THE CITY OF SAN DIEGO

REPORT TO THE CITY COUNCIL

DATE ISSUED: January 20, 2015 REPORT NO: 14-073 (REVISED)

ATTENTION: Honorable Council President and Members of the City Council

SUBJECT: Lease of 1200 Third Avenue and 201 A Street, San Diego, CA 92101

REQUESTED ACTION:

Authorize the City to enter into a 20 year lease-to-own agreement between the City and CCP 1200, LLC, a Delaware limited liability company ("CCP, LLC") for a lease-to-own agreement with ownership automatically transferring to the City upon lease expiration ("Lease-to-Own Agreement") for the real property and improvements located at 1200 Third Avenue (commonly known as Civic Center Plaza or CCP) and 201 A Street (commonly known as the King Chavez High School building). Terms of the proposed lease-to-own agreement include a start rate of approximately $.91 sf/mo with 2.5% annual increases and the City will be responsible for all operating expenses, which are estimated to be $10.23/sf/yr, including $1/sf/yr as a reserve for anticipated capital replacement (total of approximately $300,000/yr). At any time after the 5th year, the City may opt to transfer the loan for $1 to a City entity and continue making lease payments to that City entity, rather than to CCP, LLC. In addition, any time after the 5th year, the City may prepay the lease-to-own agreement and have the right and option to purchase the real property and improvements by paying an amount to CCP, LLC, equal to the net present value of the remaining payments due under the lease-to-own agreement, using a discount rate calculated per a formula set forth in Section 13 of the lease-to-own agreement.

The start rate of $.91 sf/mo does not include an estimated $15,000,000 in tenant improvements which will allow for renovation of all floors at CCP in order to maximize space for the City to accommodate approximately 245 more employees within the building, per the space standards identified in the City's Administrative Regulation 56 – *Work Space Requests*. We anticipate these tenant improvements being funded via a future Capital Improvement Project ("CIP") through the City.

The City's existing landlord notified the City in writing that a building purchase must close prior to January 30, 2015, with good faith non-refundable deposits of up to $5,000,000 prior to December 31, 2014. If a transaction is not completed the current landlord has indicated that they will rescind the original letter of intent (LOI) and sell the building on the open market which has significantly appreciated since the LOI was originally signed in April 2014.

CCP, LLC is in escrow with CCP's existing owner to purchase CCP for $44,000,000 and negotiated to close escrow by March 15, 2015. CCP, LLC is depending upon the City to execute this proposed lease-to-own agreement in order to finance the purchase of CCP and be able to close escrow as required on or before March 15, 2015.

The City will incur increased expenses through higher lease rates for space at CCP under any different scenario than presented here for Council consideration. Additionally, the present value cost to the City to enter into the lease-to-own vs. an open market lease agreement is estimated to be lower by $9,105,353 in present value dollars over 20 years, in addition to providing for increased financial certainty and the opportunity for the City to act as its own landlord at CCP at the end of the lease. These assumptions and analysis are presented later in this report.

<u>STAFF RECOMMENDATION:</u>
Approve the requested action

<u>BACKGROUND:</u>

CCP, located at 1200 Third Avenue **(see Exhibit A)** built in 1973 and occupied by City employees since 1991, was offered to the City for ownership in 2012. Since that time the City has been exploring sale and/or lease terms for CCP and the neighboring building ("King Chavez High School building") located at 201 A Street in anticipation of the lease expiring on July 23, 2014[1].

For a detailed historical narrative on the activities that have occurred to date, **(see Exhibit B).**

Acquisition

The City originally considered using lease revenue bonds to fund the purchase of the buildings and underlying real property as City issued bonds will always provide the best economic advantage for the tax payer. Unfortunately, this option is no longer available due to the current inability to issue bonds by the required deadline[2] as a result of litigation and unknown appeals. Immediately upon receiving notice that the City would be unable to reach the bond market in time, staff reviewed alternative financing mechanisms in order to secure long term stability for the occupancy of the building while meeting all State of California constitutional debt limitations.

Lease-to-own Agreement Proposed for Approval

The City identified the best option to control expenses, secure critical additional office space and control the four square block City Hall footprint is to enter into a lease-to-own agreement with a private buyer of the buildings and underlying real property. The benefit to the City is that it allows a below market, long term lease rate while the private entity assumes the risk of the building purchase.

[1] After the City's lease expired on July 23, 2014, the City assumed a non-negotiated "hold-over" position and began a month-to-month lease at a previously negotiated rate of $1.15 per sf per month Full Service Gross (FSG), "as is". The month-to-month lease will expire upon the sale of the building or Feb 1, 2015, whichever occurs first.
[2] In September, 2014 the current owner established a deadline of December 31, 2014 to close escrow. The deadline was later extended to March 15, 2015, and CCP, LLC, is currently in escrow to purchase CCP.

In light of the inability to currently issue bonds and meet the current owner's escrow closing mandate, the City, working with Jason Hughes (President/CEO of Hughes Marino and unpaid City consultant) was approached by CCP, LLC who proposed to purchase the buildings and underlying real property from the current owner within the mandated deadline of March 15, 2015, and enter into a lease-to-own agreement with the City. Staff has identified that approximatel $15M will be needed to be funded via a CIP in the future to allow for asbestos encapsulation, ADA improvements, Title 24 and the ability to maximize space efficiencies to enable the City to house up to 245 more employees at CCP than it currently does **(see Exhibit C).** Based on forecasted needs identified in the current Fiscal Year 2015 budget and the City's Five Year Plan additional office space is required for increased staff in the Public Works Department. Also, the Development Services Department has identified increased space needs which impacts the Planning Department as they currently share the City Operations Building (COB).

CCP, LLC is interested in expanding its real estate portfolio and has indicated a willingness to partner with the City to secure the CCP property at below market prices. Note that CCP, LLC, not the City, has negotiated with the current owners for the sale of the CCP property. As the City has no ownership rights to the CCP building or any other assets the City has no ability to dictate sale terms to the current owner or to dictate to whom the asset is sold. CCP, LLC is assuming the risk in return for an investment opportunity and the ability to receive a return on their investment. Should CCP, LLC decide to sell the CCP and King Chavez High School buildings in the future (prior to the 21st year), the City will still retain all rights and privileges under this lease-to-own agreement. At any time, the City may opt to transfer the loan to a City entity and continue making lease payments to that City entity, rather than to CCP, LLC.

The proposed lease structure is based on CCP, LLC's purchase price of $44M[3] which equals a rental rate of $.91/sf/month with 2.5% yearly increases. Ownership of the real property and all improvements will automatically transfer to the City at lease expiration. The City will pay all operating expenses and collect the parking revenue from the 418 spaces in the garage (estimated General Fund revenue of $814,450 in 2015) as well as the King Chavez School building rent (estimated General Fund revenue of $240,000/yr currently). A term of the proposed lease-to-own agreement requires that the City set aside $300,000 per year from the operating expense payments made by the City to provide for reserves for capital improvements and replacements.

The decreased cost to the City (in present value dollars) to enter into the proposed lease-to-own scenario versus making itself vulnerable to the leasing market is approximately $9,105,353 in present value dollars over 20 years. In addition, it should be noted that, at the end of the lease-to-own scenario, the City will own Civic Center Plaza, the King Chavez High School building and all real property, whereas at the end of a 20 year market lease, the City would own nothing. **(See Exhibit D)**

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[3] See Exhibit D

What Happens if No Action Taken

The alternative option of this lease-to-own agreement is to not pursue any action and await the building being sold to an outside party. The City may be able to maintain its occupancy, although there is no guarantee as the City is on a month to month lease. Some have opined that the City has a strong bargaining position for a new landlord because the City occupies the majority of the building. Although this can sometimes be advantageous, competition for contiguous blocks of office space downtown is at an historic high and would work against the City in a negotiating position. Since no alternative building(s) exists for the City to relocate 805 employees, the new landlord could raise rates to any level and the City would be at the mercy of market conditions.

Based on current market conditions and existing downtown leasing rates, the City could be required to pay $2.00 - $2.40+/sf/mo depending on tenant improvement (TI) allowances. The City would most likely not be able to negotiate a term longer than five or six years as the ownership would not want to amortize TI expenses any longer. This means that the City would then be required to negotiate new terms in another five or six years and would be no further ahead in securing long term office space for over 800 employees.

Should the City be able to negotiate continued occupancy in CCP, a new landlord is unlikely to provide greater than a $20/sf tenant improvement allowance without significant lease rate increases, which would prevent the City from maximizing the occupancy of the CCP building.

Why the urgency?

After 18 months of negotiating a potential purchase of CCP and the King Chavez High School building, the current owner informed the City in writing that they no longer wanted to wait for the City to secure bond financing. The real estate market has improved since the original negotiated purchase price of $44M and they originally demanded that the City had to close escrow by December 31, 2014. A letter was sent by City management on November 12, 2014, to the current owner requesting consideration of more time to close escrow and requested a deadline of January 30, 2015. On November 19, 2014, the current owner agreed to a closing date of January 30, 2015, if a purchase and sale agreement was executed by December 12, 2014, and a nonrefundable deposit of $1M was made at the same time. The current owner also required an additional deposit of $4M by December 17, 2014, in order to extend the escrow closing date to January 30, 2015, which was finally extended to March 15, 2015, and CCP, LLC is currently in escrow under this deadline.

Although CCP, LLC is the actual purchaser of the buildings, they still must comply with the closing deadline of March 15, 2015, dictated by the current owner. CCP, LLC must have the assurance that the City has agreed to the lease-to-own agreement (via Council action) in order to close escrow on March 15, 2015.

Rationale for Approval of this Action

Staff recommends approval of the proposed lease-to-own agreement with CCP, LLC for the following reasons:

1. The City minimizes its risk of immediate increased rent under a new owner of Civic Center Plaza which could increase from $1.15/sf/mo to a minimum of $2.00/sf/mo.
2. Over the 20 year term of the proposed lease-to-own agreement, the present value of all cashflow associated with the lease-to-own agreement would be an estimated **$9,105,353** lower than leasing from an outside owner and the City would **OWN** CCP and King Chavez High School building at the end of the lease-to-own agreement, whereas, the City would own **NOTHING** at the end of 20 years if it leased from an outside owner under a standard lease agreement.
3. CCP LLC's negotiated purchase price is equivalent to $149/sf and is at least 30% below market based on similar sales in the last 3 years which results in below market rent afforded the City by CCP, LLC. **(see Exhibit E)**
4. The City will collect additional income of $814,450/yr from Civic Center Plaza's parking operations (418 parking spaces) and ABM Parking (a competitor to Ace Parking, who currently manages CCP's parking operations) estimates that this income could be improved to $1,013,000/yr with more efficient operations.
5. The City will set aside approximately $300,000/yr for capital replacement at Civic Center Plaza.
6. This lease-to-own agreement provides that the City will own Civic Center Plaza, the King Chavez High School building, and all underlying real property after 20 years.
7. The City may have the ability to use the King Chavez High School for City expansion or swing space in the future due to ongoing renovations in existing City space although there are no immediate plans to relocate the school operations.
8. The City will have the ability to increase the occupancy of Civic Center Plaza from 805 FTEs to approximately 1,050 FTEs by using Gensler recommended space standards.
9. Although the use of City-issued tax exempt bond proceeds would be more economical, the City has no ability to issue bonds by March 2015 to acquire these buildings and the underlying real property. If the lease-to-own agreement is not approved, the City will be at risk to whatever rent a new owner wants to charge.

Financial Considerations

Cost of Lease-to-own for 20 Years – (Present Value $) City owns at end of term	$91,363,438
Outside Owner – (Present Value $) NO City ownership at end of lease term	$100,468,791
DECREASED Cost of Lease-to-own vs. Outside Owner (Present Value)	**$9,105,353**

Assumptions:

CCP and King Chavez HS Square Footage	295,101

Rent and Operating Expense Annual Increase	2.50%
City Discount Rate (for present value calculation)	6.00%
Lease Term in Years	20
CCP, LLC Purchase Price	$44,000,000

Lease-to-own

Start Rent/sf/mo for Lease-to-own Agreement (City pays all operating expenses)	$.91
Operating Expenses/sf/yr for Lease-to-own Agreement[4]	$10.23
Identified Capital improvements required over 1st 5 years for Lease-to-own Agreement	$6,400,000

Outside Owner Lease (No ownership Rights)

Start Rent/sf/mo for Outside Owner Option[5]	$2.00
Operating Expenses/sf/yr for Outside Owner Option[6]	$11.15

City staff also identified that the estimated rent of $2.00 would only fund approximately $20/sf of TI allowance or less. Any additional expenses to maximize the space allowance would require an additional TI expense of $30/sf which would be borne by City for a total of almost $8,000,000.

Monthly and Annual Operating Income and Expense Comparison

Current CCP Rent	Monthly	Annually
Current Monthly Rent budgeted for the remainder of FY 2015[7]	$336,606	**$4,039,282**
Proposed CCP Rent Under Lease-to-own – Year 1		
Proposed Rent[8]	$270,000	$3,240,000
Proposed Operating Expenses	$251,574	$3,018,888
Proposed CCP Parking Income to City	($ 67,871)	($ 814,450)
Proposed King Chavez Rent to City	($ 20,000)	($ 240,000)
Total Net New Monthly Expense	$433,703	**$5,204,433**
CCP Rent if No Action Taken – Year 1		
City's Rent if CCP goes to market under new owner[9]	$531,972	$6,383,664
Operating Expenses[10]	$ 6,029	$ 72,348
Total Stabilized Estimated Monthly Expense if this action not Approved:	$538,001	**$6,456,012**

[4] Includes $1.00 /sf as reserve for anticipated capital replacement

[5] City would also be required to pay annual increases in operating expenses from a base year which is typical in a office building lease

[6] Does not include any reserve for capital replacement, as this would be owner's responsibility

[7] Based on $1.15/sf/mo for an assumed 95% City occupancy of CCP at 265,986 sf

[8] Based on $.91/sf/mo for the City's rental of both CCP and Chavez HS building for a total of 295,101 sf

[9] Based on $2.00/sf/mo for an assumed 100% City occupancy of CCP at 265,986 sf

[10] Typical lease agreements require the tenant to pay for the net increase of operating expenses from the previous year starting from the base year (Year 1). The base year is then reset once every 5 or 10 years depending on the negotiated lease.

Due Diligence

The current lease is month to month at the below market rent of $1.15/sf/month for 245,982 sf in the Civic Center Plaza Building. This lease rate will be unavailable after March 2015. The proposed new lease-to-own agreement will be for the entire Civic Center Plaza Building plus the City must take the King Chavez High School Building and all underlying real property of both buildings.

As a matter of due diligence, the City contracted for Alpha Facility Solutions to perform a building assessment of both CCP and the King Chavez High School building which was completed on December 8, 2014, and did not materially affect AllWest's assumptions of $6,400,000 in capital improvements required in the first 5 years of the lease-to-own agreement.

Chase performed a facilities assessment of CCP via AllWest Environmental, Inc. on October 7, 2013, which indicated the following needs **(see Exhibit F)**:

$55,850	Immediate capital improvements necessary
$4,866,201	Capital improvements necessary over the first 5 years of ownership
$1,489,400	Capital improvements which are optional

The most economic solution to address these potential capital needs is to include them as priority deferred CIPs (Capital Improvement Projects) in future City fiscal year budgets. A summary of Alpha's facilities assessment is included here as **Exhibit G**.

The City also contracted for an appraisal of Civic Center Plaza and the King Chavez High School building which was completed on January 14, 2015. A summary of this appraisal is as follows:

CCP Market Value	$42,800,000
King-Chavez Market Value	$ 2,390,000
Total Market Value for CCP & King-Chavez	**$45,190,000**
CCP Investment Value	$57,300,000
King-Chavez Investment Value	$ 2,390,000
Total Investment Value for CCP & King-Chavez	**$59,690,000**

It is important to note that the higher value represents the fact that any property is going to have more value to an owner/occupier, such as the City, than to an outsider investor simply leasing to outside tenants. In this very City Council report, it has been demonstrated why this is the case – because the City's leasing alternatives would be so much more expensive than owning its own building.

Conclusion

While the year one cash flow associated with the lease-to-own agreement is estimated to be $1,165,151more than the current lease, the current lease is on a month-to-month basis and will increase under new terms that could be imposed if the building is sold on the open market or by the current owner as early as March 2015. Additionally, the rent obligation for the City under the lease-to-own agreement is estimated to be lower than the rent obligation from an outside owner by an estimated $1,251,579 in year one alone and the City would own nothing at the end of 20 years if the adopted actions are not taken. City staff recommends the City Council approve the proposed actions so the City can own CCP at the end of the lease-to-own agreement, and benefit from predictable lease terms until that time comes.

EQUAL OPPORTUNITY CONTRACTING INFORMATION (if applicable): N/A

PREVIOUS COUNCIL and/or COMMITTEE ACTIONS: N/A

ENVIRONMENTAL REVIEW:

This is not a "Project" under CEQA Guidelines pursuant to section 15060(c)(2) of the State CEQA Guidelines.

COMMUNITY PARTICIPATION AND OUTREACH EFFORTS: N/A

KEY STAKEHOLDERS AND PROJECTED IMPACTS:
Approving this action will result in limiting the City's exposure to market leasing rates for almost 265,986 sf of its leased office space, result in occupancy cost savings in year one of $1,251,579 and will provide for a means for the City to own Civic Center Plaza, the King Chavez High School building and the underlying real property at the end of the 20 year lease term.

Respectfully submitted,

Cybele L. Thompson, RPA, FMA, CCIM, LEED AP
Director
Real Estate Assets Department

Ronald H. Villa
Deputy Chief Operating Officer, Internal Operations

Exhibit A

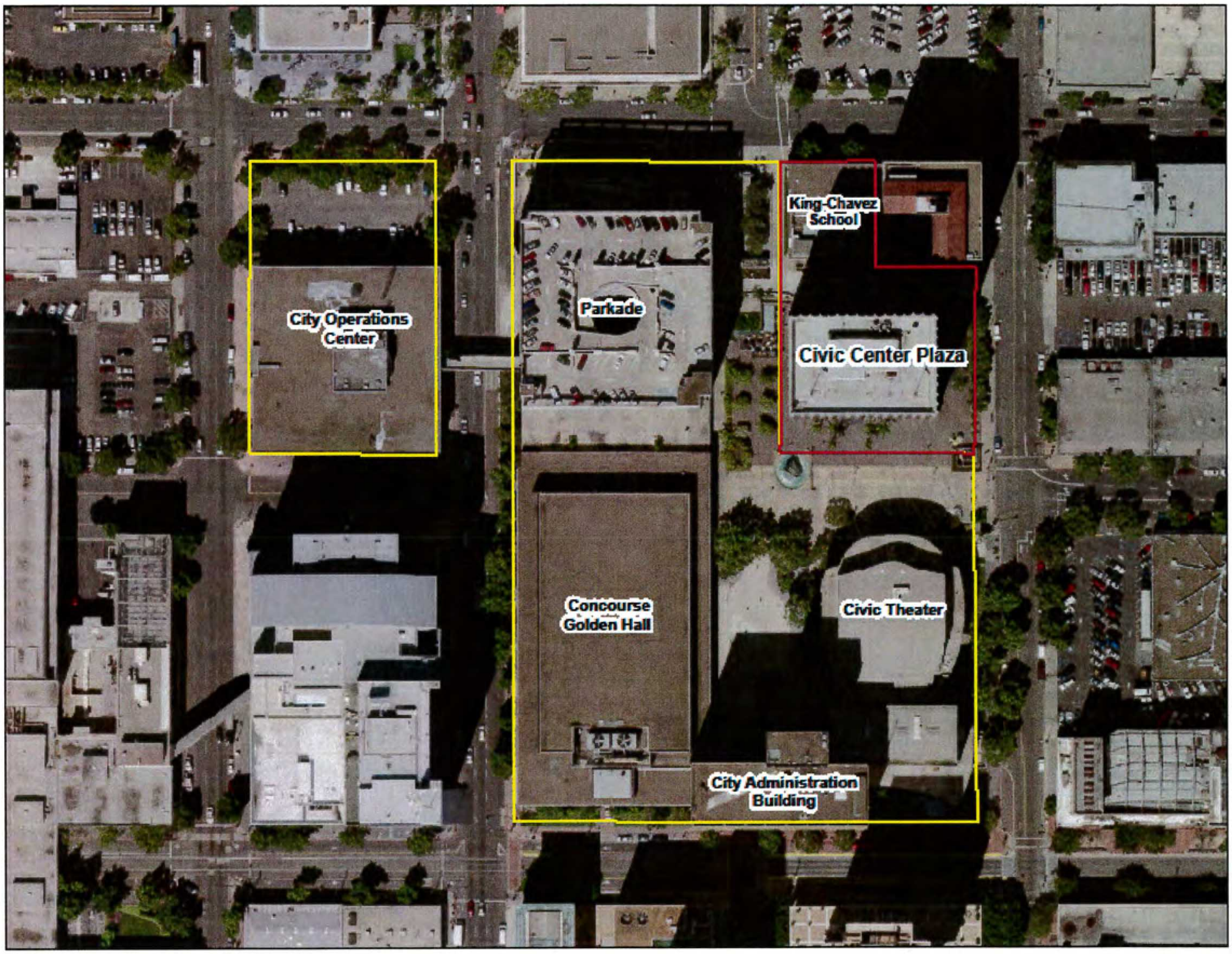
King-Chavez School
City Operations Center
Parkade
Civic Center Plaza
Concourse Golden Hall
Civic Theater
City Administration Building

EXHIBIT B

HISTORY OF CCP LEASE

The building located at 1200 Third Avenue (known as Civic Center Plaza and hereinafter referred to as "CCP") was built in 1973 by Security Pacific National Bank who entered into a sale leaseback with a New York investor, Edwin Lowe. The lease was for a term of 40 years plus one 15 year option. The tenant retained a Right of First Refusal (ROFR) to purchase if the owner sold the building. In 1986, Edwin Lowe passed away and Chase Manhattan Bank (Chase) became the trustee of Mr. Lowe's interests in CCP. Bank of America (B of A) bought Security Pacific National Bank and subsequently built a new building at 5th and B and vacated 1200 Third Avenue. In 1991, the City subleased the majority of the building from B of A for the remainder of the lease term which expired July 23, 2014. In 1998, B of A sold its leasehold interest to Civic Center Associates LLC which was managed by Rock Asset Management (Rock). The 15 year option was extinguished, but the ROFR remained.

Prior to 2012, in anticipation of the lease expiration, the City explored the feasibility of acquiring CCP or renegotiating a new lease. Changes in City management put those plans on hold. In 2013, the City was approached by Chase to enter into a lease-to-own deal for 20 years at \$1.25/sf/month, paying all operating expenses and with no annual increases and no tenant improvement allowance. Under the proposed terms, the City would have also been required to lease the entire 265,986 rsf of CCP and the adjacent King Chavez High School Building offering approximately 29,115 rsf, including the real property below these buildings.

City staff determined a purchase, rather than a lease to own, provided better long term economic benefits. As a back-up, a proposed lease was also pursued in case the proposed sale could not be completed. The City performed numerous valuation analyses of 20 and 30 year lease to own scenarios vs ownership before making an offer of \$125/sf or \$37,428,625 for both buildings and the underlying real property in December 2013. The City was informed that the ROFR with Rock was not in force or a City offer would not have been proffered. Chase countered at \$47M, the City re-countered at \$40,000,000, Chase re-countered at \$44M and the City accepted.

A non-binding Letter of Intent (LOI) was mutually executed on April 18, 2014. The price was \$44M with adequate time allowed to complete a City financing through a lease revenue bond offering before deposits became non-refundable. The timing was also structured to allow Chase to complete a 1031 tax deferred exchange, if desired. The corresponding lease was \$1.15/sf/month Fully Serviced (FS) for 10 years with 3% yearly increases and no TI's. Chase made it clear that it preferred to sell, rather than lease.

After execution of the LOI, Chase drafted and offered a lease draft in May 2014. City staff determined that the lease form was inadequate for single tenant occupancy and, in late June 2014, offered a lease form more prevalent in California. The City was informed that Rock did indeed have an active ROFR which expired with their lease agreement July 23, 2014. The City decided that if it completed the purchase documents with Chase, which would then have to offer the same terms to Rock, Rock could buy the buildings and the underlying real property. Rock declined to give their leasehold purchase documents to the City for its review. The City resumed its negotiations with Chase to buy and lease on July 24, 2014. The City requested Due Diligence materials from Chase, at this time.

On June 13, 2014, the City received correspondence via the City's unpaid consultant, Jason Hughes, President of HughesMarino, from Chase's representative. Chase confirmed their commitment to sell. The City provided comments back to Chase after July 23, 2014, both to the Purchase and Sale Agreement (PSA) and Lease agreement. The City, specifically, indicated that neither the PSA nor Lease agreement would stand alone and both needed to be executed as this would protect the City should the sale not be completed.

After the City's lease expired on July 23, 2014, the City assumed a non-negotiated "hold-over" position and began a month-to-month lease at a previously negotiated rate of $1.15 per sf per month Full Service Gross (FSG), "as is".

NOTE: *The $1.15 rate is favorable and will not continue should a new party assume ownership. Chase agreed to the low rate as they understood it would not be a long term lease and did not include any tenant improvements (TI's). City staff estimates that a market rent for Civic Center Plaza could be in the range of $1.85/sf/mo with 2.5% annual increases.*

On September 15, 2014, City staff met with a representative of Chase as Chase was seeking assurances that the City was serious in their intent to own the building. They were assured that the City was determined to purchase, but that there were numerous steps that had to be taken to protect the taxpayers. Chase was advised to incorporate their changes in the PSA and Lease and get it back to City staff as soon as possible in order to meet the strict timeline proposed. The City received a new PSA and Lease agreement with essentially the original terms, one month later on October 16, 2014. Upon further discussion, Chase's representative informed the City that it no longer wanted to pursue a lease and it must be a purchase only. By now the City was informed that Chase represented a minority interest in the Trust and that other members of the Trust were dictating the structure.

Chase subsequently informed the City, in writing, that the deal had changed and had to close escrow by December 31, 2014. A letter was sent by City management on November 12, 2014, to Chase requesting more time to close and requested a deadline of January 30, 2015. On November 19, 2014, Chase informed the City that they would agree to a close date of January 30, 2015, if a PSA was executed by December 12, 2014, and a nonrefundable deposit of $1M was made at the same time. Chase also required an additional deposit of $4M by December 17, 2014, in order to extend the Escrow closing date to January 30, 2015. If the City is unable to purchase the building, Chase is expected to openly market the building, which will leave the City at risk to a new owner of CCP.

EXHIBIT C

Hughes Marino | CM
Design and Construction Consultants

Civic Center Plaza Remodel
Preliminary Budget

21-Nov-14

TI Allowance

265,793 RSF

	Qty / Rate	Unit	Qty / Rate	Unit	Amount	Current Budget	Current Cost/RSF
TI allowance	$ -	/RSF				$ -	$ - /RSF
Design and Construction Costs							
Total Hard Demolition, Abatement and Construction Costs						$ 11,569,336	$ 43.53 /RSF
Demolition of existing improvements on 8 floors	118,216	sf	$2.50	/sf	$ 295,540.00		
Asbestos removal on 8 floors	118,216	sf	$15.00	/sf	$ 1,773,240.00		
New Building Standard Tenant Improvements on 8 floors	118,216	sf	$51.00	/sf	$ 6,029,016.00		
New restrooms on 8 floors	16	ea	$20,000.00	ea	$ 320,000.00		
New elevator Lobbies on 8 floors	8	ea	$25,000.00	ea	$ 200,000.00		
Minor carpet and paint remodel of the other 10 floors	147,577	ls	$20.00	ls	$ 2,951,540.00		
	0	ea	$0.00	ea	$ -		
Consultant fees (see below)						$ 1,223,795	$ 4.60 /RSF
Architectural Fees - Estimate	$ 2.50	/rsf	265,793	sf	$ 664,483		
Electrical Eng. fees - Estimate	$ 1.50	/rsf	118,216	sf	$ 177,324		
Mech. & Plumbing Eng. fees - Estimate	$ 1.50	/rsf	118,216	sf	$ 177,324		
Structural Engineering - Estimate	$ 10,000	ls	1	ls	$ 10,000		
Special Inspections and Testing - Estimate	$ 10,000	ls	1	ls	$ 10,000		
LEED Consultant - Estimate	$ -	ls	1	ls	$ -		
Industrial Hygienist fees - Estimate	$ 1.00	/rsf	118,216	sf	$ 118,216		
Arch / eng reimbursable- Estimate	$ 0.25	/rsf	265,793	sf	$ 66,448		
Plan Check & Permit Fees -Estimate						$ 159,476	$ 0.60 /RSF
Plan Check Fees - Estimate	$ 0.25	/rsf	265,793		$ 66,448		
Permit Fees - Estimate	$ 0.75	/rsf	265,793		$ 199,345		
Water Sewer Fees - Estimate					$ -		
Recycling Deposit - Estimate	$ (0.40)	/rsf	265,793		$ (106,317)		
Construction Project Management Fee	4%					$ 518,104	$ 1.95 /RSF
Project Contingency (counting in const costs as well)	5.0%					$ 673,536	$ 2.53 /RSF
Subtotal Construction Soft and Hard Costs						$ 14,144,246	$ 53.22 /RSF
Total TI Overage for above items						$ 14,144,246	$ 53.22 /RSF

FF&E Costs	Qty / Rate	Unit	Qty			Current Budget	Current Cost/USF
Interior Signage - Allowance	$ 80,000	ls	1			$ 80,000	$ 0.30 /RSF
Phone Data Cabling - Allowance	$ 2.50	/rsf	118,216			$ 295,540	$ 1.11 /RSF
Moving Expenses - Allowance	$ 1.00	/rsf	265,793			$ 265,793	$ 1.00 /RSF
Security System - Allowance	$ 80,000	ls	1			$ 80,000	$ 0.30 /RSF
Audio Visual System - Allowance	$ 80,000	ls	1			$ 80,000	$ 0.30 /RSF
Furniture - Workstations - Allowance	TBD		TBD			$ -	$ - /RSF
Furniture - Offices - Allowance	TBD		TBD			$ -	$ - /RSF
Furniture - Conference Room -Small - Allowance	TBD		TBD			$ -	$ - /RSF
FF&E Contingency	5.0%					$ 40,067	$ 0.15 /RSF
Subtotal FF&E						$ 841,400	$ 3.17 /RSF
Grand Total Project Cost (total TI costs plus FF&E costs)						$ 14,985,646	$ 56.38 /RSF
Grand Total Out of Pocket Cost (total TI costs plus FF&E costs)						$ 14,985,646	$ 56.38 /RSF

1/20/2015

EXHIBIT D

Civic Center Plaza and King Chavez High School
Lease to Own vs Lease from Outside Owner Comparison

CONCLUSIONS:

Cost of Lease to Own for 20 Years - City owns at end of term (Present Value)	$91,363,438
Outside Owner - NO City ownership at end of lease (Present Value)	$100,468,791
DECREASED Cost of Lease to Own vs. Outside Owner (Present Value)	**-$9,105,353**

ASSUMPTIONS:

CCP and King Chavez HS Square Footage	295,101	
CCP Square Footage	265,986	
Rent and Operating Expense Increase	2.50%	
City Discount Rate (for present value calculation)	6.00%	
Operating Expenses/sf/yr for Lease to Own Option	$10.23	Includes $1/sf as reserve for anticipated capital replacement (City pays no property taxes)
Operating Expenses/sf/yr for Outside Owner Option	$11.15	Includes $0/sf as reserve for capital replacement as this would be Owner's responsibility
Start Rent/SF for Lease to Own Option (City pays all operating expenses)	$0.91	
Start Rent/SF for Outside Owner Option (City pays from a base year on opex)	$2.00	
Capital Improvements Required over first 5 years for Lease to Own Option	$6,411,451	From AllWest report - $55,850 in immediate needs, $4,866,201 in needs over first 5 years and another $1,489,400 optional in first 5 years
Additional TIs above $20/sf to be borne by City under Lease to Outside Owner	$7,979,580	Additional $30/sf (to equal total of $50/sf) over first 5 years of lease
Lease Term Years	20	
Cisterra Purchase Price	$44,000,000	
Future TIs to be funded by City via CIP	$15,000,000	From HughesMarino report - assume $15,000,000 is funded via CIP and paid out over 5 years
Additional Income to City:		
CCP Parking Income in 2015	$814,450	Assumed to grow at 2.5%/yr. ABM Parking estimates that this number could be increased to $1,013,000/yr for 418 spaces.
King Chavez High School Annual Rent	$240,000	Assumed to remain constant throughout lease term

	A	B	C	D	E	F	G	H	I	J	K	L	L	N	O	P
	LEASE TO OWN OPTION										OUTSIDE OWNER OPTION					
Year	Lease to Own Option Operating Expenses	Lease to Own Option Rent/sf/mo NNN	Lease to Own Option Monthly Rent	Annual Rent	City Occupancy Cost per year Rent + Opex	CCP Parking Income	King Chavez Rent	Capital Improvements in First 5 Years	Tenant Improvements in First 5 Years to be funded via CIP	City Occupancy Cost/Yr less Additional Income + Capital Improvements	Outside Operating Expenses	Outside Operating Expenses Passed through to City	Rent/sf/mo Full Service	Annual Rent	Additional Tenant Improvements of $30/sf above allowance of $20/sf	City Occupancy Cost per year Rent + Opex
	$10.23 x 295,101 sf	Proposed rent	Column B x 295,101 sq ft	Column C x 12	Column A + Column D	Additional Income to City	Additional Income to City	From AllWest Report	From Hughes Marino Report	Column E - Column F - Column G + Column H + Column I	$11.15 x 265,986 sf	City pays 100% of annual increase from base year	*Estimated* Outside Owner Rent	Column L x 265,986 x 12		Column L + Column N + Column O
1	$3,018,883	$0.91	$270,000	$3,240,000	$6,258,883	$814,450	$240,000	$1,282,290	$3,000,000	$9,486,723	$2,966,276	$72,348	$2.00	$6,383,664	$1,595,916	$8,051,928
2	$3,094,355	$0.94	$276,750	$3,321,000	$6,415,355	$834,811	$240,000	$1,282,290	$3,000,000	$9,622,834	$3,040,433	$146,505	$2.05	$6,543,256	$1,595,916	$8,285,677
3	$3,171,714	$0.96	$283,669	$3,404,025	$6,575,739	$855,682	$240,000	$1,282,290	$3,000,000	$9,762,348	$3,116,444	$222,516	$2.10	$6,706,837	$1,595,916	$8,525,269
4	$3,251,007	$0.99	$290,760	$3,489,126	$6,740,133	$877,074	$240,000	$1,282,290	$3,000,000	$9,905,349	$3,194,355	$300,427	$2.15	$6,874,508	$1,595,916	$8,770,851
5	$3,332,282	$1.01	$298,029	$3,576,354	$6,908,636	$899,000	$240,000	$1,282,290	$3,000,000	$10,051,926	$3,274,214	$380,286	$2.21	$7,046,371	$1,595,916	$9,022,572
6	$3,415,589	$1.04	$305,480	$3,665,763	$7,081,352	$921,475	$240,000	$0	$0	$5,919,876	$3,356,069	$462,141	$2.26	$7,222,530	$0	$7,684,671
7	$3,500,979	$1.06	$313,117	$3,757,407	$7,258,386	$944,512	$240,000	$0	$0	$6,073,873	$3,439,971	$546,043	$2.32	$7,403,093	$0	$7,949,136
8	$3,588,503	$1.09	$320,945	$3,851,342	$7,439,845	$968,125	$240,000	$0	$0	$6,231,720	$3,525,970	$632,042	$2.38	$7,588,170	$0	$8,220,213
9	$3,678,216	$1.11	$328,969	$3,947,625	$7,625,841	$992,328	$240,000	$0	$0	$6,393,513	$3,614,119	$720,191	$2.44	$7,777,875	$0	$8,498,066
10	$3,770,171	$1.14	$337,193	$4,046,316	$7,816,487	$1,017,136	$240,000	$0	$0	$6,559,351	$3,704,472	$810,544	$2.50	$7,972,322	$0	$8,782,866
11	$3,864,426	$1.17	$345,623	$4,147,474	$8,011,900	$1,042,565	$240,000	$0	$0	$6,729,335	$3,797,084	$0	$2.56	$8,171,630	$0	$8,171,630
12	$3,961,036	$1.20	$354,263	$4,251,161	$8,212,197	$1,068,629	$240,000	$0	$0	$6,903,568	$3,892,011	$94,927	$2.62	$8,375,920	$0	$8,470,847
13	$4,060,062	$1.23	$363,120	$4,357,440	$8,417,502	$1,095,345	$240,000	$0	$0	$7,082,157	$3,989,311	$192,227	$2.69	$8,585,318	$0	$8,777,546
14	$4,161,564	$1.26	$372,198	$4,466,376	$8,627,940	$1,122,728	$240,000	$0	$0	$7,265,211	$4,089,044	$291,960	$2.76	$8,799,951	$0	$9,091,911
15	$4,265,603	$1.29	$381,503	$4,578,035	$8,843,638	$1,150,797	$240,000	$0	$0	$7,452,842	$4,191,270	$394,186	$2.83	$9,019,950	$0	$9,414,136
16	$4,372,243	$1.33	$391,041	$4,692,486	$9,064,729	$1,179,566	$240,000	$0	$0	$7,645,163	$4,296,052	$498,968	$2.90	$9,245,449	$0	$9,744,417
17	$4,481,549	$1.36	$400,817	$4,809,798	$9,291,347	$1,209,056	$240,000	$0	$0	$7,842,292	$4,403,453	$606,369	$2.97	$9,476,585	$0	$10,082,954
18	$4,593,588	$1.39	$410,837	$4,930,043	$9,523,631	$1,239,282	$240,000	$0	$0	$8,044,349	$4,513,540	$716,456	$3.04	$9,713,500	$0	$10,429,955
19	$4,708,428	$1.43	$421,108	$5,053,294	$9,761,722	$1,270,264	$240,000	$0	$0	$8,251,458	$4,626,378	$829,294	$3.12	$9,956,337	$0	$10,785,631
20	$4,826,138	$1.46	$431,636	$5,179,627	$10,005,765	$1,302,021	$240,000	$0	$0	$8,463,744	$4,742,037	$944,954	$3.20	$10,205,246	$0	$11,150,199
20 Year Total	$77,116,338			$82,764,691	$159,881,029	$20,804,846	$4,800,000	$6,411,451	$15,000,000	$155,687,634	$75,772,502	$8,862,386		$163,068,511	$7,979,580	$179,910,477

EXHIBIT E

Downtown Sale Comparables

Property	Address	Sale Price	Building SF	Price psf	Class	Year of Sale	Comment
Diamond View Tower	350 10th Ave	$121,000,000	305,255	$396	A	2012	Near Petco Park-Very high end building
110 Plaza	110 West A St.	$80,000,000	300,514	$266	B	2011	Attorney General occupies 80,000 sf-Will vacate, 50,000 sf re-leased to Border Patrol.
Golden Eagle Plaza	525 B St	$116,800,000	447,159	$261	A	2005	City currently occupies 91,000 sf.
Bank of America Tower	450 B St	$73,000,000	283,786	$257	B	2013	Planned to be partially reconstructed.
2 Columbia Place	1230 Columbia St	$35,000,000	143,574	$244	A	2013	
1 Columbia Place	401 West A St.	$135,000,000	553,715	$244	A	2012	Light on parking, huge floor plates, perenially large vacancy
Merril Lynch Building	701 B St	$120,000,000	560,329	$214	B	2014	Parking garage is on a ground lease
707 Broadway	707 Broadway	$35,000,000	187,304	$187	C	2014	Very small floor plates. Partial ground lease
Comerica Bank	600 B St	$49,000,000	359,218	$136	B	2012	On a ground lease with 50 years remaining. Hotel conversion on lower floors planned.
Union Bank	530 B St	$29,000,000	232,098	$125	A	2014	Union Bank leases 88,000sf, bldg 43% vacant minimal parking
High				$396			
Average				$233			
Low				$125			
Civic Center Plaza	**1200 Third Ave**	**$44,000,000**	**295,101**	**$149**	**C**	**2015**	**Includes the 29,115 sf King Chavez HS. 1.6/1000 parking. If King Chavez HS is valued at $4M, then CCP price is $40M or $149/sf. This is 30% lower than the most recent average sales price for downtown high rise buildings.**

EXHIBIT F

IMMEDIATE NEEDS & REPLACEMENT RESERVE ANALYSIS

Project No:	13T001.60
Property Name:	Civic Center Plaza
Property Address:	1200 3rd Avenue, San Diego, CA
No. of Buildings:	1
Building Age in Years:	40
No. of Floors:	18 above grade over 3 basement
Gross Area (SF):	266,954

No	Sec	Photo No	ITEM	Avg EUL (yr)	EFF AGE (yr)	RUL (yr)	Quantity	Unit	Cost Estimate Source	Unit Cost	Immediate Needs	Replacement Reserves 2014 Year 1	2015 Year 2	2016 Year 3	2017 Year 4	2018 Year 5	Years 1-5 Cumulative	Modernization Costs (Optional)
SITE WORK																		
1	B.02	7 - 9, 13	Remove and protect paving tiles at south plaza area; install new waterproof membrane; and replace and re-grout paving tiles (Work should include replacement of broken tiles and new field and perimeter sealants).	40	40	0	8,550	SF	Estimate	$25.00		$213,750					$213,750	
2	B.02	79	Budget for general site concrete repairs where concrete paving is cracked or spalling (Work should include replacement of sealants at cold joints and pressure cleaning plaza paving tiles).	-	-	-	1	LS	Estimate	$5,000.00		$5,000					$5,000	
3	B.02	10	Repair damage at exposed aggregate site walls due to spalling, replace dried and cracked sealants and power-wash walls.	-	-	-	1	LS	Estimate	$2,500.00		$2,500					$2,500	
4	B.07	16	Repair and re-paint canopy over 3rd Avenue drive entrance to lower parking level (Work should include replacement of sealants).	-	-	-	1	LS	Estimate	$3,500.00		$3,500					$3,500	
EXTERIOR ENVELOPE																		
5	C.01	Appendix B	Budget to perform immediate repairs and commence annual roof maintenance program to check sealants; clear roof drains; replace deteriorated flashing & seals; and correct visual deficiencies.	20	40	0	14,000	SF	Hess	$0.11	$3,500		$1,500	$1,500	$1,500	$1,500	$6,000	
6	C.01	Appendix B	Perform annual roof survey	-	-	-	14,000	SF	CRC	$0.16		$2,500	$2,500	$2,500	$2,500	$2,500	$12,500	
7	C.01	Appendix B	Budget to remove and replace the 30 year old single-ply PVC roof system with a new Title-24 compliant roofing membrane.	20	30	0	14,000	SF	Hess, CRC	$24.00		$336,000					$336,000	
8	C.02	Appendix B	Perform annual maintenance and certification of "basket" rig.	15	10	5	1	YR	CRC	$2,500.00		$2,500	$2,500	$2,500	$2,500	$2,500	$12,500	
9	C.02	Appendix B	Re-finish round tube steel rail along top of parapet wall showing signs of wear and corrosion.	-	-	-	1	LS	Estimate	$2,000.00		$2,000					$2,000	
10	C.02	Appendix B	Perform plaster crack repair and apply new stucco color coat at penthouse and parapet walls.	20	40	0	6,050	SF	CRC	$4.00		$24,200					$24,200	
11	C.02	Appendix B	Refinish anodized aluminum finish that is oxidized and deteriorated or install new mullion caps (Work to be phase over four years).	28	40	0	128,640	SF	CRC	$20.00		$643,200	$643,200	$643,200	$643,200		$2,572,800	
12	C.02	Appendix B	Replace dry and stiff vinyl gaskets at exterior vision glass (Assumes new mullion caps).	20	40	0	972	EA	CRC	$125.00		$30,375	$30,375	$30,375	$30,375		$121,500	
13	C.02	Appendix B	Replace deteriorating spandrel panels (Assumes new mullion caps).	20	40	0	972	EA	CRC	$115.00		$27,945	$27,945	$27,945	$27,945		$111,780	
14	C.02	Appendix B	Replace crazing, cracking and splitting backer rod/sealant at aluminum frames (vertical only)	20	40	0	28,944	LF	Beamish	$7.50		$44,220	$44,220	$64,320	$64,320		$217,080	
15	C.02	Appendix B	Replace crazing, cracking and splitting backer rod/sealant at pre-cast panels.	20	40	0	18,440	LF	Beamish	$7.50		$19,575	$19,575	$19,575	$19,575		$78,300	
16	C.02	Appendix B	Replace crazing, cracking and splitting backer rod/sealant at granite panels	20	40	0	5,150	LF	Beamish	$4.00		$20,600					$20,600	
INTERIOR FINISHES																		
17	E.02	17 & 19	Budget for semi-annual re-staining teak paneling in main lobby, elev. lobbies, elev. cabs & refinishing tenant entry doors.	-	-	-	1	LS	Management	$8,000.00			$8,000		$8,000		$16,000	
18	E.02	17 & 19	Budget for periodic teak paneling refinishing as necessary.	-	-	-	1	LS	Management	$3,000.00					$3,000		$3,000	
19	E.01, E.02	19	Budget to replace 4th floor common area finishes (wall-covering, paint, carpet, resilient flooring).	10	8	2	2,200	SF	Estimate	$10.00				$22,000			$22,000	
20	E.01, E.02	20	Budget to replace 13th floor common area finishes (wall-covering, paint, carpet, resilient flooring).	10	6	4	2,200	SF	Estimate	$10.00						$22,000	$22,000	
21	F.03	38	Inspect all electrical rooms and other 1-hour rated spaces and apply fire-rated safing at all conduit penetrations through ceilings, walls and floors which have not already been properly fire-safed.	-	-	-	1	LS	Contractor	$2,500.00	$2,500						$0	
22	E.03	80	As a recommended upgrade, replace existing 4th floor concealed spline ceiling system with 2' x 2' or 2' x 4' ceiling system when other finishes are replaced.	-	-	-	2,000	SF	R.S Means	$3.60							$0	$7,200.00
23	E.03	20	A recommended upgrade, replace existing 13th floor concealed spline ceiling system with 2' x 2' or 2' x 4' ceiling system when other finishes are replaced	-	-	-	2,000	SF	R.S Means	$3.60							$0	$7,200.00
EQUIPMENT & SYSTEMS																		
24	F.01	-	Install automatic seismic shut-off valve on natural gas service.	-	-	-	1	EA	Estimate	$850.00	$850						$0	
25	F.02	31	Provide allowance for refurbishment of chilled water pumps (One of two is currently being refurbished).	20	20	0	1	EA	Estimate	$3,850.00		$3,850					$3,850	
26	F.02	32	Provide allowance for phased refurbishment of eighteen (18) air handlers, including replacement of original equipment chilled water and hot water coils.	25	22	3	18	EA	Estimate	$28,000.00				$168,000	$168,000	$168,000	$504,000	
27	F.02	33	Replace three (3) 1988 *Teledyne Laars* 750,000-Btuh natural gas-fired heating system hot water boilers.	25	24	1	3	EA	Estimate	$47,500.00			$47,500	$47,500	$47,500		$142,500	
28	F.02	34	Provide allowance for refurbishment of one (1) heating system hot water pump.	25	24	1	1	EA	Estimate	$2,850.00		$2,850					$2,850	
29	F.02	35	Replace one (1) 1997 *Carrier* 3-ton split-system AC system rooftop condensing unit serving the elevator machine room.	20	16	4	1	EA	Estimate	$4,350.00						$4,350	$4,350	
30	F.02	36	Install a DDC EMCS (Direct Digital Control Energy Management Control System) for controlling major HVAC equipment.	-	-	-	1	LS	Estimate	$245,000.00							$0	$245,000.00
31	F.03	37	Perform infrared scanning of electrical switchgear and circuit breaker panels on a 3-year cycle.	3	0	3	1	LS	Contractor	$3,850.00				$3,850			$3,850	
32	F.03	37	Perform ground fault testing of main electrical switchgear on a 5-year cycle.	5	1	4	1	LS	Contractor	$4,750.00						$4,750	$4,750	
33	F.03	38	Inspect all electrical rooms and other 1-hour rated spaces and apply fire-rated safing at all conduit penetrations through ceilings, walls and floors which have not already been properly fire-safed.	-	-	-	1	LS	Contractor	$2,500.00	$2,500						$0	
34	F.05	39	Replace one (1) 1988 *Teledyne Laars* 750,000-Btuh domestic hot water boiler.	25	25	0	1	LS	Contractor	$42,500.00		$42,500					$42,500	
35	F.06	Appendix C	Budget to modernize all elevators (Elevators 1-6), including new door operators, controllers and drives.	25	19	6	6	EA	Estimate	$205,000.00							$0	$1,230,000.00
36	F.07	40	Budget to replace fire alarm control panel.	20	20	1	1	LS	Estimate	$38,000.00			$38,000				$38,000	
37	F.07	41 & 42	Provide allowance for annual and 5-Year inspection and testing of the fire sprinkler and alarm systems.	N/A	N/A	N/A	1	LS	Estimate	$4,500.00			$4,500	$4,500	$4,500	$4,500	$18,000	
38	F.07	42	Provide allowance for annual inspection and servicing of portable fire extinguishers.	N/A	N/A	N/A	1	LS	Estimate	$1,200.00			$1,200	$1,200	$1,200	$1,200	$4,800	
ACCESSIBILITY COMPLIANCE																		
39	G.01	55 & 56	Provide improved informational and directional signage with International Symbol of Accessibility (ISA) in more prominent locations at vehicular entries to inform drivers of "van accessible" disabled-access parking spaces.	-	-	-	1	LS	Estimate	$2,500.00	$2,500							
40	G.02	60 - 63	Provide additional site and directional signage with ISA to inform pedestrians on location of accessible entrance to building.	-	-	-	1	LS	Estimate	$1,500.00	$1,500							
41	G.02	68	Replace common area doors fitted with knob-type hardware with lever-type hardware and provide automatic door openers where common are doors lack 18" clearance on pull-side of door and 12" clearance on push-side of door.	-	-	-	1	LS	Estimate	$17,500.00	$17,500							
42	G.03	44 - 46 75 - 78	Perform minor relocation of some plumbing fixtures (e.g. lavatories, toilets and urinals) and toilet accessories (e.g. toilet paper, seat cover, paper towel and soap dispensers) to comply with ADA/CBC accessibility requirements.	-	-	-	1	LS	Estimate	$25,000.00	$25,000							
TOTAL IMMEDIATE NEEDS COSTS											**$55,860**							
											Sub-Total	$1,427,065	$871,015	$1,038,965	$1,024,115	$211,300	$4,572,460	
											2.5% Inflation Factor per Year	1.025	1.051	1.077	1.104	1.131		
											Inflation Amount	$35,677	$44,095	$79,887	$106,318	$27,767	$293,741	
											Total with Inflation	$1,462,742	$915,110	$1,118,852	$1,130,431	$239,067		
TOTAL ANNUAL RESERVES																	**$4,866,201**	
																Total Annual Reserves Per SF	$18.23	
																Total Annual Reserves ($ Per SF Per Year)	$3.65	
TOTAL MODERNIZATION COSTS (Optional)																		**$1,489,400**

ABBREVIATIONS:
LS = Lump Sum Allowance
EA = Each
SF = Square Foot
RUL = Remaining Useful Life
EFF AGE = Effective Age
UNK = Unknown
V = Various

EUL = Expected Useful Life
N/A = Not Applicable or Not Assessable

IMMEDIATE NEEDS & REPLACEMENT RESERVE ANALYSIS

Project No:	13T001.60
Property Name:	Civic Center Plaza
Property Address:	1200 3rd Avenue, San Diego, CA
No. of Buildings:	
Building Age in Years:	40
No. of Floors:	18 above grade over 3 basement
Gross Area (SF):	266,554

No	Sec	Photo No.	ITEM	Avg. EUL (yr)	EFF AGE (yr)	RUL (yr)	Quantity	Unit	Cost Estimate Source	Unit Cost
SITE WORK										
1	B.02	7 - 8, 13	Remove and protect paving tiles at south plaza area; install new waterproof membrane; and replace and re-grout paving tiles (Work should include replacement of broken tiles and new field and perimeter sealants).	40	40	0	8,550	SF	Estimate	$25.00
2	B.02	79	Budget for general site concrete repairs where concrete paving is cracked or spalling (Work should include replacement of sealants at cold joints and pressure cleaning plaza paving tiles).	-	-	-	1	LS	Estimate	$5,000.00
3	B.02	10	Repair damage at exposed aggregate site walls due to spalling, replace dried and cracked sealants and power-wash walls.	-	-	-	1	LS	Estimate	$2,500.00
4	B.07	16	Repair and re-paint canopy over 3rd Avenue drive entrance to lower parking level (Work should include replacement of sealants).	-	-	-	1	LS	Estimate	$3,500.00
EXTERIOR ENVELOPE										
5	C.01	Appendix B	Budget to perform immediate repairs and commence annual roof maintenance program to check sealants; clear roof drains; replace deteriorated flashing & seals; and correct visual deficiencies.	20	40	6	14,000	SF	Hess	$0.11
6	C.01	Appendix B	Perform annual roof survey.	-	-	-	14,000	SF	CRC	$0.18
7	C.01	Appendix B	Budget to remove and replace the 30 year old single-ply PVC roof system with a new Title-24 compliant roofing membrane.	20	30	0	14,000	SF	Hess, CRC	$24.00
8	C.02	Appendix B	Perform annual maintenance and certification of "basket" rig.	15	10	5	1	YR	CRC	$2,500.00
9	C.02	Appendix B	Re-finish round tube steel rail along top of parapet wall showing signs of wear and corrosion.	-	-	-	1	LS	Estimate	$2,000.00
10	C.02	Appendix B	Perform plaster crack repair and apply new stucco color coat at penthouse and parapet walls.	20	48	8	6,050	SF	CRC	$4.00
11	C.82	Appendix B	Refinish anodized aluminum finish that is oxidized and deteriorated or install new mullion caps (Work to be phase over four years).	20	40	0	128,640	SF	CRC	$20.00
12	C.02	Appendix B	Replace dry and stiff vinyl gaskets at exterior vision glass (Assumes new mullion caps).	20	40	0	972	EA	CRC	$125.00
13	C.02	Appendix B	Replace deteriorating spandrel panels (Assumes new mullion caps).	20	40	6	972	EA	CRC	$115.00
14	C.02	Appendix B	Replace crazing, cracking and splitting backer rod/sealant at aluminum frames (vertical only).	20	48	0	26,944	LF	Beamish	$7.50
15	C.02	Appendix B	Replace crazing, cracking and splitting backer rod/sealant at pre-cast panels.	20	40	8	10,440	LF	Beamish	$7.50
16	C.02	Appendix B	Replace crazing, cracking and splitting backer rod/sealant at granite panels.	20	40	8	5,150	LF	Beamish	$4.00
INTERIOR FINISHES										
17	E.02	17 & 18	Budget for semi-annual re-staining teak paneling in main lobby, elev. lobbies, elev. cabs & refinishing tenant entry doors.	-	-	-	1	LS	Management	$8,000.08
18	E.02	17 & 19	Budget for periodic teak paneling refinishing as necessary.	-	-	-	1	LS	Management	$3,000.08
19	E.01, E.82	19	Budget to replace 4th floor common area finishes (wall-covering, paint, carpet, resilient flooring).	10	8	2	2,200	SF	Estimate	$10.00
20	E.01, E.02	20	Budget to replace 13th floor common area finishes (wall-covering, paint, carpet, resilient flooring).	10	6	4	2,200	SF	Estimate	$10.00
21	F.03	38	Inspect all electrical rooms and other 1-hour rated spaces and apply fire-rated safing at all conduit penetrations through ceilings, walls and floors which have not already been properly fire-safed.	-	-	-	1	LS	Contractor	$2,500.08
22	E.03	60	As a recommended upgrade, replace existing 4th floor concealed spline ceiling system with 2' x 2' or 2' x 4' ceiling system when other finishes are replaced.	-	-	-	2,000	SF	R.S. Means	$3.60
23	E.03	20	A recommended upgrade, replace existing 13th floor concealed spline ceiling system with 2' x 2' or 2' x 4' ceiling system when other finishes are replaced.	-	-	-	2,000	SF	R.S. Means	$3.60
EQUIPMENT/SYSTEMS										
24	F.01	-	Install automatic seismic shut-off valve on natural gas service.	-	-	-	1	EA	Estimate	$858.00
25	F.02	31	Provide allowance for refurbishment of chilled water pumps (One of two is currently being refurbished).	20	20	0	1	EA	Estimate	$3,850.00
26	F.02	32	Provide allowance for phased refurbishment of eighteen (18) air handlers, including replacement of original equipment chilled water and hot water coils.	25	22	3	18	EA	Estimate	$28,000.00
27	F.02	33	Replace three (3) 1988 *Teledyne Laars* 750,000-Btuh natural gas-fired heating system hot water boilers.	25	24	1	3	EA	Estimate	$47,500.00
28	F.02	34	Provide allowance for refurbishment of one (1) heating system hot water pump.	25	24	1	1	EA	Estimate	$2,850.00
29	F.02	35	Replace one (1) 1997 *Carrier* 3-ton split-system AC system rooftop condensing unit serving the elevator machine room.	20	16	4	1	EA	Estimate	$4,350.00
30	F.02	36	Install a DDC EMCS (Direct Digital Control Energy Management Control System) for controlling major HVAC equipment.	-	-	-	1	LS	Estimate	$245,000.00
31	F.03	37	Perform infrared scanning of electrical switchgear and circuit breaker panels on a 3-year cycle.	3	0	3	1	LS	Contractor	$3,850.00
32	F.03	37	Perform ground fault testing of main electrical switchgear on a 5-year cycle.	5	1	4	1	LS	Contractor	$4,750.00
33	F.03	38	Inspect all electrical rooms and other 1-hour rated spaces and apply fire-rated safing at all conduit penetrations through ceilings, walls and floors which have not already been properly fire-safed.	-	-	-	1	LS	Contractor	$2,500.80
34	F.05	39	Replace one (1) 1988 *Teledyne Laars* 750,000-Btuh domestic hot water boiler.	25	25	8	1	LS	Contractor	$42,500.00
35	F.06	Appendix C	Budget to modernize all elevators (Elevators 1-6), including new door operators, controllers and drives.	25	18	6	6	EA	Estimate	$205,000.00
36	F.07	48	Budget to replace fire alarm control panel.	20	20	1	1	LS	Estimate	$35,000.00
37	F.07	41 & 42	Provide allowance for annual and 5-Year Inspection and testing at the fire sprinkler and alarm systems.	N/A	N/A	N/A	1	LS	Estimate	$4,500.00
38	F.07	42	Provide allowance for annual inspection and servicing of portable fire extinguishers.	N/A	N/A	N/A	1	LS	Estimate	$1,200.00
ACCESSIBILITY/COMPLIANCE										
39	G.01	55 & 56	Provide improved informational and directional signage with International Symbol of Accessibility (ISA) in more prominent locations at vehicular entries to inform drivers of "van accessible" disabled-access parking spaces.	-	-	-	1	LS	Estimate	$2,500.00
40	G.02	60 - 63	Provide additional site and directional signage with ISA to inform pedestrians on location of accessible entrance to building.	-	-	-	1	LS	Estimate	$1,500.00
41	G.02	68	Replace common area doors fitted with knob-type hardware with lever-type hardware and provide automatic door openers where common area doors lack 18" clearance on pull-side of door and 12" clearance on push-side of door.	-	-	-	1	LS	Estimate	$17,500.00
42	G.03	44 - 46, 75 - 78	Perform minor relocation of some plumbing fixtures (e.g. lavatories, toilets and urinals) and toilet accessories (e.g. toilet paper, seat cover, paper towel and soap dispensers) to comply with ADA/CBC accessibility requirements.	-	-	-	1	LS	Estimate	$25,000.00

ABBREVIATIONS:
LS = Lump Sum Allowance
EA = Each
SF = Square Foot
RUL = Remaining Useful Life
EFF AGE = Effective Age
UNK = Unknown
V = Various
EUL = Expected Useful Life
N/A = Not Applicable or Not Assessable

TOTAL IMMEDIATE NEEDS COSTS $55,850

Sub-Total
2.5% Inflation Factor per Year
Inflation Amount
Total with Inflation

TOTAL ANNUAL RESERVES $4,866,201

TOTAL MODERNIZATION COSTS (Optional) $1,489,400