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Memorandum

TO: BATA Oversight Committee

DATE: September 2, 2015

FR: Executive Director

W.I. 1253

RE: Contract Actions for FasTrak® Customer Service Center (CSC) Relocation to Beale Street

- a) Commercial Lease – 375 Beale Street, Suites 200A and 300C: Bay Area Headquarters Authority – FasTrak® CSC (estimated at \$6,300,000)
- b) Contract – FasTrak® CSC Construction at 375 Beale Street: BCCI Construction Company (\$4,350,000 plus a contingency of \$400,000)

Under this item, staff is recommending two actions by the Committee: (1) refer to the Authority a recommendation to authorize the Executive Director to negotiate and enter into a lease agreement with the Bay Area Headquarters Authority (BAHA) for the CSC space; and (2) authorize a sole source contract with BCCI Construction Company (“BCCI”) for construction of the improvements to the CSC space in an amount not to exceed \$4,350,000 plus a contingency of \$400,000.

Background

The FasTrak® CSC is operated by Xerox State and Local Solutions, Inc. (“Xerox”) under contract to BATA until September 2019. The Xerox contract was bid and executed with the understanding that Xerox would relocate the CSC to the Regional Agency Headquarters at 375 Beale Street as soon as Xerox received its space in a cold shell condition and completed build-out (which includes cold-to-warm shell and tenant improvements). Xerox is currently operating at a temporary location at 62 First Street in San Francisco under a lease that will expire in April 2016, and the lease does not provide for further extensions. As such, time is of the essence to ensure the CSC space at 375 Beale Street will be ready by the time Xerox’s 62 First Street lease expires.

To facilitate timely delivery of the 375 Beale Street CSC space, BAHA is funding the cold-to-warm shell improvements in the CSC space for which Xerox would otherwise be responsible. BATA will reimburse BAHA for the cold-to-warm shell improvements through the lease agreement, and BATA will deduct these costs from Xerox in a future change order. In addition to the cold-to-warm shell improvements, the CSC tenant improvements need to begin as soon as possible and be constructed concurrent with the completion of the cold-to-warm shell improvements in order to have the CSC space ready before April 2016.

a) Commercial Lease – 375 Beale Street, Suites 200A and 300C: Bay Area Headquarters Authority – FasTrak® CSC (estimated at \$6,300,000)

BATA intends to operate the CSC at Beale Street beyond the September 2019 term of the Xerox contract. To maintain flexibility and better facilitate transitions to new contractors, if any, beyond the current Xerox contract, staff recommends that BATA be authorized to enter into a lease directly with BAHA for the FasTrak® CSC space. This represents a change in course from our prior plan to execute a lease between BAHA and Xerox. Additionally, BATA, as tenant, can complete the construction of the tenant improvements to the CSC space pending resolution of outstanding issues with Xerox. The lease terms for BATA would be substantially the same as have been negotiated to date between BAHA and Xerox. A summary of lease terms is included in Attachment A. Rent payments will not commence until occupancy of the CSC space in April 2016. Staff will recommend an appropriate contractual arrangement with Xerox prior to that time. Options under consideration include BATA subleasing to Xerox, or BATA providing a license for Xerox to operate the CSC in the space as part of a change order to the Xerox contract that authorizes BATA to deduct monthly rent from its ongoing operation and maintenance payments to Xerox. In the meantime, staff requests that a lease between BATA and BAHA be referred to the Authority for approval.

b) Contract – FasTrak® CSC Construction at 375 Beale Street: BCCI Construction Company (\$4,350,000 plus a contingency of \$400,000)

Staff recommends that BATA complete tenant improvements in the CSC space under a sole source contract with BCCI, the same construction firm performing the cold-to-warm shell improvements for Cushman & Wakefield of California, Inc. (“Cushman & Wakefield”), as BAHA’s agent.¹ BAHA as landlord requires all its tenants to complete their tenant improvement work using one of Cushman & Wakefield’s three bench contractors. Given the need for concurrent work on cold-to-warm shell and tenant improvements and to avoid impact to BAHA’s other work in the building, staff recommends the tenant improvement work be performed by BCCI.

Starting from a warm shell, the tenant improvements for the CSC are estimated at \$4.4 million or approximately \$145 per square foot. This cost will include design-build mechanical, electrical, plumbing and fire protection subcontractors selected on a best-value basis; finishing trades selected by low bid; and allowances for scope still being developed. Staff will review these costs for reasonableness against industry averages. Overall, the estimate of \$145 per square foot falls in the middle of the current San Francisco industry average of \$100-200 per square foot.

¹ In its role as property manager for BAHA, Cushman & Wakefield issued a Request for Proposals and selected three general contractors for its bench to perform construction build-outs, whether for BAHA owner projects or for tenants. BCCI, which provided the best value to BAHA in terms of price and qualifications, was selected by Cushman & Wakefield to perform the build-out of cold-to-warm shell improvements for the non-agency spaces on Levels 1-5. BAHA approved the necessary contract amendment with Cushman & Wakefield to fund this work in May 2015.

Staff recommends funding tenant improvement costs from two sources: (1) payment reductions to the Xerox contract for construction work that would originally have been performed by Xerox and (2) from the Toll Bridge Capital Rehabilitation funds programmed for the CSC project. To ensure funding of expedited construction as described above and build out the space for BATA's long-term use, we are requesting \$4.4 million in BATA rehabilitation funds pending conclusion of negotiations with Xerox. Staff estimates that Xerox's share of the construction costs is \$2.9 million. The final negotiated amount will be used to offset the cost of the BCCI contract. BATA's share of the cost (\$1.50 million) is primarily due to additional space required for agency operations including express lanes and future program needs. Specific reasons for the cost allocation are described below.

Xerox asserts that construction costs are higher than it anticipated in its 2012 proposal for the FasTrak® CSC contract. Most of the additional cost required for Beale Street construction should have been covered by the price in Xerox's proposal, under which Xerox was responsible for building out the CSC space. BATA staff estimate that half of the \$4.4 million construction cost is due to Xerox's underestimating the true cost to build out the space. Furthermore, Xerox now requires 60% more space to operate the CSC. After All-Electronic Tolling (AET) was launched on the Golden Gate Bridge in March 2013, the rate of new FasTrak® account openings accelerated and the number of notices and invoices mailed increased by 75%, causing an increased need for customer service representatives. BATA staff believe Xerox should have anticipated and planned for these increases in its proposal and managed increased workload with greater efficiency.

Staff is also in discussion with Xerox regarding other facility-related costs that result from the relocation from 62 First Street to 375 Beale Street and that were not included in the original project scope nor in the Xerox proposal. We anticipate bringing a change order with these costs back to this Committee in November.

BCCI is neither a small business nor a disadvantaged business enterprise and its subcontractors are currently unknown.

Recommendation

Staff requests the Committee (1) refer to the Authority a recommendation to authorize the Executive Director or his designee to negotiate and enter into a lease between BATA and BAHA under terms set forth in Appendix A, and (2) authorize the Executive Director or his designee to negotiate and enter into a contract with BCCI for the CSC tenant improvement construction in an amount not to exceed \$4,350,000 plus a contingency of \$400,000 to be used at the Executive Director or his designee's sole discretion.



Steve Heminger

ATTACHMENT A SUMMARY OF LEASE TERMS

Staff is seeking referral to the Authority of a recommendation to approve a lease with the following terms:

Landlord:	Bay Area Headquarters Authority (“Landlord” or “BAHA”)
Tenant:	Bay Area Toll Authority (“Tenant” or “BATA”)
Use:	Fastrak® Customer Service Center
Space:	33,387 (approximately) Rentable Square Feet (RSF) Suite 300C and Suite 200A
Rent:	Base Rent: \$44.00/rsf (net of electric) Increase: 3% annual escalation
Operating Expenses:	Base Year 2016; Tenant to pay pro rata share of Operating Expense increases over and above the Base Year, estimated to be approximately \$15.00/RSF net of electrical and taxes.
Term:	From occupancy through 11/30/2019
Delivery:	October 2015 (approximately)
Occupancy:	February 2016 (approximately)
Rent Abatement:	None
Base Building:	Landlord, at Landlord’s cost, to provide base building and warm shell improvements per applicable code necessary for Tenant’s use. Sub-metering of premises to be part of base building improvements, at Landlord’s cost.
Tenant Improvements:	<p>No Tenant Improvement Allowance to be provided to Tenant. Tenant to reimburse Landlord for costs of warm shell improvements undertaken by Landlord.</p> <ul style="list-style-type: none">• Cushman & Wakefield (Property Manager)’s Architect of Record will complete construction drawings along with State Fire Marshall plan checks.• BCCI, selected from Cushman & Wakefield (Property Manager)’s existing bench of three competitively-selected general contractors, will complete tenant improvement work under a contract with Tenant. Sub-contractors’ work will be bid out.• Tenant to designate, at Tenant’s cost, a Project Manager to interface with Landlord, Cushman & Wakefield, and BCCI and coordinate other Tenant contractors (i.e. furniture, server installer) necessary to deliver space to warm shell condition.• Tenant to reimburse Landlord for actual Landlord’s costs incurred for tenant improvements, including 2% project management fee,

less Tenant's space planning allowance of \$.10/RSF per a Tenant Work Letter to be attached to the lease agreement.

- Parking: Tenant shall have right, but not the obligation, to use one parking space for every 10,000 RSF at the prevailing market rate, currently \$450 per stall per month.
- Sublease: Tenant may freely sublease the premises to Xerox State and Local Solutions ("Xerox") or provide Xerox a license to operate in the premises, without the need for Landlord's consent. Tenant may sublease or assign the premises to another third party only subject to Landlord's consent. In such case, Landlord will have the right to recapture the premises in lieu of consenting.
- Option to Renew: Lease may be extended in increments agreed by Landlord and Tenant of up to ten (10) additional consecutive years, with rent to be set at 100% of fair market value at the time of renewal. Upon and after any assignment or sublease of the premises to Xerox, each such extension of the instrument between Landlord or Tenant, on the one hand, and Xerox, on the other hand, shall be subject to concomitant extension of Tenant's contract with Xerox for FasTrak[®] Customer Service Center services
- Early Termination: Upon and after any assignment or sublease of the premises to Xerox, if Tenant's contract with Xerox for FasTrak[®] Customer Service Center services is terminated in full, Xerox shall surrender the premises concurrent with such termination.
- Taxes: Upon and after any assignment or sublease of the premises to Xerox, Xerox to pay any Possessory Interest Tax due and Landlord to provide annual rental credit equal to Xerox's annualized Possessory Interest Tax paid with respect to Xerox's base year (excluding any such tax payable on Tenant Improvements).
- Security Deposit: None. First installment of rent due prior to the first month of occupancy.

REQUEST FOR COMMITTEE APPROVAL

Summary of Proposed Contract

Work Item No.:	1253
Consultant:	BCCI Construction Company, San Francisco, CA
Work Project Title:	FasTrak® Regional Customer Service Center (CSC) Tenant Improvements
Purpose of Project:	Construct Tenant Improvements
Brief Scope of Work:	Perform construction of tenant improvements for CSC at Beale Street
Project Cost Not to Exceed:	\$4,350,000 plus a contingency of \$400,000
Funding Source:	Toll Bridge Rehabilitation Program Budget, net the amount (if any) available to BATA as a result of related deductive Contract Change Order(s) to the contract between BATA and Xerox State & Local Solutions, Inc. for the FasTrak® CSC.
Fiscal Impact:	Funds are included in the FY 2015-16 Toll Bridge Rehabilitation Program Budget.
Motion by Committee:	That the Executive Director or his designee is authorized to negotiate and enter into a contract with BCCI for FasTrak® CSC tenant improvements as described above and in the Executive Director's memorandum dated September 2, 2015, and the Chief Financial Officer is directed to set aside funds in the amount of \$4,350,000 plus a contingency of \$400,000 to be used at the Executive Director or his designee's sole discretion for such contract.
BATA Oversight Committee:	

Amy Rein Worth, Chair

Approved: September 9, 2015