ITEM NO.: DRPA-13-098  SUBJECT: Property Management Services for One Port Center

COMMITTEE: Operations & Maintenance

COMMITTEE MEETING DATE: September 4, 2013

BOARD ACTION DATE: September 18, 2013

PROPOSAL: That the Board authorizes staff to negotiate an agreement with Newmark Grubb Knight Frank to provide the DRPA with property management services for its headquarters building, One Port Center, located at 2 Riverside Drive in Camden, NJ and the adjacent parking lot and grounds.

Amount: $118,533 annually ($3,700 monthly management fee and $74,133 annual Property Manager salary), plus additional leasing and other fees as required.

Consultant: Newmark Grubb Knight Frank
1735 Market Street, Suite 4000
Philadelphia, PA 19103

PURPOSE: To continue to provide property management services to the DRPA’s headquarters building, One Port Center, and the adjacent parking lot and grounds and to terminate the current property management services contract with BBT Realty, Inc. which is currently on a month-to-month basis.

BACKGROUND: Work to be completed by consultant:

1. General Facility Management Services
2. Leasing Services
3. General Building Maintenance
4. Financial Management and Accounting
5. Energy Efficiency and Other Cost Savings Opportunities

Evaluation of technical proposals:
The Request for Proposals (RFPs), which was posted on the Authority’s web-site, invited consultants to submit proposals to provide property management services for One Port Center. Seven (7) firms submitted proposals on June 21, 2013. One firm did not attend the mandatory pre-proposal conference, and therefore, their
proposal was rejected. The Review Committee evaluated proposals from six (6) firms. Two (2) firms d much higher evaluation scores than the rest: Newmark Grubb Knight Frank and Colliers International.

Newmark Grubb Knight Frank (NGKF) was the highest ranked firm. Colliers International (Colliers) was the second ranked firm. The Property Manager proposed by NGKF has over eleven (11) years’ experience as a Property Manager and has worked in the Real Estate Industry for approximately twenty (20) years. The Property Manager will be onsite at One Port Center 75% of her time as was suggested by DRPA staff during the mandatory pre-proposal conference. In addition, the Property Manager will team with a maintenance technician to inspect and analyze One Port Center to ensure it is running in the most efficient manner possible. Energy audits will be conducted to identify more favorable energy sourcing and cost savings opportunities. Two (2) licensed and experienced salespersons from NGKF’s Southern New Jersey office will market the vacant space in One Port Center in order to increase revenue. NGKF’s proposal provided comparative information about similar properties in the surrounding area with rent, square footage, and class information demonstrating their understanding of current market conditions. Additionally, NGKF offered a comprehensive plan for marketing our office space. NGKF highlighted multiple software programs that will track and document various aspects of their work, such as work orders, insurance issues, and tenant leases, and the software can run a variety of reports as needed. NGKF is located in Philadelphia, PA. For these reasons, Newmark Grubb Knight Frank was recommended by the Review Committee.

Evaluation of cost proposals:

Due to the format and structure of the technical proposals for property management services, it is difficult to determine which cost proposal is the most competitive. There is no single not-to-exceed cost that the proposers submitted to the DRPA. Instead, there are a number of factors that make up the cost proposals, such as monthly management fee, property manager salary, maintenance/engineer fee, construction management fee, and leasing fee. Based on the cost information provided by Newmark Grubb Knight Frank and Colliers International, the following conclusions were made:
• Monthly management fee: NGKF quoted the lowest monthly management fee at $3,700 per month. Colliers proposed a $3,000 monthly fee + 2.5% of rent rolls. Rent rolls for June 2013 were $123,074 so Colliers’ share would be approximately $3,076 making their total monthly fee to be $6,076.

• Property Manager salary: Colliers has the lowest salary for a Property Manager at $70,000, and NGKF proposed a $74,133 salary.

• Construction fees: Both firms presented comparable construction fees. While this is helpful information to have, it is not clear how frequently or in what quantity the DRPA would need to use construction services.

• Leasing fees: NGKF and Colliers proposed very similar leasing commission schedules. Both firms also had strong proposals for advertising and leasing the extra space in the building, so it is likely that they will bring in more tenants which will increase the DRPA’s rent rolls.

Review Committee Conclusions:

The Review Committee determined that in terms of fixed costs, NGKF has the lowest monthly fees (monthly management fee and property manager salary) and equally competitive construction and leasing fees.

Based on the cost proposals, the Review Committee recommends that the Board authorize staff to negotiate with Newmark Grubb Knight Frank to provide property management services to the DRPA.

SUMMARY: Amount: $118,533 annually ($3,700 monthly management fee and $74,133 annual Property Manager salary), plus additional leasing and other fees as required

Source of Funds: Revenue Fund
Capital Project #: N/A
Operating Budget: One Port Center
Master Plan Status: N/A
Other Fund Sources: N/A
SUMMARY STATEMENT
O&M 9/4/2013

Property Management Services for
One Port Center

Duration of Contract: Three (3) years with two (2) one-year extensions
Other Parties Involved: N/A
Estimated Number of Jobs Supported: N/A
RESOLUTION

RESOLVED: That the Board of Commissioners of the Delaware River Port Authority accepts the Proposal of Newmark Grubb Knight Frank to provide the DRPA with property management services for its headquarters building, One Port Center, located at 2 Riverside Drive, Camden, NJ 08101 and the adjacent parking lot and grounds and that the proper officers of the Authority be and hereby are authorized to negotiate an Agreement with Newmark Grubb Knight Frank for an amount set forth in the firm’s cost proposal, as per the attached Summary Statement; and be it further

RESOLVED: The Chairman, Vice Chairman and the Chief Executive Officer must approve and are hereby authorized to approve and execute all necessary agreements, contracts, or other documents on behalf of the DRPA. If such agreements, contracts, or other documents have been approved by the Chairman, Vice Chairman and Chief Executive Officer and if thereafter either the Chairman or Vice Chairman is absent or unavailable, the remaining Officer may execute the said document(s) on behalf of DRPA along with the Chief Executive Officer. If both the Chairman and Vice Chairman are absent or unavailable, and if it is necessary to execute the said document(s) while they are absent or unavailable, then the Chief Executive Officer shall execute such documents on behalf of DRPA.

SUMMARY: Amount: $118,533 annually ($3,700 monthly management fee and $74,133 annual Property Manager salary), plus additional leasing and other fees as required
Source of Funds: Revenue Fund
Capital Project #: N/A
Operating Budget: One Port Center
Master Plan Status: N/A
Other Fund Sources: N/A
Duration of Contract: Three (3) years with two (2) one-year extensions
Other Parties Involved: N/A
Estimated Number of Jobs Supported: N/A
TO: Michael Conallen, Deputy Chief Executive Officer

FROM: Kristen Klepacki, Management Analyst

SUBJECT: Property Management Services Proposal Evaluation

DATE: August 15, 2013

A Review Committee was assembled approximately two years ago to review proposals and select a firm to provide property management services for One Port Center. Due to a conflict that was discovered during the course of the process, the Review Committee had to be disbanded. The DRPA started the process from scratch, and a second new Review Committee was assembled in the summer of 2012. Since many DRPA staff had conflicts which prevented them from participating on this Review Committee, the current Committee consists of one staff member from Information Services, Engineering, and Regional Development, none of whom have experience in property management services.

The Request for Proposals (RFPs), which was posted on the Authority’s web-site, invited consultants to submit proposals to provide property management services for One Port Center. Seven (7) firms submitted proposals on June 21, 2013. One firm, Cushman and Wakefield, did not attend the mandatory pre-proposal conference, and therefore, their proposal was rejected. The Review Committee evaluated proposals from the following six (6) firms:

Newmark Grubb Knight Frank (“NGKF”)
Colliers International (“Colliers”)
Jones Lang LaSalle (“JLL”)
Meridian Property Services (“Meridian”)
Keating Martin Sencindiver (“KMS”)
SSH Real Estate (“SSH”)
I. ANALYSIS OF TECHNICAL PROPOSALS

1. Newmark Grubb Knight Frank was the highest ranked firm. The Property Manager proposed by NGKF has over eleven (11) years’ experience as a Property Manager, and has worked in the Real Estate Industry for approximately twenty (20) years. The Property Manager will be onsite at OPC 75% of her time as we requested. In addition, the Property Manager will team with a maintenance technician to inspect and analyze OPC to ensure it is running in the most efficient manner possible and look for cost-saving opportunities. Energy audits will be conducted to identify more favorable energy sourcing and cost savings opportunities. Two licensed and experienced salespersons from NGKF’s Southern New Jersey office will market the vacant space in OPC in order to increase revenue. The proposal laid out information about similar properties in the surrounding area with rent, square footage, and class information which shows they understand the current market conditions. NGKF also offered a comprehensive plan for marketing our office space. NGKF highlighted multiple software programs that will track and document various aspects of their work, such as work orders, insurance issues and tenant leases, and the software can run a variety of reports as needed. NGKF addressed each aspect of the RFP in a clear manner. NGKF is located in Philadelphia, PA.

Overall, Newmark Grubb Knight Frank was found to possess the necessary experience and qualifications to successfully complete the project. Newmark Grubb Knight Frank is Recommended for consideration.

2. Colliers International was the second highest ranked firm. The firm is well qualified and has all necessary resources in place to successfully complete this project. The proposed Property Manager will be at One Port Center 75% of the time as we requested. The Property Manager appears to have a more financial background than the Property Managers proposed by the other firms, and the Review Committee appreciated this individual’s experience in overseeing many leases for AT&T and experience training in operating expense analysis. Colliers proposed using multiple marketing professionals, and the primary Southern NJ office leasing broker who will be marketing and leasing the extra space at OPC has been involved in the renewals of nearly 15K rentable square feet of leases in the City of Camden. The Colliers team showed multiple examples of how they encountered a problem, made improvements, and showed results from their efforts. The Colliers team is experienced in demand-side management and reviewing utility bills in order to achieve cost and energy savings. Colliers uses multiple software programs much as MRI and Yardi which track issues and run various reports.

Overall, Colliers International was found to possess the necessary experience and qualifications to successfully complete the project. Colliers International is Recommended for consideration.

3. Jones Lang LaSalle was ranked third by the Review Committee. While the firm appears to have all the necessary technical qualifications and experience in order to undertake the project, the Review Committee was concerned that the proposed Property Manager will only be at One Port
Center 60% of her time. She will be sharing the administrative work with another staff person who will be accessible via phone and email. Together, the two staff people will amount to 75% of their time, however, DRPA specifically requested that the Property Manager be at OPC for at least 75% of their time. The Review Committee was concerned that since the proposed Property Manager is “responsible for the startup of a client assignment totaling 126K square feet of commercial office buildings in PA where she is directly responsible for the oversight of the financial and operational aspects of the facility,” this person would not be focused on a smaller building like OPC.

JLL’s proposal and experience was strong, however, due to the lack of availability of the proposed Property Manager, JLL did not demonstrate their ability to successfully complete this project. Jones Lang LaSalle is Not Recommended for consideration.

4. **Meridian Property Services** was tied for the fourth ranked firm by the Review Committee. The Review Committee was initially impressed that Meridian has a contract to manage 40 buildings owned by Camden County, including a number in the City of Camden and is the leading facilities management services provider to the State of NJ. While the number of properties they manage is impressive, the Review Committee is most concerned with the quality of services, not quantity. Meridian stated in its proposal, “Although much of Meridian’s work is in facilities management and maintenance, it has performed rent collection, CAM reconciliation and reporting, budgeting and budget analysis, and financial reporting for a number of properties” (p.10). The services provided by OPC’s current property management provider are adequate, however, the DRPA would like to contract with a property service manager that is able to focus on reporting and analysis in addition to basic property management. The Review Committee is concerned that Meridian does not have the capabilities that other firms have in terms of analysis and reporting. Additionally, although Meridian showed that its proposed staff hold NJ real estate licenses, they did not show staff’s experience in attracting new tenants nor did they show knowledge of the market in the area like other proposers did.

Meridian may be able to provide basic property management services to the DRPA, however, the Review Committee is not confident they can provide the same high level of services that the other proposers will provide. Meridian is Not Recommended for consideration.

5. **Keating Martin Sencindiver** was tied for the fourth ranked firm by the Review Committee. KMS’s proposal mainly consisted of blank templates of plans and procedures. KMS did not include a significant amount of information regarding the services they will provide, and the services they did outline did not appear to be as comprehensive and dynamic as the other proposals. There was little information given regarding the experience of the Property Manager proposed by KMS, and while her resume states she has worked for KMS for 10 years, it is not clear how many of those years she has served as a Property Manager. The firm did not show a comprehensive understanding of the current real estate market compared to OPC as other proposers did, and the Review Committee was unable to determine if the proposed staff person responsible for leasing and marketing OPC is licensed in NJ.

KMS did not provide enough information for the Review Committee to determine whether or not they are qualified to perform property management services to the DRPA. Keating Martin
Sencindiver is *Not Recommended* for consideration.

6. **SSH Real Estate** was the sixth ranked firm in this evaluation process. The Review Committee was particularly concerned that this proposal did not include a resume for the proposed Property Manager, nor did it suggest the percentage time the proposed Property Manager would spend at OPC. These are critical factors since this person will be the main point of contact for service at OPC. SSH also did not touch on every aspect of the RFP.

SSH did not provide enough information for the Review Committee to determine whether or not they are qualified to perform property management services to the DRPA. **SSH Real Estate is Not Recommended** for consideration.

Below are the Review Committee’s technical proposal rankings:

<table>
<thead>
<tr>
<th>Property Management Services for One Port Center</th>
<th>TECHNICAL PROPOSAL EVALUATIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name</td>
<td>Reviewer #1</td>
</tr>
<tr>
<td>NGKF</td>
<td>1</td>
</tr>
<tr>
<td>Colliers</td>
<td>2</td>
</tr>
<tr>
<td>JLL</td>
<td>3</td>
</tr>
<tr>
<td>KMS</td>
<td>4</td>
</tr>
<tr>
<td>Meridian</td>
<td>5</td>
</tr>
<tr>
<td>SSH</td>
<td>6</td>
</tr>
</tbody>
</table>

*Shading represents the firms that are Recommended by the Review Committee.*

**II. ANALYSIS OF COST PROPOSALS**

Due to the nature of the technical proposals for property management services, it is difficult to determine which cost proposal is the most competitive. There is no single cost that the proposers submitted to the DRPA. Instead, there are a number of factors that make up the cost proposals, such as monthly management fee, property manager salary, maintenance/engineer fee, construction management fee, and leasing fee.

Below is a summary of the cost proposals for the two recommended firms, Newmark Grubb Knight Frank and Colliers International:

1. **Newmark Grubb Knight Frank**
### Colliers International

<table>
<thead>
<tr>
<th>Monthly management fee:</th>
<th>$3,000 + 2.5% of gross collected income on external tenants (June 2013 rent rolls were $123,074 so June monthly management fee would have been $6,076)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property Manager salary (and % time at OPC):</td>
<td>$70,000 (75% time spent at OPC)</td>
</tr>
</tbody>
</table>
| Construction fees: | 5% = $0 - $150K  
4% = $150 - $300K  
3% = $300K and greater |
| Leasing fees: |  
New Tenant – no outside broker: 6% of the first years’ aggregate rent  
5% of the second years’ aggregate rent  
4% of the third years’ aggregate rent  
3% of subsequent years’ aggregate rent  
  
New tenant – cooperative broker: Same as above to cooperating broker + 50% of above schedule to listing broker  
  
Expansion – no outside broker: 3%  
  
Expansion – cooperative broker: 3% to cooperating broker + 1.5% to listing broker  
  
Renewals and extensions – no outside broker: 3%  
  
Renewals and extensions – cooperative broker: 3% to cooperating broker + 1.5% to listing broker |

2. **Colliers International**

<table>
<thead>
<tr>
<th>Monthly management fee:</th>
<th>$3,700 and automatically increases 2% each year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property Manager salary (and % time at OPC):</td>
<td>$74,133 (75% time spent at OPC)</td>
</tr>
</tbody>
</table>
| Construction fees: | 5% = $0 - $500K  
4% = $500 - $750K  
3% = $750K - $1M |
| Leasing fees: |  
New Tenant – no outside broker: 6% of the first years’ aggregate rent  
5% of the second years’ aggregate rent  
4% of the third years’ aggregate rent  
3% of subsequent years’ aggregate rent  
  
New tenant – cooperative broker: Same as above to cooperating broker + 50% of above schedule to listing broker  
  
Expansion – no outside broker: 3%  
  
Expansion – cooperative broker: 3% to cooperating broker + 1.5% to listing broker  
  
Renewals and extensions – no outside broker: 3%  
  
Renewals and extensions – cooperative broker: 3% to cooperating broker + 1.5% to listing broker |
Based on the cost information above, the following conclusions were made:

- **Monthly management fee**: It appears as though the firm with the lowest proposed monthly management fee is Colliers, proposing $3,000 monthly fee + 2.5% of rent rolls. Rent rolls for June 2013 were $123,074 so Colliers’ share would be approximately $3,076 making the total monthly fee to be $6,076. Therefore, the firm with the lowest monthly management fee is NGKF at $3,700.

- **Property Manager salary**: Colliers has the lowest salary for a Property Manager is Colliers at $70,000, and NGKF proposed a $74,133 salary.

- **Construction fees**: Both firms presented comparable construction fees. While this is helpful information to have, it is not clear how frequently or in what quantity the DRPA would need to use construction services.

- **Leasing fees**: NGKF and Colliers proposed very similar leasing commission schedules. Both firms also had strong proposals for advertising and leasing the extra space in the building, so it is likely that they will bring in more tenants which will increase the DRPA’s rent rolls.

While it is difficult to compare each firm’s cost proposal since there are multiple variables, the Review Committee believes that in terms of fixed costs, NGKF has the lowest monthly fees (monthly management fee and property manager salary) and equally competitive construction and leasing fees.

**Based on the cost proposals, the Review Committee recommends that a contract be awarded to Newmark Grubb Knight Frank to provide property management services to the DRPA.**