MEMORANDUM

TO: Agency Commissioners

FROM: Fred Blackwell, Executive Director

SUBJECT: Authorizing a Personal Services Contract with MJM Management Group, a California Corporation, for property management of the Mission Bay open space system for an initial term of three years, with one three year option to extend the contract, for a total aggregate management fee amount not to exceed $617,362; Mission Bay North and South Redevelopment Project Areas

EXECUTIVE SUMMARY

Under the Mission Bay North and South entitlements, the Agency is responsible for managing 41 acres of Mission Bay public open space being developed by FOCIL-MB, LLC ("FOCIL") on parcels owned by the City and leased to the Agency. Funding for the Agency’s management of the open space comes from Mission Bay property owners through a Mello-Roos Community Facilities District; no Agency or City funds will be expended under this Contract.

In August 2009, the Agency released a Request for Qualifications ("RFQ") for comprehensive property management services for the Mission Bay open space system, including landscaping, janitorial, and security services. The Agency received one complete application from MJM Management Group ("MJM"). The MJM team was found by staff to provide the experience and quality of work required to provide services requested in the RFQ.

The proposed Contract will have an initial term of three years, with an Agency option to renew for an additional three-year period. The scope of services provides for management of the existing nine Mission Bay park parcels, as well as three additional parcels which are expected to be finished during the term of the Contract. Further park development during the term of the Contract will be added to the scope of services by Contract amendment considered by the Commission in the future. The Contract sets the maximum cumulative management fee to MJM at $617,362 for the initial and option terms together. The budget for the first year under the Contract is set at $1,490,268, with a management fee of $92,580. Subsequent annual operating budgets will be approved by the Executive Director.

MJM has assembled an excellent team that meets the Agency’s Small Business Enterprise ("SBE") contracting goals, with 61% of the Contract Year 2010 operating and management fee budget (excluding costs such as utilities) going to SBEs. MJM’s subcontractors are Aim to Please Janitorial Services; A Top Notch Security Services; and Forster & Kroeger Landscape Maintenance, Inc., all of which are SBEs. MJM is a Francisco-based woman-owned firm, no longer economically disadvantaged. MJM and its subcontractors all have
strong minority and female workforce representation, and MJM is working with the South of Market Employment Center on recruiting and training additional employees.

Staff recommends approval of the Personal Services Contract.

DISCUSSION

Mission Bay Open Space System

The Mission Bay North and South Project Areas will ultimately include 41 acres of public open space built on property owned by the City and the Port, which will be leased to the Redevelopment Agency for operation and maintenance (see Attachment 1 for a map for location of the proposed open space facilities). Pursuant to the 1998 Owner Participation Agreements, FOCIL-MB, LLC will develop the Mission Bay open space in phases over an estimated 15-20 years, in association with the residential and commercial development.

The Agency is responsible for operating the Mission Bay open space system through 2043. All funding for the open space operations, including any contract for property management services, comes from special taxes paid by Mission Bay private property owners, including UCSF, under Mello-Roos Community Facilities District No. 5 (CFD No. 5). Agency affordable housing sites are exempt from this assessment. The Agency annually adjusts the level of special taxes collected from CFD No. 5 to fund the operations of the growing Mission Bay open space system. No funds other than those available from CFD No. 5 will be used by the Agency to maintain the Mission Bay open space system.

Nine sections of the Mission Bay open space system have been completed and transferred to the Agency for management and operations. These parcels include the completed portions of Mission Creek Park, including the recently opened sports courts (Parks P1 and NP1-NP5). In addition, three parks along Terry François Boulevard (Parks P17, P18 and P21), are the responsibility of the Agency.

Further park construction beyond these parcels will be tied to future development phases of Mission Bay, and will likely include construction of additional segments of Mission Bay Commons, Bayfront Park, and Mission Creek Park. FOCIL is planning on starting construction of Park P16 in early 2010, and Parks P23 and P24 in late 2011. As these parks are developed, they will be transferred to the Agency for management and operations.

On November 18, 2003, pursuant to a RFQ process, the Redevelopment Commission approved a Personal Services Contract with MJM (which operated under the name of KTB Management Group at that time) to provide overall management of the Mission Bay parks. MJM’s Contract had an initial term of three years, with an option for the Executive Director to renew the Contract for an additional three years. Since MJM was performing well and meeting the requirements of the Contract, including the Agency’s policies regarding contract compliance, the Agency exercised this option and the Contract was extended for an additional three years. MJM’s Contract will expire on January 4, 2010.
Request for Qualifications and Contractor Selection

In order to continue to fulfill the Agency’s responsibilities, the Agency issued a Request for Qualifications ("RFQ") on August 24, 2009, following Commission review, for Mission Bay open space management. The RFQ sought detailed submissions from property management firms, with subcontractors as needed to provide a full scope of services. Consistent with prior practice and based on the complexity of the Mission Bay open space system’s overall management, the scope and magnitude of the project, and the benefits of consistent, high quality operations, the RFQ provided for an initial contract term of three years, with an Agency option to renew for an additional three years.

Extensive outreach efforts included advertising six local newspapers and direct mail to over 60 firms. Two submissions were received by the due date of September 25, 2009, of which only one, from MJM, was found to be responsive to the RFQ and substantially complete.

Agency project management and contract compliance staff completed an in-depth analysis of the MJM proposal and MJM’s ability to satisfy the RFQ’s selection criteria and the Agency’s purchasing policy requirements. Staff concluded that MJM is well qualified to provide high-caliber property management services for the Mission Bay open space system in the future, as it has for the past six years.

Mission Bay Open Space Management Contract

Staff has negotiated a personal services contract with MJM for Mission Bay open space management ("Contract"). The major terms of the proposed Contract are outlined below.

Term

As described in the RFQ, which was reviewed by the Commission, the Contract will have an initial term of three years, with an option for the Executive Director to renew the Contract for an additional three years.

Scope of Services

MJM’s responsibilities will include overall management of the parks, landscape gardening, janitorial and general maintenance, and security. As described above, the open space parcels are being developed over time. However, they are all part of a single open space system, which can be best and most efficiently managed through a single management contract. As described in the RFQ, therefore, the intention is to add all Mission Bay park parcels into the MJM Contract as they are constructed. The first parcels that will be managed by MJM under the contract include the parks that are already completed and open to the public, specifically: Parks P1, NP1-5, P17, P18, and P21 ("Start-up Parcels"). An additional three parks, P16, P23, and P24, are anticipated to be constructed and completed by FOCIL during the term of the Contract. The Contract specifically provides for the addition of these three "Phase-in Parcels," with detailed work plans for each parcel included in the scope of services and the budget. Several other parcels may be developed during the term of the Contract, and will be added by amendments to the scope of services by future Commission action.

The proposed Contract includes a detailed scope of services for all aspects of the open space management system. The scope describes the responsibilities of MJM and each of the
subcontractors, and includes specifications on the tasks to be committed by each firm and the frequency with which tasks are to be performed. The scope of work includes:

1. **Management and General Operations:** Oversight of Mission Bay park operations, including tasks such as coordinating and supervising all landscaping, janitorial, maintenance, and security services through subcontractors; providing an on-site property manager and engineer; maintenance of all mechanical and constructed systems; coordinating and promoting special events; issuing permits for use of facilities; maintaining financial accounts; preparing annual budgets; and resolving day-to-day problems as they arise.

2. **Landscape Maintenance:** Maintenance of all landscaped and planted areas in a healthy, attractive, and safe condition, including lawn areas, trees, shrubs, plantings, and ground cover.

3. **Janitorial:** Daily trash removal, sweeping, and janitorial services, as well as graffiti abatement and general maintenance services for all hardscape and constructed areas, including pathways, and all site furnishings, as well as of park structures.

4. **Security:** A 24-hour-a-day park security by uniformed security guards. Additional security will be provided as needed for special events.

**Budget**

As explained above, all funds for the Contract will be paid by CFD No. 5, the Mission Bay Maintenance District, and no additional Agency funds will be used for maintenance of the parks.

Consistent with the existing property management contract, the Contract will be structured on a reimbursement basis, with the Agency paying the operating costs of managing the open space system, plus a negotiated management fee.

As noted above, the initial Contract scope includes 12 open space parcels which will come under the Contract as they are completed (the nine Start-up Parcels and three Phase-in Parcels). The first year approved operating budget for 2010 only includes the Start-up Parcels for the first half of the year, with Phase-in Parcel Park P16 included in the budget starting in July. The remaining Phase-in Parcels, Parks P23 and P24, are not anticipated to be completed until after the initial three year term of the Contract.

The Contract sets MJM’s cumulative maximum management fee at $617,362, with $284,940 earned over the initial three year term of the Contract. The maximum annual fee during the first three years is $96,180. Like the operating budget, the Contract sets the management fee on a parcel-by-parcel basis for the Start-up Parcels and three Phase-in Parcels, so that MJM earns its fees only for those open space parcels actively under management. The actual management fee over the Contract term may therefore be less than the maximum. The Contract provides for a three percent (3%) increase in the per-parcel management fee after three years, during the option term. The maximum fee over the option term is set at $332,422, or $110,807 annually. However, if additional open space parcels are developed beyond the first 12 parcels, the management fee will be increased by Contract amendment considered by the Commission.
The first year budget assumes that all of the Start-up Parcels will be maintained by MJM for the entire first year (Year 2010), with Phase-in Parcel Park P16 being maintain for only the second half of the year. The budget is summarized below:

<table>
<thead>
<tr>
<th>Budget Item</th>
<th>Amount</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating costs</td>
<td>$1,360,513</td>
<td>Includes direct personnel; janitorial, landscaping and security subcontracts; utility costs; site office expenses; and maintenance materials and supplies.</td>
</tr>
<tr>
<td>Capital costs</td>
<td>$37,175</td>
<td>Maintenance, site furnishings, and site office equipment purchases</td>
</tr>
<tr>
<td>Management fee</td>
<td>$92,580</td>
<td>Approximately 6.2% of annual budget, to cover all MJM management, overhead, and profit.</td>
</tr>
</tbody>
</table>

**Total** $1,490,268

This first year budget has been extensively negotiated by staff based on prior experience of managing the parks, and staff believes it is an appropriate budget for the scope of work. Subsequent annual budgets will be adjusted as necessary, and will be subject to approval by the Executive Director. In no event will the budget exceed the funding available from CFD No. 5.

**Equal Opportunity Program and Purchasing Program Compliance**

The MJM team meets the Agency’s equal opportunity program goals for Mission Bay. MJM, the prime Contractor, is a San Francisco-based woman-owned firm, no longer economically disadvantaged, and all of three subcontractors are Small Business Enterprise (“SBE”) firms. Based on the proposed Year 2010 operating and management fee budget of $1,453,093, less the $395,927 allocated for operating costs, such as utility payments, SBE’s will receive 61% of the contract amount, as follows:

<table>
<thead>
<tr>
<th>Subcontractor</th>
<th>SBE</th>
<th>Amount</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>MJM Management Group</td>
<td>n/a</td>
<td>$410,717</td>
<td>39%</td>
</tr>
<tr>
<td>Aim to Please Janitorial Services</td>
<td>SBE</td>
<td>$181,935</td>
<td>17%</td>
</tr>
<tr>
<td>A Topnotch Security Services, Inc.</td>
<td>SBE</td>
<td>$219,780</td>
<td>21%</td>
</tr>
<tr>
<td>Forster and Kroeger Landscape</td>
<td>SBE</td>
<td>$244,734</td>
<td>23%</td>
</tr>
</tbody>
</table>

Three of the four firms are San Francisco-based and all four have very strong minority and women workforce participation. MJM has been working with the South of Market Employment Center on recruitment and training, with direction from Agency staff, to ensure that the team’s workforce continues to reflect the diversity of San Francisco’s residents.

MJM and its subcontractors are in compliance with all of the Agency’s purchasing and contracting policies, including policies on non-discrimination in benefits and minimum compensation.
Environmental Review

Under the Contract, the ongoing maintenance of the Mission Bay open space system will provide quality active and passive recreational opportunities for residents of the Mission Bay North and South Redevelopment Project Areas and the general public. The Contract is exempt from the California Environmental Quality Act ("CEQA") pursuant to CEQA Guidelines Section 15301(h) and will not cause a significant physical effect on the environment.

(Originated by Catherine Reilly, Acting Project Manager)

Fred Blackwell  
Executive Director

Attachments: 1. Mission Bay Open Space System Map