



MWD

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

N

August 18, 1993

To: Board of Directors (Executive Committee--Action)
From: Chairman, Task Force to Review Office Space and Building Sites
Subject: Permanent Headquarters Preferred Candidate Recommendations

Report

In December 1990, the Board of Directors created and charged the Task Force to Review Office Space and Building Sites with the responsibility of overseeing the selection process and making recommendations to the Board concerning a permanent headquarters site. The Board rejected decentralization and directed the consolidation of staff into one headquarters location. The Board directed the Task Force to identify headquarters opportunities within a five-mile radius of the then-identified "employee centroid."

This centroid was established in a 1991 analysis of employees' residential locations relative to Metropolitan's 1111 Sunset Boulevard (Sunset) and Pasadena facilities, and was conducted by BDO Seidman Occupancy Consulting Services. The study identified the centroid to be located approximately 2.5 miles northeast of the Sunset Site.

In order to permit move-in prior to the expiration of the interim Two California Plaza lease, the new Headquarters must be completed no later than October 1998.

In March 1992, (amended on April 7, 1992, April 10, 1992 and May 19, 1992) Metropolitan issued a Request for Proposals (RFP No. 047) which sought proposals for a headquarters facility within the five-mile centroid radius, which would meet Metropolitan's needs for a minimum of thirty years from the year of move-in. The RFP required each development to provide a minimum of 600,000 gross square feet (gsf) of contiguous space, as well as the ability to address further expansion needs. Each proposal was required to consider Metropolitan's unique facilities requirements, including a Board Room, parking and transit access, fleet maintenance and motor pool, cafeteria and other employee amenities, emergency operations center and various shops and building service areas. The RFP sought three parking spaces per 1,000 square feet of building area.

As part of the selection process, the General Manager authorized the creation of a staff and consultant evaluation team which assisted the Task Force in its analysis of RFP No. 047 proposals. The team, led by the Administrative Services Division, includes staff and consultants with expertise in commercial real estate development, structural engineering, architecture, planning and environmental issues, finance and real estate, land use and public contracting law.

In July 1992, fifteen proposals were received. Of these, thirteen were deemed responsive to the RFP. Detailed evaluation of each proposal was conducted by the team and presented to the Task Force. The criteria used to evaluate these alternatives included:

- Conformity to RFP No. 047 Requirements
- Site Location
- Quality of On-Site Facilities and Amenities
- Compatibility with the Surrounding Neighborhood
- Total Project Cost and Residual Project Value
- Environmental Impact Review
- Transportation Access (car and mass transportation)
- Risk of Obtaining Development Entitlements
- Developer Team and Financial Capability
- Developer Affirmative Action Program

In April 1993, following a series of comprehensive interviews, negotiations and evaluations by the staff/consultant team and the Task Force (including intervening narrowing, by the Task Force, in the number of proposals being considered), the Task Force determined to focus, with respect to RFP No. 047, on the following three proposals:

1. 1188 South Grand Avenue, a full city block bordered by Grand Avenue, Olive, 11th and 12th Streets and adjacent to the Transamerica Center in South Park, proposed by The Michota/Stewart Partnership;
2. Union Station, adjacent to the historic Union Station Building and directly north of Interstate 101, proposed by the Catellus Development Corporation;
3. Three California Plaza ("355 South Hill Site") located at the northwest corner of Hill and Fourth Streets and adjacent to Two California Plaza, proposed by MS Management Services.

For comparative purposes, the Task Force also formally and publicly directed the evaluation team to evaluate other headquarters alternatives, including redevelopment of Metropolitan's Sunset Site and the purchase of an existing building in Downtown Los Angeles.

Following creation of the short-list under RFP No. 047, the evaluation team conducted further investigation and interviewed each RFP No. 047 proposer on several occasions. The evaluation team determined that each of the finalist proposals met the criteria specified above; provided good value; acceptable entitlement and other risks; consistency with public policy and environmental objectives, including location near transit; and met the needs articulated by Metropolitan in the RFP.

The Task Force selected and recommended at its meeting on August 3, 1993, the 355 South Hill Site as the RFP No. 047 preferred proposal. This recommendation is forwarded for the following reasons:

- The 355 South Hill Site is fully cost-competitive on both total project and average annual occupancy costs with the other two RFP No. 047 short-listed sites. Given that the projected costs of the three short-listed transactions are within five percent of one another, the 355 South Hill Site offers better real estate value for the price. In developing these cost comparisons, and to provide the Board with a more accurate representation of individual proposal costs, the evaluation team equalized developer assumptions about RFP requirements across all short-listed proposals;
- The 355 South Hill Site is proximate to existing and planned governmental real estate investment, including proximity to existing offices of the State of California, the County of Los Angeles, the City of Los Angeles, the State of California Department of Transportation (CALTRANS) and the City of Los Angeles Community Redevelopment Agency;
- The proposed project addresses all of the RFP No. 047 criteria including expansion, provision for fleet maintenance and motor pool facilities, parking, a Board Room, a cafeteria and an emergency operations center;

- The 355 South Hill Site has excellent access to the Metro Rail Red Line through direct portal access located on the site. The Red Line provides direct connections to Union Station/Metrolink (4-minute trip) and to the Blue Line (1-minute trip);
- The 355 South Hill Site has immediate and direct access to existing hotels, food and retail facilities;
- The 355 South Hill Site provides flexibility in the method of meeting expansion needs, including build-out of additional core and shell at the outset, or negotiation of long-term lease options within neighboring, recently constructed Class A office space, including One and Two California Plaza. The use of lease options may permit Metropolitan to avoid the carrying costs of additional land or facilities and to respond to growth needs which may be different than those currently anticipated;
- MS Management Services has a demonstrated track record of meeting and exceeding all established MBE/WBE goals on its previous projects in the City of Los Angeles;
- MS Management Services has a demonstrated track record of developing Class A office space in Downtown Los Angeles and elsewhere in the United States.

Based upon representations made to date by the Community Redevelopment Agency (CRA) staff, the proposed Metropolitan occupancy, on an ownership basis, of the 355 South Hill Site meets the objectives of and will be supported by that agency's staff. For all of these reasons, the Task Force has recommended that the 355 South Hill Site proposal submitted by MS Management Services be chosen as the preferred project under RFP No. 047.

Additionally, because the volatile condition of the downtown commercial real estate market continues to favor the buyer and to secure the best value, the Task Force recommends comparison of the 355 South Hill Site proposal to other alternatives, including the purchase and retrofit of an existing building in Downtown Los Angeles. The proposal should also be compared to the previously established baseline transaction, which is the construction and renovation of Metropolitan's Sunset Site.

In 1990, the Task Force conducted a detailed evaluation of 17 possible Sunset Site redevelopment schemes, including one scenario which focused on seeking a zone change from the City of Los Angeles to permit development of the full Sunset site to create a 600,000 gsf facility (Scheme M). During the last several months, the Task Force has directed the evaluation team to conduct a preliminary investigation of existing downtown building options, as well as to revisit the earlier Sunset Site study. The team has conducted preliminary evaluations of a variety of existing downtown buildings, as well as of all previous redevelopment schemes for the Sunset Site. Based upon the findings of the evaluation team, the Task Force recommends that the Board focus on one alternative from each of these categories, and direct the evaluation team to conduct more thorough studies of the following:

- Existing Building - The Times Mirror Square, a 10-acre facility, most of which is contained within a full city block bounded by Broadway, Spring, 1st and 2nd Streets;
- Sunset "Scheme M" - Seeking a zone change from the City of Los Angeles which would permit development of the full Sunset Site, and create a 600,000 gsf facility, as generally portrayed within redevelopment "Scheme M."

Subsequent to selection by the Board, the appropriate environmental documentation, as required by the California Environmental Quality Act, will be prepared.

Board Committee Assignment

This letter is referred for action to the Executive Committee, as the Task Force to Review Office Space and Building Sites was formed at the specific direction of the Board Chairman and reports directly to the Chair.

Recommendations

The Task Force to Review Office Space and Building Sites recommends that:

1. The Board select the 355 South Hill Site as the RFP No. 047 preferred proposal, reject any and all other proposals submitted in response to RFP No. 047, and notify the 355 South Hill Site proponents that further consideration of this proposal will continue pending full evaluation of Items 2 and 3 below; and that

2. The 355 South Hill Site proposal be compared against a single alternative each of purchasing and retrofitting an existing downtown building; and redeveloping the former 1111 Sunset Boulevard Headquarters, as generally portrayed within "Scheme M":

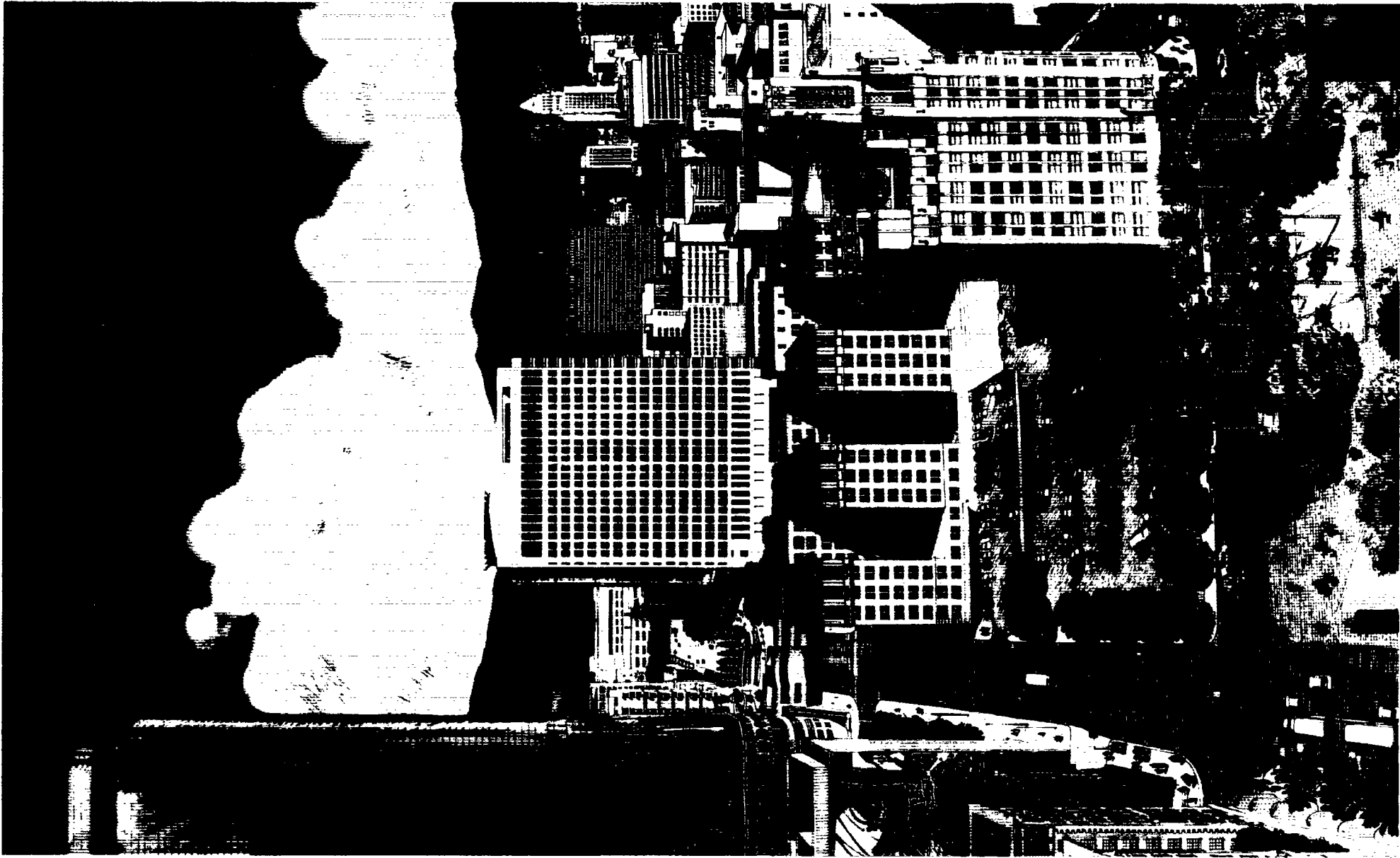
2a. With the existing downtown building evaluation to focus on The Times Mirror Square, a 10-acre facility, most of which is contained within a full city block bounded by Broadway, Spring, 1st and 2nd Streets;

2b. With the evaluation of the Sunset Site's redevelopment potential to focus on seeking a zone change from the City of Los Angeles to permit development of the full site to create a 600,000 gsf facility;

3. The staff and consultant evaluation team be directed to investigate Options 2a and 2b and report its findings with regard to the Times Mirror Square and Sunset sites to the Task Force within 60 days.


John Killefer

THREE CALIFORNIA PLAZA / HISTORIC CORE ANCHOR



Times Mirror Square



Times Mirror Square Lobby





SITE PLAN

M SCHEME

