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BENTALL

Bentall
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December 9, 1992

Mr. Rene L. Cardinaux, AIA, CCS
General Services Deputy Director
Architecture and Engineering Director
COUNTY OF SAN DIEGO
Building 2, Room 220
5555 Overland Avenue
San Diego, California 92123

Re: Final RFP - Downtown Courts/Office Building

Dear Mr. Cardinaux:

EXECUTIVE SUMMARY

Bentall Development Co. ("Bentall") requests that the Board of Supervisors be presented with the option of proceeding with negotiations on Bentall's Scheme "A" (which meets the needs of the County until the year 2010), while at the same time proceeding to negotiate with on Lankford's proposal (which apparently meets the needs of the County until about the year 1995). We believe that the County Board of Supervisors should have the option, when such negotiations have been completed, of deciding which project best serves the short-term and long-term needs of the County, to wit: Bentall's Scheme "A" which takes the County out to the year 2010, or Lankford's proposal, which only satisfies the County's needs until the year 1995.

The recommendation to proceed with Lankford's proposal does not give the County Board of Supervisors the option of considering which proposal best meets its needs in the long run, nor does it take into account the fact that the District Attorney already needs more than 50,000 additional square feet of space, which space is funded and could be provided in Bentall's Scheme "A" proposal.

We believe that the Board of Supervisors should have the right, following these negotiations, to decide which of the proposals best serves the County's needs, and to make an award of contract based on the facts that will develop out of such concurrent negotiations.

To start with, Bentall will include in such negotiations, with regard to its Scheme "A" proposal, the following items:

1. A "write down" of its land costs in the amount of $1,000,000.

2. Bentall will master lease an entire expansion floor (approximately 20,000 square feet), thus relieving the County of any risk or obligation as to such space.

3. Bentall will reduce ground floor retail from 20,000 square feet to 18,000 square feet (a 2,000 square foot reduction) to accommodate the consultant's concern about the viability of such space.

4. Bentall will increase its rent guarantee to a total of $3,500,000.

5. Bentall will include the connecting bridge at no additional cost to the County.

6. Bentall will construct the trolley stop facility on "C" Street for MTDB at no additional cost.

We feel that it is important that you and the Board of Supervisors consider the alternative of proceeding concurrently with negotiations with Bentall on its Scheme "A," and concurrently with Lankford so that the needs of the people of San Diego County can be most effectively considered.

DISCUSSION

Bentall Development Co. was disappointed to find that not even one of its alternate proposals was recommended to the Board of Supervisors for the "negotiation" phase of this project. Our Scheme "A" (2010) alternative, upon which we were admitted to the final proposal stage, was apparently not considered as a viable option. After one and a half years of continued involvement on the basis of our Scheme "A," at significant time and expense to our development team, the elimination of our Scheme "A," without offering us the ability to negotiate at all, is inconsistent with the competition process and denies the Board of Supervisors the ability to select between the best 2010 (Scheme "A") proposal and the Lankford proposal.

The RFP encouraged the "finalists" to provide the County a total 2010 program requirement in a single phase as a preference. To reiterate, we were selected to enter the final RFP phase with only a single phase 2010 project.

> "4. The ability to provide expansion space as needed. While the County wishes to acquire an estimated 295,396 gross square feet, the County desires to have the ability and flexibility to expand to 449,380 gross square feet as additional funds are available. The need for expansion space is also required. The ability/commitment to have other tenants (eg. and local governmental) housed in the expansion space until the County requires this space will be considered positively." (Page 12, RFP)

It is our understanding that our Scheme "A" project was viewed favorably by the Evaluation Committee. While we recognize that there is a concern relative to income projection and its guarantee, we fully expected to have an opportunity to negotiate acceptable solutions which would effectively remove the risk factor as a concern in the final negotiation phase.

It seems logical from a business point of view that if the County of San Diego could acquire a project with every quality and amenity outlined in the program for a 2010 build out, within the same budgetary constraints that a smaller 1995 program requires, the larger complete project would be a superior transaction. That is, the County would pay approximately $7,000,000 per year for either a Lankford type proposal, or for our Scheme "A" (2010) proposal. It is our understanding that the office of the District Attorney already has a demand for an additional 50,000 square feet of space, which will be funded. This is a substantial increase in itself and it further should reinforce the importance of achieving the RFP project preference of the full 2010 build out in a single building, now.

Given the fact that we have not been offered an opportunity to negotiate to our best case, and since the County has already negotiated some of the terms of the competing proposal, we now are taking the opportunity to put forward the following refinements to our submitted proposal.

1. In view of the expressed sensitivity to Bentall's historic cost of the land, we are prepared to offer a $1,000,000 reduction in the land cost presented to the County. This will be a cost which Bentall will absorb in an effort to make the best possible proposal to the County.

2. Bentall is prepared to master lease one expansion floor (approximately 20,000 square feet rentable area). You know from a review of Bentall's financial statements that our company can stand behind this guarantee.

3. We will reduce the ground floor retail by 2,000 - 3,000 square feet on "C" Street to accommodate your consultant's concern about its viability.

4. Bentall's guarantee of rental income for the balance of the expansion space is thereby reduced to approximately 40,000 square feet and 18,000 square feet of retail space. We propose to <u>increase</u> our guarantee to $3,500,000 in cash or its equivalent.

5. Bentall will include the connecting bridge at no additional cost to the County (we will add the bridge at either the 2nd or 3rd floor at County's option).

6. Bentall will install the trolley stop facility on "C" Street for MTDB at no additional cost.

It should be noted that the reduced building area and reduction in land costs would lower our Scheme "A" project costs by over $3,500,000 or lower the annualized debt service to the County to approximately $6,990,000.

In summary, the Bentall Development Co. team is prepared to deliver to the County of San Diego a Scheme "A" project which provides 16 courtrooms and 2010 office space requirements in one project within budget and at no risk. Our team already consists of not only over 30% MBWE, but a total prevailing wage work force providing over 200 local jobs.

Bentall Development Co. wants to negotiate with the County on our 2010 (Scheme "A") submission, concurrently with your 1995 negotiations with Lankford.

We request that you immediately deliver a copy of this letter to the members of the Board of Supervisors.

Sincerely,

BENTALL DEVELOPMENT CO.

Perry M. Dealy
Senior Development Manager

PMD/al
cc: David E. Janssen, Chief Administrative Officer
County of San Diego
James Warshawski, President, Bentall Development Co.