

CITY OF NAPA

EVALUATION COMMITTEE REPORT ON THE PROPOSALS RECEIVED IN RESPONSE TO
THE CITY OF NAPA'S RFP: OPPORTUNITY TO DESIGN AND BUILD A NEW PUBLIC SAFETY AND
CITY ADMINISTRATION BUILDING AS WELL AS TO DEVELOP EXCESS CITY LAND WITH PRIVATE USES

The following report represents the consensus findings of the Evaluation Committee members designated by the City Manager to review the proposals received in response to the City of Napa's RFP: *"Opportunity to Design and Build a New Public Safety and City Administration Building as well as to Develop Excess City Land with Private Uses."*

A. Overview of the Proposals Received

As a result of a two stage RFQ/RFP process, the City issued RFP's to three development firms, including

- Plenary Properties, Napa LLC– An international development firm with U.S. headquarters in Los Angeles
- Sonnenblick Development - a Los Angeles based development firm
- Strada/Scannell Napa LLC- a partnership between two development firms including Strada, a regional developer based in San Francisco and Scannell, a national developer with headquarters in Indianapolis, Indiana.

Of these three firms, The City received proposals from Plenary and Strada/Scannell who each submitted responses compliant with the RFP requirements and were advanced for evaluation. The responses submitted by both Respondents (Plenary and Strada/Scannell), that are evaluated in this Report, include the documents summarized on Exhibit D, attached to this Report.

Proposals for the new Public Safety and City Administration Facilities

Plenary and Strada/Scannell each proposed very different development solutions for the City Facilities.

Plenary proposes to develop a new four (4) story Public Safety and City Administration facility on the CSB site and a new fire station #1 on the Housing Authority site located on Clay and Seminary. They also proposed to construct a new parking garage on the city owned surface parking lot adjacent to the Clay Street Garage to accommodate 343 stalls.

Strada/Scannell proposes to move the City offices out of downtown and develop a new Public Safety and City Administration facility on a site located at 333 and 407 Soscol Avenue, which is currently owned by the Gasser Foundation. Their proposal states that the site to be transferred to the City is 7.7 acres in size; however, documents reviewed as a part of the proposal state that no more than six acres (of a ten acre parcel) will be available for the development of a new Public Safety and City Administration facility. For the City facilities, they propose constructing two (2) separate two (2) story buildings for City Administration and Public Safety, with the buildings connected by a breezeway. Parking of 247 stalls will be provided on a surface lot adjacent to the buildings. They also propose to build a new Fire Station #1 on the current Housing Authority site located at Clay and Seminary.

Proposals for Private Development of excess City Land

Plenary proposes to build a hotel between 200 and 270 rooms on the northern portion of the Super Block site and market rate multifamily housing of approximately 60 units on the southern portion of the site. The hotel and housing sites would be divided by a public open space running between the structures that connects 1st to 2nd street. The Super Block development will also include retail a restaurant and a small market ("Bodega"). Plenary has partnered with Stanford Hotels and Cresleigh Homes Corporation to develop a hotel and multifamily housing. In addition to the 60 residential units proposed for the Super Block site, Plenary's proposal indicates that Cresleigh has purchased a property at the corner of Soscol and Central that has previously been entitled for 170 multi-family units, and Plenary proposes for Cresleigh to re-entitle that property for the construction of up to 250 multi-family units.

Strada/Scannell proposes to build a hotel of approximately 200 rooms on the eastern portion of the Super Block site and market rate multifamily housing of approximately 165 units on the western portion of the site. The hotel and housing would be divided by a public open space running between the structures that connects 1st to 2nd street. A new four (4) level parking structure of 277 stall would be built on the site and wrapped by the multifamily housing. The Super Block site would also include some commercial units. On the site of the current CSB building, they propose developing 131 market rate housing units and a two (2) level parking structure with 164 stalls.

Strada/Scannell has partnered with Blackrock to finance the private development and Two Roads Hotels for the development of the Hotel on the Super Block. (Through the Best and Final Offer process, an alternate potential hotel developer was mentioned, however, the City has not received qualifications for this partner.)

Pricing and Deal Structure

Both respondents are proposing to utilize a 63-20 financing structure. In a 63-20 financing, a non-profit corporation is created and issues tax-exempt bonds to finance governmental facilities. The bonds are secured solely by lease revenues (payments from the City). The bonds are not a general obligation of the City. However, the City's lease payments for payment on the bonds will be paid from general fund revenues. As such, the application of general fund revenues for payment of lease revenues reduces the City's capacity to borrow for other projects.

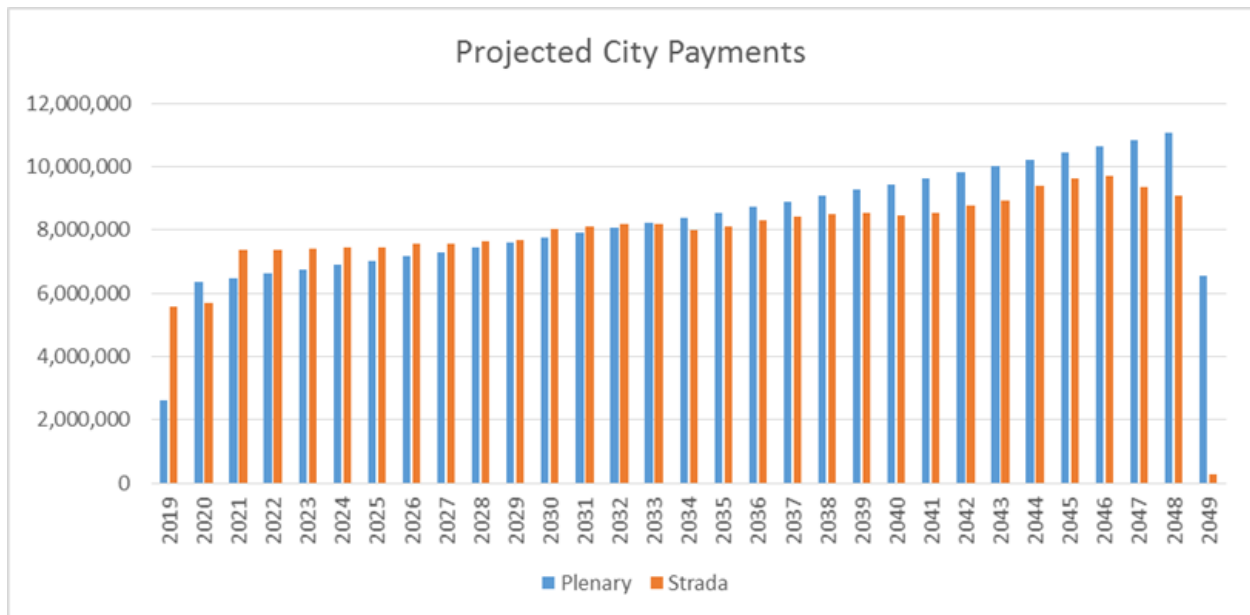
The debt structure for both respondents would utilize an escalating debt service schedule which reduces the negative impact on the City since revenues resulting from the project also escalate over time.

One significant difference in the proposed structures is the use of subordinate debt by Plenary. Under Plenary's proposal, 90% of the debt is anticipated to be publicly issued senior debt (debt that has the senior most claim on pledged revenues). 10% of the debt is anticipated to be subordinate debt (debt that is junior in priority to senior debt) to be privately placed with Plenary. This subordinate debt would be held by Plenary as an equity investment in the project and the payments for the subordinate debt could be subject to completion and performance risk. While the cost of this subordinate debt is higher than the senior debt, it provides financial assurance that the developer maintains a stake in the project

over the long term and is incentivized to support the success of the project. Strada does not include any project risk sharing component to their proposed financial structure.

Cost

The average annual City payment for Plenary is \$8.256 M for 32 years while the average annual cost for Strada is \$7.853 M for 31 years. However, actual annual payments for both proposals are based on an escalating payment structure. Plenary's escalating payment structure results in smaller payments in the short-term and larger payments in the long-term. Strada's payment structure escalates slightly but is more level than Plenary's. Smaller payments in the short-term, especially the first five years of the project help to minimize the City's risk of carrying the debt payments prior to the private development being built and the accompanying offsetting tax revenues.



Total City payments for Plenary are \$255.9 M and for Strada are \$243.5 M. It is important to note that while the average City payments and total payments are higher under the Plenary proposal, the Plenary project encompasses a wider scope, including 20% more space (23,000 additional square feet and accompanying parking) constructed than the Strada proposal.

During the first five years of City payments, Plenary's projected payments are \$4.6 million lower than Strada's projected payments. Plenary's lower projected earlier payments may provide additional flexibility/less risk should tax revenues come in slower than anticipated.

The net public facilities cost for Plenary is proposed to be \$93.5 M, while for Strada it is \$100.5 M. A significant factor in the difference in net cost is the estimate of higher tax revenues for the Plenary proposal due to the differential in their private development proposal.

PFM prepared Exhibit C to this Report which summarizes the financial terms and conditions for a snapshot view of the two financial offers.

B.RFP Review Process

The Review process for submittals is described in Section 4.0 of the RFP released by the City to the shortlisted development teams. This process was adhered to by City in its evaluation of the proposals. The following describes the key elements of the proposal review and evaluation process:

- a. Compliance Review the RFP responses were first evaluated for conformance to the RFP requirements. Clarification requests were then issued as needed to each respective Respondent to better understand details of submissions and to provide the Respondents with the opportunity to clear up any minor issues non-compliant with the RFP documents. After review of the submission and clarifications, both Strada/Scannell and Plenary were found to be in general compliance with the RFP requirements.
- b. After compliance review the RFP responses were released to the Evaluation Committee for review and the Development teams were asked to attend an interview/presentation with the Proposal Evaluation Committee. The Evaluation Committee's assigned goal was to use their collective expertise and experience to review and evaluate proposals received to provide a collective evaluation and recommendation to the City Manager. The Members of the Evaluation Committee include:
 - o Jack LaRochelle, Public Works Director
 - o Rick Tooker, Community Development Director
 - o Steve Potter, Police Chief
 - o Julie Lucido Deputy Public Works Director, City of Fairfield
 - o Linda Jewel, Professor of Architecture, UC Berkley
 - o Bob Hunt, JLL (Consultant RFP Development Manager)
 - o Robert Gamble, PFM Asset Management LLC (Financial Consultant),

Also supporting the proposal review under the leadership and in collaboration with City managerial and technical staff were a number of technical advisors including: Bob Hunt and Andrew Phillips, (RFP Development Manager) JLL; Christine Choi, PFM Asset Management; Peter Morris, AECOM (Cost estimating and performance specifications); Laura Blake, Laura Blake Architects (City Program Requirements); Marlene Demery, Demery and Associates (Project Manager); and Bob Thompson, Sheppard Mullin (outside counsel to the City).

- c. Prior to scoring the proposals, City staff from public works, finance, community development, facilities, attorney's office and public safety worked closely with the City's consultants named above to conduct the following additional analysis:
 - i. **Financial Due Diligence:** PFM and JLL met directly with each Respondent to review and clarify details of their financial proposal. (A summary analysis of the financial offers provided by each Developer can be found in Exhibit C).
 - ii. **Developer Presentation Interviews** Strada/Scannell and Plenary provided structured presentations to the Proposal Evaluation Committee, City staff and technical advisors. For these presentations, the Development teams were asked to present, discuss and answer questions about key elements of their respective proposals.

- iii. **Best and Final Offers** the City provided each Proposer with the opportunity to submit a “Best and Final” offer to the City, which could include both pricing and technical enhancements to their initial RFP submission.
- d. Evaluation Criteria and Results. The Evaluation Criteria and process followed by the Proposal Review Team is set forth in Section 4.1 of the RFP, which reflect the direction provided by the City Council on September 20, 2016. The major categories for evaluation and their respective weighting towards the overall score include:
 - i. Public Facilities (30%)
 - ii. Gateway Enhancement to 1st Street (5%)
 - iii. Project Management Plan (10%)
 - iv. Pricing and Structure (25%)
 - v. Economic Impact (15%)
 - vi. Private Development (15%)
 - vii. Wow Factor (Bonus 5%)

After reviewing the original RFP submissions, clarifications and best and final offers, the Proposal Evaluation Committee scored the submissions using the weighting factor set by the City Council and the process and categories set forth in the RFP. This resulted in a total score for Plenary of 2808 points and 2323 points for Strada/Scannell, with Plenary receiving a 17% higher overall score than Strada/Scannell. The total maximum points possible to each team was 3500 with an additional 175 (5%) available for “Wow Factor.” (The Evaluation Committee’s consensus scoring tabulation can be found in Exhibit A).

In evaluating the different scores by sub category, Plenary scored higher than Strada/Scannell in all categories except “Project Management Plan” and the “Private Development” categories, where Strada/Scannell had a slightly higher score than Plenary. The largest variance in scores was in the “Public Facilities” and “Financial” categories, where Plenary scored significantly higher than Strada/Scannell. The primary reasons for the wide scoring variance in these categories are summarized as follows:

- 1) **Public Facilities.** This category evaluated the degree to which each proposal:
 - a. Provides a design which evokes civic pride and is inviting and accessible to all
 - b. Is Accessibility for both residents and visitors utilizing existing vehicular, pedestrian and transportation corridor; and
 - c. The degree by which the proposed development creates a sense of place that adds to and enhances the Gateway experience along First Street at a vehicular and pedestrian scale.
For categories a-c above, the Evaluation Committee found the Plenary proposal, which keeps the Public Safety and Administration building downtown, was superior to the Soscol location in terms of its general accessibility for the public and visitors, including access to public transportation, pedestrian access and the visibility of its location.
 - d. The degree by which the design of the building will create spaces that can accommodate the City’s programmatic needs in both the short term and long term.
Plenary’s building design provides an approximately 23,000 SF of expansion space (20,000 of which is included in the fourth floor), whereas the Strada/Scannell proposal provides little if any immediately available expansion space. For Strada/Scannell, to provide for future expansion when required, a new building would need to be constructed which would not be integrated into the new buildings. Costs for a possible future new building as well as a

possible new parking structure (depending on the size and location of the building) are not included in the proposal but there is sufficient land in the proposal for such expansion to occur.

- e. The Respondent's proposed delivery structure to the City

The evaluation committee found that Plenary's proposal was superior in this category because:

- *Plenary consistently demonstrated that they understood the long-term nature of the partnership the City is looking for over the thirty-year operating term*
- *Plenary clearly integrated their operation and maintenance team into design discussions about life cycle maintenance and costs, where the Strada/Scannell team failed to demonstrate that they had done so.*
- *The Plenary proposal provides the opportunity to develop the Super Block sooner than proposed in the Strada/Scannell proposal and they provided a financial offer for the purchase of the Super Block site with less contingencies than Strada/Scannell.*
- *Strada/Scannell has not demonstrated that they clearly have control of the land they are proposing to build the Public Safety and Administration building. Should the City move forward with Strada/Scannell and they are unable to gain control of the site, their proposed solution would no longer be viable and the City would have sacrificed great time and expense without receiving any new facilities.*

2) Pricing and Structure

Although the overall cost for the facilities and annual debt requirements to the City is relatively equal in both proposals, there are several material differences between the Plenary and Strada/Scannell financial proposals that the Evaluation Committee favored the Plenary proposal

- a. The Plenary proposal provides the City with approximately 23,000 SF more of space in their buildings than does the Strada/Scannell proposal. This ensures, significant space for future City expansion at relatively the same cost as the other offer which provides less than 2,000 SF of expansion space.
- b. Plenary made a commitment to invest their own equity into the project up to 10% of the total project costs. This equity would be at risk to be reimbursed by the City if they failed to perform on their obligations, whereas Strada/Scannell made no such offer. While the cost of this subordinate debt is higher than the senior debt, it provides financial assurance that the developer maintains a stake in the project over the long term.
- c. Plenary's offer contains an additional \$400,000 allowance for public art, whereas Strada/Scannell provided no additional budget for art in their offer other than what is required under the City's Art Ordinance.
- d. Plenary's offer provides a substantial allowance to pay for swing space, whereas there is no allowance for swing space in the Strada/Scannell offer as their proposal delays development of the private facilities until after the public facilities have been constructed. If the City chose to swing off the Super Block, it would accelerate the private development by more than two years, which would accelerate the time for the City to begin receiving offsetting revenues as a result of the sale of the public land and the tax increment generated for the City by the new private development.

C. Additional Qualitative Analysis

As further support for the conclusions of the Evaluation Committee based on the numerical scoring set forth in Section 4.1 of the RFP, summarized above; the Evaluation Committee spent considerable time evaluating the relative partnership commitments provided by each developer and certain risks associated with each Developer's proposal, in order to identify the most qualified Respondent (as described in Section 3.0 of the RFP).

- a. **Partnership-** The City is seeking the Developer to contractually assume the operations and maintenance of the new City facilities for a thirty (30) year term. As such, the selected Developer will become a long-term partner with the City and the quality, reliability and integrity of this relationship is of critical importance. It is the consensus opinion of the Evaluation Committee that Plenary consistently demonstrated a better and more consistent approach to partnership than Strada/Scannell did.
 - i. Plenary replied to all clarification requests with thoroughness and specificity and completely complied with all requirements stated in the RFP. In comparison, in response to specific questions from the City, Strada/Scannell provided some responses that were unclear or incomplete, particularly related to the permission to use the offsite property at Soscol Avenue.
 - ii. Plenary demonstrated a better understanding of a long-term relationship and how to approach life cycle maintenance and demonstrated a team approach that well integrates the designers, builders and operators in developing life cycle design solutions. Strada/Scannell failed to demonstrate that their operations entity had any participation in life cycle design decision and one of the Developer's executives kept referring to this project as a "five year" partnership relationship, whereas the contract documents clearly note the City seeks a 30 year plus relationship with the Developer
 - iii. When asked to provide a Best and Final Offer, Plenary made material adjustments to their proposal in the City's favor. Plenary redesigned portions of the exterior of the building in response to City feedback, reduced their fees and reinvested the reduction in an additional full floor for Public Safety and City Administration building to allow for future expansion, incorporated a development partner to provide additional housing at an offsite location (at Soscol and Central), and provided an additional allowance of \$400,000 for public art (in addition to the minimum required by City Code). Strada/Scannell made no adjustments to their proposal in response to the Best and Final offer.
- b. **Risks** There are certain risks associated with each proposal that the Evaluation Committee identified. (A Risk Matrix that summaries the analysis of the respective risks of each proposal can be found in Exhibit B).
 - i. Plenary's proposal contained the following major areas of risk:
 - 1. Plenary's proposal requires, at a minimum, that the City swing out of the CSB building for 18 – 24-month period during the construction of the New Public Safety and Civic Administration building. They also provided an alternative

proposal where the City would swing off both the CSB site and the Super Block site to build the private improvements contemporaneously with developing the public improvements. Although they identified a couple of alternatives they are investigating for swing space, they have not yet secured a solution. Failure to do so would significantly impair their ability to implement their development as proposed.

2. Plenary has not yet secured staging and laydown areas to use during the construction of the City facilities. Failure to do so could significantly impair their ability to implement their development as currently proposed.
 3. Having the City swing out of their existing space into temporary quarters for up to two years carries potential operational and cost risks for the City.
- ii. Strada/Scannell's proposal contained the following areas of risk
1. Strada/Scannell has not been able to demonstrate that they clearly have an agreement to control the site on Soscol. They have asserted that the current property owner (Gasser Foundation) is in contract to sell the site to a third-party developer. Strada/Scannell has provided a copy of an undated contract between the third-party developer and Strada/Scannell by which, if the third-party developer acquires the property from the current owner, the third-party developer may sell a 6-acre parcel to Strada/Scannell (despite Strada/Scannell's proposal to sell 7.7-acre site to the City). If Strada/Scannell was unable to secure ownership of the property, their development proposal for the public facilities would no longer be viable and could not be implemented.
 2. Representatives of Strada/Scannell communicated with members of the public in a manner that was inconsistent with the evaluation and selection processes set forth in the RFP (particularly RFP Section 6.2), and that indicated their misunderstanding of some of the City's fundamental goals for the Project.
 3. Strada/Scannell has not demonstrated an understanding of the Design Build Finance Operate Maintain (DBFOM) structure the City is seeking in a partner. They did not offer to put any long-term equity into the project, which would have provided the City direct recourse with the Developer if they failed to provide long term operations and maintenance services in accordance with the RFP's technical requirements. In comparison, Plenary did offer to make long term equity contributions and has extensive experience with DBFOM contracts.
 4. One of the terms of the agreement between the third-party developer and Strada/Scannell regarding the acquisition of the Soscol site (identified in paragraph "1," above) requires Strada/Scannell to provide the third-party developer a first option to develop the Super Block site. Strada/Scannell has not complied with the requirements of the RFP to submit the qualifications of the third-party developer. Consequently, the City has not received any information on this third-party developer or their capabilities and experience developing hotels.

D. Conclusion and Recommendation -

The evaluation committee found both proposals to be comprehensive and each Respondent demonstrated strong experience and highly skilled teams. Both Respondent's also submitted strong concepts for both the public and private development. However, where the evaluation committee scored the private development proposed by both teams very closely, when it came to the development of new Public Safety and City Administration Facilities, there was a clear and strong consensus by the committee in favor of the Plenary team's proposal. This consensus was supported when the proposals were evaluated against the specific criteria in the RFP, and it was magnified when considering the long-term nature of the relationship between the City and the Developer and the risks associated with each proposal.

It is therefore, the consensus recommendation of the Evaluation Committee that the City select Plenary as the Preferred Respondent, and commence good faith negotiations of an Exclusive Negotiation Agreement (ENA) for the development of new Public Safety and City Administration Facilities on the CSB site; a new Fire Station #1 on the Housing Authority site; the development of a new parking structure on Clay Street; the development of a hotel, retail/commercial and multifamily housing on the Super Block; and the development of a housing project at the site identified at the corner of Soscol and Central.