INFORMATIONAL MEMORANDUM

TO: Agency Commissioners

FROM: Fred Blackwell Executive Director

SUBJECT: Notice of intent to issue a Request for Qualifications from project management teams to conduct predevelopment analyses and manage initial rehabilitation work on an existing vacant 260,000-square-foot building known as Building 813; Hunters Point Shipyard Redevelopment Project Area

PURPOSE OF INFORMATION

Based on feedback received at the Commission Workshop on February 16, Agency staff has prepared a revised Request for Qualifications (“RFQ”) for Building 813, an existing vacant 260,000-square-foot building situated within a planned clean technology corridor at the Hunters Point Shipyard (the “Shipyard”). The building is currently owned by the United States Department of the Navy (“Navy”), but is expected to transfer to Agency ownership in late 2011.

The purpose of the RFQ is to solicit responses from fee-based project management teams to conduct predevelopment analyses and manage initial rehabilitation work using existing federal grant funds, as directed by the Commission at the February 16, 2010 workshop. The predevelopment analyses will focus on the market and financial viability of transforming Building 813 into a signature $30-$40 million commercial/research and development (“R&D”) project focused on the clean technology sector, possibly including space for an incubator for clean technology start-ups and the United Nations Global Compact Sustainability Center (“U.N.G.C. Sustainability Center”).

Once the predevelopment analyses are concluded, Agency staff will return to the Commission to present the team’s findings and recommendations, and recommend a redevelopment strategy for the Commission’s consideration. At the same time, Agency staff will move forward with initial rehabilitation work using a portion of the $7.25 million in grant funds from the U.S. Department of Commerce’s Economic Development Administration (“EDA”), which the Commission authorized during the February 16, 2010 workshop.

The draft RFQ is still subject to the EDA’s approval, but the Agency does not expect material changes to the content. Assuming no material changes, Agency staff will release the RFQ on Friday, April 9 unless the Commission objects by the close of business on Thursday, April 8. Staff anticipates returning to the Commission with a recommended project management team in early summer of this year.
DISCUSSION

Commission Feedback

The redevelopment strategy for Building 813 was introduced to the Commission on February 2, 2010 as part of a workshop on the status of the Agency’s EDA grants. At that time, the Commission also received via a separate Informational Memorandum a draft RFQ that solicited responses from development teams to joint venture with the Agency to design, rehabilitate, lease-up, and operate Building 813 as a clean technology innovation center, which would include a clean technology business incubator, the U.N.G.C. Sustainability Center, and other commercial/R&D uses.

Based on feedback received from the Commission on February 2, a second workshop focusing on the overall redevelopment strategy for Building 813 was held on February 16. Agency staff presented a description and photographs of the building; information on the benefits of retaining the building rather than demolishing it; examples of other incubator projects; a vision for the building; and preliminary sources and uses of project funding. Based on concerns regarding the development concept and current market conditions, the Commission directed Agency staff to use existing EDA funding to conduct further predevelopment analyses and complete initial rehabilitation work to stabilize the building. As a result, Agency staff revised the RFQ to reflect this change and redrafted the scope to include (1) predevelopment analyses and (2) initial rehabilitation work using a portion of the $7.25 million in existing federal grants.

Development Concept to be Analyzed

While the specific development program for Building 813 is yet to be determined, Agency staff, in partnership with the City’s Office of Economic and Workforce Development (together, the “City Team”), envisions an innovative signature project that anchors and jump-starts the clean technology commercial/R&D cluster taking shape at the Shipyard. The concept includes (1) clean technology commercial/R&D space, (2) business incubator(s) focusing on early-stage companies in clean technology industries and possibly food preparation, (3) artists’ studios, and (4) space for the U.N.G.C. Sustainability Center. Although the details of the tenancy are still being determined, U.N.G.C. officials have committed to locating office space and a conference center in Building 813 to facilitate the exchange of sustainability best practices and other innovations related to combating global warming. The overall concept is to transform Building 813 into one of the centerpieces of a planned innovation cluster that calls for a major employer and/or institution and other companies on the cutting edge of clean technology and energy efficiency. A successfully rehabilitated and active Building 813 will be essential to establishing an early identity for this innovation cluster and will help to attract like businesses and institutions to the Shipyard.

Preliminary Funding

Currently, the Agency has about $7.25 million in grant funds from EDA for the predevelopment and rehabilitation of Building 813 as part of a planned "arts and technology district" on the Shipyard. Of this amount, $3.25 million must be spent by August 15, 2011; the remainder must
be spent by August 15, 2012. Per direction received from the Commission on February 16, these funds will be used for predevelopment analyses and initial rehabilitation work.

City staff are currently actively engaged in fundraising efforts for this building, and are soliciting funds from a variety of private and public sources. Potential funding sources include: private debt and equity, new market tax credits, City seismic loan funds, energy credits, corporations, the United Nations, and other federal, state, and local grants.

However, Agency staff will not be spending any additional money on Building 813 beyond the existing $7.25 million in grant funds until it receives further direction from the Commission. Agency staff expect to return to the Commission for that direction after the selected project management team has completed its predevelopment analyses. At that time, Agency staff intend to recommend a redevelopment strategy for the Commission’s consideration that is based on the results of the predevelopment analyses. Depending on the Commission’s direction, additional project management and development services may be required under future phases.

Request for Qualifications

Project Management and Development Services Requested

As detailed in the attached RFQ, the Agency is seeking qualifications from experienced project management teams to undertake predevelopment analyses and initial rehabilitation work for Building 813 for a fixed fee, as described below:

Predevelopment Analyses: The project management team will conduct certain predevelopment analyses to determine the market viability, financial feasibility and preliminary implementation strategy for the City Team’s development concept for Building 813. The work requested includes, but is not limited to: undertaking a thorough assessment of supply and demand trends in the clean technology/commercial/R&D market to determine the market viability of the development concept; undertaking a financial feasibility study to determine whether the development concept is financially viable; developing a financing strategy; formulating a plan for branding the building and positioning it in the market; and formulating a plan for the full lease-up of the building.

Initial Rehabilitation Work: The project management team will manage all aspects of the construction process related to the initial rehabilitation work funded with available funds, which would include a portion of the $7.25 million in EDA funds and possibly other public and private funds raised by the City Team. The work requested includes: developing a scope of work to use available funding; producing preliminary and final construction documents; and performing construction management services.

Submission and Selection Process

Project management teams will submit basic qualifications, along with a fee proposal. Submittals will be reviewed by a selection panel comprised of Agency and City staff and at least one representative from the Hunters Point Shipyard Citizen’s Advisory Committee (‘‘Shipyard
CAC”). Interviews and reference checks will be conducted. A personal services contract between the Agency and the team with the highest score, based on the criteria in the RFQ, will be recommended to the Shipyard CAC and the Commission in early summer of this year.

Community Outreach

Over the last two years, the Shipyard CAC has been involved in discussions with Agency and City staff regarding Building 813. There were initial discussions regarding the retention or demolition of the building, followed by a workshop held specifically to determine whether the building should be used for replacement artist studio space. The Shipyard CAC was regularly updated on the findings of reports that looked at the feasibility of developing an incubator in Building 813, and options for rehabilitating the building. Staff also provided regular project updates to the Shipyard CAC as part of broader updates on the status of the EDA grants. At its most recent meeting in January, the CAC was informed of the Agency’s intent to issue this RFQ.

Next Steps

The draft RFQ is still subject to the EDA’s approval, but the Agency does not expect material changes. Assuming no material changes, Agency staff will release the RFQ on Friday, April 9 unless the Commission objects by the close of business on Thursday, April 8. It will be publicized to developers, architects, and construction/project management firms through direct mailing, major newspapers, community newspapers, and the Agency and City websites.

Agency staff expects to return to the Commission in early summer with a personal services contract between the Agency and the selected project management team. The City Team will then return to the Commission upon completion of the predevelopment analyses to present the project management team’s findings and recommend a redevelopment strategy. In the meantime, the City Team, with assistance from the project management team, will proceed with developing a scope of work and construction documents for the initial rehabilitation work using the existing available EDA funds. Upon completion of construction documents and selection of a general contractor, staff will return to the Commission for consideration of a construction contract.

If the project management team performs to the City Team’s satisfaction during the first phase of development, the City Team is prepared to recommend to the Commission an amendment to the project management team’s contract for additional work under a future phase, subject to the availability of funds and Commission authorization.

(Originated by Tracie Reynolds, Manager of Real Estate and Development Services, and Christine Maher, Development Specialist)

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Executive Director

Attachment: Draft Request for Qualifications (without attachments)