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Memorandum

TO: Bay Area Headquarters Authority

DATE: October 17, 2012

FR: Executive Director

W.I. 9130

RE: 390 Main Street Status Report – October 2012

1. Soft Demolition Drawings for Bid

On October 10, 2012, McCarthy Building Companies, Inc., (McCarthy) BAHA's Construction Manager at Risk, posted soft demolition drawings for bid by sub-contractors with bids due November 6. Staff plans to submit for BAHA approval the Guaranteed Maximum Price to complete soft demolition work as an amendment to the contract with McCarthy. BAHA anticipates starting soft demolition in mid-December. The work includes removal of interior finishes, non-structural elements such as partition walls, and the first floor loading docks. The existing tenant's space on the Harrison Street side of the top floor will not be affected by this work; soft demolition will occur in that space after the existing tenant moves out (See Item 5 below).

2. Architectural and Engineering Services Update

Staff expects to present for BAHA the Schematic Design and an associated draft budget at the November 28, 2012 meeting. The budget will be presented again in the December 19th BAHA meeting for approval. The major development since BAHA's July meeting is the incorporation of a new seismic retrofit scheme. The scheme meets the same goal as the previous scheme of Life Safety for the design-level earthquake. Rather than adding interior walls, the new scheme strengthens the existing exterior walls and decreases the seismic loading by removing building mass. The mass reduction strategy is allowing the designers to incorporate an eight-story atrium instead of the three-story atrium presented in July at no additional cost. The design includes MTC, the Air District, and ABAG on five multi-agency floors.

3. Western Laboratory

The proposed retrofit scheme will result in work on all floors and must be completed prior to occupancy by BAHA. As is typical with seismic rehabilitation projects, this work involves significant structural enhancements that require major and extensive demolition work within the entire 390 Main Street Building ("Building") and will generate significant amounts of noise, vibration and debris. BAHA staff commenced initial discussions with Western Laboratory staff in November 2011 about BAHA's purchase of and planned operations in the Building.

There have been on-going discussions regarding proposed mitigation measures and options to relocate from the Building to a seismically safer property or within 390 Main Street upon completion of renovation work on another floor. A September 18th BAHA letter addressed to Administrators Michele Leonhart and Daniel Tangherlini of the General Services Administration (GSA) and Drug Enforcement Administration (DEA) resulted in an October 16th meeting with – and accompanying letter from – the GSA Region 9 Acting Regional Administrator, Ruth Cox.

A copy of both letters is attached. The meeting with Administrator Cox clarified that the DEA intends to vacate 390 Main Street permanently once an adequate replacement laboratory is available for occupancy. She further indicated her desire to complete that relocation well before the DEA lease expires in June 2015. It still remains to be seen whether the DEA can be relocated soon enough (Summer 2013) to avoid delaying our retrofit and renovation schedule.

Staff also is meeting with Perkins + Will, McCarthy, GSA and Western Laboratory staff to develop work-around options since the assumption is now that they will likely still be in the building once construction commences. The schedule and cost estimate are being revised and will be included in the budget presented at the November 28th BAHA meeting.

4. Regional Partner Update

On September 27, 2012, a majority of ABAG's Executive Board voted to adopt a policy, subject to successful negotiation of terms and conditions, whereby ABAG agrees to relocate to 390 Main Street. The policy includes the following principles to guide the negotiations:

- No cost for relocation to ABAG.
- ABAG shall receive tenure security equivalent to its rights at the MetroCenter.
- Building governance shall include ABAG.
- ABAG's space allocation shall have same capacity as MetroCenter
- Relocation of ABAG's space shall be mutual agreement only.
- ABAG's annual costs of occupancy shall be equivalent to ABAG's current annual costs.
- ABAG will be granted reasonable rights to all public spaces, including programming of auditorium.
- Parking for Board Members for meetings.
- Shuttle service for ABAG meetings.
- (Subsidized) building cafeteria to be provided.

I have been in contact with ABAG Executive Director Ezra Rapport to make as much progress as possible on their principles prior to convening a small group of board members from both agencies to finalize a draft agreement.

5. Rincon Hill Neighborhood Update

During the public comment period, Jim Chappell, from MJM Management Group, and a member of the Rincon Hill Community Benefit District Steering Committee, addressed the Authority. Mr. Chappell requested that BAHA consider completing a survey of property owners' level of interest in the creation of a Community Benefit District (CBD) to improve the Rincon and Transbay neighborhoods. The CBD would also focus on measures to deter crime in the neighborhood.

Staff attended a steering committee meeting and is encouraged by the sense of community in Rincon Hill. Staff recommends that BAHA not take a public stance on this issue at this time given the regional nature of MTC and BATA's missions. Staff presented an overview of the 390 Main project, and the attendees were excited about the plans to bring life to the Building. Several participants voiced their interest in BAHA's including a neighborhood market as one of its tenants.

6. State Audit

The Bureau of State Audits released its public report on August 28, 2012. The report was also posted on the MTC website.

7. Leasing Agent/Property Management Services

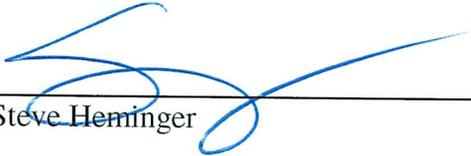
The Request for Qualifications (RFQ) for leasing agent/property management services is scheduled to be reissued the week of October 22nd with anticipated approval by BAHA at the December 19th meeting. Changes to the RFQ included revisions to the minimum qualifications, an option to submit qualifications for either or both services, and a requirement to submit a cost proposal that will be a basis of negotiations with recommended vendor(s).

8. Look Ahead Schedule

November 28 th	Presentation: Schematic Design and Project Budget Update Approval: Soft Demolition Contract Location: 390 Main Street, San Francisco
December 19 th	Approval: Schematic Design and Project Budget Approval: Leasing Agent/Property Manager Location: Metro Center, 101 8 th Street, Oakland

9. Commercial Venture

BAHA received \$5,000 in compensation for the use of 390 Main Street to film a 30 second IBM® commercial, which can be viewed at: <http://tiny.cc/4idzlw>.



Steve Heminger

ADRIENNE J. TISSIER, CHAIR
Chair of MTC and BATA

September 18, 2012

AMY REIN WORTH, VICE CHAIR
Vice Chair of MTC and BATA

TOM BATES
*Vice Chair,
BATA Oversight Committee*

DAVE CORTESE
*Chair,
MTC Administration Committee*

BILL DODD
*Chair,
BATA Oversight Committee*

SCOTT WIENER
*Vice Chair,
MTC Administration Committee*

STEVE HEMINGER
Executive Director

ANN FLEMER
Deputy Executive Director, Policy

ANDREW B. FREMIER
Deputy Executive Director, Operations

Michele Leonhart
Office of the Administrator
Drug Enforcement Administration
8701 Morrissette Drive
Springfield, VA 22152

Daniel M. Tangherlini
Office of the Administrator
U.S. General Services Administration
1800 F Street, NW
Washington, DC 20405

Re: Drug Enforcement Agency - Western Laboratory,
390 Main Street, San Francisco, California

Dear Ms. Leonhart and Mr. Tangherlini:

I am writing you regarding the above referenced property, which is owned by the Bay Area Headquarters Authority ("BAHA"). The property consists of an eight-story office building of approximately 500,000 square feet (the "Building"). Approximately 33,006 square feet of the Building (the "Premises") is leased to the United States of America (the "Government") under the terms of that certain U.S. Government Lease for Real Property dated July 1, 2010 (the "Lease"). The Government is the sole tenant of the Building and is occupying the Premises under the Lease as Western Laboratory. The remaining approximate 472,994 square feet of the Building are vacant.

Under the terms of the Lease, the Building is required to meet the Life Safety Performance Level of the Standards of Seismic Safety for Existing Federally Owned and Leased Buildings and Commentary, issued by the Interagency Committee on Seismic Safety in Construction as ICSSC RP 6 (Attachment A). The Building does not meet those standards and, in fact, is seismically deficient in numerous respects. As a result, the Building's condition poses a significant risk to the sole remaining tenant, Western Laboratory.

When the Government entered into the Lease, it acknowledged that the Building would be renovated and reconfigured, including work related to seismic retrofit. Further, the Lease includes a provision that the Government negotiate in good faith any plans regarding the renovations and possible impacts to the Government's premises.

In order to rehabilitate the Building, BAHA is required by the San Francisco Building Code to seismically retrofit the Building prior to occupancy of the Building. This requirement will result in work on all floors. As is typical with seismic rehabilitation projects, this work involves significant structural enhancements that require major and extensive demolition work within the entire Building. This work will generate significant amounts of noise, vibration and debris. The deficiencies and retrofit scheme are described in Attachment B.

BAHA staff commenced initial discussions with Western Laboratory staff on November 22, 2011 about BAHA's purchase of and planned operations in the Building. After several discussions about our renovation plans, BAHA offered to relocate the Western Laboratory from the Building to a seismically safer property that would be free from any possibility of interference from the seismic rehabilitation work. As indicated in the attached letters from BAHA to Mr. Peter Shteyn, dated May 9, 2012, and June 18, 2012 (Attachments C and D), BAHA engaged Kidder Matthews to identify alternative locations for Western Laboratory. Kidder Matthews identified and presented to Mr. Shteyn twenty-one alternative locations that satisfied the Government's criteria. To date, neither Mr. Shteyn nor any other representative of Western Laboratory or the Government has indicated that Western Laboratory desires or is willing to relocate from the Building to avoid the impacts of the seismic rehabilitation project.

BAHA has also worked with the Western Laboratory to determine the extent to which the work will have an impact on Western Laboratory's operations at the Building. To that end, BAHA engaged contractors to simulate construction work by operating hoe rams, roto hammers and bushing tools on each floor of the building while Western Laboratory's representatives monitored the impact on the operations within the premises. Since that time, BAHA continues to meet with the Government to discuss proposed mitigation measures; however, Western Laboratory believes that the proposed mitigations are not sufficient and the impacts will be negative.

BAHA purchased 390 Main Street as the new regional government agency headquarters which will house the Metropolitan Transportation Commission (MTC), the Bay Area Toll Authority (BATA), the Bay Area Air Quality Management District (Air District) and other regional agencies. MTC has reached capacity in its current headquarters facility, and has no room for staff growth. The Air District has also reached capacity, and occupies a building that is seismically deficient and nearing the end of its useful life. BAHA also expects to generate commercial lease income from space in the Building not immediately needed by the regional government agencies, which only can occur after the Building is suitably renovated. Therefore, BAHA cannot wait until after June 2015 when the existing lease expires to complete the retrofit and renovation of the Building.

Because of the unsafe condition of the Building and the intensive nature of the rehabilitation work, the most feasible solution involves a mutual agreement that relocation of Western Laboratory from their existing location serves our mutual interests. BAHA is prepared to propose other alternatives:

1. Complete build-out, including seismic retrofit work on a lower floor within the Building, and relocate Western Laboratory's entire operation into an in-kind space, at BAHA's expense, while construction continues on upper floors. BAHA will also consider a permanent build-out of this space in conjunction with a lease extension, which would allow Western Laboratory to remain in the Building beyond the current June 2015 Lease expiration.

2. Compensate Western Laboratory for the temporary relocation of the entire operations, including staff, to the Vista, Dallas or other existing Drug Enforcement Agency laboratories, in compliance with the Government's Temporary Change of Station process, until such time as a different location for Western Laboratory can be obtained outside of the Building or the expiration of the Lease, whichever is first. This option assumes that these locations have extra space that would accommodate the San Francisco office temporarily.
3. Negotiate an early termination of the Lease to allow Western Laboratory to relocate outside of 390 Main Street by (September 2013) including compensation to offset the costs associated with this early relocation.

If, however, the Western Laboratory desires to remain at the Premises throughout the rehabilitation project, we want to be sure that the Western Laboratory understands the scope of the work that will be undertaken and its potential for impacts on Western Laboratory's operations at the Premises. While BAHA will take commercially reasonable steps to attempt to minimize the impacts, BAHA's initial testing with the Western Laboratory's representatives indicates that some impacts are unavoidable. Our anticipated construction schedule is as follows:

Phase 1: Non-structural demolition	November 2012 – March 2013
Phase 2: Structural demolition, Seismic retrofit	March 2013 – January 2014
Phase 3: Interior build-out	November 2013 – April 2014

BAHA continues to believe that the safety of Western Laboratory's employees at the Premises and the Building and its operations at the Building would be best served by relocating to one of the alternative outside locations identified by BAHA. If the Government is interested in pursuing one of those alternatives, or the alternative relocation inside the Building, please let us know as soon as possible.

If we cannot come to a mutually agreeable solution to relocation, BAHA intends to commence work on or about November 14, 2012. In that case, BAHA will conclude that Western Laboratory desires to remain at the Building, in the Premises, until its lease expires in June 2015, despite the potential for significant impacts from this seismic rehabilitation project.

Sincerely,



Steve Heminger
Executive Director

Ms. Leonhart and Mr. Tangherlini
September 18, 2012
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Attachments

cc: Ruth Cox, GSA Region 9 Acting Regional Administrator
Mary Colarusso, DEA Deputy Assistant Administrator
The Honorable Nancy Pelosi, House Democratic Leader
Stephanie Perisco, DEA, Chief SASF
Peter Shteyn, GSA Area Manager
Adrienne J. Tissier, BAHA Chair
Amy Rein Worth, BAHA Vice Chair
Tom Bates, BAHA Commissioner
Bill Dodd, BAHA Commissioner
Scott Wiener, BAHA Commissioner
Andrew B. Fremier, BAHA Deputy Executive Director

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October 12, 2012

Mr. Steve Heminger
Executive Director
Bay Area Headquarters Authority
390 Main Street
San Francisco, CA 94105

RE: GS-09B-02633
390 Main Street
San Francisco, CA 94105

Dear Mr. Heminger:

This letter is in response to your letter addressed to Daniel Tangherlini and Michele Leonhart regarding your request that GSA vacate the lease for 390 Main Street in advance of the June 30, 2015 expiration date. The Drug Enforcement Agency (DEA) operates the Western Laboratory in leased space of 33,006 rentable square feet at 390 Main Street, San Francisco, CA.

As you are aware, the space has extensive and very specialized build-out for a forensic lab operated by the DEA Western Laboratory. The mission of the Western Laboratory is to provide accurate laboratory results to law enforcement and criminal justice organizations throughout the Western region of the United States. The laboratory employs 31 forensic chemists and 10 administrative personnel that are responsible for analyzing, safe-keeping, and transporting critical evidence for criminal cases throughout 9 western states. The laboratory works closely with Federal, state, and local law enforcement agencies to secure, store, and transport evidence to and from a highly secure vault maintained on the premises. The laboratory maintains nearly 100 highly sophisticated analytical instruments and analytical balances in constant operation that require exact calibrations to ensure the reliability of analytical results and conclusions. The building infrastructure includes fume exhaust hoods, fans, 100% single pass-through fresh air intakes and added electrical requirements to support laboratory operations and protect the staff from exposure to hazardous chemicals, drugs, and other agents present in the laboratory. The laboratory's HVAC system must be capable of providing safe, clean air that is free of drug or other airborne contaminants.

Your letter raised three possible options to relocating DEA out of the building in advance of the expiration date. Below please find our response to each:

Option one is to complete the seismic work and relocate DEA's entire operation to an in-kind space on another floor of the building at BAHA's expense while work continues on the upper floors.

This option is not viable for many reasons. As acknowledged by the lessor, substantial rehabilitation and renovation of the building, including extensive demolition, is planned. BAHA anticipates significant and consistent vibrational impacts generated over the course of the renovation project, as well as interruptions to utility lines and services. Complete accuracy of the laboratory equipment is critical to the mission of the DEA. DEA has expressed its significant concern that the vibrational impacts and utility outages will adversely impact the mission of their agency, e.g., providing accurate and sound laboratory results for law enforcement and criminal justice organizations.

Therefore relocating DEA to another floor during the construction will not mitigate these impacts. This is not a viable option.

Option two is to relocate DEA's Western Laboratory to the Vista, CA, Dallas, TX, or other DEA laboratories located outside the Bay Area and shut down the Western Laboratory.

DEA has informed us that there would be significant organizational hurdles to relocating the Western Laboratory because the laboratories will be faced with the requirement to safely and securely store evidence from two different jurisdictions. The DEA organizational structure is not set up to handle evidence submission and storage from two different laboratories. To continue effective operations and services with all of its customers, DEA desires a permanent presence in the Western region of the United States.

Further, the other laboratories across the country are already at full capacity with no room for additional staff, workload, equipment or evidence storage. Therefore, closing the DEA Western Laboratory is not a viable option.

Option three is to relocate DEA's entire operation, including all laboratory equipment and office systems to a temporary replicated "like for like" location while GSA continues to pursue a long term procurement.

We agree that this is the most viable option and are working hard to pursue this option. We are proceeding on the basis that BAHA will fund the cost of the relocation, including the move, and reassembly of all laboratory equipment and office furniture, as well as information technology and any other applicable costs related to the relocation of the laboratory and its personnel.

We are exploring the list of possible alternative locations provided by BAHA. We have contacted representatives of each of these locations. In our discussions with the building representatives who responded, several locations have been eliminated due to lack of required square footage and lack of space meeting DEA's minimum requirements. Several locations are a significant distance from the DEA's current

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San Francisco, CA 94102-3434
www.gsa.gov

location in San Francisco. We are working with DEA to determine whether relocation to these areas will adversely impact the efficient performance of its mission.

Also, as we previously informed you, DEA was willing to accept the space offered in Oakland, however, we understand that BAHA is unwilling to relocate out of this space due to inconveniencing its own employees.

GSA has also advertised the temporary space requirement on Federal Business Opportunities (FedBizOpps.gov) and has reviewed buildings listed in Co-STAR, Loopnet, and Craigslist. GSA performed a market survey of these properties on October 4 and 5, 2012, and we will share the results during our meeting on October 16, 2012.

Additionally, GSA's Leasing Specialist and Contracting Officer have and continue to meet weekly with DEA representatives and BAHA's Project and Construction Managers. During one of the construction meetings, the lessor's representative, Thomas Bulger, brought up the concept of using scientific modular units and offered to provide additional information. GSA and DEA would consider this approach and look forward to obtaining more information from the lessor.

We are working diligently to accommodate BAHA's schedule and are formulating an accelerated schedule to relocate out of the building. We look forward to meeting with you to discuss our efforts to date.

Sincerely,



Ruth Cox
PBS Regional Administrator
Pacific Rim Region (9)