



179 Cross Street, Suite A
San Luis Obispo, CA 93401
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Public Comments for December 8, 2021 RTA Board of Directors Meeting

Below are comments received verbatim if by email, or summarized if verbally provided by telephone. Note that the sender's email address has been redacted. These comments will be posted on the RTA website as soon as possible. Any additional comments received after December 7th at 3PM, will be read aloud at the teleconference meeting.

Comments received as of December 7, 2021 10:00 AM:

From: Ric Paul <**REDACTED**>

Sent: Monday, December 6, 2021 at 4:41:07 PM PST

Subject: **Public Comment**

"Attached please find correspondence I am submitting for both the RTA Board Meeting and RTA Executive Committee meeting to be held on December 8, 2021. Thank you for making sure this document is entered formally into each meeting.

For the RTA Board Meeting this correspondence is addressing the Closed Session Items – Conference with Real Property Negotiator. If it can be entered specifically for that portion of the meeting that is fine, if not please present it for Public Comment.

For the RTA Executive Committee hearing, please present it as part of item 3a. and item 7a.; or Public Comment.

Can you please send me an email confirming receipt of this letter and letting me know how it has been handled/presented at each meeting. Also, do you require that I mail a hard copy / original of this to your office or is this email transmittal acceptable?

Thank you.

Ric Paul"

The Regional Transit Authority is a Joint Powers Agency serving residents and visitors of:

Arroyo Grande Atascadero Grover Beach Morro Bay Paso Robles Pismo Beach San Luis Obispo and The County of San Luis Obispo

Cross Street 179, LLC
c/o: RSPaul Company, Inc.
1432 Higuera Street, Ste. D
San Luis Obispo, CA 93401

December 6, 2021

Honorable Members of the SLO RTA Board
c/o: Mary Gardner, Manager, Marketing & Community Relations
SLO Regional Transit Authority
179 Cross Street
San Luis Obispo, CA 93401

Re: Restoration of 179 Cross Street by SLO Regional Transit Authority Upon Lease Expiration

Dear Honorable Board Members,

I have enjoyed the opportunity to be the RTA's landlord for 15+ years at 179 Cross Street and I look forward to a successful conclusion to that relationship. I am writing in an effort to make that happen in a way that is transparent and fair to both parties.

Pursuant to the terms of the Lease executed by the SLO Regional Transit Authority ("RTA") for the bus storage, repair, operations, training, and administrative office facility located at 179 Cross Street in San Luis Obispo, the RTA is obligated to remove all the modifications it made to the property, fix any resulting damage, and restore the property to the condition in which it was provided at the commencement of the Lease. If the work is not completed by February 28, 2022, then RTA's financial obligations under the Lease continue and the Base Rent increases to 125% for 3 months and then to 150%. In addition to Base Rent owed, RTA would be responsible for paying all expenses for the operation and maintenance of the property. I don't think any of that is in dispute.

I understand the RTA has engaged well-respected construction companies to provide cost estimates and plans necessary for the restoration work. I am told that initial reports and estimates of the cost of the restoration work came in at \$1.363MM. I have also been told that initial estimates suggest that it would take 8 months from authorization to complete the restoration work. I asked for a copy of these reports, but my request was denied several times. The RTA made a "take it or leave it" offer to pay \$1.3MM in exchange for being excused from its restoration and repair obligations upon the expiration of the Lease on February 28, 2022. I don't think any of that is in dispute.

If (i) the RTA authorizes the commencement of the work today, at this meeting, (ii) its contractors begin work tomorrow and are not delayed by the pending holidays or for any other reason, and (iii) the 8-month estimated schedule is met, then the work would be completed on August 8, 2022. That would obligate the RTA to pay (a) the cost of the work, plus (b) total holdover rent of \$314,122.89 for the period following February 28, 2022, until the work is completed, which is summarized in the chart below. I don't think any of that is in dispute.

Period	Base Rent	Additional Rent***	Total Rent
March 1-31, 2022*	\$46,520.19	\$9,119.13	\$ 55,639.32
April 1-30, 2022*	46,520.19	9,119.13	55,639.32
May 1-31, 2022*	46,520.19	9,119.13	55,639.32
June 1-30, 2022**	55,824.23	9,119.13	64,943.36
July 1-31, 2022**	55,824.23	9,119.13	64,943.36
August 1-8, 2022**	14,886.46	2,431.77	17,318.23
Total			314,122.89

*Base Rent is increased to 125% during this period.

**Base Rent is increased to 150% during this period.

***This could vary slightly depending upon actual property taxes, insurance costs, and other operating expenses, so it has been estimated based on current operating expenses charged at neighboring buildings but adjusted for actual property taxes paid for the property.

Based upon (i) my direct development experience, (ii) having developed this building, and having watched the RTA as it made its initial improvements to this building (which delayed RTA's move in for more than two years from when it was delivered), (iii) currently processing permits for four new buildings of similar metal frame design in the City of San Luis Obispo for construction, and (iv) reviewing the timelines of the RTA new building under construction on Prado Road, I am confident that it will take much longer than eight months from today to complete the property restoration. My current projects under review at the City of San Luis Obispo have all experienced plan review delays well in excess of 2 months for each and every review.

For each month of delay completing the work, the RTA will incur approximately \$65,000 of additional expense for its financial obligations under the Lease. Delays in the work typically involve other added costs as well, such as increased general conditions paid to the contractor. In addition, the projected cost of the work is, almost certainly, not being guaranteed by the RTA's contractors, so it could easily be exceeded if the scope is incomplete, unforeseen conditions are encountered, or more extensive work is required to repair the damage resulting from the restoration (such as replacing roof and siding panels rather than patching the various roof and siding penetrations to preserve the building warranties). I believe that various restoration items also may have been overlooked, examples of which are: (a) replacing the materials we provided (which are described in the Lease) and that the RTA used to build the second floor space, (b) replacing storefront window systems with the sectional/rollup doors, (c) properly restoring building points of ingress/egress to their original size, and (d) replacing the parking lot that RTA removed from the front of the building.

If the RTA's estimated cost of the work (\$1.363MM), and the RTA's projected 8-month schedule for completing the work (which results in an occupancy cost of \$314,123 under the Lease), are correct, then the RTA will incur total costs of at least \$1,677,123 to comply with its restoration obligations. It would seem logical that the RTA would be willing to pay that amount to avoid the risk, uncertainty, and staff time that the restoration process would involve; however, instead, the RTA offered \$1.3MM to be excused from its restoration obligations, which is considerably less than its expected total expenses. That is unreasonable and, coupled with the RTA's refusal to share the reports that are the basis for the offer, it is not transparent.

Late on the afternoon of Wednesday, December 1, 2021, I received a request from the RTA to sign a permit authorizing demolition at the building. The one-page application included the following description of the scope of work: "Complete Demolition of Existing Tenant Improvements to Original Condition". I was asked to sign and return the permit less than 2 days later, before noon on Friday, December 3, 2021, even though the requestor acknowledged that RTA Board had not yet even

authorized the work. When, within several hours, I replied that the request failed to comply with the terms of the Lease because, among other things, it (a) was much too vague, (b) did not include any plans (as required, so I could properly evaluate the request), (c) did not identify the contractor (as required, for my approval), and (d) did not include an estimated cost (as required, so I could decide whether to require a bond), I was accused of delaying the RTA's work and told that the RTA could select whichever contractor it liked and was not obligated to provide a bond. The Lease clearly indicates otherwise.

On Monday, December 6, 2021, I was provided with so called "plan" for the demolition, which, upon preliminary review, seem to be simply the plans from the RTA's modifications to the original shell building, with perfunctory notes indicating that the changes should be removed. We are currently reviewing the plans and will have more detailed comments later; however, you should assume that the current plans are woefully inadequate. Examples of the inadequacy include (1) the removal of the elevator does not address the many resulting issues, such as repairing the hole in the roof and the hole in the floor that were made in connection with installing the elevator, (2) there is no provision for testing the surroundings for contamination in connection with the removal of oil/water separators, elevator plunger, and oil storage facilities, installed by RTA, (3) there is no provision for the removal of storm water treatment facilities installed within the parking area, (4) there is no provision for replacement of storefront glass systems with sectional doors, as originally existed, (5) no structural engineering plans were provided, (6) no mechanical engineering plans and details were provided, (7) the replacement of mezzanine materials provided to RTA was not addressed, (8) the plans appear to include demolition of a portion of a neighboring property owner's parking lot, and (9) there is no provision for returning the parking lot area to the original grades. Incidentally, pursuant to the terms of the Lease, the costs that I must incur to hire architects, engineers, and other consultants to review RTA's plans must be reimbursed by RTA.

This is not a good way to start a complicated process and augurs ill.

Unless RTA can obtain an ironclad commitment from its contractors for the total cost and duration of the restoration work, then RTA will be taking a significant financial risk and it will be using valuable staff time to supervise the restoration process.

In an effort to resolve this matter amicably and to fix the RTA's total liability in this matter, I would be willing to accept a payment of \$2MM in exchange for excusing the RTA's restoration obligations under the Lease provided that we reach agreement promptly on a definitive agreement and the timing of the payment (which should be made soon, but, in any event, before the scheduled Lease termination date of February 28, 2022).

Again, I would like to complete our relationship with the RTA fairly and transparently. Thank you.

We reserve all our rights with respect to this matter.

Sincerely,


Richard H. Paul, Jr., President
RSPaul Company, Inc.
Its: Manager