

## *Memorandum*

TO: Bay Area Headquarters Authority

DATE: January 18, 2013

FR: Executive Director

W. I. 9130

RE: Contract: Property Management Services: Cushman & Wakefield of California, Inc. (\$1.1 million)

This item would authorize the Executive Director or his designee to negotiate and enter into a contract with Cushman & Wakefield of California, Inc. (C&W) for property management services at 390 Main Street, for an estimated not to exceed amount of \$1.1 million 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 management of BAHA's new Regional Agency Headquarters Facility at 390 Main Street in San Francisco. Space not required for the regional agencies will be leased to other public agencies, retail or other commercial tenants. The Property Manager will be responsible for a full range of services including, but not limited to:

- Develop a plan for the management and operations of the facility (including parking) for approval by BAHA including a structure for assessing and allocating annual operating cost.
- Provide for the maintenance of building equipment and systems including preventative maintenance, routine repairs and capital improvements. Provide janitorial, security, building engineering, construction management and other services required in the ordinary course of managing and operating the building.
- Maintain on-site business office and be available 24 hours, 7 days a week for owner and tenant issues.
- Develop and maintain the annual operating and capital budgets; completing financial accounting including the collection and reporting of all revenues received (i.e. rents, deposits and other related financial agreements). Provide assistance to support third party audit of financial records and tax returns, as required.

### **Consultant Selection Process**

On October 23, 2012, BAHA reissued 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 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 three Statements of Qualifications from The CAC Group, C&W, and Cornish & Carey Commercial Newmark Knight Frank.

**Evaluation Process**

The SOQs were evaluated by panel members from BAHA, MTC staff, 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 two firms, C&W and The CAC Group, 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 their compensation information included in the statements and to provide sample financial reports that demonstrate the firm’s ability to meet BAHA’s reporting requirements). Reference checks were also reviewed.

**Evaluation Results**

The evaluation panel scored the firms as follows:

<b>Criteria (in order of importance)</b>	<b>CAC</b>	<b>Cushman Wakefield</b>
1. Experience	158	192
2. Clarity, Completeness and Comprehensive	131	167
3. Individual/Team Expertise	106	137
4. Demonstrated Understanding of Project	71	100
5. Cost Effectiveness*	50	56
6. Oral Communication	24	32.5
<b>Overall Score</b>	<b>90</b>	<b>114</b>

*\*Scores based on property management fees over 5 year period.*

Below is a summary of the proposed property management fees, assuming full occupancy over a five year period:

Firm	Monthly Management Fee*	Annual	Estimated 5 year total
CAC	\$17,500 Fixed	\$210,000	\$1,050,000
Cushman and Wakefield	\$10,000 through development phase \$12,500 @ 40% occupancy \$16,000 @ 80% 3% increase thereafter	\$192,000 to \$217,000	\$1,019,354

*(For analysis, assumed full occupancy to calculate the fee.)*

The panel unanimously recommends C&W to provide property management services. The C&W team brings significant experience providing property management services for buildings that include a mix of government and private companies. Based on past experiences, the team was able to convey an ability to develop an asset management strategy that aligns the various operational functions through a cohesive transition management model. They also demonstrated ability to deploy in-house resources as needed for sustainable operations and engineering, project management and other required services.

C&W has experience working with owners to develop staffing plans and budgets to provide a comprehensive scope of facility management and financial accounting services using a combination of on-site staff and other contractors. C&W has prior experience working with owners to transition existing property management services and to develop policies and procedures for building operations and governance. C&W's fee is also comparable to the second ranked firm. (See attached rankings and cost comparison.)

**Recommendation**

Staff recommends that the Authority authorize the Executive Director or his designee to negotiate and enter into a contract with C&W for property management services at 390 Main Street for a five-year period, in an amount estimated not to exceed \$1.1 million, with the option to renew for two additional five-year terms, subject to the approval of future BAHA operating budgets by the BAHA board.

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 CAC Group, the second-ranked firm, in an amount also not to exceed \$1.1 million over a five year period, subject to the approval of future BAHA operating budgets, before issuing a new procurement.



Steve Heminger

SH:tg

REQUEST FOR BAHA APPROVAL  
Summary of Proposed Contract

Work Item No.: 9130

Vendor: Cushman & Wakefield of  
California, Inc.  
San Francisco, CA

Work Project Title: Property Management Services at 390 Main Street

Purpose of Project: To provide property management services at 390 Main Street.

Brief Scope of Work: Consultant shall perform management services including building/facility management and financial/accounting services.

Project Cost Not to Exceed: Total property management fees over 5-year period not to exceed \$1.1 million.

Funding Source: BAHA Operating Budget

Fiscal Impact: Funds for FY 2012-13 are included in the operating budget. Balance of funds to be included in future annual operating budgets, subject to the approval of BAHA.

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 property management services for a 5-year period with options to extend for two additional 5-year terms, and the Treasurer and Auditor is directed to set aside funds in the amount not to exceed \$1.1 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 The CAC Group, and the Treasurer and Auditor is directed to set aside funds in the amount not to exceed \$1.1 million dollars for such contract, subject to the approval of future BAHA budgets.

BAHA Chair:

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Adrienne Tissier

Approved:

Date: January 23, 2013