



MWD

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

8-8

April 24, 1998

To: Board of Directors (Organization and Personnel Committee--Action)
(Budget and Finance Committee--Information)

From: *for* General Manager

Submitted by: Lambertus H. Becker
Chief Financial Officer

Gilbert F. Ivey
Senior Executive Assistant to the
General Manager

Subject: Authorization to enter into an agreement with COMPASS Management and Leasing, Inc., not to exceed \$3,800,000, for property management services at the new Headquarters for two years.

RECOMMENDATION(S)

It is recommended that the General Manager be authorized to enter into an agreement with COMPASS Management and Leasing, Inc. for property management services at the new Headquarters in an amount not to exceed \$3,800,000 for two years.

EXECUTIVE SUMMARY

Approval of this recommendation will allow the General Manager to enter into a contract to accomplish many of the tasks typically associated with the start-up, opening, operating, and maintaining Metropolitan's new Headquarters facility at Union Station. Metropolitan's draft Operating Budget for Fiscal Year 1998-99 includes a request for funding for the first full fiscal year of the agreement. There are sufficient funds available in the current year Finance and Business Services Division budget for the agreement's initial requirements, estimated at less than \$100,000, for the balance of this fiscal year.

There are three (3) major factors that have affected this recommendation to contract with an outside property management firm. First, as a result of efficient management during construction of the Headquarters building, we are anticipating an earlier than scheduled occupancy date. Second, when Metropolitan moved to California Plaza, most of the staff involved in the maintenance of the old Headquarters at Sunset were reassigned to field locations which offset a need to hire new employees at the time for essential work; others have retired. And finally,

existing staff does not have experience in starting up a major building or current certifications necessary to maintain the critical building systems at the new Headquarters. Given these three issues, hiring a property management contractor to start-up, open, operate, and maintain the new Headquarters is a reasonable and prudent action to take to help assure a successful and timely transition from a leased facility to a Metropolitan owned one.

As part of the planning for the move to the new Headquarters, staff has identified a range of services necessary for the move to and occupancy of the building. Among the first tasks identified by staff is the need to select a property management firm to operate and maintain the building. Staff initiated a Request for Proposals (RFP) process to acquire property management services. Following an evaluation of responses, it is recommended that COMPASS Management and Leasing, Inc. (COMPASS) provide the property management services in an amount not to exceed \$3,800,000 for two years with a one year option. The cost of the option year would be negotiated at the time Metropolitan exercised the option.

ALTERNATIVE(S) TO PROPOSED ACTION

Metropolitan staff could provide the required services.

This alternative has been considered. Existing staff does not have experience in starting up a high-rise building or current certifications necessary to maintain the critical building systems at the new Headquarters. Given the short lead time before occupying the building, it would be difficult for staff to get the experience or certificates needed. Experienced and certified staff could be hired, but no appropriate personnel classifications exist for key positions. While not feasible at this time, this alternative should be revisited in the future.

Metropolitan could contract directly for all the required services.

This alternative was also considered. Presently, Metropolitan's Facilities Management staff administers a number of contracts for services similar to those anticipated to be managed by the proposed Contractor. These contracts are typically smaller and the services less complex than those needed for the Headquarters building. Facilities Management does not currently have the experience or staff resources necessary to administer the number and type of contracts needed to operate and maintain a high-rise facility. Again, while not feasible at this time, this alternative should be revisited in the future.

CEQA COMPLIANCE / ENVIRONMENTAL DOCUMENTATION

The recommended action is categorically exempt from the California Environmental Quality Act (CEQA) because it involves management activities which do not result in a serious or major disturbance to an environmental resource (State CEQA Guidelines, section 15306).

CONTRACT SUMMARY

Contract Status:	In Preparation	Type of Selection:	RFP
Contract Form:	Professional Services	Firms Receiving RFP:	26
Contract Type:	New	Proposals Submitted:	7
Evaluation Criteria:	Professional Experience, Key Personnel, Financial Capability, and Technical Proposal.		

MBE / WBE

Because some contract services must be performed by the installer, vendor or supplier under warranty and the contracting level for other services have yet to be determined, the RFP did not require submittal of subcontractor information, but established MBE/WBE anticipated participation levels of 15 percent MBE and 5 percent WBE of the contract dollar amount. COMPASS, which has other public sector clients and is familiar with MBE/WBE programs, acknowledges the anticipated participation levels and will be contractually obligated to work towards meeting or exceeding the anticipated levels of participation.

DETAILED REPORT

In March 1995, the Board of Directors authorized execution of a Development Agreement for construction of its new Headquarters at Union Station with a completion date of December 1, 1998. In April 1996, the Development Agreement was modified to advance the completion date to November 1, 1998. Construction is currently on schedule.

Metropolitan's draft Budget for Fiscal Year 1998/99 includes a Union Station Headquarters Relocation, Start-up, and Operations & Maintenance component with costs associated with the start-up, opening, operating, and maintaining of the new facility. There are sufficient funds available in the current year Finance and Business Services Division budget for the agreement's initial requirements for the balance of this fiscal year. Assuming the proposed agreement becomes effective in May, it is expected that less than \$100,000 would be expended this year.

With the completion of the Headquarters less than six months from now, staff has created a Headquarters Move Project Team that meets weekly to plan for the move-in. This Team is currently made up of staff from Finance and Business Services, but will soon be expanded to include Floor Coordinators and other key personnel from each Division and Department.

Staff has identified a range of services and purchases necessary to move into as well as occupy the building. Services include, but are not limited to, property management. Three different approaches to property management services were considered: 1) Metropolitan staff could provide the services; 2) Metropolitan could contract with a variety of contractors for the needed services; or 3) Metropolitan could contract with a property management firm which would in turn subcontract for various services.

Metropolitan managed the Sunset Headquarters with a combination of staff and contractors. When Metropolitan moved to Cal Plaza, most of the staff involved in the maintenance of Sunset were reassigned to field locations which offset a need to hire new employees at the time for essential work; others have retired. Existing staff does not have experience in starting up a major building or current certifications necessary to maintain the critical building systems at the new Headquarters. The lack of experience and staff resources makes it impractical for staff to manage the property or administer a broad range of contracts at this time.

As an interim measure to transition from a leased facility to a Metropolitan owned one, staff is recommending the selection of a qualified and experienced property management firm to accomplish many of the tasks typically associated with the start-up, opening, operating, and maintaining of a new high-rise headquarters facility. Services to be provided, primarily through subcontracts, include but are not limited to: 1) building security; 2) building maintenance; 3) building engineering; 4) janitorial and housekeeping; 5) fire and life safety; and 6) landscaping.

The property management agreement will be administered by Metropolitan's Facilities Manager. Additionally, Metropolitan's Facilities Management staff will continue to provide the same services as it does presently at Cal Plaza. These services include Board and Conference Room set up, systems furniture reconfigurations, furniture maintenance and repair, as well as minor moves. Moreover, Metropolitan will retain responsibility for the following services: 1) parking operations and parking enforcement; 2) construction management; 3) the data and telecommunications systems; 4) signage; and 5) audio-visual equipment. Furthermore, Metropolitan will contract directly for cafeteria services and other miscellaneous services.

The proposed property management contract would be for two years with a one year option. This term will allow Metropolitan to assess and evaluate its long-term operation and maintenance options. It will also provide actual cost benchmarks that Metropolitan can use to determine the potential for cost savings through Metropolitan management of the property. Further, Metropolitan staff will gain experience with a state-of-the-art high-rise building and have time to become certified on the appropriate building systems if deemed necessary.

The RFP used information from the Building Owners and Managers Association (BOMA) as well as input from Equity Office, Cal Plaza's property manager. Equity Office manages company owned properties and did not respond to the RFP. Prior to finalizing, the RFP was reviewed by Munger, Tolles & Olson, Metropolitan's consultant on the new Headquarters.

As envisioned, the property management firm will serve as prime contractor for most services such as security, building engineering, janitorial, and exterior landscaping. The overall contract amount includes estimated costs for these services. To ensure that MBE/WBE participation levels are met, all subcontracts will be competitively bid and Metropolitan will be fully involved in the subcontracting process. The involvement will include reviewing and approving RFP/bid documents, participation in actual selection, and approval of selected subcontractor.

Staff initiated a Request for Proposals (RFP) process to acquire property management services to start-up, operate, and maintain the building as well as provide the full range of services associated with a Class "A" high-rise building. Since the building is a new start up, the property

management contract may include some one-time equipment purchases associated with the provision of this service.

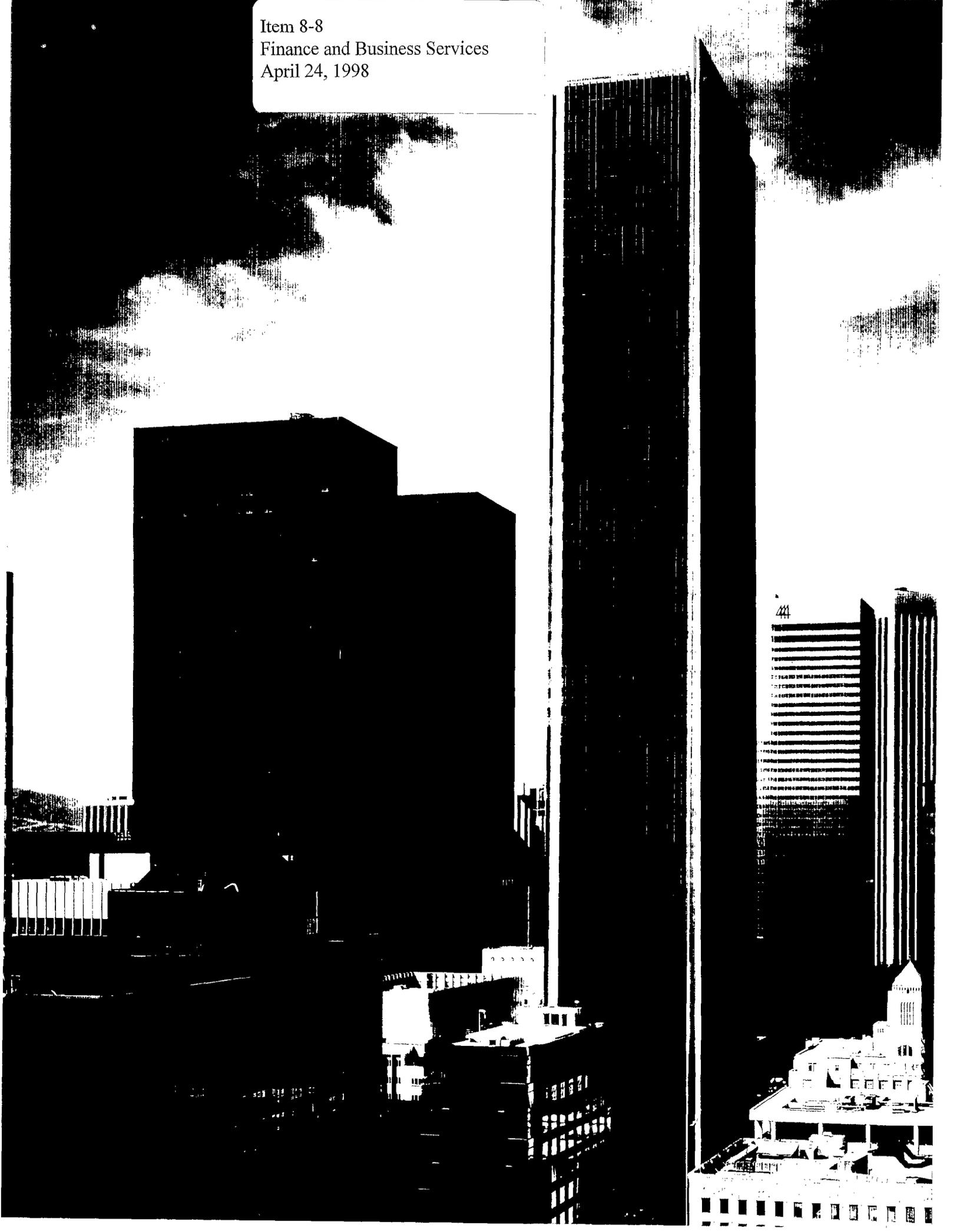
The availability of the RFP was advertised in the Los Angeles Times (Sunday thru Wednesday), two other newspapers of general circulation, and a specialized mailing list of 130 names was used. Twenty-six (26) firms received the RFP. Seventeen (17) entities attended the mandatory preproposal conference and seven (7) submitted responses. The proposals were evaluated by an evaluation committee and the firms were subjected to a financial capacity analysis. Based on the score received, a site visit was conducted on a property managed by the highest rate firm. Finally, the firm was interviewed and further evaluated. That firm, COMPASS Management & Leasing, Inc., is being recommended for approval. Attached is information on some of the buildings managed by COMPASS in Southern California including the First Interstate Tower at 707 Wilshire Boulevard (1 million square feet) and Union Bank Plaza (600,000 s.f.) at 445 South Figueroa in Los Angeles, Wells Fargo Plaza (465,000 s.f.) at 401 B Street in San Diego, and Newport Gateway (500,000 s.f.) at 19900 McArthur Boulevard in Irvine.

The proposed agreement would be for two years with a one year option. During the first contract year, the building will not be fully occupied for the entire year. The cost for the first year is estimated at \$1.3 million and the second year at \$2.5 for a two year total not to exceed \$3.8 million. The cost of the option year would be negotiated with Compass if Metropolitan decides to extend the agreement for a third year.

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Finance and Business Services
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First Interstate Tower is a 1.03 million square foot, 62-story office building in the central business district of downtown Los Angeles. One of the tallest office buildings in the city, First Interstate Tower stands as a landmark on the Los Angeles skyline, symbolizing a commitment to business.

OWNERSHIP: First Interstate Tower, a California Joint Venture consisting of The Equitable Life Assurance Society of the United States, and United California Bank Realty Corporation.

MANAGEMENT: COMPASS Management and Leasing, Inc., a subsidiary of Equitable Real Estate.

LEASING: Maguire Thomas Partners

ADDRESS: 707 Wilshire Boulevard, Los Angeles, CA 90017

YEAR BUILT: 1974

ARCHITECT: The Luckman Partnership

CONTRACTOR: C.L. Peck and Morse Construction

BUILDING HEIGHT: 62 stories (858 feet)

BUILDING AREA: 1,028,853 rentable square feet.

AVERAGE FLOOR SIZE: 17,500 square feet

FLOOR TO FLOOR HEIGHT: 13'6"

FINISHED CEILINGS: 8'9"

MULLION SPACING: 5'0" on center

COLUMN SPACING: 30'0" on center

SUB FLOOR SYSTEM: Walker ducts located every six feet on center for telephone and electrical data cables.

PARKING: 1,031 spaces on site (1/1000 rsf)

BUILDING HOURS: Monday through Friday 8:00 a.m. - 6:00 p.m. Saturday 8:00 a.m. - 1:00 p.m.

FOUNDATIONS: Reinforced concrete spread and mat foundation supported by drilled/belled caissons bearing on undisturbed shale.

FRAMING: Structural steel moment resisting space frame with composite concrete and steel decking.

ELEVATORS: 33 OTIS elevators operating through five elevator shafts.

Floors Served	Area	Capacity (LBS)	Speed (FPM)
62-52	high rise	3,000	1,600
51-41	mid high rise	3,000	1,200
40-21	mid low rise	4,000	1,200
21-4	low rise	4,000	700
ML-LL2	shuttle	2,500	250
9-LBL	shuttle	2,500	350
all	freight	5,000	800
all	freight	4,000	700

LIFE SAFETY: State of the art systems which meet or exceed all local, state and national codes. Fully sprinklered with flow and tamper switch monitoring, pressurized stairwells, smoke evacuation system, voice evacuation system, detector/pull station annunciator system, and stairwell locking system. A 100,000 gallon water storage tank is present on site.

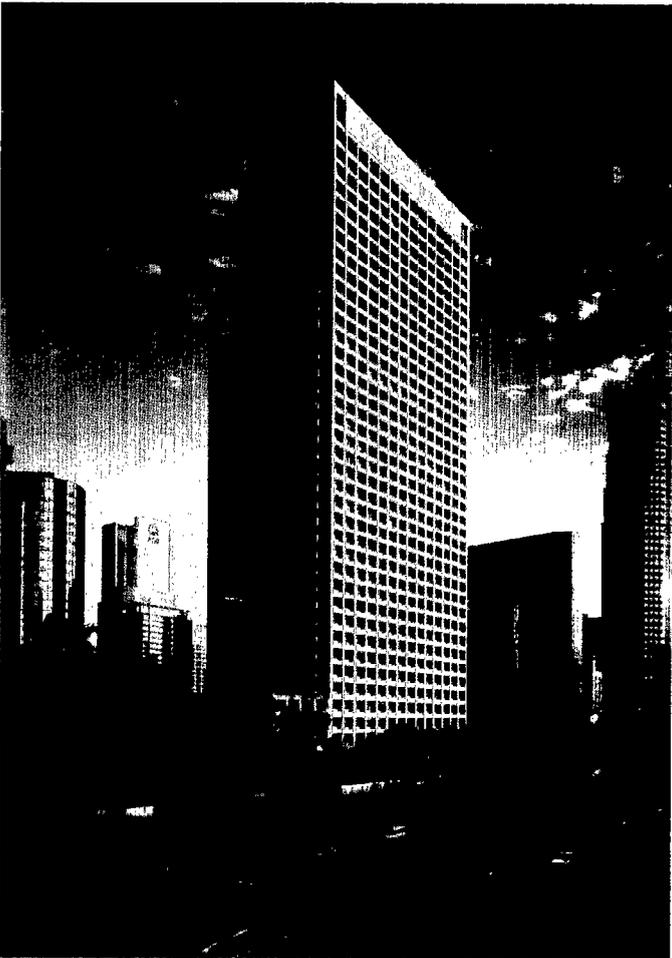
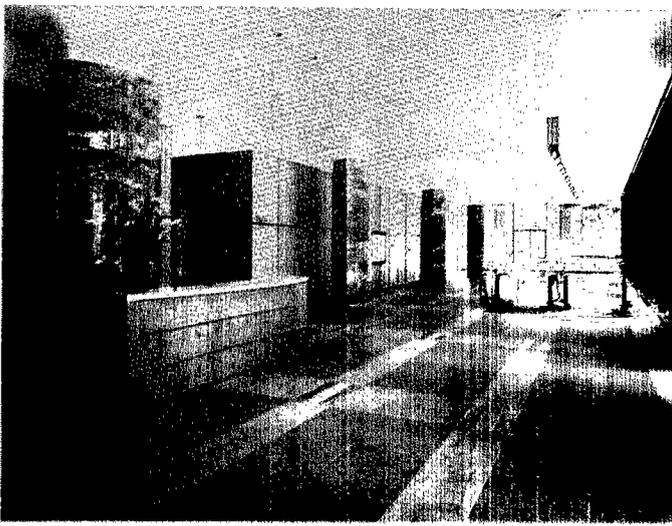
HVAC: A high velocity dual duct system with heating and cooling loops supplied from the core. Variable air volume units (VAV) use lighting and roffers for air distribution and provide up to 26 zones per floor. Four 900-ton chillers located at the roof provide chilled water to air handling units on floors 4, 5, 22, 42, & 61, and have 100% outdoor air economizer capability.

ELECTRICAL: The main service is a 12,470 volt, 3 phase 3 wire, 3000 amp. The fluorescent lighting is 277 volt, 3 phase, 4 wire and the light fixtures have been replaced with new energy efficient fixtures with three tubes in lieu of four. The incandescent lighting is 120 volt single phase. The building is divided into zones with transformers which provide power to 20 floors. These have 120/208 volt and duct system and metallic conduit are used for wiring. There are two emergency generators, each 277/480 volt rated @ 500 kw and 1,000 kw.

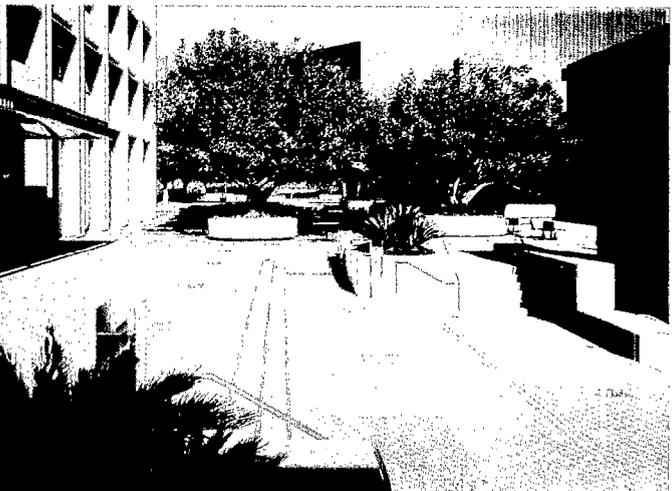


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First Impressions are Good...



Lasting Ones are Better!



445 South Figueroa Street
Los Angeles, CA 90071

A joint venture of
The Equitable Life Assurance Society of the United States
and
NLI Properties, Inc.

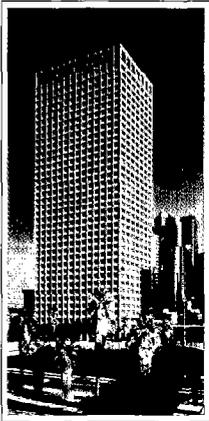
For leasing information, contact:
Peter Johnston at Common Wealth Partners, LLC
213-629-2100.

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In September 20th, the Building Owners and Managers Association (BOMA) of Los Angeles named Union Bank Plaza its 1995 Building of the Year in the Renovation and Modernization category. The award cites the building in part for the extent and quality of its refurbishment, for the project's attractiveness and presentability, and for its participation in community programs. While the award is to the building, there is more to it than that...We gratefully acknowledge that the honor afforded Union Bank Plaza was earned many times over by the individuals and businesses whose participation with us made this recognition possible.

To our tenants and their employees, to the project's owners, architect and builders, to the staffs of all of the companies whose attention and service have earned this special place this year...thank you and congratulations to each and all of you...the honor truly is yours!



Thomas A. Meeker
Building Director
Union Bank Plaza

Point to Excellence
COMPASS
MANAGEMENT AND LEASING INC.

Abundio Aceves
ABM Engineering
AKD AMERICA INVESTMENT
CORP
THE ALISON COMPANY
Alan Parreno
Alberto Miguel
Ampco System Parking
AMS Architectural Technologies, Inc.
American Demolition
American Landscape, Inc.
Ana Gonzalez
Antonio Gausin
Art Chacanas
Artemio Santiago
Barton Protective Services, Inc.
Biedenberg Associates
BFI Waste Systems
BHH MANAGEMENT, INC.
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SECURITY CORPORATION
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Carpetland, Inc.
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Coan Construction Co.
Commercial Sheet Metal
Cosco Fire Protection
C.P.W. Inc.
Craftsman Concrete Cutting
Dale McCurry
Dan Phillips
DBM/Hatch Inc.
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Delmy Garazo
DSR Design, Inc.
DUMAS & ASSOCIATES
Edmonson & Associates
Efrén Portocarrero
ELEGANT SOCIETY, INC. (ESI,
INC.)
Ernesto Lozano
Eustaquio Perfecto

Felipe Duban
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Gabriel Perez
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Gray Con Inc.
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Isidro Palomares
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ISS Energy Services, Inc.
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Janeane Perez
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Jeff Averill
JEFERIES & COMPANY, INC.
Jeff Miller
Jeff Mayer
Jerry Wych
Jim Gardener
John Bua
John Gianbalvo
John Leach
John Meadows
John Young
Johnson, Fain & Pereira
Joseph Rodriguez

Josefina Morales
KASHO (U.S.A.), INC.
Kata Kosor
Kelly Green
Kelly McBride
Ken Ruffin
KERLIN CAPITAL GROUP LLC
KINGSTOWN ENGINEERING
COMPANY, LTD.
Kruse Construction Company
Landscape Growers
Lawrence P. Mullaity
Luis Flores
Maclot Plumbing, Inc.
Manuel Vasquez
Mario Ruedas
Marcelo Sanchez
Marj McConnell
Metropolitan Chem-Dry
METROPOLITAN FIBER
SYSTEMS
MICHAEL L. STERN
Michael Schlegel
Mike Carson
MOBILECOMM OF THE WEST,
INC.
National Service Cleaning
Neuman & Co.
Nick Blackburn
NIPPON LIFE INSURANCE
COMPANY OF AMERICA
NLI PROPERTIES, INC.
Noemi Castellon
NOSSAMAN, GUTHNER, KNOX
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ORIENT GLASS, INC.
Ornamental Specialties
Oscar Hernandez
Otto Garcia
Outdoor Environmental, inc.
PANDA STORE
Paul Polizzotto
Paul Singer Floor Covering
Pegnato & Pegnato
Peter Brown & Associates
PNR TRAVEL
Property Prep
Ramiro Aleiman
Randall/McAnany Co.
Ray Cebrian
Regal Glass Company Inc.
Regal Waterproofing

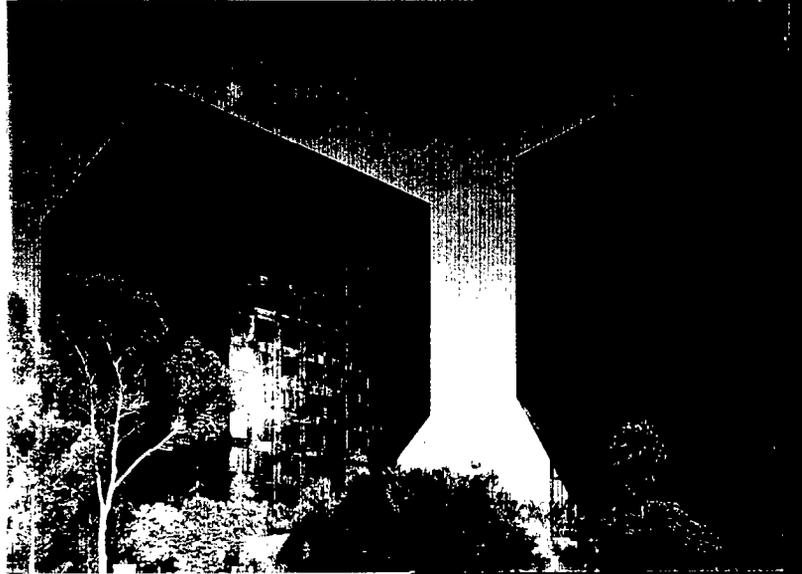
Rentokil Environmental Services
The R.E. Smith Company
REUTERS INFORMATION
SERVICES, INC.
Reyna Pelayo
Richard Liu
Rita Rogers
Robert A. Jones
ROBERT HESS
Romeo Landscape Service
ROSSBACHER & ASSOCIATES
Ruben Jaime
Santiago Rivera
SBARRO
Schindler Elevator Company
Security Signal Devices
Sharpe Interior Systems
Sign Exchange, Inc.
Simplex Time Recorder
Simon Romero
SMITH & HRICIK URBAN
DEVELOPMENT, INC.
Southland Painting & Wallcovering
Stephen R. Zaglewski
Steiny and Company, Inc.
Stuart Dean
SUMITRANS CORPORATION
Susan Farver
Suzanne Kind
Swinerton & Wallberg
TECHNOPORT U.S.A., INC.
Terry Boutorff
TERUKO WEINBURG, INC.
(TWI)
Tim Milstead
TOMEN AMERICA INC.
Tommy Wong
TOUCH TEL CORPORATION
Tranquihn Hurtado
TRIADIGM INTERNATIONAL
UNION BANK
United Iron Works
Victor Ramos
Villagran Byron
Wilma Acevedo
Wayne Prolo
WALL STREET DELI, INC.
Wavell-Huber Wood Product
Wendy Cruickshank
WING LUNG BANK, LTD.
Zora Illic
...and, Rosa Amelia Samaniego



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FIRST NATIONAL BANK CENTER



NEWPORT GATEWAY



HAZARD CENTER



WELLS FARGO PLAZA

**COMPASS Management and Leasing, Inc.
SOUTHERN CALIFORNIA REGIONAL Highlights**

The Southern California Regional offices are located in Irvine, California at the beautiful Newport Gateway Towers, a COMPASS Management and Leasing, Inc. high-rise facility. The region, which includes Los Angeles, Orange and San Diego Counties, currently manages a portfolio of 11,600,000 square feet. Approximately 4,891,000 square feet of this property is in downtown Los Angeles and is comprised of:

- **First Interstate Tower – 1,029,070 sq. ft.**
707 Wilshire Boulevard
- **Union Bank Plaza – 619,988**
445 South Figueroa
- **One Bunker Hill – 242,200 sq. ft.**
601 West Fifth Street
- **California Mart – 3,000,000 sq. ft.**
110 East Ninth Street

With the exception of the California Mart, which is a trade mart facility within the fashion industry, First Interstate Tower, Union Bank Plaza and One Bunker Hill are all representative of the type of Class A high-rise office product with which COMPASS is associated.

Located in downtown San Diego are further examples of our exemplary portfolio. COMPASS manages, among several other properties, four prominent high-rise buildings owned by Southwest Value Partners: Emerald Plaza, Comerica Bank Building, Golden Eagle Plaza, and First National Bank Center.

As discussed in our proposal, the Southern California region has significant experience in starting up high-rise office buildings. The proposed property manager, Chris Milliken, has personally started up three such properties. COMPASS' portfolio also includes extensive and diverse industrial and retail property management services.