



METROPOLITAN
TRANSPORTATION
COMMISSION

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Memorandum

TO: MTC Commission

DATE: January 20, 2011

FR: Executive Director

W. I. 1153

RE: Contract: Commercial Real Estate Broker Services – CB Richard Ellis

Staff seeks the Commission's approval to negotiate and enter into a contract with CB Richard Ellis (CBRE) of San Francisco, CA to provide real estate brokerage services for the acquisition of office building/space for a regional government headquarter facility to co-locate the MTC, the Bay Area Air Quality Management District and the Association of Bay Area Governments (collectively, Agencies) or any subset of the three Agencies. Compensation, in the form of a commission paid by the seller, is fully contingent upon the close of escrow services assuming each respective board of the Agencies ultimately approves a real estate transaction to relocate.

Background

The Air District, on behalf of the Agencies, initially contracted with CB Richard Ellis (CBRE) for Tenant Advisory Services to develop a strategy for a potential three-agency regional facility. CBRE's work included an analysis of each agency's existing facilities, operational requirements, sustainability and environmental objectives, and financial objectives. Preliminary real estate criteria were developed and tested in the Oakland and San Francisco real estate markets to examine the feasibility of the proposed strategy.

MTC, Air District and ABAG governing boards authorized staff to proceed with the next phase of the strategic facility project, with MTC as the lead agency. This work involves selecting a broker to represent the Agencies in the search for properties in the Oakland and San Francisco markets that meet the co-location strategy requirements. The site alternatives will be presented to each of the governing boards for their review, direction and approval to proceed with the next steps, including but not limited to real estate negotiations with one or more property owners. The scope of work is summarized in Attachment A.

Request for Proposal was issued On December 3, 2010. MTC received seven (7) responses to the RFP from Carpenter/Robbins Commercial Real Estate Services, Jones Lang LaSalle, CB Richard Ellis, Cushman Wakefield, CM Commercial, The CAC Group, and Cornish and Carey. The proposals were reviewed by an evaluation panel consisting of representatives from the three agencies, based on the following criteria: 1) understanding and approach to performing the scope of work, 2) compensation schedule including commission rate and other applicable fees, 3) technical expertise, size and structure of the Broker and personnel assigned, and 4) past experience of the firm and, in particular, experience of the team working on projects of similar scope.

Based on the evaluation of the written responses, the panel conducted in-person, in-depth interviews with five of the seven firms, narrowing the final list to two (2) firms (Cushman Wakefield and CBRE). After a second round of interviews and comparative evaluation against the selection criteria, the panel recommends a contract with CBRE. The CBRE team brings extensive in-house experience buying and selling real estate assets for complex tenant transactions including developing and executing strategic facility plans in the public sector. CBRE's comprehensive approach includes a consensus building process to ensure that all stakeholders and decision-makers are well informed, and reviewing the Agencies' approval processes and timelines in order to meet critical deadlines. The team also has experience working on several similar projects, both in size (minimum 150,000 square feet) and in support of multi-tenant co-location strategies. The team demonstrated local market expertise, capital markets knowledge, financial and investment analysis, and transaction negotiations experience sufficient for this project. Finally, the CBRE in-house team has the expertise to complete the required due diligence work including comparisons of building efficiency and conditions, acquisitions and occupancy costs, sustainability and other "green" building issues.

Recommendation

Staff recommends that the Commission authorize the Executive Director or his designee to negotiate and enter into a contract with CB Richard Ellis to provide commercial real estate services, with compensation in the form of a commission paid by the seller and fully contingent upon the close of escrow services. Additionally, the contract will include optional services to be separately paid for by each agency if such agency elects in its sole discretion to use services for: 1) project management, and 2) disposition of existing assets, should a real estate transaction be approved.

This project will require assistance from third-party contractors for specialized due diligence work on behalf of the Agencies, including but not limited to architectural services (i.e. space programming and schematic design), LEED certification requirements, detailed facility and equipment inspections, seismic/ADA and environmental analysis, and investment and transaction structuring. Staff will conduct a separate procurement process for these services, as needed.

Next Steps

Following Commission authorization, we will establish the project core team including finance, legal, and executive management staff from all three agencies. This team will work with CBRE to confirm the tasks and timeline, confirm the office space and location requirements, and conduct the initial market research in Oakland and San Francisco based on these requirements. Staff expects to provide an update to all three agency Boards in April.

Steve Heminger

SH:TG

Attachments

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REQUEST FOR COMMISSION APPROVAL

Summary of Proposed Consultant Contract

Work Item No.: 1153

Consultant: CB Richard Ellis, San Francisco, CA

Project Title: Commercial Real Estate Broker Services

Purpose of Project: To assist with the site search and selection of a co-location facility for MTC, ABAG and the Air District.

Brief Scope of Work: To provide real estate services including market research, due diligence, negotiations, transaction and escrow services, as well as optional services for project management and disposition of existing assets. (See Attachment A)

Project Cost Not to Exceed: Commission, if applicable, to be paid by seller, is fully contingent upon close of escrow.

Funding Source: No impact

Fiscal Impact: No impact

Motion by Commission: That the Executive Director or his designee is authorized to negotiate and enter into a contract with CB Richard Ellis to provide commercial real estate services. Broker commission, to be paid by the seller, is fully contingent upon the close of escrow.

Commission:

Scott Haggerty, Chair

Approved: Date: January 26, 2011

Attachment A
Proposed Real Estate Brokerage Services

1. Confirm Real Estate Requirements: Review existing studies and documentation and re-confirm the Agencies major real estate assumptions and requirements that will be incorporated into the site search and selection task.
2. Develop Marketing Materials: Prepare draft marketing materials to solicit building owners and developers interested in selling and/or leasing an office building located in the Oakland and San Francisco markets. The materials shall specify minimum building program requirements, including, but not limited to, location criteria, total floor area, optimum floor plate size, special operational features and requirements, schedule for completion and financial requirements. Broker will conduct any pre-proposal conferences and will be responsible for responding to all inquiries.
3. Site Search and Site Selection: Market real estate opportunity to brokers and other resources with property listings in the Oakland and San Francisco markets. Receive and conduct initial assessment of all responses including, but not limited to, building specifications, design and construction, evaluate for seismic retrofit, ADA compliance and sustainability measures, public transportation requirement, fire life/safety regulations. Coordinate and conduct site tours for Agency staff.
4. Proposal Evaluation/Short List Recommendation: Broker will review and evaluate all submitted proposals and conduct due diligence to confirm the merits of any proposal received. Broker will confirm all costs associated with acquiring each building under consideration; determine amount of improvement necessary and costs associated with having buildings in move in condition; prepare property valuation estimates; prepare project-specific financial and acquisition analysis. Broker will identify and recommend a short-list of options for review by the Agencies.
5. Board Presentations/Approval to Proceed: Review of short-list will involve multiple presentations to each agency's executive staff and governing boards for consideration before proceeding with any real estate property negotiations.
6. Negotiations: Upon approval to proceed, Broker will develop, present and obtain pre-approval of the real estate negotiation strategies and principles by the MTC Project Manager and/or her designee. Conduct negotiations to secure the best possible real estate transaction with maximum incentives and concessions consistent with professional ethics and the market conditions. Broker must provide written documentation of the negotiation process, terms of agreements, Letters of Intent, etc.
7. Final Recommendation: Broker will present the terms and conditions for the recommended final option for review and approval and will involve multiple presentations to each participating agency's executive staff and governing boards for consideration.
8. Escrow / Documentation: Broker will prepare and/or coordinate the completion of required documentation to finalize the approved real estate transaction.

Optional Services:

At their sole option, each individual Agency may utilize the selected Broker to provide the following services under separately negotiated agreements:

1. Project Management Services: Broker may be requested to oversee, coordinate and monitor, on behalf of the Agencies, efforts to relocate the Agencies into the new space. Services shall include, but not limited to, architecture/engineering, programming, construction management, move/relocation management services.
2. Disposition of Current Facilities: Broker may be requested to coordinate the disposition of the existing facilities currently owned by MTC, Air District and ABAG.

Each agency may enter into a sale or long-term lease for the headquarter building currently occupied by the agency in conjunction with purchase or lease of a new headquarters property:

- The Air District may sell or lease its current headquarters building located at 939 Ellis Street in the City of San Francisco.
- MTC and ABAG may sell or lease its current headquarters building or proportionate ownership thereof located at 101 Eighth Street in the City of Oakland.