



**COMMISSION
AGENDA MEMORANDUM**

Item No. 6b

ACTION ITEM

Date of Meeting April 24, 2018

DATE: April 11, 2018

TO: Stephen P. Metruck, Executive Director

FROM: Jeffrey Utterback, Director, Real Estate and Economic Development
Dave McFadden, Managing Director, Economic Development

SUBJECT: Real Estate indefinite delivery, indefinite quantity (IDIQ) contracts

Amount of this request: \$0

Total estimated contract value: \$1,500,000

ACTION REQUESTED

Request Commission authorization for the Executive Director to execute three indefinite delivery, indefinite quantity contracts to provide real estate consulting services as needed to support future developments for a total amount not to exceed \$1,500,000. There is no funding request associated with this authorization.

EXECUTIVE SUMMARY

As a result of the Real Estate Strategic Plan, the Economic Development Division and the real estate development team is continuously reviewing the Port real estate portfolio in order to find the most strategic use of Port property. The method of analysis and the follow-up execution requires the Port to engage specific consultants in order to best respond to each real estate opportunity. Based on the experiences from the recent past, staff has been able to better define the professional needs required for both the preliminary analysis as well as follow through once agreements have been agreed related to Port real estate. The procurement of these three professional and personal services agreements will allow staff to continue implementation of the development strategies previously presented in the Real Estate Strategic Plan.

Consulting services will provide the professional skills necessary for appraisals, pre-feasibility including design and infrastructure analysis, and construction oversight and monitoring. As a result of previous projects, Port staff has experience with managing these types of consultants and will put emphasis on procuring highly qualified and certified small business enterprises to accomplish this work. Small business goals have been set for each contract provided the prime contractor is not a small business.

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IDIQ requested funds will go toward:

1. Construction Monitoring/Landlord Representation
2. Professional Services (Space and building design, conceptual site planning, infrastructure analysis, and hard cost estimates)
3. Appraisals

JUSTIFICATION

These are all specialized services that are best utilized through external contracts by the Port. In order to effectively execute binding agreements for developments on Port property, these firms are needed to provide specific services and skills that staff has determined necessary.

IDIQ contracts provide the Port with the flexibility to meet our due diligence requirements by issuing individual service directives to accomplish tasks within a general, pre-defined scope of work on an as needed basis for a fixed period of time and a maximum contract amount.

Separate IDIQ contract procurements are required, given the varied nature for each discipline needed. It is not practical to combine these services and would only add an additional and unnecessary management layer and cost.

DETAILS

These contracts are for real estate services to support upcoming real estate development projects for a total amount not to exceed \$1,500,000. Each IDIQ will have a contract value of \$500,000. Each contract will be for one year with four optional years and have a five year ordering period. Contract duration may be extended to allow for work initiated during the contract ordering period to be fully implemented. Each service directive will specify the specific scope, duration, and schedule associated with the work. Often services are needed for projects that are phased over several years, such as construction monitoring for development projects and this provision will allow the Port the ability to retain consultants and provide continuity during these longer term investment periods.

Scope of Work

1. Construction Monitoring/Landlord Representation

Coordinate with the developer throughout the design, permitting and construction process as well as interface with the Port staff throughout the construction period. The consultant will assist the Port with ground lease review and other ground lease tenant/developer contracts as well as any design and construction related issues between the Port and the developer/ground lease tenant.

Deliverables will include monthly status reports, details on prime and sub-contractors onsite, verification of contract specific requirements such as prevailing wage, status of apprenticeship program, overall permit monitor, environmental and soil mitigation review,

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and provide overall coordination and recommendations throughout the development process.

2. Space and building planning, conceptual design and infrastructure analysis

When putting together the RFP for any property to be issued to the market, a deeper study of the site is required. Consultant provides design options, analysis and feasibility, along with a review of the existing zoning and infrastructure in order to best describe the entitlements existing and needed for any future development. Typically, this consultant (architect in most cases) has significant experience in both industrial and maritime related asset classes.

Scope will also include confirmation of the development capacity of the site, preliminary building sizes and site configurations, resolution of truck entry and movement when appropriate, advise on overall road improvements, identification of environmentally sensitive areas including known contamination and wetlands and how to mitigate those development impacts, as well as other basic development criteria. Each site will also include an itemized hard cost estimate including all off-site and on-site infrastructure, earthwork analysis (cut/fill breakdown), building costs and other relevant site improvement costs.

3. Appraisals

Best practice would require an appraisal of any property to be informed of Fair Market Value prior to the Port entering into any commercial agreement. Due to the nature of Port assets, the appraiser should have experience with publicly-owned property, industrial property, maritime property including both the uplands and submerged lands. Consultant may also need to perform reviews and validations of past or current appraisals done by others. Experience in sales comparison approach, investment method, and income capitalization will all be required.

Appraiser shall be a member of:

- American Institute of Real Estate Appraisers Member Appraisal Institute (MAI); or
- Society of Real Estate Appraisers Senior Real Property Appraisers (SRPA); or
- National Association of Independent Fee Appraisers Independent Fee Appraiser Senior (IFAS); or
- National Society of Real Estate Appraisers Certified Real Estate Appraiser (CRA)

Small Business

Through Port of Seattle's Small Business Generator's outreach efforts, all three of these opportunities will be sent to all interested small and MWBE businesses via newsletters, community organizations, and outside governmental sites. In addition, these opportunities will be identified and discussed at the upcoming PortGen event on May 3.

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ALTERNATIVES AND IMPLICATIONS CONSIDERED

Alternative 1 – Complete a separate procurement each time pre-development consulting services are required.

Pros:

- (1) Separate contract procurements would allow consulting firms multiple opportunities to compete for each individual project.

Cons:

- (1) Reduces ability to quickly react to need based feasibility requirements in an environmental subject to rapid changes.
- (2) This alternative would increase overhead and administrative costs to the Port due to the need to manage multiple procurement processes and contracts.

This is not the recommended alternative.

Alternative 2 – Increase Port Staff to provide these technical services.

Pros:

- (1) Lower cost than external consultant architects and engineers.
- (2) Institutional knowledge is built by Port Staff.

Cons:

- (1) It will take significant time to hire staff with the necessary skill sets. This would delay critical projects.
- (2) New Port Staff would need to have a broad set of specific skills which would be difficult to acquire. Consultants have staff with these skills and can utilize them on as needed basis.

This is not the recommended alternative.

Alternative 3 – Procure three IDIQ contracts to provide development real estate consulting services.

Pros:

- (1) This alternative would provide the Port with the resources necessary to assist with current and future projects as needed.
- (2) Significant time and procurement cost would be saved by consolidating procurements for future projects.
- (3) Improves ability to react quickly to emerging real estate development needs.

Cons:

- (1) The number of opportunities available to firms to compete for individual projects is limited.

This is the recommended alternative.

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FINANCIAL IMPLICATIONS

The total estimated project cost of services will not exceed \$1,500,000. No work is guaranteed to the consultants and the Port is not obligated to pay the consultant until a service directive is executed and services are provided. After receiving authorization for each project in accordance with Port policy, the actual work will be fully defined and the Port will issue individual, project-specific service directives.

ATTACHMENTS TO THIS REQUEST

None

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

November 25, 2014 – The Port Commission authorized a \$4,000,000 IDIQ for various real estate services.