



Bay Area Headquarters Authority
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Memorandum

TO: Bay Area Headquarters Authority

DATE: January 18, 2013

FR: Executive Director

W. I. 9130

RE: Contract: Real Estate Brokerage Services: Cushman & Wakefield of California, Inc. (\$2.3 million)

This item would authorize the Executive Director or his designee to negotiate and enter into a contract for real estate brokerage services with Cushman & Wakefield of California, Inc. (C&W) for the marketing and leasing of office and retail space at 390 Main Street, for an estimated not to exceed amount of \$2.3 million in commissions over a five year period.

Background

The Bay Area Headquarters Authority (BAHA) requires a qualified firm to develop and implement an appropriate plan for the development, leasing and occupancy of BAHA's new Regional Agency Headquarters Facility at 390 Main Street in San Francisco. MTC, along with the Bay Area Quality Management District (BAAQMD) and the Association of Bay Area Governments (ABAG) intend to relocate to 390 Main Street and occupy 250,000 square feet. All other unused space will be leased to other public agencies, retail or other commercial tenants by the selected broker.

The selected firm will be required to provide a full range of services including, but not limited to, creating a master plan for the redevelopment of the tenant and retail spaces, preparing a marketing strategy for attracting perspective tenants, serving as BAHA's real estate broker in the negotiation of competitive leases and providing other services as required in the ordinary course of business in marketing and leasing the building.

Consultant Selection Process

On October 23, 2012, BAHA re-issued a Request for Qualifications (RFQ) inviting firms to submit a Statement of Qualifications (SOQ) for Leasing Agent and/or Property Management Services at 390 Main Street. The original RFQ was issued on March 9, 2012 and on April 25, 2012 the BAHA board instructed staff to reissue the RFQ with revisions. The minimum qualifications were revised to be less stringent than those in the RFQ previously issued on April 25, 2012 and to expand the competition. For example, minimum requirements calling for the proposers to have annual revenue of at least \$100 million and to have at least 3.5 million square feet of office space currently under active property management were deleted. In addition, the RFQ allowed firms to submit an SOQ for either or both services. BAHA notified proposers in the RFQ that it would evaluate the Leasing Agent and Property Management categories individually and award each to a different firm, or both to a single firm, based on the ranking of the firms on the evaluation factors.

The RFQ was posted on MTC’s website and emailed to 119 individuals. A proposer’s conference was held on November 7, 2012 and attended by 12 individuals, representing 4 firms. Based on this meeting, an addendum and Q&A were issued to these attendees and posted on MTC’s website. Staff received five (5) statements of qualifications for leasing services from: C&W, Kidders Mathews, Colliers, The CAC Group and Cornish & Carey Commercial Newmark Knight Frank.

Evaluation Process

The SOQs were evaluated by panel members from BAHA, MTC, the Bay Area Quality Management District (BAAQMD) and the Association of Bay Area Governments (ABAG) based on the following evaluation factors, in descending order of importance:

1. Experience as leasing agent or property manager as appropriate.
2. Clarity, completeness and comprehensive nature of response to SOQ for property manager, leasing agent or both.
3. Individual and team expertise and experience and availability of proposed staff that demonstrates the qualifications needed to successfully carry out the project.
4. Clear demonstration of understanding and means to execute the project including perceived feasibility, innovation, creativity and value added.
5. Cost effectiveness.
6. Oral communication skills, based on interview/discussions (if held).

After the initial SOQ review, the panel recommended that the top four (4) firms be interviewed. (Cornish & Carey Commercial Newmark Knight Frank was not shortlisted because its SOQ lacked sufficient information to warrant consideration). Additionally, these firms were requested to provide further written clarification of the commission schedule for new/renewal tenant leases and for retail spaces, and to clarify how the fee changes if there is not a cooperating or procuring broker. Reference checks were also reviewed.

Evaluation Results

The evaluation panel scored the firms as follows:

Criteria (in order of importance)	CAC	Colliers	Cushman Wakefield	Kidder Mathews
1. Experience	105	98	113	109
2. Clarity, Completeness and Comprehensive	88	74	96	95
3. Individual/Team Expertise	75	63	75	70
4. Demonstrated Understanding of Project	48	41	57	48
5. Cost Effectiveness*	29	38	35	29
6. Oral Communication	13	11	16	18
Overall Rankings	60	54	65	62

**Scores based on commission for new leases (initial/ cap rates over 5-year period; summarized in Attachment A. In advance of the panel interview, the firms were requested to clarify the compensation included in their submittal for the listing broker (representing BAHA), the cooperating broker (representing the tenant) for new/renewal leases and for retail leases.*

The panel unanimously recommends Cushman & Wakefield of California, Inc. to represent BAHA in the marketing and leasing of 390 Main Street. The C&W team brings substantial experience marketing and leasing buildings that include a mix of government and private companies, as well as retail space. Supported by senior management at the regional and national level, the dedicated core team will provide an integrated level of professionals experienced in developing a vision and branding strategy for the marketing and attracting tenants to the building.

While all of the teams have highly capable professionals, C&W's competitive edge was their ability to articulate and demonstrate past experiences creating solid marketing campaigns that target "like minded" tenants who will share similar culture, aligning the owner's vision with amenities and shared services for all building tenants, and creating the sense of place and community through the building common (i.e. lobby and retail) experiences.

Over a five year period, total commissions paid under an agreement with C&W are estimated at \$2.3 million, based on the assumptions included in *Appendix B*, Compensation Schedule, of the RFQ, with \$0.6 million paid to C&W and \$1.7 million paid in commissions to the cooperating tenant broker upon execution of tenant leases. C&W's rate over a five year period is comparable to two of the other firms.

Recommendation

Staff recommends that BAHA authorize the Executive Director or his designee to negotiate and enter into a contract with Cushman & Wakefield of California, Inc. for real estate brokerage services for the marketing and leasing of space at 390 Main Street for a five year period, in an amount not to exceed \$2.3 million dollars, with the option to renew for two additional five-year terms subject to the approval by the BAHA Board and future BAHA budgets. The agreement will include terms and conditions for the payment of commissions to C&W, other cooperating brokers, and for other agreed upon expenses related to the marketing of 390 Main Street.

If negotiations are unsuccessful with C&W, staff recommends authorizing the Executive Director, or his designee, to negotiate and enter into a contract with the second-ranked firm, Kidders Mathews, in an amount not to exceed \$2.3 million dollars, and, if also unsuccessful, the third-ranked firm, The CAC Group, for an estimated amount of \$2.3 million dollars, before issuing a new procurement.



Steve Heminger

Attachment

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REQUEST FOR BAHA APPROVAL
Summary of Proposed Contract

Work Item No.: 9130

Vendor: Cushman & Wakefield of
California, Inc.

San Francisco, CA

Work Project Title: Real Estate Brokerage at 390 Main Street

Purpose of Project: To provide real estate brokerage services for the
marketing and leasing of space at 390 Main Street.

Brief Scope of Work: Consultant shall perform marketing and leasing services
for the tenant and retail spaces.

Project Cost: Total commission compensation over 5 year period
estimated at \$2.3 million.

Funding Source: 390 Main Street operating revenues generated from lease
income.

Fiscal Impact: Included in 390 Main Street Operations proforma from
revenues generated from lease income.

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. to perform real estate
brokerage services for a 5-year period with options to
renew for two additional 5-year terms subject to the
approval of BAHA Board and the approval of future
BAHA budget, and the Treasurer and Auditor is directed
to set aside funds in the not to exceed amount of \$2.3
million for such contract subject to the approval of future
BAHA budgets. Should negotiations with Cushman &
Wakefield of California, Inc. be unsuccessful, that the
Executive Director or his designee is authorized to
negotiate and enter into a contract with Kidders Mathews,
and, if also unsuccessful, with the third-ranked firm, The
CAC Group, and the Treasurer and Auditor is directed to
set aside funds in the amount not to exceed \$2.3 million
dollars, for either such contract,

BAHA Chair:

Adrienne Tissier

Approved:

Date: January 23, 2013

Real Estate Commission

	Initial	Cap	Years	sf	Year5	Year 10	Total5	Total 10
Collier	Listing	\$ 0.50	7	166,800	\$ 2.50	\$ 2.50	\$ 417,000	\$ 417,000
	Coop	\$ 1.50		166,800	\$ 7.50	\$ 10.00	\$ 1,668,000	\$ 1,668,000
	Total	\$ 2.00		166,800	\$ 10.00	\$ 12.50	\$ 2,085,000	\$ 2,085,000
CW	Listing	\$ 0.75	10	166,800	\$ 3.75	\$ 7.00	\$ 625,500	\$ 1,167,600
	Coop	\$ 2.00		166,800	\$ 10.00	\$ 14.00	\$ 1,668,000	\$ 2,335,200
	Total	\$ 2.75		166,800	\$ 13.75	\$ 21.00	\$ 2,293,500	\$ 3,502,800
CAC	Listing	\$ 1.00	6	166,800	\$ 5.00	\$ 6.00	\$ 834,000	\$ 1,000,800
	Coop	\$ 2.00		166,800	\$ 10.00	\$ 12.00	\$ 1,668,000	\$ 2,001,600
	Total	\$ 3.00		166,800	\$ 15.00	\$ 18.00	\$ 2,502,000	\$ 3,002,400
Kidder	Listing	\$ 1.00	7	166,800	\$ 5.00	\$ 6.00	\$ 834,000	\$ 1,000,800
	Coop	\$ 2.00		166,800	\$ 10.00	\$ 12.00	\$ 1,668,000	\$ 2,001,600
	Total	\$ 3.00		166,800	\$ 15.00	\$ 18.00	\$ 2,502,000	\$ 3,002,400