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Memorandum

TO: Bay Area Headquarters Authority

DATE: April 18, 2012

FR: Executive Director

RE: Contract: 390 Main Street – Leasing Agent and Property Management Services: Cushman & Wakefield of California, Inc. (\$1,000,000)

Staff seeks BAHA approval to negotiate and enter into a contract with Cushman & Wakefield of California, Inc., for leasing agent and property management services for the new Regional Agency Headquarters Facility, located at 390 Main Street, San Francisco. The report below includes background on the procurement process.

Background

BAHA purchased the building in September 2011 with one existing tenant leasing 33,000 square feet of space. Property management services are currently provided by Amerimar Main Street Management Co., Inc. (the former building owner) under a sole source contract. These services include the collection of lease payments, management of all operational services and contracts (i.e. facilities, security, janitorial) and preparation of monthly accounting reports. Amerimar's contract expires on June 30, 2012.

BAHA has taken an integrated and collaborative team approach to develop 390 Main Street from the design, construction, owner-occupied and tenant/leasing perspectives. The team currently consists of Perkins + Will (architect and engineer), McCarthy Building Companies, Inc. (construction contractor), the related sub-contractors, and agency executive management, and will include the selected leasing agent and property management firm.

Proposed Scope of Work and Contract Term

The selected firm will work with the team to design and implement an appropriate strategy for the development, leasing, occupancy and subsequent property management services. Tasks include, but are not limited to:

Task 1: Leasing Services

- Work with BAHA to create a 390 Main Street Master Plan consistent with the long-term strategy and vision of the property and its compatible uses, including non-agency and common areas.
- Develop a marketing strategy, budget and schedule for attracting and maintaining tenants.

- Serve as BAHA's real estate broker in the development, negotiation and implementation of competitive leases for retail and commercial occupancy and for addressing prospective tenant requests including improvements, build out and other tenant issues.

Task 2: Property Management

- Serve as the building liaison between owner and tenants; maintain and enforce agreements and other building regulations.
- Maintain building equipment and systems including preventive maintenance, routine repairs and capital improvements.
- Work with BAHA's insurance brokers to provide an on-going assessment to reduce owner risk and liability.
- Develop and coordinate emergency preparedness procedures to ensure the readiness of building occupants during an emergency.

Task 3: Financial Management

- Provide complete financial accounting for the property including developing and maintaining operating and capital budgets and financial reports.
- Collect and account for all revenues received including rents, deposits and other related financial agreements.

Task 4: Disposition of Current Facilities (101 – 8th Street)

- Under a separate MTC contract agreement, the selected firm may be requested, at BAHA's option, to provide real estate brokerage or property management services in the disposition of the existing facilities currently owned by MTC located at the Joseph P. Bort MetroCenter building at 101 Eighth Street, Oakland, CA.

The initial contract will commence May 1, 2012 to allow for an immediate transition period between the property management firms and continue through June 30, 2017, subject to adoption of the annual operating budget. At BAHA's sole option, the contract may be extended for two additional five (5)-year terms.

Procurement Process

On March 9, 2012, BAHA issued a Request for Qualifications (RFQ) inviting firms to submit a Statement of Qualifications (SOQ) for Leasing Agent and Property Management Services at 390 Main Street. The RFQ was posted on MTC's website, emailed to 92 individuals, and advertised in the March 16th edition of the SF Business Times. A proposer's conference was held on March 16th and attended by 18 individuals, representing 7 firms. Based on this meeting, an addendum and Q&A were issued to these attendees and posted on MTC's website.

Minimum Qualifications

Staff received SOQs from three firms, all of which met the following minimum qualifications:

- At least ten (10) years experience acting as an owner’s representative relating to building development, marketing, leasing and property management with emphasis in the San Francisco Bay Area;
- Annual revenue of at least \$100 million over the past two (2) years;
- At least 3.5 million square feet of office space currently under active property management by the Proposer;
- Experience as an equity owner in commercial office property of 350,000 square feet or larger;
- Experience developing property for lease and occupancy to mixed-use tenants such as government agencies (local/state/federal) and private entities;
- Proposed team capable of meeting the Preliminary Scope of Work, outlined in *Appendix A* of the SOQ;
- A principal office located in the nine-county San Francisco Bay Area; and
- Experience as a full service licensed real estate broker in the State of California.

Evaluation Factors

SOQs were scored and ranked based on a total of 100 points utilizing the following evaluation factors included in the RFQ and listed in descending order of relative importance:

- Firm and proposed staff experience and expertise with particular knowledge of the San Francisco Bay Area real estate market.
- Individual and team expertise and experience of proposed staff that demonstrates the qualifications needed to successfully carry out the project as described in the Preliminary Scope of Work.
- Written and oral communication skills, based on submitted SOQ and interview.

The evaluation panel consisted of five scoring members: Teri Green, Brian Mayhew, Susan Woo and Stephen Wolf representing BAHA, along with Mary Ann Okpalaugo of the Bay Area Air Quality Management District. Interviews were held with the three firms on April 10th and 17th. Each firm had 45 minutes to make a formal presentation of their firm/team’s qualifications and expertise and 45 minutes to answer panel questions.

The panel ranked the three firms as follows:

Firm	Average Total Score (0-100)
Cushman Wakefield of California, Inc.	88
Cornish and Carey Commercial Newmark Knight Frank	71
CB Richard Ellis	68

Based on its evaluation, the panel recommends that Cushman & Wakefield of California, Inc. (C&W), the top-ranked firm, be selected for award. While the other two firms have demonstrated past experience working on similar projects such as 390 Main Street, the panel concluded that C&W excelled because its proposed team's prior adaptive reuse experience aligned with BAHA's vision to reposition 390 Main Street uniquely as a public owner-occupied asset. Also, C&W conveyed their understanding of the complexity of balancing BAHA's fiduciary responsibilities to protect this public asset through a long-term strategy of maximizing income potential with tenants that are most compatible with BAHA's mission and vision.

In addition C&W's experience with the San Francisco Bay Area real estate market is particularly strong. C&W, which was founded in 1917, opened its first Bay Area office in San Francisco in 1967. Their core businesses are integrated asset and property management, development and redevelopment, marketing, and leasing services. In Northern California, C&W currently manages properties/facilities totaling more than 34 million square feet (SF), represents owners/landlords in more than 36.6 million SF, and has over 30 properties in active property management in San Francisco. They also provide "for-hire" ownership and management services for approximately 20 commercial office buildings of over 350,000 SF, with 8 located in downtown San Francisco. Several team members have been owners or equity partners. The proposed team leader currently oversees a Class A portfolio totaling 5.4 million SF, all buildings which are over 250,000 SF.

Recommendation

Staff recommends that BAHA authorize the Executive Director or his designee to negotiate and enter into a contract with C&W for leasing agent and property management services commencing May 1, 2012, to allow for an immediate transition between property management firms, and continue through June 30, 2017 subject to adoption of BAHA's annual operating budget, and at BAHA's sole option, to allow an extension for two additional five (5) year terms.

Staff also recommends approval of initial funding for a not to exceed amount of \$1,000,000 for the contract period from May 1, 2012 to June 30, 2013, as follows:

Leasing	\$500,000
Property Management	\$300,000
Marketing	<u>\$200,000</u>
Total Budget	\$1,000,000

The total budget excludes broker commissions, fees and other incentives normally included in the negotiated lease transaction, and paid by the tenant.



Steve Heminger

SH:tg

Attachments

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REQUEST FOR AUTHORITY APPROVAL

Summary of Proposed Consultant Contract

Consultant: Cushman & Wakefield of California, Inc. (San Francisco)

Work Project Title: 390 Main Street Leasing Agent and Property Management Services

Purpose of Project: Provide leasing agent and property management services for the development and operational support.

Brief Scope of Work: Provide leasing and marketing services, property management services, and financial management services.

Project Cost Not to Exceed: Funding of the initial contract NTE \$1,000,000 is available in the FY 2011-12 project budget

Funding Source: BAHA Project Funds

Fiscal Impact: Project costs are consistent with funds budgeted for the program, with funding available in FY 2011-12 project budget, and subject to adoption of the annual BAHA operating budget in subsequent years.

Motion by Committee: That the Executive Director or his designee is authorized to negotiate and enter into a contract with Cushman & Wakefield of California, Inc. for leasing agent and property management services commencing May 1, 2012, to allow for a transition between property management firms, and continue through June 30, 2017, subject to adoption of BAHA's annual operating budget; and at BAHA's sole option to allow an extension for two additional five (5) year terms; and the Treasurer and Auditor is directed to set aside funds in an amount up to \$1,000,000 for the initial contract from the FY 2011-12 project budget.

BAHA Chair:

Adrienne J. Tissier

Approved:

Date: April 25, 2012