**MWD**

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

September 7, 1993

(Task Force to Review Office Space
and Building Sites--Action)

To: Board of Directors (Executive Committee--Action)
(Organization and Personnel Committee--Action)

From: General Manager

Subject: Second Amendment to Consultant Agreement for Permanent
Headquarters Pre-Development Services

Report

On October 1, 1992, the District executed a consulting agreement with Kosmont & Associates, Inc., a minority business enterprise (MBE), to provide "predevelopment" project support towards the identification of a preferred site for a long-term District headquarters. Predevelopment is the period prior to the commencement of development, during which the potential buyer (in this case, the District) determines the property's development potential and completes the technical tasks necessary to initiate construction. Kosmont and Associates was originally retained on a sole-source basis due to its unique expertise in the evaluation of real estate transactions, as well as its outstanding references.

At the time the initial agreement was executed (in an amount not to exceed \$205,000), consultant tasks were limited to analyses of potential headquarters sites received in response to RFP No. 047. Kosmont has been performing Agreement No. 3825 project tasks on schedule, and to date, District staff has been satisfied with the quality of the firm's work.

In April 1993, because of the Board's Task Force to Review Office Space and Building Sites' desire to amend the Scope of Services to include additional analyses, the Board authorized a first contract amendment for a total contract amount not to exceed \$390,000. This amount included \$380,000 for professional services (an additional \$180,000) and \$10,000 for necessary incidental expenses (an additional \$5,000). At the time this first amendment was pursued, staff anticipated that the Board would make a preferred headquarters proposal decision no later than Fall 1993.

However, the Board, at its August 24 meeting, indicated its desire to compare the preferred RFP No. 047 proposal (Union Station/Catellus Development Corporation)

against an existing Downtown Los Angeles building (Times-Mirror Square), one redevelopment scheme for the District's 1111 Sunset Boulevard Site (Scheme M) and a suburban site (District-owned property at Arrow Highway, in the City of LaVerne). At the August meeting, the Board directed staff to conduct these analyses within 60 days and report findings to the Board at its November 1993 meeting. Without a second contract amendment however, the funds in Agreement No. 3825 will not be sufficient to cover the costs of these additional tasks (see Scope of Services, Exhibit A).

Because of the extended schedule and the Board's request that staff evaluate this added information, it is necessary to again amend Kosmont & Associates' original scope of services (Second Amendment) and increase the total amount of the firm's existing agreement with the District. Staff proposes amending Agreement No. 3825 to authorize payment for additional services and expenses in an amount not to exceed \$160,000, for a total contract amount of \$550,000. This additional \$160,000 includes \$155,000 for professional services fees and \$5,000 for incidental expenses.

Reasons justifying an amended agreement include:

- . Kosmont & Associates, as the RFP No. 047 evaluation coordinator, has extensive knowledge of all aspects of the project. A new consulting firm would need to undergo a substantial learning curve to duplicate the level of project support currently provided by Kosmont & Associates, and would not be able to complete the work within the 60-day timeframe established by the Board;
- . Retention of a new consultant would result in significant schedule slippage. As RFP No. 047 respondents have expended considerable sums of money, the District should be sensitive to the negative public perception which will result from another lengthy deferral of the decision process. Also, to achieve maximum cost efficiencies, other space decisions, including, but not limited to the interim location of the data center and the printshop, cannot be made until the permanent Headquarters issue is resolved;
- . Kosmont is a small, locally-based business (approximately 15 employees), which has MBE certification. Amendment of the existing Kosmont agreement would contribute to the achievement of the District's MBE goal.

The proposed level of funding will provide the resources for staff to direct Kosmont & Associates to complete the tasks designated by the Board within the 60-day timeframe for a November 1993 Board presentation. As part of Kosmont & Associates' initial agreement, staff had negotiated discounted rates from the firm's standard fees, which were continued under the first contract amendment (Attachment B). To further control project costs, Kosmont & Associates will no longer be compensated at hourly rates, and staff has negotiated a fixed-price fee of \$155,000 for all professional services (Exhibit C) as defined within the revised Scope of Services (Exhibit A).

It is important to note that staff has structured the Agreement with Kosmont & Associates so that the firm will receive no commission upon the closure of a real estate transaction. This compensation strategy, in addition to the conflict-of-interest statement approved by the Staff Evaluation Team (for RFP No. 047) and on-file with the Administrative Services Division, provides the District with assurances that Kosmont will conduct thorough due diligence investigations. Under these conditions, the firm has no financial incentive to a) fail to pursue all reasonable avenues of investigation regarding entitlement and developer capitalization; b) withhold pertinent data which could be damaging to specific proposals under consideration; and c) close a real estate transaction with any particular developer. This compensation arrangement will continue under the amended agreement.

The action proposed herein is categorically exempt from the California Environmental Quality Act.

Board Committee Assignments

This letter is referred for action to:

The Task Force to Review Office Space and Building Sites, as the Task Force is directing staff and consultants in the evaluation of potential long-term headquarters sites.

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 your Chair.

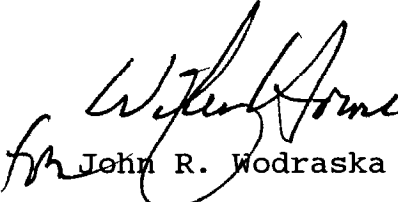
The Organization and Personnel Committee, pursuant to Sections 2481(g) of Metropolitan's Administrative Code to study, advise, and make recommendations with regard to the terms and conditions of employment of all consultants, advisors and special counsel.

Recommendation

**TASK FORCE TO REVIEW OFFICE SPACE AND BUILDING SITES, AND
EXECUTIVE AND ORGANIZATION AND PERSONNEL COMMITTEES FOR ACTION.**

It is recommended that the Board of Directors authorize the General Manager to execute a Second Amendment to Agreement No. 3825, in an amount not to exceed \$160,000, to provide for continuing predevelopment support services for the selection of a site for the District's long-term headquarters, in accordance with the terms of this letter and in a form approved by the General Counsel.

Board approval of the recommendation is categorically exempt from the application of the California Environmental Quality Act, because the recommendation consists of evaluation activities which do not result in disturbances to environmental resources.


John R. Wodraska

Kosmont & Associates, Inc.
Rate Schedule
(Second Amendment to Agreement No. 3825)

President (Larry J. Kosmont)
Principal (Charles E. Loveman, Jr., AICP)
Vice President (David Rodriguez)
Project Coordinator
Project Associate/Analyst
Technical Support
Clerical Support

**Fixed-Price Fee of \$155,000 for professional services of all
above parties.**

Kosmont & Associates, Inc.**Scope of Work**

1. Conduct follow-up meetings with Catellus as necessary to clarify RFP No. 047 transaction and compare to other alternatives.
2. Conduct meetings with the City of Los Angeles Department of Planning and 1st Council District Office to review RNL Scheme M and potential mitigation costs.
3. Revise Sunset site entitlement report to incorporate proposed RNL Scheme M alternative.
4. Meet with City of La Verne representatives to determine potential redevelopment agency assistance and entitlement/mitigation requirements of potential headquarters project.
5. Assess site access, street improvement and transit linkage requirements for La Verne alternative.
6. Assist Design Team in evaluating the cost of rehabilitation, retrofit and tenant improvements to make the Times Mirror complex suitable for District occupancy.
7. Evaluate and report on entitlement, environmental and occupancy permit requirements for Times Mirror alternative.
8. Prepare a detailed financial analysis of the Times Mirror alternative, including estimates of direct costs, indirect project costs, financing requirements and occupancy costs.
9. Work with District financial staff to develop an appropriate financing program for each headquarters alternative.
10. Prepare detailed timelines for the development and occupancy of each headquarters project alternative.
11. Prepare a comparative evaluation of the entitlement and mitigation requirements for each of the headquarters alternatives.
12. Prepare a comparative evaluation of the transaction structure and cost of each alternative.
13. Attend team and staff meetings as required.
14. Conduct workshops with Building Task Force Committee, other Directors and staff as necessary to develop a thorough understanding of the relative advantages and disadvantages of each headquarters alternative.
15. Prepare and deliver presentations for the Building Task Force Committee and Board of Directors as necessary.

Kosmont & Associates, Inc.
Scope of Work, Continued

16. Prepare Volume 3, documenting the RFP short list evaluation process.
17. Prepare Volume 4, documenting the comparison of the selected RFP project to the Sunset site, existing building (Times Mirror) and La Verne alternatives.

Kosmont & Associates, Inc.
Rate Schedule
(Agreement No. 3825 and First Amendment)

President (Larry J. Kosmont)	\$220/hour
Principal (Charles E. Loveman, Jr., AICP)	\$160/hour
Vice President (David Rodriguez)	\$140/hour
Project Coordinator	\$110/hour
Project Associate/Analyst	\$ 90/hour
Technical Support	\$ 70/hour
Clerical Support	\$ 40/hour

Kosmont & Associates, Inc.
Rate Schedule
(Second Amendment to Agreement No. 3825)

President (Larry J. Kosmont)
Principal (Charles E. Loveman, Jr., AICP)
Vice President (David Rodriguez)
Project Coordinator
Project Associate/Analyst
Technical Support
Clerical Support

**Fixed-Price Fee of \$155,000 for professional services of all
above parties.**