[MS-0398.039.008.009]

12A

BOARD OF SUPERVISOR INFORMATION DEVELOPMENT FORM

SUBJECT: Nine Downtown San Diego Courtrooms Lease: Approved In Principle and Final Lease Direction

SUPV. DIST: 4 (Recommended by Chairperson Golding)

ELECTED OFFICIAL'S RECOMMENDATION: (Continued)

2. Direct the Chief Administrative Officer to prepare a final lease document and bring to the Board of Supervisors for consideration and approval on December 20, 1989.

BACKGROUND INFORMATION:

On December 14, 1988 (#46), the Board directed the Chief Administrative Officer to search for leased space in the vicinity of the Downtown San Diego Courthouse to locate nine Superior Court rooms and related office space. By the end of January 1989, the solicitation issued by the County resulted in more than 20 offers-to-lease being received. In early July 1989, after an exhaustive review and evaluation process, County staff selected O'Hill Partners representing the Walker Scott Building and Grosvenor Industries, owner of the El Cortez Hotel and Convention Center as finalists. RFPS

On October 5, 1989, (#2), during a joint San Diego City Council and County of San Diego Board of Supervisors joint meeting, several actions were taken regarding a memorandum of understanding between the City of San Diego, the County of San Diego, the Centre City Development Corporation, and the San Diego County Regional Justice Facility Financing Agency. Among those actions relating to downtown court space was the agreement by the Board of Supervisors to retain the current courts in the downtown area and the City of San Diego agreed to dedicate a $3 million fund, through the Centre City Development Corporation for the immediate construction including tenant improvements of the nine additional Superior Courtrooms in the downtown area.

In accordance with these actions, the County retained the services of a professional real estate negotiating firm to negotiate with the two finalists on the County's behalf. Each offeror was ultimately instructed in a detailed letter of clarification to prepare a Best and Final Offer proposal upon which the County could make a final selection. These final proposals were submitted to the County on October 13, 1989. Based on these Final Offers, the County selected the El Cortez site, signed a letter of intent and is currently negotiating a final lease that contains the mutually agreed terms and conditions.

BOARD OF SUPERVISOR INFORMATION DEVELOPMENT FORM

SUBJECT: Nine Downtown San Diego Courtrooms Lease: Approved In Principle and Final Lease Direction

SUPV. DIST: 4 (Recommended by Chairperson Golding)

Terms and Conditions

The terms and conditions of the lease agreement shall be substantially the same as those contained in the letter of intent between Grosvenor Industries and the County of San Diego signed on November 22, 1989.

The letter of intent was prepared with the availability of $3 million for tenant improvements from the Centre City Development Corporation and is only applicable as a basis for a final lease document upon availability of those funds.

FISCAL IMPACT STATEMENT

As this is approval in principle, there is no fiscal impact associated with this item. The final lease agreement will be considered by the Board of Supervisors with complete disclosure of the fiscal impact of the action.

CITIZENS COMMITTEE STATEMENT	( ) YES	(X) NO
COUNTY COUNSEL APPROVAL - AS TO LEGALITY	(X) YES	( ) N/A
( ) STANDARD FORM N/A	( ) ORDINANCE	( ) RESOLUTION
AUDITOR APPROVAL NEEDED	( ) YES	(X) NO
4 VOTES REQUIRED	( ) YES	(X) NO
FINANCIAL MANAGEMENT APPROVAL NEEDED	( ) YES	(X) NO
CONTRACT REVIEW PANEL	( ) APPROVED	(X) NOT APPLICABLE
CONTRACT NUMBER: None		

CONCURRENCES

CONTACT PERSON — 531-5533 A-500 LC/PHONE AND MAIL STOP

Susan Golding, Chairperson, Board of Supervisors
DEPARTMENT AUTHORIZED REPRESENTATIVE

CHIEF ADMINISTRATIVE OFFICER — December 12, 1989 MEETING DATE

GROSVENOR INDUSTRIES

final

12A

November 20, 1989

Mr. Robert Maxwell, Deputy Director
Real Property Management Division
County of San Diego
5555 Overland drive
San Diego, CA 92123-1294

Dear Mr. Maxwell,

Pursuant to the proposal dated October 13, 1989, and negotiated revisions through November 18, 1989, the following outlines the terms and conditions upon which the County of San Diego would lease space for the Superior Courts in the El Cortez Convention Center and Office Complex:

1. Term

Sixty (60) months commencing upon occupancy after completion of all tenant improvements, building shell and parking areas per paragraph eight, not later than six (6) months after issuance of all permits. Punch list to be provided one (1) week prior to occupancy and discrepancies will be corrected prior to commencement/occupancy for the judges chambers. Administrative space, punch list discrepancies will be corrected within two (2) weeks of occupancy.

2 Location and Size

Minimum of 60,000 rentable square feet (RSF), per plans approved by the County. County reserves the right to increase initial square footage under the same terms and conditions herein up to an additional 11,000 RSF by giving landlord 120 days written notice prior to occupancy. Landlord shall use best efforts to complete any expansion build out at same time as original space, however, delay for expansion area shall not be subject to liquidated damages until the 180th day after County's delivery of plans to Landlord.

3145 Sports Arena Boulevard San Diego, California 92110 (619) 220-1212 FAX 619 225 0950

3. Base Rent

Months 1-3 free

Months 4-12 at $.85 Net, Net, Net which shall include all items listed in Item 5A of the proposal dated November 6, 1989, as operating expenses per square foot per month (based on a completed shell and reimbursement by the County of landlord constructed tenant improvements). Annual increases thereafter shall be at five percent (5%) through the initial term as follows:

Year 2:	$ .89
Year 3:	$ .94
Year 4:	$ .98
Year 5:	$1.03

4. Operating Expenses

The following shall apply to operating expenses:

A. First year Net, Net, Net, operating expenses less utilities, shall not exceed $.28 per square foot per month per the proposed budget in paragraph 5 of the proposal dated November 6, 1989. The operating expenses above have been calculated to include the recent sale of the property to Minami.

B. Thereafter, all operating expenses, less utilities, shall not exceed five percent (5%) over the previous year on a non-cumulative and non-recapture basis.

C. No real estate tax increases due to existing future sale(s) or transfer of partnership interests shall be passed through in any manner to tenant during the term, renewal or extensions.

D. County shall pay full costs of all separately metered utilities during the term of the lease.

5. Tenant Improvements

Landlord to provide at Landlord's expense all the tenant improvements pursuant to County's approved plans and subject to the following:

A. Tenant improvements to be constructed based on prevailing wage per Labor Code Section 1720.2 as stated in Exhibit A of your proposal dated October 13, 1989.

B. Within forty-five (45) days after occupancy by County, County shall reimburse landlord the actual cost of the tenant improvements less unused contingencies not to exceed the stated bid price of $2,438,119 for 65,897 RSF per the letter of clarification dated October 17, 1989, which shall be reduced or increased accordingly if the square footage changes.

C. Landlord agrees to amortize over the term of the lease excess tenant improvements not reimbursed by County up to an additional One Million Dollars $1,000,000) at a rate of 12.5%. County reserves the right to pay off any principal balance due during the term without penalty which will reduce the rent accordingly.

D. The owner will provide the County for County's approval with the detailed line item bids for the tenant improvements as per the September 18 plans and specifications which have been bid by at least three sub-contractors. The Owner has retained Brodwoll Construction to be the General Contractor for this project and is in complete compliance with the County's stated conditions.

E. General contractor profit and overhead shall not exceed ten percent (10%) per submitted bids dated october 13, 1989. Owner shall not charge or be paid a supervision fee.

6 Shell/Base Building

A. The Owner agrees to provide, at its expense, a building that is in conformance with all zoning, building codes and governmental regulations including handicapped, fire, structural and seismic requirements based upon the plans and specifications as approved by the County September 13, 1989.

B. The buildings shall contain no asbestos

C. The complex will comply with the required db rating for sound proofing as per the County specifications dated September 18, 1989.

D. Any additional exits that are occasioned by court use will be a requirement specific to the courts and be excess tenant improvements.

E. Any requirement by the County for sprinklers in the Office complex which are over and above present codes, will be an excess expense and treated as excess tenant improvements (estimated $40,000).

F. A detailed line item breakdown of the shell items is in attached Exhibit "A" of the October 13 proposal (as listed by Brodwoll Construction) will be at the sole expense of owner.

G There are three elevators planned in the El Cortez complex. One in the office building and two new elevators in the convention center building per the County Addendum #1 dated August 31, 1989, Item #25. It is contemplated that Dover, Otis or U.S. Elevators or equal will provide the systems.

H. Items 2 and [illegible] in the County Intra-Department Memo dated October 31, 1989, as they relate to the approved plans and specifications dated September 18, 1989, will be included in the shell cost and be paid for by Landlord.

12A

7. FF&E

A. Landlord shall, at County option, pay for furniture, fixtures and equipment as specified by the County in an amount not to exceed Two Million Dollars ($2,000,000). Landlord shall own and finance the FF&E. The cost shall be amortized for up to sixty (60) months at a rate of twelve and one-half (12.5%) percent per year.

B. Upon full amortization, the FF&E will become property of the County for consideration of One Dollar ($1.00).

8. Parking

A. Landlord will provide the County with 113 parking spaces reserved for Superior Court use at the rate of $75 per space per month for the first year; the second year, the parking rate will be $90 per space per month. The spaces will be reserved for the term of the lease and shall increase at the rate of not more than five (5%) percent annually after the second year or market whichever is less.

B. At no cost to the County, twelve (12) secure additional spaces will be provided for judicial use for the term of the lease or any extensions.

C. Additional parking shall be made available for County use on a monthly basis and public parking use on an "as available basis".

9. Appointment of Agent by County

Landlord acknowledges Goldman Ferguson Partners as exclusive agents representing the County and that the County requires that Goldman Ferguson Partners be paid a $90,000 consulting fee. Landlord agrees to pay Goldman Ferguson Partners the approved sum of Ninety Thousand ($90,000) Dollars which shall be paid directly to Goldman Ferguson Partners following execution and approval of a lease by the Board of Supervisors as follows: Forty-five Thousand ($45,000) Dollars on March 16, 1990; Forty-five Thousand ($45,000) Dollars on April 17, 1990, provided that the County of San Diego has an effective and enforceable lease with Minami of California, Inc. for the El Cortez Convention Center Complex. This consulting fee shall be added to the base rent provided in paragraph three herein and amortized over the 60 month lease term at twelve and one-half (12.5%) percent.

10. Options

A. Expansion

(1) County shall have right to expand into all remaining space within the court building and office building not initially leased by he County at any time up to the 37th month on the same terms and conditions under the lease.

(2) Base rent shall be the same as the County is then paying per paragrpah 3 above at the time of expansion.

(3) Tenant Improvements shall be amortized at a rate of 12.5% over the remaining term.

(4) County shall provide written notice to expand 120 days prior to desired occupancy date

B. Renewal

(1) County shall have one (1) five year option to renew under the same terms and conditions of the lease after the 61st month continuing at the same base rent per paragraph 3 above which would be as follows:

Year 6	$1.08
Year 7	$1.13
Year 8	$1.19
Year 9	$1.25
Year 10	$1.31

(2) The County will have one (1) additional five (5) year option to renew after the 120th month at the prevailing market rates or as agreed to by the County and Landlord.

(3) All fully amortized costs for tenant improvements, FF&E and consulting fees shall be deducted from the previous rent.

(4) Landlord at County's election shall provide a refurbishment allowance, at each option period not to exceed $7.00 per usable square feet which shall be amortized over the renewal term at a rate of 12.5%.

(5) County shall provide twelve (12) months prior written notice of intent to renew.

11. Lease Cancellation

The County may cancel the lease upon twelve (12) month's written notice at any time after the 36th month of the lease for the payment of any unamortized cost of tenant improvements, FF&E's and leasing fees

12 Liquidated Damages

If the Contractor is delayed at any time in progress for the work by changes ordered in the work, by labor disputes, fire, unusual delay in deliveries, abnormal adverse weather conditions, unavoidable casualties or any causes beyond the contractor's control, or by other causes which justify delay, then the contract time shall be extended by change order for such reasonable time Liquidated damages shall be $1,000.00 per day.

13. Shuttle Service

A. Landlord agrees to provide a shuttle service throughout the term including any renewals or extensions.

B. Landlord agrees that the total cost of the shuttle service shall not exceed $60,000 per year which shall escalate at five (5%) percent per year throughout the term of the lease and any extensions. County shall pay the lesser of one-half of the guaranteed maximum cost or one-half of the actual cost whichever is less.

C. The shuttle service shall operate from the property, the Broadway Courthouse and public transportation systems on a schedule, frequency and format approved by the County and Grosvenor.

14. Ownership Entity

A. The ownership entity is Minami California, Inc., a California Corporation.

B. Financial information of Minami of California will be provided in a meeting with the Chief Administrative Officer following a discussion to assure the confidential aspects of the statements are preserved.

C. As Master Developer, Grosvenor Industries has the authority to negotiate a lease with the County on behalf of the Owner, Minami California, Inc. Written documentation of such authority will be provided to the County prior to the Board of Supervisors' approval of the final lease document.

D. Lease will be signed by Minami of California, Inc.

15. Building Management

The property will be maintained by an on-site property manager. The cost of which is included in the operating expenses in Item 5 of the proposal dated November 6, 1989.

16. Contingencies

A. Mutual execution of a definitive lease document.

B. Final approval by County Board of Supervisors.

C. Acceptance must be executed by County no later than noon on November 22, 1989.

ACCEPTED AND AGREED:

Grosvenor Industies/Minami California, Inc.

By: J. Mark Grosvenor Dated: 11-20-89

ACCEPTED AND AGREED:

County of San Diego

By: Robert M. Maxwell Dated: 11-22-89

JMG:MH:se