



**REAL ESTATE SERVICES DIVISION
ASSET MANAGEMENT BRANCH**

CALIFORNIA INSTITUTION FOR MEN, CHINO

REQUEST FOR PROPOSALS PART II, DETAILED PROJECT PROPOSAL (RFP)

LONG-TERM GROUND LEASE

PROJECT NO. 131108

Date: July 14, 2010

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EXHIBITS

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- Exhibit A - [Sample Ground Lease](#)
 - Exhibit B - [Sample Right-of-Entry Agreement](#)



State of California • Department of General Services • Arnold Schwarzenegger, Governor

REAL ESTATE SERVICES DIVISION

707 Third Street, 6th Floor • West Sacramento, California 95605

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**DEPARTMENT OF GENERAL SERVICES
REQUEST FOR PROPOSALS
PART II, DETAILED PROJECT PROPOSAL**

BY INVITATION ONLY

LONG-TERM GROUND LEASE

California Institution for Men, Chino ("Project")

July 14, 2010

Long-Term Ground Lease of 150± Acres

This solicitation is by *invitation only* and represents Part II of a two-part Request for Proposals ("Part I", "Part II", combined "RFP") on the above referenced Project, Part I of which was released February 11, 2010 and closed to submittals on April 30, 2010.

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

Part I, Concept Proposal directed respondents ("Proposers") to submit concept plans for developing and marketing the Project under a long-term ground lease demonstrating how the concept plan allows the State to obtain the highest and most certain return under the terms of the ground lease. Part I responses have been used to establish the specific project and selection criteria described in Part II. Only Part I Proposers may participate in Part II. All terms defined in Part I carry forward in this Part II.

THIS SOLICITATION IS BY INVITATION ONLY PROPOSERS TO THIS PART II MUST HAVE SUBMITTED A PART I RESPONSE
AND MUST HAVE RECEIVED CORRESPONDENCE FROM THE STATE AUTHORIZING PARTICIPATION IN PART II. ALL SUBMISSIONS TO THIS PART II NOT COMPLYING WITH THE ABOVE REQUIREMENTS WILL BE RETURNED UNOPENED.

This Part II, Detailed Project Proposal directs qualified Proposers to submit a detailed project proposal ("Project Proposal") consistent with the requirements of Part II. Proposers should not interpret an invitation to participate in Part II as acceptance of their concept plan illustrated in their Part I submittal. Additionally, Part II Proposers are not required to submit detailed project information consistent with the concept plan submitted in Part I. Part II allows Proposers the flexibility to modify Part I submittals, but such modifications and the overall Project Proposal must maintain compliance with Part II requirements established herein.

The Department intends to enter into an Exclusive Right to Negotiate with the selected Proposer, who, at the sole discretion of the State, poses the best opportunity for the State to achieve the highest and most certain return on the Property with a proposed project that is consistent with the surrounding market and preserves long-term Property value.

The selected proposer will be responsible for all costs of development as well as the Department's cost to administer this program. The State is authorized to enter into a long-term lease of the Property under Government Code Section 11011.2 ("Authorizing Legislation").

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

A briefing conference for this Part II is scheduled for 10:00 a.m. PST, July 28, 2010, at Carolyn Owens Community Center, 13201 Central Avenue, Chino, California 91709. This conference is open only to those parties invited to participate in Part II and is intended to review the Part II process, requirements, and submittal. The briefing conference will include representatives from both the State and the City of Chino. The State will accept written questions at the briefing conference as well as provided herein, and the State's formal response to all written questions will be posted to the Project website. Proposers' Project Managers, as identified in Part I, should be in attendance at this meeting.

Proposers may obtain this RFP package as well as other applicable information provided by the State by downloading it from the Project web site at [California Institution for Men, Chino](#). It is the reader's responsibility to contact the State should the information linked within any documentation provided not be available. The State may modify any part of the RFP, prior to the date fixed for submission of final proposals, by issuance of addenda posted to the above web site. Addenda will be numbered consecutively. PROPOSERS MUST CHECK THE WEB SITE REGULARLY FOR NEW INFORMATION.

Submittal Deadline: 5:00 P.M. PST, Friday, September 14, 2010

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INTRODUCTION

Part II of the RFP comprises the following 5 sections:

- 1) Selection Process & Schedule
- 2) Project Requirements
 - Project Development Requirements
 - Ground Lease Requirements
- 3) Economic and Financing Criteria
- 4) Submittal Requirements
- 5) Selection Criteria
- 6) Communication, Questions & Answers

The State intends to enter into an Exclusive Right to Negotiate with the selected Proposer on a long-term ground lease of the Property. The successful Part II Proposer will be responsible for all costs associated with developing the Property as proposed. Such costs may include, but are not limited to, State and local jurisdictional entitlement and permitting requirements related to project development including all obligations under the California Environmental Quality Act (CEQA). Any State and/or local jurisdictional entitlement and permitting costs will be the responsibility of the successful RFP Proposer.

Section 1 SELECTION PROCESS & SCHEDULE

The overall selection process for this RFP is as follows:

- 1.1 **Part I:** Concept proposals (*completed and closed*).
- 1.2 **Part II:** Project requirements, submittal requirements, detailed Project Proposal, financial capacity. Part II focuses on actual Project Proposals for a long-term ground lease of the Property and subsequent development of the Property.
- 1.3 **Schedule:** RFP, Part I (*complete and closed*)

Submittals Due	April 30, 2010
<u>RFP, Part II</u> (Approximate Dates)	
Invitation to Participate in Part II	July 14, 2010
Mandatory Briefing Conference	July 28, 2010
Deadline for Questions	August 16, 2010
State Response to Questions	August 24, 2010

RFP, Part II Submittal Deadline
Final Selection

September 14, 2010
October 31, 2010

The State reserves the right to revise the above projected dates at its sole discretion. Proposers should check the State's website, [California Institution for Men, Chino](#), for amendments and/or addenda to this Part II.

The selection process in Part II will not rely on a single monetary figure (e.g., high bid) in selecting a proposal, but rather upon consideration of both economic and non-economic factors as described herein. The State will select the Project Proposal which, at the sole discretion of the State, offers the best opportunity to meet the State's objective.

Please read the following information and instructions carefully in preparation of your response to this RFP. You will be expected to closely adhere to these instructions. If you are unclear about an aspect of these instructions or any of the exhibits, you should use the procedures described herein to obtain clarification from State staff.

Section 2 PROJECT REQUIREMENTS

This section describes the Project requirements Proposers must address when assembling their submitted Proposals. Submitted Proposals **must identify these requirements by section or sub-section number** and provide a narrative explanation along with supporting information as to how **each** of the requirements will be satisfied.

2.1. **Development Requirements**

- 2.1.1. The Project Proposal will be required to receive local jurisdictional approvals from the City of Chino ("City") and other local or regional services. Because development will occur on State property, the State will also have certain plan check and inspection requirements relating to ADA compliance (State Architect); assessment of archeological resource (State Office of Historic Preservation); and fire life safety (State Fire Marshall). Additionally, the selected Proposer will be responsible for the State's cost to administer this Project. The fee estimate and deposit for these services depends greatly on the nature and development timing of the proposed improvements. A fee estimate will be provided during the Exclusive Right to Negotiate period and will be due upon execution of the ground lease.
- 2.1.2. Any proposed development of the Property will be entirely the responsibility of the Lessee to include project financing, planning, and securing all entitlements including environmental review, mitigation requirements, construction, and operation. The State will assist Proposer in securing City entitlements as needed, but the State will not assume any risk in securing said entitlements. The State will also assist Proposer in securing State requirements identified in section 2.1.1, insofar as Proposer will be financially responsible for the cost of satisfying said State requirements.
- 2.1.3. The Project Proposal must identify the appropriate City zoning designation that will be required for the development of the Project and identify the overall process of securing the needed zoning change. The discussion must

address key development constraints for the type of Project proposed to include, but not limited to: 1) Land Use; 2) Lot Area; 3) Landscape Coverage; 4) Parking, Access & Circulation; 5) Frontage Improvements; 6) Building Setbacks; 7) Lot Coverage; 8) Floor Area Ratio; 9) Building Height; and 10) Airport Over Flight Restrictions.

The narrative discussion for the above development constraints, as well as other restrictions typical of the type of Project proposed, must include the source of the requirement, specific requirement, and discussion or illustration on how the Project Proposal satisfies the requirement.

- 2.1.4. The Project Proposal must include a narrative discussion as to how the proposed project satisfies the City's Design Guidelines for the type of project proposed. The discussion need not include minute detail, but there should be sufficient detail for the State to determine the general level of compliance with Design Guidelines.
- 2.1.5. The Project Proposal must address all local and regional service providers regarding any such requirements said providers may impose on the Project Proposal. Local and regional service providers include, but are not limited to:
 - City of Chino
 - Inland Empire Utilities Agency
 - Chino Valley Independent Fire District
 - San Bernardino County Environmental Health Department
 - South Coast Air Quality Management District
 - San Bernardino County Flood Control District
 - California Department of Transportation
- 2.1.6. The Project Proposal can not rely on any utility connections, discharges, or services to, through, or from the balance of the CIM property. The Cypress Channel, located immediately west and adjacent to the Property, is not available for direct discharge of stormwater or surface drainage. All Project Proposals must thoroughly address utilities and drainage requirements of the project to include any on-site collection, detention, treatment, and connections to public systems.
- 2.1.7. The Project Proposal will need to incorporate any special requirements that may be required by the CIM to include, but not limited to, boundary fencing / walls, site access, and security measures.
- 2.1.8. All improvements, to include but not limited to, buildings, access, circulation, parking and landscaping improvements are to be located within the boundaries of the Property as delineated in the RFP, unless otherwise agreed upon in writing by the State.
- 2.1.9. A Right-of-Entry agreement will be granted to the selected developer for access to the Property prior to execution of the ground lease. See [Exhibit B](#) for a sample Right-of-Entry agreement.

- 2.1.10. All development or construction staging areas will need to be located within the Property boundaries unless otherwise agreed upon in writing by the State.
- 2.1.11. A Development Schedule is required in the Project Proposal identifying key dates typical of a development time line. The Development Schedule is required to include the following six (6) key milestone dates; 1) Ground Lease Execution; 2) Entitlement Application to City; 3) Permit Application to City; 4) Permit Issuance; 5) Construction Start; 6) Construction Complete; 7) Stabilized Occupancy.
- 2.1.12. Lessee agrees to comply with any laws, regulations and provisions regarding payment of prevailing wages as may be determined to be applicable to the Project Proposal. Proposer must comment on whether submitted development cost estimates reflect prevailing wage or not.
- 2.1.13. The current land use (as proposed) and any future land use changes must be approved by the State.

If the proposed project is to be phased, the Development Schedule must include these key milestone dates for each phase.

2.2. Ground Lease Requirements

- 2.2.1. The Property will be leased "as is" in its present condition.
- 2.2.2. The Ground Lease document will be in substantial form to the Draft Ground Lease Agreement in [Exhibit A](#), subject to the addition/revision of terms as required in this RFP.
- 2.2.3. Length of the lease shall be for no more than 60-years. Property and real property improvements shall revert to State at end of term.
- 2.2.4. Ground lease to be unsubordinated to any financing.
- 2.2.5. Ground lease can not be assigned prior to completion of proposed improvements.
- 2.2.6. At State's option, upon termination of the ground lease, either at expiration or Lessor initiated termination, the Lessor will be responsible for demolition and removal of any improvements Lessor completes on the Property if the total Property value (land and improvements), is less than the value of the land as vacant as determined by appraisal.
- 2.2.7. Up to 45 days after a CEQA Final Notice of Determination is filed with the San Bernardino County Clerk's office, Lessee shall have the option of terminating the lease for no cause.
- 2.2.8. Lessee to pay State base rent of \$10,000 per annum ("Base Rent") to commence as required in 2.2.10. The Base Rent shall be paid prior to debt

service and will increase at a rate of 10% every five years throughout the term of the lease.

2.2.9. All 3rd party appraisal services required as part of the ground lease will be at the cost of the Lessee. If a State initiated 3rd party appraisal is required, the cost of the appraisal will be paid by Lessee through a deposit to State, the deposit amount will be adjusted from the next scheduled rent payment to State. Where there is a dispute to an appraisal, the challenging party shall have the right to order a 2nd appraisal, and if a dispute remains, a 3rd appraisal shall be ordered by an appraiser approved by the previous two appraisers.

2.2.10. In addition to the Base Rent, the primary ground rent structure may be a fixed ground rent, profit sharing arrangement ("Profit Participation"), or any combination thereof.

2.2.10.1. Fixed Ground Rent

- (a) Fixed Ground Rent and any escalations are paid prior to debt service.
- (b) Fixed Ground Rent to commence at start of construction, but no later than 24 months after the start of construction date(s) in the Development Schedule (adjusted for actual ground lease execution date).
- (c) Fixed Ground Rent may accrue at an annual rate of 6% during initial project stabilization (not to exceed 2-years after certificate(s) of occupancy). Payment of any deferred Fixed Ground Rent must be in senior position over any other distribution of available NOI.
- (d) Any Fixed Ground Rent based on a land residual will require the State to have complete audit rights to include review of development contracts / invoices, utility agreements, development cost reports, loan documentation, and any other financial information pertinent to the proposed land residual calculation.

2.2.10.2. Profit Participation Ground Rent

- (a) Profit Participation ground rent is the State's share of available NOI after debt service.
- (b) Profit Participation to commence no later than City's issuance of a certificate of occupancy, as long as certificate of occupancy is not unreasonably delayed by Lessee.
- (c) Return "of" developer's capital may take a priority position over the State's Profit Participation. However, said developer's capital must be amortized over no less than the initial seven (7) years of operation as measured from the date(s) the City issues

certificate(s) of occupancy. A reasonable return “on” developer’s outstanding / accrued capital is allowed.

- (d) State to have open book audit rights to include review of development contracts / invoices, consulting contracts, utility agreements, development cost reports, loan documentation, annual budget approval, operating statements, and any other financial information pertinent to the Profit Participation calculation.
- (e) Subject to extension rights, if the proposed improvements are not completed within 24 months as indicated in the Development Schedule (adjusted for actual date of Ground Lease execution), Profit Participation rent shall convert to a fixed fair market ground rent as determined by appraisal. This fixed ground rent shall be due immediately and continue only until improvements are complete upon which the rent structure will revert to the original terms of the ground lease.
- (f) Cash-out refinancing of permanent debt will not be allowed.
- (g) Profit Participation Rents will require the State to have certain approvals and rights to include approval of an annual budget; rights to copies of books, records, and accounts; rights to approval of standard form of sub-lease agreement; and other negotiated rights reflecting the State’s reasonable expectation of ensuring that the Property is operated fairly and consistent with the Project Proposal.

2.2.10.3. Combination Fixed Ground Rent & Profit Participation

Any proposed deal structure reflecting a combination of Fixed Ground Rent and Profit Participation Rent must comply with all respective requirements above.

Section 3 ECONOMIC & FINANCING CRITERIA

3.1. Economic Criteria

- 3.1.1. Project Proposals must include a detailed cash flow pro-forma covering, but not limited to, financing, development, initial lease-up, operation (inc. management, turn-over, capital reserves, etc.), return “on” and “of” all equity positions. The analysis should include an anticipated value of the Property at the end of the ground lease term (i.e., reversion).

If a Participation Ground rent is proposed, the pro forma must clearly indicate the order of priority for the distribution of available cash flow after debt service (i.e., NOI), and the treatment of any deferred distributions.

The information provided in the pro forma must be sufficient for the State to perform a net present value analysis on all equity positions. The State's discount rate as used for evaluation purposes only is 6%.

In addition to a printed copy of the pro forma inserted into the Project Proposal, the pro forma must also be submitted in electronic file format using Microsoft Excel. All spreadsheets used in creating the pro forma must retain all formulas and cell references.

Assumptions used in the pro forma must be discussed and reasonably supported with market data (i.e., rents, vacancy, expenses, management fees, leasing costs, growth rates, etc.).

3.1.2. Project Proposals must include a detailed development cost for major hard and soft categories to include, but not limited to:

- Land Development
 - On-Site (grading, underground utilities, topside improvements, landscaping, etc.).
 - Off-Site (utility upsizing / connections, roadway improvements, signalization, street lighting, frontage improvements, etc.).
- Building Costs
 - Shell, Tenant Improvements, etc.
- Soft
 - Title & Escrow
 - Entitlements (zoning change, environmental, etc.)
 - Architectural
 - Engineering
 - Permitting, fees, etc.
 - Financing (construction & permanent)
 - Developer's Fee
 - Leasing Commissions
 - Taxes & Insurance
 - Contingency

3.2. Financing Criteria

3.2.1. The Project Proposals must include a detailed explanation of the source of project financing, with support as necessary. The discussion should include specific details such as the anticipated terms of financing, balloon payment, pre-payment, etc. The discussion should support the financing line items illustrated in the cash flow analysis.

Section 4 SUBMITTAL REQUIREMENTS

This section describes the organization and format Proposers should follow in their written response to this Part II. Part II submittals must be sufficiently detailed and descriptive, at the State's sole discretion, to assess the viability of the Proposal.

Proposers who are interested in submitting a Proposal for this Project are to submit the following information, **bound and tabulated by each numbered section (I through VII) with sub-tabs as instructed.** Please include the Project name on the cover page.

- I. Cover Letter to the Project Proposal must include, but is not limited to:
 - o Federal Tax Identification Number of the Firm
 - o Summary of Project Proposal
- II. Secretary of State Certification identifying California legal operating name. If operating under a fictitious business name, provide all supporting documentation. (i.e. fictitious business name statement certified by the appropriate county clerk). If the legal operating name is proposed and filings will not occur unless selected, provide supporting information to include key officers and type of entity. If selected, the Secretary of State Certification will be required prior to the execution of an Exclusive Right to Negotiate agreement.
- III. Copy of Proposer's California license(s) as applicable (Architect/Engineer or General Contractor).
- IV. Statement of Qualifications & Experience. Identify members of the Proposer's team and provide a brief explanation of the firm. Information should include, but is not limited to: number of years in business; number of full-time employees; one page resumes of key principals, Project manager, and applicable team members (i.e., architect, engineer, etc.).

Also provide a one-page fact sheet for each of 3 to 5 recently completed projects that are similar in nature and size to the project proposed. Also provide a narrative discussion as to how each of these sample projects compare to the proposed project.

- V. Financial Capacity:

Provide a narrative explanation supporting Proposer's financial capacity to facilitate a transaction as per Authorizing Legislation. The explanation should address ability to secure construction / permanent financing and contributory equity requirements. The discussion should also address potential solutions to financing the project should current economic conditions negatively impact the ability to secure adequate financing. The discussion should be followed by financial statements supporting financial capacity (i.e., balance sheet, income statements, etc.). If private financing is proposed, letters of credits should be included.
- VI. Proposed Project & Lease Terms. Narrative discussion and supporting information as necessary to adequately describe the physical elements of the proposed project and terms of the proposed ground lease.

Create sub-tabs within Section VI addressing each of the two (2) requirement categories (Project Requirements, Ground Lease Requirements). The Proposer must provide written responses and supporting documentation as necessary to

each requirement. If the requirement is not applicable to the type of project proposed, provide explanation.

Create an additional sub-tab in Section VI addressing the Economic Criteria identified in Section 3.1. Provide additional information as necessary.

- VII. Additional Project Information: This section is reserved for Respondents to expand on any element of the project not addressed in other sections (e.g., elements not specified in Project Requirements). This is the Respondents' opportunity to add elements of the Proposal that enhance the State's position or make the Project Proposal more attractive.

Proposers may receive requests during the State's evaluation process to answer additional questions and/or provide clarification to the RFP.

Section 5 SELECTION CRITERIA

The State will choose to negotiate a long-term ground lease with the Proposer who, in the sole discretion of the State, poses the best opportunity for the State to meet its objectives as set forth in this RFP to include maximizing ground lease revenue for the State General Fund.

The selection criteria that will be employed by the State of California to select the Proposer for which the State will enter into an Exclusive Right to Negotiate agreement is a consideration of the following:

- Financial benefits to the State in terms of economic return, relative risk, guaranties, and Project appreciation.
- Proposer's financial capacity to facilitate the Project Proposal.
- Proposer's qualifications and experience in developing projects consistent with Project Proposal.
- Project Proposal Development Schedule.
- Project qualities evidenced by proposed architecture, design, materials and consistency with public goals.

Section 6 COMMUNICATION, QUESTIONS & ANSWERS

All questions must be submitted in writing via mail, fax or e-mail to Dave Kalembe at 707 Third Street, 6th floor, West Sacramento, CA, 95605; fax: (916) 376-1780; e-mail: dave.kalembe@dgs.ca.gov. No questions will be accepted after **5:00 p.m. PST, August 16, 2010**. Questions will be compiled and then posted, along with the State's responses, to the State's web site below no later than **August 24, 2010**.

[California Institution for Men, Chino](http://www.cimc.org)

Information obtained outside this RFP process cannot be relied upon as fact.

Proposers are to submit five **(5) copies** of their response to this RFP (spiral bound or equivalent) no later than **5:00 p.m. PST, September 14, 2010**, at the following address:

Department of General Services
Real Estate Services Division
Asset Management Branch
707 Third Street, 6th Floor
West Sacramento, CA 95605
Attention: Mr. Dave Kalembe

THE SUBMISSION DEADLINE WILL BE STRICTLY ENFORCED

No fax copies will be accepted. Submittals received after the specified time and date will not be considered and will be returned unopened to the sender. The State reserves the right to extend the submission deadline, and such an extension will be facilitated by addenda posted on the web site, [California Institution for Men, Chino](http://www.cimc.org).