INFORMATIONAL MEMORANDUM

TO: Agency Commissioners

FROM: Fred Blackwell
Executive Director

SUBJECT: Intention to issue a Request for Qualifications to independent fee appraisers and appraisal firms to establish a list of qualified appraisers to provide real estate valuation and evaluation services to the Agency on an on-going, as-needed basis; All Redevelopment Project and Survey Areas, and Citywide Housing Sites

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 independent fee appraisers and appraisal firms to establish a list of qualified appraisers to provide real estate valuation and evaluation services to the Agency on an on-going, as-needed basis (See Attachment 1). This list will remain open for a period of three years and does not include a fixed budget, as outlined to the Commission in a November 7, 2006 Informational Memorandum (see Attachment 3) and explained in further detail below.

The current list of qualified independent fee appraisers and appraisal firms, created in December 2006, will be three years old in December 2009. A breakdown of expenditures to date is included in Attachment 2. A new appraisal list needs to be created to continue to meet the Agency’s ongoing needs for appraisal services. The proposed RFQ will be publicized to all appraisers and appraisal firms including small business enterprises (“SBEs”), through direct mailing and numerous public announcements to comply with the Agency’s Purchasing Policy and ensure maximum open and free competition. A new appraisal list will be established from the qualified appraisers and appraisal firms that respond to the RFQ. The new list and its related appraisal personal services contracts will be approved under the $50,000 expenditure authority the Agency Commission delegated to the Executive Director through the Agency’s Purchasing Policy.

BACKGROUND

Before 2007, the Agency was procuring appraisal services using a “closed” appraisal panel with a fixed term and budget that was approved by the Agency Commission through an RFQ process. However, in 2006, Agency staff began to rethink the way it procured certain low-cost professional services, such as appraisals, and proposed a modified procurement process that (1) expanded the pool of pre-qualified firms to ensure the greatest amount of competition and opportunity for small business enterprises, (2) makes more efficient use of Agency resources and the time of outside consultants, and (3) complies with the Agency’s Purchasing Policy and Procedures. This modified procurement process for certain low-cost professional services was outlined to the Agency Commission in an Informational Memorandum dated November 7, 2006. In sum, the key modifications to the procurement process for certain low-cost professional services, such as appraisals, were:
Agency staff would continue to issue RFQs for these low-cost professional services every three years, but instead of “closing” this outreach effort after a panel has been approved, Agency staff would continue to advertise for these professional services on the Agency website and add qualified firms to the list of qualified vendors on an on-going basis. As such, the list is open and staff does not bring it before the Commission for approval.

The open list would not include a fixed budget. When services are needed, Agency staff would solicit proposals from at least three firms on the pre-qualified list (including at least one small business enterprise) and choose one based on: (1) the particular expertise of the firm’s available staff to take lead responsibility for the assignment, (2) the distribution of assignments to date, (3) potential conflicts of interest, and (4) the response time within which the firm can complete the task pursuant to the Agency’s Purchasing Policy and Procedures. As always, for assignments under $50,000, Agency staff would execute the personal services contract under the Executive Director’s authority, and for assignments over $50,000, Agency staff would bring the personal services contract to the Commission for its consideration.

The current appraisal list includes 13 appraisers and appraisal firms and was established in December 2006 following an RFQ process. Seven of the appraisers are small businesses (five based in San Francisco and two based in Alameda) and six are large firms. One of the seven small businesses has been certified by the Agency as an SBE, while the rest are yet to submit the required documentations to be certified as SBEs by the Agency. Three appraisers and appraisal firms that are not on the list expressed interest in joining the list since the appraisal list was established. They decided to wait until a new RFQ is issued to provide the required information. Agency staff needs to determine if they qualify to be on the list.

As of October 2009, seven personal services contracts have been executed for a total aggregate fee of $112,448 from January 1, 2007 to the present. Three of the large firms earned a combined total fee of $54,448 (48% of the total fees) and four small businesses, including an SBE, earned the balance of $58,000 (52% of the total fees). The highest fee paid to a firm on the list was $31,300, the lowest was $4,200, and the average was approximately $5,000. Please see Attachment 2 for the expenditure breakdown. The range of these fees is well under the Executive Director’s expenditure authority. Based on this experience, Agency staff intends to continue to procure appraisal services for the Agency through an open list of pre-qualified firms, one that is continually advertised on the Agency’s website.

DISCUSSION

Recent Appraisal Services

The Agency has used the services of real estate appraisers and appraisal firms on an as-needed basis for a variety of real estate appraisal assignments over the past several years. Some of the appraisers and the appraisal firms on the list have assisted the Agency with a number of activities, a few of which includes the following:

- Setting the individual fair market value for certain citywide apartment complexes needing financing assistance from the Agency, such as the affordable apartments at 249 Eddy Street
and 161-165 Turk Street that were at risk of being converted to market-rate housing because of expiring federal subsidy.

- Setting the acquisition price for Agency-owned parcels, such as: 1345 Turk Street in the Western Addition Redevelopment Project Area A-2; Foodsco Supermarket site at 345 Williams Street in the Bayview Hunters Point Redevelopment Project Area; Parcels EE-2 and AA3 in the Hunters Point Redevelopment Project Area; and Lot 27 of City Block 3740 in the Transbay Redevelopment Project Area.

- Setting the proposed purchase price for properties acquired or being acquired in the Sixth Street Corridor in the South of Market Redevelopment Project Area, including the Hugo Hotel.

**Advantages of a List of Pre-qualified Appraisers**

Having a list of pre-qualified appraisers will help the Agency achieve expediency, cost savings and flexibility throughout the appraisal procurement process. The key advantages of a list of pre-qualified appraisers are that it: (1) allows the Agency to draw from a broad group of pre-qualified and pre-approved appraisers and appraisal firms; (2) achieves rapid turnaround (i.e., when some appraisers are busy, others are available); (3) avoids conflicts with other assignments (i.e., when some appraisers are committed to other clients on the same parcel or job, others are available); and (4) increases competition and provides greater opportunities for small businesses by allowing the addition of new contractors on an on-going basis.

**Range of Anticipated Appraisal Services**

Appraisal services will continue to be required by the Agency for many of its transactions, such as the acquisition, disposition and management of real estate and personal properties. Based on experience, the following summarizes the range of services that the Agency will require in the immediate future: (1) estimation of current fair market value, retrospective market value and prospective market value of a given real estate property’s rights and interests; (2) provision of fee, reuse, or partial interest appraisals of proposed/existing industrial, commercial, and/or office buildings, unique special-use properties, hotel conversions, vacant land, residential properties, including rental properties with expiring federal subsidies, and/or a business or businesses; (3) provision of rent surveys, lease characteristics, and lease concessions for a given real estate market segment or product(s); (4) collection and analysis of real estate market data for the purposes of drawing conclusions and making recommendations to the Commission or assisting staff in acquisition and disposition negotiations; (5) identification and recommendation of the highest and best use for a given parcel(s) of land and/or buildings, and estimation of the appropriate quantity, price, market timing, absorption rate and market share of real estate units subject to certain constraints and conditions; (6) provision of litigation support services, including expert witness services; and (7) review of other appraisal report(s) and market studies.

**Proposed Request for Qualifications**

Given the Agency’s continuing need for appraisal services, Agency staff intends to issue an RFQ to form a new list of pre-qualified appraisers (See Attachment 1). Staff intends to issue the RFQ on November 4, 2009, with a submission date of December 4, 2009. More details about the RFQ
process are provided in the draft RFQ attached to this Informational Memorandum. The RFQ will be publicized to all appraisers and appraisal firms, including SBE appraisers and appraisal firms, through direct mailing, newspapers of general circulation, Bids and Contracts Opportunities (a weekly publication of the City and County of San Francisco), and the Agency’s Internet website. The RFQ will include the following selection criteria:

1. The strength of the independent fee appraiser or appraisal firm’s qualifications to undertake any or all of the services listed under the RFQ scope of services;
2. Overall expertise regarding the specific tasks in the RFQ scope of services;
3. Ability to comply with the Agency’s policies, including but not limited to nondiscrimination, equal benefits, minimum compensation, healthcare accountability, small business enterprise requirements (if applicable), and insurance;
4. The proposed staffing and professional fee schedule for providing the requested services;
5. Ability to produce credible appraisals and meet deadlines;
6. A working knowledge of the City of San Francisco’s legislative process, and other regulatory authorities;
7. The Agency’s experience with the appraiser or appraisal firm;
8. The particular expertise of the independent fee appraiser or appraisal firm and its principals regarding the types of appraisal assignments required by the Agency; and

A selection panel consisting of Agency staff will evaluate the responses using the above selection criteria. Appraisers determined to be qualified will be placed on the list of pre-qualified appraisers.

When services are needed, Agency staff will solicit proposals from at least three firms on the list (including at least one SBE) and choose one based on: (1) the particular expertise of the appraisal or appraisal firm, (2) the distribution of assignments to date, (3) potential conflicts of interest, and (4) the response time within which the appraiser can complete the task. For assignments under $50,000, Agency staff will execute the personal services contract under the Executive Director’s expenditure authority under the Agency’s Purchasing Policy. For assignments over $50,000, Agency staff will bring the proposed contract to the Commission for its consideration.

**Originated by Ricky Tijani, Senior Development Specialist**

Fred Blackwell  
Executive Director

Attachments:
- **Attachment 1:** Proposed Request for Qualifications  
- **Attachment 2:** Appraisal List Expenditure Breakdown  
- **Attachment 3:** Informational Memorandum dated November 7, 2006
Attachment 1

Proposed Request for Qualifications
Attachment 2

Appraisal List Expenditure Breakdown
Attachment 3

Informational Memorandum dated November 7, 2006