as of the execution of the ground lease, and the truth and accuracy of such statements shall constitute a condition to all Department's obligations under this proposal. Proposer further warrants that proposer has all requisite authority and power to make this offer on the terms and conditions as herein contained.

11.0 Indemnification and Hold Harmless

Proposer shall defend, indemnify, and hold State harmless from and against any and all claims, liabilities, obligations, losses, damages, costs and expenses, including, but not limited to attorney's fees, court costs and litigation expenses, that the State may incur or sustain by reason of or in connection with any misrepresentation made by the selected developer pursuant to the RFP and the lease agreement.

12.0 Acknowledgement

The presentation of the proposal creates no obligation or commitment on the part of the Department to accept the proposal or ground lease agreement.