

FOR CONSIDERATION

March 23, 2011

TO: The Directors

FROM: Kenneth Adams

SUBJECT: Moynihan Station Civic and Land Use Improvement Project

REQUEST FOR: Authorization to Amend a Contract with New York State Office of General Services (“OGS”) to provide Building Management Services at the James A. Farley Post Office Building and Annex in Manhattan (“Farley”)

I. Contract Summary

Contractor: New York State Office of General Services (“OGS”)

Scope of Services: Building management services for the James A. Farley Post Office Building and Annex (“Farley”), including day-to-day operation, management, and maintenance of the building and building systems.

Contract Term: Existing: May 1, 2009 to April 30, 2011.
Amended: May 1, 2011 to April 30, 2013

Contract Amount: Existing: \$16,427,658
Amended: \$11,000,000 (O&M work plus OGS fee, estimated at \$5.5 M per year)

Funding Source(s): USPS Farley Rent Program and Remediation Account; Interim Usage Fees

II. Background

New York State Urban Development Corporation d/b/a Empire State Redevelopment Corporation (“ESDC” or the “Corporation”) purchased Farley from the United States Postal Service (“USPS”) on March 30, 2007. Pursuant to contract effective May 1, 2007, ESDC retained OGS to manage Farley and to supervise day-to-day on-site operations. This contract had a two-year term (expired April 30, 2009) which was subsequently amended for an additional two-year period ending April 30, 2011.

At the time OGS was originally procured in 2007, we anticipated disposition of the Farley property within the contract term. Project delays extended our ownership of the building. By April 2009, again on the anticipation of the imminent disposition of the building, a Supplemental Agreement was executed between the parties to extend for another two-year period, which will expire on April 30, 2011. As the project has continued to experience delays, ESDC has continued to oversee the day-to-day operation and maintenance of the Farley building. As Phase 1 of development is commencing in 2011, MSDC staff anticipates either a disposition of the building or a new agreement for private use and management of the building prior to the expiration of the amended contract in April 2013.

The services were publicly advertised in February 2007, but, ultimately, ESDC determined to retain OGS (at that time, it was thought that the contract might be very short-lived, and the OGS cost compared favorably to private-market bids) and *Contract Reporter* exemptions were granted for the contract and the first extension of the contract.

The contract is on a cost plus 2% basis. That percentage fee pays for OGS Farley management services and for OGS regional and central administration of the contract. USPS interim lease payments provide a portion of the the costs of Farley operation and the OGS contract fee, with the remainder paid from the USPS Remediation Account.

OGS costs are as follow:

1 st Term:	\$165,691
2 nd Term:	\$139,419
Total	\$305,110
3 rd Term (estimated):	\$140,000
Total	\$445,110

All-in contract costs, including OGS'fee, are estimated as follows:

Year 1:	\$5,500,000
Year 2:	\$5,500,000
Total Amendment:	\$11,000,000

There are adequate funds available from the identified funding sources to pay that estimated cost.

If property management services are still required after December 31, 2012 MSDC will conduct a new analysis of the best way to procure such services. This would likely be a competitive procurement process if the Farley disposition will not occur imminently.

III. Scope of Work

1. Custodial services for all space in Farley not occupied by USPS.
2. Minor repairs and emergency repairs for the entire building as needed.
3. Holding all building services contracts required to allow for the building to operate at a level consistent with current operations, including cleaning, maintenance, and pest management contracts.
4. Providing OGS building management personnel.
5. Providing ESDC with copies of standards and criteria to be applied by OGS with respect to Farley for cleaning and pest control services.
6. Security for the entire building, including all moats, bridges and building entrances, but exclusive of areas under USPS jurisdiction.
7. Building access for the entire building, including contractor and visitor badging and logs, but exclusive of areas under USPS jurisdiction.
8. Payment of utility bills (with such payments to be reimbursed to OGS by ESDC).
9. Testing of all life safety systems and equipment for compliance with State standards and the best practices used by OGS for facilities of the State of New York.
10. Such other services as may be agreed between ESDC and OGS by ESDC's written approval of an estimate provided by OGS for such services.

IV. Staff Recommendation

OGS has performed the services required under the existing contract in an effective, timely, and cost effective manner. OGS has unique experience in managing large State-owned facilities, including those within New York City, and at this point also has expertise in managing Farley operations. Therefore, in order to preserve the continuity of OGS's valuable expertise, MSDC staff recommends that ESDC's contract with OGS be renewed for an additional two years on the same cost plus 2% basis. A *Contract Reporter* exemption has been requested for the recommended extension. The contract between OGS and ESD is an intergovernmental agreement and therefore not subject to State Finance Law Section 139-j and 139-k and the Corporation's policy related thereto.

V. Non-Discrimination/Affirmative Action

OGS will observe the State's non-discrimination laws, regulations, orders, and policies.

VI. Requested Action

The Directors are requested to authorize the Corporation to amend the contract with OGS for building management services at Farley for an amount not to exceed \$5,500,000 per year or \$11,000,000 for the two-year term, upon the terms and conditions set forth herein.

VII. Recommendation

Based on the foregoing, I recommend approval of the requested action.

VIII. Attachments

Resolution

March 23 , 2011

Empire State Development Corporation – Moynihan Station Development Project –
Authorization to Amend a Contract with New York State Office of General Services to
provide Building Management Services at the James A. Farley Post Office Building and
Annex in Manhattan

BE IT RESOLVED, that upon the basis of the materials presented to this meeting (the
“Materials”), a copy of which is hereby ordered filed with the records of the Corporation, the
Corporation hereby finds New York State Office of General Services to be responsible; and be it
further

RESOLVED, that the Corporation hereby is authorized to amend the Corporation’s existing
contract with New York State Office of General Services, to provide building management
services for the James A. Farley Post Office Building and Annex in Manhattan, by extending the
term of such contract for up to two additional years, in an amount not to exceed \$5,500,000
annually or \$11,000,000 for the two-year term, and otherwise substantially on the terms and
conditions set forth in these Materials; and be it further

RESOLVED, that the Chief Executive Officer of the Corporation, or her designee(s), be, and each
of them hereby is, authorized to take such action and execute such documents as may be
necessary or appropriate to carry out the foregoing resolution.

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