INFORMATIONAL MEMORANDUM

TO:          Agency Commissioners

FROM:       Fred Blackwell, Executive Director

SUBJECT:    Intention to issue a Request for Qualifications to establish a panel of real estate economics consulting firms to provide advisory services on an as-needed basis for a three-year term; All Redevelopment Project and Survey Areas

PURPOSE OF INFORMATION

The purpose of this Informational Memorandum is to inform the Commission of Agency staff's intention to issue a Request for Qualifications (“RFQ”) to establish a panel of real estate economics consulting firms to provide advisory services on an as-needed basis, over a three-year period, in all of the Agency’s redevelopment project and survey areas. The Agency utilizes the services of real estate economics firms on an ongoing basis in connection with major development parcels and complex transactions.

Staff intends to issue the RFQ to firms on the Agency’s mailing list, which includes several small business enterprises (“SBEs”). Upon completion of staff review of responses to the RFQ, Agency staff intends to recommend to the Commission for consideration and approval a panel of consultants that (1) best meets the selection criteria outlined in the RFQ and (2) helps the Agency achieve its goal of 50% participation by SBEs.

BACKGROUND

On November 20, 2007, following an RFQ process compliant with the Agency’s procurement policies, the Commission approved a panel consisting of the following fifteen firms: Applied Development Economics; Bay Area Economics; Brion & Associates; CBRE Consulting/Sedway Group; CH Elliott & Associates; CH Johnson Consulting; Conley Consulting Group; David Rosen & Associates; Economic & Planning Systems; John Paxton; Keyser Marston Associates; Pacific Municipal Consultants; Rosenow Spevacek Group; Seifel Consulting; and The Staubach Company. Of these firms, 60% were certified or in the process of being certified as SBEs. The maximum aggregate budget for the panel was $500,000 for the entire panel for the three-year period (November 20, 2007 through November 20, 2010). To ensure that work was distributed equitably among the panel members, no more than one-third of the total $500,000 budget, or $166,666, was assigned to a single firm on the panel.
DISCUSSION

Recent Real Estate Economics Consulting Services

The current panel has assisted the Agency with a number of analyses, including the following:

<table>
<thead>
<tr>
<th>Firm</th>
<th>Total Amount</th>
<th>SBE</th>
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<tbody>
<tr>
<td>CBRE (Sedway)</td>
<td>$166,660</td>
<td>No</td>
</tr>
<tr>
<td>• Hunters Point Shipyard Phase II / Market &amp; Financial Feasibility Analysis</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Conley Consulting</td>
<td>$94,820</td>
<td>Yes</td>
</tr>
<tr>
<td>• Bayview / Bayshore Boulevard, Economic Development and Land Use Strategy Analysis</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CH Elliott &amp; Associates</td>
<td>$166,500</td>
<td>Yes</td>
</tr>
<tr>
<td>• Hunters Point Shipyard Phase I / Negotiation Support and Financial Analyses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Keyser Marston Associates</td>
<td>$70,000</td>
<td>No</td>
</tr>
<tr>
<td>• Transbay / Evaluation of Block 8 Development Proposals</td>
<td></td>
<td></td>
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As shown, 50% of the assignments and budget went to SBEs.

Also as shown, work on the Shipyard used 67% of the panel’s budget, with two firms performing all of this work. This distribution is unusual. Typically, the Agency enters into a larger number of contracts during the three-year period with a greater number of firms. To avoid this kind of uneven distribution in the future, Agency staff is considering the procurement of any large Shipyard assignments under a separate solicitation for the Commission’s consideration.

Advantages of a Pre-Qualified Real Estate Economics Panel

Ready access to expert real estate analysis and advice is essential to the Agency's ability to keep abreast of market trends and assist staff in decision-making with respect to the wide array of current and future projects. Having a list of pre-qualified real estate economists helps the Agency achieve expediency, cost savings and flexibility when these services are needed. The key advantages of a list of pre-qualified real estate economists are that it: (1) allows the Agency to draw from a broad group of firms and take advantage of the particular strengths of each firm; (2) achieves rapid turnaround (i.e., when some consultants are busy, others are available); (3) avoids conflicts with other assignments (i.e., when a consultant is committed to outside clients on the same project or transaction, others are available); and (4) encourages inclusion of SBEs with strong backgrounds in particular areas but insufficient expertise in all areas.

Proposed Request for Qualifications

Given the Agency’s continuing need for real estate economics consulting services, staff is preparing to issue an RFQ (see Attachment 1) to form a new panel of pre-qualified real estate economists. The range of services consultants may be asked to provide include the following:
• Provide advice and research data to staff on developing marketing strategies and requests for development proposals;
• Review development proposals received by the Agency and advise staff in the developer selection process;
• Review and analyze business terms and assist staff in developing counter-proposals for complex real estate transactions;
• Develop a list of potentially appropriate uses for a given parcel, based on a review of market conditions and trends and knowledge of development and financing practices, or other relevant parameters;
• Perform market analyses of particular land uses and/or development concepts being contemplated by the Agency;
• Perform pro forma analyses of alternative development schemes and analyze feasibility of each scheme with respect to current market conditions and trends, availability of financing, and suitability of site location, access, and parking;
• Determine and compare the revenue generating potential from alternative development schemes to the Agency and City and County of San Francisco, including construction payroll, permanent work force and payroll tax, real property tax (on possessory interest), sales tax, ground lease revenues, hotel tax, etc.; and
• Determine the highest and best use of a site given the site constraints and current market conditions and trends.

Next Steps

Unless the Commission objects, the RFQ will be issued on October 20, 2010. It will be publicized to real estate economics consultants and consulting firms, including SBEs, through direct mailing, newspapers of general circulation, community newspapers, and the Agency’s and City’s websites. Responses to the RFQ will be due on November 19, 2010.

A selection panel consisting of Agency staff will evaluate responses based on several factors, including technical ability, proposed staffing, experience working with the public agencies and the community, and ability to comply with the Agency’s workforce and contracting policies. Based on this evaluation, Agency staff intends to recommend to the Commission a panel of consultants that (1) the selection panel determines best meet the selection criteria and (2) helps the Agency achieve its goal of 50% participation by SBEs. The Agency Commission will have the final authority to approve the recommended panel of consultants.

Originated by Christine Maher, Development Specialist

Fred Blackwell
Executive Director

Attachment: Draft RFQ for Real Estate Economists Panel (without attachments)