



Investment Property Sales

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October 30, 2018

Jeffrey T. Andrew

Director/Principal

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Mrs. Kay Meek, President
Mr. Tom Burke, Chancellor
Kern Community College District (KCCD)
Dr. Sonya Christian, President
Bakersfield Junior College (BC)
2100 Chester Ave.
Bakersfield, CA. 93301

Re: Southwest BC Campus
Review and Analysis

Dear Mrs. Meek, Dr. Christian and Mr. Burke:

In a further effort to help the KCCD Board approve a site to lease for their proposed BC Southwest Campus, our office as the exclusive commercial real estate representative, was requested to provide a review of potential building sites to be considered for a Southwest BC Campus. To ensure we were looking at a market driven competitive analysis, we presented letters to property owners in southwest Bakersfield who had not shown an interest in a build to suit lease to date or where unaware of the requirement. We sent letters to property owners who had approximately 6 acres of land, that was currently properly zoned for the development of Commercial Office buildings and had on and offsite improvements to the site that would be able to meet the expedited time frame the District needed to meet enrollment needs for 2020. Below is a list of the additional locations we solicited for a possible build to suit that had not already submitted a site:

Northwest Corner of Coffee Road and Brimhall Road
Northwest Corner of Stockdale Hwy. and Coffee Road
Intersection of Howell Dr. and Shanley Crt.
Southeast Corner of Stockdale Hwy. and Buena Vista Road
Northwest Corner of Stockdale Hwy. and Jewetta Road
South east Corner of Ming Ave. and Allen Road

All the property owners for the above referenced properties were not interested or not able to respond to a build to suit Request for Proposal on behalf of the Kern Community College District. Based on the above properties passing on the opportunity, it left two possible sites for consideration that consequently were the two party's who submitted proposals to the District already. Those two sites are:

The site on Camino Media from developer Greg Bynum
The Seven Oaks site from developer Bolthouse Properties

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The objective of my review will be trying to compare the monetary considerations of both projects as best as possible from an “apples to apples” consideration and if there are distinct differences, to point those out as well. Monetary considerations are usually straight forward comparisons and may include: Base Rent and annual increases; building and land costs; annual expense obligations; the cost and responsibility for finished tenant improvements; maintenance and repair obligations, among other things. The most significant goal for our analysis is to attempt to compare the different offerings confirming necessary adjustments have been made between the respective properties compared to assure a level playing field. There are a few differences between the projects that I will discuss further later in this analysis, but I want to first compare the items that are similar.

- Land –** Both properties are offering approximately 5.5 acres of land
- Parking –** Both projects offer the City of Bakersfield code requirements of a minimum 8/1000 square foot parking ratio
- Elevators -** Both buildings are offering two elevators
- HVAC -** Both buildings will provide the engineered specified HVAC tonnage required for the square footage and load factors for classroom occupancy mounted on the roof in the shell building cost. All drops and ducting will be part of the Tenant Improvements
- Floors -** The floors in each building will be concrete poured in place
- Bathrooms -** Bathrooms will be built according to school/classroom student population occupancy and included in the shell core costs
- Tenant Improvements-** Both properties are offering a \$40 per square foot interior build out tenant improvement allowance based on the rentable square footage
- Efficiency -** The buildings will be constructed to meet the minimum energy efficiency for California Compliance
- Field Act -** Neither property will be constructed per the Field Act
- Base Building -** Both projects building shells are designed to meet Category 2 occupancy load requirements
- ADA Compliance -** Both buildings are designed to meet the Americans with Disability Act regulatory requirements
- Wages -** Both properties will be constructed paying prevailing wages
- Expenses -** Both developers are proposing a triple net (NNN) lease where tenants pay the operating expenses for the property
- Term -** Both are proposing a 20-year lease term

Rental Rate

Increases - The Bolthouse offer specifies 4.5% rental rate increases implemented every other year. The Bynum offer has been revised to a lower number that is now equal to Bolthouse at 4.5% increases every other year.

Broker

Commissions - Both developers have agreed in their numbers to pay a Standard market rate broker commission as part of the transaction

The above shows the most relevant construction and development issues that are basically the same for both properties under consideration. There are other monetary issues that are not the same which makes an “apples to apples” comparison a little difficult. Some of the below items may not seem that relevant but some of the items are considerably more expensive and costlier to construct and combined they can provide more attractive buildings for the occupant, may be better for the environment and can ultimately save the tenant considerable money over time on utilities. Below are some of the differences between the sites:

Rental Rate - The Bynum project has reduced their rental rate to \$2.19 per foot per month for the first year of the lease term. This rate included the solar panels and the LEED Silver Design. Bynum has revised his number to have the Tenant only pay shell rent prior to occupying the last floor of space and using the \$40 per square foot allowance. Bynum will only charge \$1.94 per square foot for the space which is not occupied and has not used the allowance. This is anticipated in his proposal to be the first two years.

The new Bolthouse proposal has an updated rental rate of \$1.79 per square foot per month for the first year of the lease term. This rental rate does not include LEED Silver Design, but the developer has offered to increase their rental rate by \$.03 per foot per month to add Silver Certification costs into their design if desired by the Tenant. Bolthouse has agreed to only charge for the building shell costs for space not occupied by the Tenant and for which no improvement allowance has been spent. Their revised number is \$1.60 per square foot for that space.

Base Building

Shell Design - Both developers were asked to provide cost for base building designed to meet Category 2 standards. There may be a need based on occupancy loads to increase the base building shell designs to Category 3 standards. Therefore, both developers were asked to submit an increase to their monthly rental rate for upgrading to Category 3 standards.

Bynum’s offer increases the rental rate by an additional \$.20 per square foot per month if he is required to upgrade to Category 3 standards.

Bolthouse’s offer has a monthly rental rate increase of \$.02 per square foot per month for upgrading the building to Category 3 standards.

I have heard that upgrading to a category 3 standard can increase construction costs by 20%-30%. I feel I will need to investigate this further with a license engineer that is not

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involved with either project to get a better comfort level with this issue. The \$.02 per foot increase from Bolthouse seems to be too low but I want to verify the cost with an outside third party. There is a real possibility the build will need to be upgraded to Category 3 standards.

Elevators - The Bynum project has proposed two - Gear Traction Elevators which are higher efficiency and provide faster speeds for shorter ride times between floors than standard hydraulic elevators as proposed by Bolthouse.

Efficiency - The Bynum project has been designed and will be built as a Silver LEED Certified energy efficient building. The energy efficiency is costlier in the beginning to construct but will save the tenant considerable money in the long run on utility expenses. Bolthouse is not proposing a LEED certified building. Bolthouse project will consider an upgrade to LEED Silver Compliance for an increased rental rate of \$.03 per foot per month.

Solar - Bynum has proposed in his pricing solar panels for the project to help with the LEED Silver Certification. This will also be costly in the beginning but will save money in the long run on utilities. Bolthouse has no solar panels.

Electronic Car

Charging - Bynum has verbally proposed to have several electronic car charging stations and electronic vehicle parking spaces in his project. Although it is not stated in his proposal. Bolthouse has not mentioned having these amenities which are better for the environment and smarter for the future commuters.

Timing - This is the most important issue for the KCCD to consider in this process based on trying to keep constant enrollment with the Southwest BC campus. This is a concern based on the complaints with the current landlord and surrounding property owners at the location for parking compliance and other issues. Bynum's development being on leased ground as part of the State University System does not have to go through the City of Bakersfield Planning or Building Departments for approval which saves considerable time. In addition, Bynum had another potential tenant that was considering his development and therefore already got his building plans approved by the State Architecture Committee. Having a building designed and plans ready for construction with governmental approval means he can start construction right away. Although he may be delayed slightly if he is required to upgrade to Category 3. With a lease signed by December 1, 2018, Bynum has an expected occupancy date of January 2020. This would allow for a smooth transition for the Spring 2020 semester.

Bolthouse has said upon acknowledgement that they are the winning bidder or preferred candidate, they will then hire an architect to cooperate with KCCD to cooperate in a specific building design and submit the plans once completed to the City of Bakersfield and work on a fast tract program. Without a specific building having already been designed and without starting the project to date, plan approval would typically be a minimum 6-month project. The first proposal from Bolthouse discusses a 14-16-month construction time from receipt of a building permit. They have revised their number to 12-14 months from receipt of a building permit. They have said they

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may be able to meet a January 2020 time frame for occupancy using their best commercially reasonable efforts. It typically takes a minimum of 6 months do design and permit a building therefore this timing seems highly doubtful in my professional opinion based on experience.

As you can see there are many items discussed above where the projects are similar and although the rental rate and other costs may look slightly more expensive in the Bynum project, some of the other energy efficiencies can help offset the costs over time. The most important issue appears to be Bynum's project is most likely 6 months closer to being ready for occupancy based on have plans completed and permitted.

Please let me know if you have questions or comments regarding my analysis of these project as it relates to the Kern Community College Districts desire to move forward with a southwest Bakersfield campus.

Sincerely,

Cushman & Wakefield Pacific

A handwritten signature in blue ink, appearing to read 'J. Andrew', written over a faint circular stamp.

Jeffrey T. Andrew
Senior Director/Principal