

Summary of Interviews:

- There was no standard financing option – Napa used bonds issued through a JPA; Long Beach chose P3, neither required a public vote to proceed
- Both cities expressed general preference in their RFPs for hotels, mixed use, and housing on land they were selling but neither required it for bid acceptance or were prescriptive in type of development
- Both cities emphasized the importance of hiring a good project manager and dedicating staff to project
- Both cities retained ownership of government center land
- Both cities brought in senior management early in the development process to facilitate organization change and standardize workspaces
- Both cities incentivized developers to incorporate a low maintenance design into development
- Both cities used Plenary as the master developer

Telephone Interview with Heather Maloney, Administrative Services Manager, Napa Public Works Department, June 18, 2018

<p>Project Scope</p> <ul style="list-style-type: none"> • 130,000 square foot buildings (24,000 square foot cold shell), consisting of an Administration/Public Safety Building, a Fire Station and a Parking Garage <p>Project Cost:</p> <ul style="list-style-type: none"> • Total Public Facilities Cost \$110,000,000 (\$846 per square foot) excluding utility connection work and financing costs • Construction cost of Public Facilities \$86,669,774 <p>Rent</p> <ul style="list-style-type: none"> • \$6 million total annual payout includes Operations & Maintenance, debt service and property management fee (\$3.85 per square foot /month) • Annual payout being funded through General Fund revenue and classified as “rent”
<p>Financing:</p> <ul style="list-style-type: none"> • \$88,481,427 public offering of tax-exempt bonds plus privately placed tax exempt through Joint Powers Authority, 32 years • \$9.8 million subordinate debt purchased by Plenary (they earn 12% interest) • Land Sale Proceeds: \$11,830,000 in cash to the City
<p>Comments:</p> <ul style="list-style-type: none"> • In sale of land Napa requested in the RFP in general terms a hotel and mixed use retail on the site plus housing if possible • Plenary will manage entire project; Design/Build/Finance/ Operations & Maintenance for 30 years, including overseeing Johnson Controls for Operations & Maintenance • Johnson Controls sat in on construction planning meetings to make sure the building will be built for low maintenance • Used Jones Land LaSalle to help put together RFI and RFP, ARUB as Project Manager, PFM as financial advisor, and attorneys • Consultant costs to date are \$2.5 million which they have in a facility reserve Capital Improvement Plan fund • Napa developed a program in advance including setting 3 tiers of standardized work spaces • Napa found it was important to get senior staff involved early • The challenge with organization change caught the project planners off guard • Napa found it was important to have in its RFP clear expectations of performance criteria for construction and Operations & Maintenance • In the RFP tiers of performance failures were spelled out with penalties matching specific tiers • Hire a good project manager! • Director and Deputy Director of Public Works spend 50-80% of their time managing this project

Attachment B: Summary of Interviews with Napa and Long Beach

Napa Timeline

On April 7, 2015, the City Council received a presentation on the update for the City Hall Consolidation Project including preliminary financial analysis.

On August 18, 2015, City Council reviewed the draft Request for Qualifications (RFQ) for the City Buildings Consolidation Project, provided input and direction to staff for incorporation into the final RFQ document, and approved the issuance of RFQ.

On October 30, 2015 – a Request for Qualifications (RFQ) for a public private partnership to take on this project was issued.

On May 10, 2016, the City Council reviewed the RFQ Evaluations, approved the issuance of a Request for Proposals (RFP) to three qualified teams, provided direction to staff on policy items to be incorporated into the final RFP document, and approve issuance of the RFP.

On September 20, 2016, the City Council provided direction to City Staff regarding the relative weighting and evaluation criteria to be included in the RFP.

On October 4, 2016, staff received authorization to transfer properties related to the RFP City title.

On November 7, 2016, an RFP titled "Opportunity to Design & Build a Public Safety and City Administration Building as well as to Develop Excess City Land with Private Uses" was released to the three pre-qualified teams.

RFP responses were due in February 2016

May 30th, 2017 meeting, City Council selected Plenary Group Napa, LLC as the preferred development proposal and directed City staff to negotiate the terms of an Exclusive Negotiating Agreement (ENA) with Plenary Group Napa, LLC

Telephone Interview with Craig Beck, Director, Public Works, City of Long Beach on 6/18/18 Craig led the Long Beach government center development project.

Question: Was there change management consultant used?

Answer: Initially no, but later yes through Project Manager ARUB who brought on a change management team. There were meetings with different County Departments on a quarterly basis to convey information and quash rumors. Labor was brought in early in the development of the RFP. The Port and the City operated fairly autonomously. The Port retained City crews to maintain its building, the City used Operations & Maintenance manager JCI. The City encouraged Operations & Maintenance manager to hire current city maintenance personnel.

Question: Who was the consultant you worked with in developing the RFI and RFP?

Answer: ARUB for RFQ, ARUB and architect HOK for RFP

Question: Who was the financial consultant used?

Answer: City Finance Director was initially involved, ARUB provided financial support and brought in a third advisor Michael Palmieri of P3 Consulting. Michael met with City Finance Director weekly.

Question: Were there space standards required?

Answer: An attempt was made but it was a challenge of keeping all divisions on the same standard. The City could not control space standards of elected offices such as Clerk Recorder Assessor and politicians.

Question: What was the RFQ, RFP process?

Answer: A staff produced RFQ was used to initially test the waters to gauge developer demand, which turned out to be strong. From the responses to the RFQ the City developed a short list of three developers to send the RFP. ARUB Consulting and HOK developed the RFP that was sent to the three developers who became part of the process of staff and community interaction in developing their proposals. The RFP gave size of the buildings needed, the max annual

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debt service to be paid by the City over a 40 year term, and that the buildings needed to be Gold LEED certified. Parcel location was not specified. Each developer was promised \$400,000 for their work on the proposal, with the winner of the RFP to pay the losers. These developers spoke at 130 community meetings over the next 6-9 months in refining their proposals, and the City had the opportunity to see how well the development teams worked with City staff and the community. The Development teams would ask the community meetings “What does the Civic Center mean to you?”

Question: How did Long Beach come up with funds for consultants?

Answer: Used General Funds and other sources.

Question: How was Plenary chosen?

Answer: During the RFP development process City staff spent time working with them and felt they were the best to work with, and liked their architect SOM and builder Clark.

Question: Were operating costs such as utilities and janitorial included in monthly rent payment?

Answer: Yes.

Question: Was a Joint Powers Authority used in financing the project?

Answer: No.

Question: Does Long Beach have a “sources and uses of funds” sheet it can share?

Answer: No. Since Plenary handled all aspects of the development project all the City has to do is pay rent so it was not involved in the sources and uses of funds for the building’s construction.

Question: What are the annual escalation of the “rent”?

Answer: Consumer Price Index with limits.

Question: Does Long Beach have an RFI it can share?

Answer: No RFI was used.

Question: In the sale of land was Long Beach specific on how the land was to be developed?

Answer: No. They stated they preferred high density development but did not require it.

Question: Will Plenary manage entire project; Design/Build/Finance/ Operations & Maintenance for 42 years?

Answer: The agreement is with a Project Company currently owned by Plenary but able to be transferred in the future.

Question: How is ownership structured?

Answer: The City owns the land and assets and the Project Company owns right to the income stream and the obligation of building construction and ongoing Operations & Maintenance. This helped developers avoid possessor interest tax and minimized political involvement of elected officials.

Question: How was the development pitched to City Council?

Answer: As a lease to own. City gets a new building with minimum initial capital outlay, maintains ownership, and 40 years from now they will have a Class B+ building with no rent obligation.

Question: Who manages Operations & Maintenance?

Answer: JCI (Johnson Controls).

Question: What challenges caught you off guard

Answer: Technology...deciding to keep existing IT systems required some redesign of the building.

Question: What went well?

Answer: “Dating” process with developers during their proposal development gave the City staff a good idea of who the developers were and how they worked. Also the commitment to minimizing maintenance through building design by involving the entity that will be responsible for maintenance into the design process.

Question: How much time do you and your staff spend managing this project?

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Answer: One staff member spending 75% of his/her time, two consultants spending 100% of their time, and Craig spending 20% of his time.

Question: Did the team change over time?

Answer: Yes, depending on project stage.

Question: Are the project costs and financing method used by the City of Long Beach accurately reflected in the numbers I emailed to you?

Answer: Generally yes. The City's annual debt obligation rose to \$14 million from the \$12.6 initially proposed. The \$14 million included furniture.