

Department of General Services**Long-Term Ground Lease of Underutilized State Real Property**

Government Code Section 11011.2 authorizes the director of the Department of General Services to lease real property under the jurisdiction of a state agency, department, or district agricultural association that the director determines is not needed for immediate state use, but may have potential future use to meet state programmatic needs.

A lease entered into pursuant to this section shall be at fair market value and for a lease term and under conditions that the director determines to be in the best interest of the state, and the lease revenue shall be deposited into the General Fund.

On or before June 30 of each year, the Department of General Services shall report to each house of the Legislature new leases that exceed a period of five years that are entered into pursuant to this section.

The following information describes the lease negotiated by the Department of General Services.

Long-Term Development Ground Lease: California Institution for Men - Chino

Property: Approximately 156 acres located at the California Institution for Men-Chino in San Bernardino County

Lessee: Majestic Realty

Lease term: 60 years

Lease payments: Participation lease whereby the state will receive 50 percent of net lease revenue after debt service and repayment of the lessee's equity contribution. The state's share of the revenue has been projected at approximately \$500,000 to \$1 million per year. Current forecast indicates that the state will begin receiving positive cash flow in year five of the lease. The lease was executed by the Department of General Services on February 4, 2014.

Use of property: A "to be built" industrial/distribution facility contained in three buildings totaling approximately 3 million square feet of space, will be operated as a for-profit private-sector distribution center. Construction is estimated to begin in the fall of 2014 with stabilized occupancy to occur in 2016.