

Capital Plaza Tower Area



Request for Information (RFI)

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1 CAPITAL PLAZA TOWER AREA - RFI INTRODUCTION

This RFI will present a standard format for a Request for Information for a state government public private partnership between the Commonwealth of Kentucky, Finance and Administration Cabinet, and private entities.

This RFI serves the following main purposes:

1. Acquiring additional information to provide a basis for and to aid in potentially issuing a P3 Request for Proposals (RFP) procurement document.
2. Ensuring that the Commonwealth of Kentucky develops well-conceived tender documents for any potential PPP project and clarifying the competitive system requirements, by confidentially meeting with individuals who, by responding to this RFI, request such a discussion.

This RFI is drafted based on the business case and feasibility assessment(s) previously completed for the Project, loosely described herein. This RFI acts as a tool to gather information and to provide feedback concerning the Project, in order to strengthen any future procurement document (RFP). No contract will be let from this solicitation.

2 EXECUTIVE SUMMARY – THE PROJECT

The Commonwealth of Kentucky desires to enter into a public-private partnership with a P3 partner, who can demonstrate the creativity and financial capability of developing, constructing, and operating an urban, mixed-use, development in the heart of downtown Frankfort, KY.

To that end, the Commonwealth solicits information, guidance, and advice from potential Developers/Respondents through submittal of information and/or scheduling one-on-one meetings with Commonwealth staff to discuss any issues and attempt to resolve any complications with the state-owned property.

The Commonwealth has available state-owned real property for potentially urban, mixed-use, private development. The property is situated on approximately 7.975 +/- acre, located at the corner of Wilkinson and Mero Streets, Frankfort, Kentucky, and is comprised of the following:

- 365,700 +/- square foot, 25-story office tower
- 11,500 +/- square feet of office space, fronting Wilkinson Boulevard
- parking garage consisting of 767 +/- parking spaces
- an eastern connection to a pedestrian bridge traversing Wilkinson Boulevard from the south-west corner of the project site
- a portion of the elevated plaza area that overpasses Mero Street on the southern edge of the project site, which is to be demolished as part of the demolition of the Tower and associated plaza area. Mero Street is a public transportation route, which is to remain in operation following any future development of the project site. Following demolition of this overpass portion of the elevated plaza area, the northern edge of the elevated plaza area will need to be modified by the Developer/Respondent to provide enclosure of the exposed edge of the elevated edge in accordance with KY Building Code, current edition, to provide public protection.
- cooling towers for the building are located on a parcel of land across Wilkinson Boulevard, which is leased from the City of Frankfort.
- Domestic water, sanitary sewers, storm sewers, cable TV, broadband internet, and electricity are supplied by a public municipality. Natural gas and telephone services are provided by private utility companies.
- Vicinity state-owned facilities (Clinton-Mero Street parking garage, YMCA parking garage, Fountain Place Shops, Convention Center, as well as the Capital Plaza Hotel), that are to remain open and are not a part of this project development site, have existing utility and engineered systems that are shared with the Tower and parking complex that is a part of the project development site.

The subject property is identified as Tract No. One (Survey Tract 3) of the deed attached hereto as Exhibit A.

As indicated above, utility lines and HVAC equipment serving vicinity state owned facilities (Capital Plaza Tower, Wilkinson Street Offices, all Parking Garages, Fountain Place Shops, Convention Center, as well as the Capital Plaza Hotel) must remain in place to continue service to the aforementioned facilities until either a Developer/Respondent relocates/reroutes the utilities or an appropriation is made by the General Assembly for the Commonwealth to relocate and reroute the utilities. Utility locations are available upon request. An easement will be retained by the Commonwealth in order to maintain these systems. The Commonwealth would prefer a Developer/Respondent to be responsible for separately metering the Project Area development for all utilities, connections to the Commonwealth's HVAC, electrical, sewer lines, and equipment.

This is a unique opportunity to assist in the transformation of the capital city of Frankfort, Kentucky by integrating people-friendly design, walkability, river accessibility, tourist/local citizen engagement, and business/government facilities – similar to “town and gown” efforts in many university towns. Opportunities may also exist for downtown engagement with Kentucky State University.

Nearly 50,000 people reside in Franklin County including approximately 28,000 in the City of Frankfort. Each week day thousands of state government employees swell the population, providing additional opportunities for local establishments. The city is also located in the midst of the Kentucky Bourbon Trail with a yearly tourism draw of nearly 650,000 people from all over the world. Buffalo Trace Distillery, one of the state's largest and oldest, is located just 1.61 miles from the heart of downtown. Also unique to Frankfort are both the old and new state capitol buildings, Kentucky History Center and the Kentucky Military Museum.

The following websites may be helpful with information about Frankfort:

<http://www.frankfortky.info/>
<http://www.visitfrankfort.com/meet.html>
<http://www.frankfort.ky.gov/>
<http://kentucky.gov>
<http://buffalotrace.com/>
<http://www.downtownfrankfort.com/>

Also, see attached aerial of project area in relation to downtown Frankfort area, Exhibit B.

Additional information, including photographs, renderings, site plan schematics of these structures, may be viewed at www.finance.ky.gov and clicking the link on the right for Surplus Real Estate. Subject property is being offered for sale, development or repurposing to benefit the Commonwealth and the city of Frankfort.

3 AGENCY OVERVIEW

A brief overview of the Finance and Administration Cabinet:

The Finance and Administration Cabinet is the primary support agency for state government. The Cabinet serves a diverse customer base of state agencies, local governments, businesses and vendors, and individual tax payers. The Cabinet provides a broad spectrum of services, including acquisition and disposition of interests in real property, as well as being the lead procurement agency for state government (KRS 45A and 56).

Other relevant information pertaining to F&AC in relation to the potential P3 Project:

- For over a decade, the Commonwealth has conducted numerous studies of the Capital Plaza Tower and attempted to assess maintenance and operational issues associated with the campus. The most recent study, updated in 2011, includes, but is not limited to, issues such as:
 - Non-compliance with seismic design requirements;
 - Lack of adequate fire protection and alarm systems;
 - Non-compliance with energy code;
 - Excess energy and maintenance costs;
 - Repair costs that were estimated to exceed 50% of the replacement costs.

- Given the deteriorating nature of the Tower, the Commonwealth decided to depopulate the structure for health/safety concerns. Additionally, the Commonwealth was faced with the impending relinquishment of [privately-held] office leases affecting over 700 employees. In December, 2015, the F&AC issued a built-to-suit RFP for the construction/lease-back of an office building in Frankfort, KY to house staff from the to-be-vacated leased office space and the depopulation of the Tower. The RFP resulted in the construction and lease-back of a 371,160 square foot office building located on Sower Boulevard. The building was fully populated by September, 2016. The Tower will be completely vacant no later than December 31, 2016.

- After making the decision to depopulate the Tower, the Commonwealth has declared the building surplus to its need and made the following attempts to dispose of the property:
 - A Request for Information in the Fall of 2015, seeking development ideas for 4 tracts of land, one of which included the 7.97 +/- acre tract upon which the Tower, the parking garage, and the Wilkinson Boulevard Offices are situated. No responses were received by the November 15, 2015 RFI end date.

- A surplus bid package for only the 7.97 acre +/- tract for the Tower, parking garage, and Wilkinson Boulevard offices, offering the state-owned improvements for sale, development or repurposing. One response was received for the August 17, 2016 opening date; however, the solicitation was cancelled.

4 PROJECT OVERVIEW

This Section provides a summary overview of:

Project Goals:

The Commonwealth intends to consolidate within the Project area a number of state agencies housed throughout Frankfort, in order to unite the Commonwealth's programmatic needs and to promote the efficiencies and synergies affiliated with such proposed consolidation.

Objectives:

To partner with private Developer(s)/Respondents to create an urban, mixed use, development with walkability to downtown Frankfort, the Farmers' Market, Riverview Park, and other downtown amenities. The mixed use development would need to include financing/construction/management of adequate low-rise office buildings for state agency consolidation of 1,000 +/- employees, plus parking, commercial retail and/or residential space, as desired by the developer/respondent.

Scope:

It is the Commonwealth's intention that the proposed project development progress in the following phases, to be completed by and at the expense of a private Developer/Respondent:

Phase I

- Construct a low-rise office building in the Project area of sufficient size to house 1,000 employees; this construction must include an open level parking garage accommodating 800 employee vehicles, 80 fleet vehicles and 60 visitor vehicles
 - adjacent to the project area, there is an existing, Commonwealth-owned, parking structure with approximately 200 unused parking spaces available for use by a Developer/Respondent. *The approximately 200 parking spaces shall be utilized solely for state employees affiliated with the new office building and will be executed through a lease from the COK to the Developer/Respondent.*
- Separate the existing, connective, utilities component, currently located in the basement of the Capital Plaza Tower, estimated at approximately \$7,000,000, including engineering costs to prepare bidding documents.

Phase II

- Demolish the Capital Plaza Tower, the 11,500 +/- square feet of office space, fronting Wilkinson Boulevard, and the parking garage consisting of 767 +/- parking spaces, and the elevated plaza that overpasses Mero Street. Demo package currently estimated at approximately \$14,000,000, including engineering costs to prepare bidding documents.

Phase III

- Construct a second, low-rise, office building to house 350 employees, with sufficient surface parking to accommodate 280 employee vehicles, 30 fleet vehicles, and 40 visitor vehicles.
- Develop the remainder of the property as urban development, blending residential, commercial, cultural, institutional, or industrial uses, where those functions are physically and functionally integrated, and that provides pedestrian connections/connectivity to downtown Frankfort

The Commonwealth welcomes collaborative opportunities which would leverage projects in the Capital Plaza area towards revitalization of the downtown Frankfort community, including tourist, recreational/wellness, business, retail and mixed uses.

Key performance indicators:

Partnership structure (e.g., PPP model): “Whatis.com” defines P3 as:

Public-private partnership (PPP) is a funding model for a public infrastructure project such as a new telecommunications system, airport or power plant. The public partner is represented by the government at a local, state and/or national level. The private partner can be a privately-owned business, public corporation or consortium of businesses with a specific area of expertise.

PPP is a broad term that can be applied to anything from a simple, short term management contract (with or without investment requirements) to a long-term contract that includes funding, planning, building, operation, maintenance and divestiture. PPP arrangements are useful for large projects that require highly-skilled workers and a significant cash outlay to get started. They are also useful in countries that require the state to legally own any infrastructure that serves the public.

Different models of PPP funding are characterized by which partner is responsible for owning and maintaining assets at different stages of the project. Examples of PPP models include:

Design-Build (DB): The private-sector partner designs and builds the infrastructure to meet the public-sector partner's specifications, often for a fixed price. The private-sector partner assumes all risk.

- Operation & Maintenance Contract (O & M): The private-sector partner, under contract, operates a publicly-owned asset for a specific period of time. The public partner retains ownership of the assets.
- Design-Build-Finance-Operate (DBFO): The private-sector partner designs, finances and constructs a new infrastructure component and operates/maintains it under a long-term lease. The private-sector partner transfers the infrastructure component to the public-sector partner when the lease is up.
- Build-Own-Operate (B_{OO}): The private-sector partner finances, builds, owns and operates the infrastructure component in perpetuity. The public-sector partner's constraints are stated in the original agreement and through on-going regulatory authority.
- Build-Own-Operate-Transfer (B_{OOT}): The private-sector partner is granted authorization to finance, design, build and operate an infrastructure component (and to charge user fees) for a specific period of time, after which ownership is transferred back to the public-sector partner.
- Buy-Build-Operate (BBO): This publicly-owned asset is legally transferred to a private-sector partner for a designated period of time.
- Build-lease-operate-transfer (B_{LOT}): The private-sector partner designs, finances and builds a facility on leased public land. The private-sector partner operates the facility for the duration of the land lease. When the lease expires, assets are transferred to the public-sector partner.
- Operation License: The private-sector partner is granted a license or other expression of legal permission to operate a public service, usually for a specified term. (This model is often used in IT projects.)
- Finance Only: The private-sector partner, usually a financial services company, funds the infrastructure component and charges the public-sector partner interest for use of the funds.

Financing of the Project: the Developer/Respondent will be solely responsible for all costs associated with developing, constructing, maintaining, and operating the Project.

Financial arrangements between partners (e.g., revenue shares): Once the initial low-rise office building is constructed, the Commonwealth intends to enter into a lease arrangement with the Developer/Respondent for the newly constructed office space. The Commonwealth would then anticipate the same type of relationship between the Commonwealth and the Developer/Respondent for occupancy of the second newly constructed office structure. Unless the Developer/Respondent is convinced/can provide evidence that there is sufficient profit margin for the entire Project to warrant the Commonwealth requiring a percentage of Developer's/Respondent's profit, then the Commonwealth would not anticipate asking for a percentage. The end result being the Developer/Respondent should pay off its larger, non-revenue-producing, upfront costs associated with demolition/relocation of utilities associated with the project.

Other basic information about the project:

5. RFI SCHEDULE

RFI key dates are the following:

11/7/16	RFI made available to the bidders; posted to eProcurement
11/18/16 @ 10:00 am	Deadline for Respondents to submit questions to Commonwealth
11/30/16	Response to all questions in the form of an amendment to RFI, posted
12/14/16, time: 2:00 pm	Deadline for receiving information (all material)
12/15–21/16	If requested, Developers/Respondents will be invited to individually discuss potential issues and solutions to the Finance and Administration Cabinet (presentation meetings; not negotiation meetings).
1/31/17	Decision to launch an RFP

6. RFI RELATED QUESTIONS / CLARIFICATIONS / SUBMISSION

The Commonwealth is seeking from private concerns input through verbal or written responses.

Verbal Responses and inquiries:

All interested parties should submit a written letter of interest, including contact information to the following:

Division of Real Properties
Attn: Nancy Brownlee
Bush Building, Third Floor
403 Wapping Street
Frankfort, KY 40601
Phone: 502-782-0358
Fax: (502) 564-8108
Nancy.brownlee@ky.gov

Should you be so inclined, a representative will contact you to schedule a meeting with you concerning this RFI. Please indicate on letter of interest if you wish meet with Commonwealth representatives to discuss the Project and potential issues/concerns with the Project. Otherwise, you may submit your thoughts/answers to questions listed on Pages 16 - 19.

From the issue date of this RFI until the responses are due, vendors shall not individually communicate with any Commonwealth staff concerning this RFI except as referenced above.

RFI responses are due on December 14, 2016 at 2:00 pm EST. Respondents with an interest to communicate verbally, shall submit one (1) letter of interest in hardcopy.

Any notices with respect to this RFI should also be mailed to the above Contact and Address.

7. RFI CONDITIONS

1. ALL RESPONSES RECEIVED BY THE DUE DATE AND TIME WILL BE CONSIDERED FOR THIS PROPERTY.
2. THE COMMONWEALTH DOES NOT CERTIFY THE SQUARE FOOTAGE OF THE IMPROVEMENTS OR THE AMOUNT OF ACREAGE LOCATED AT THE SUBJECT PROPERTY. THE PROPERTY MAY BE MADE AVAILABLE "AS-IS" WITH NO GUARANTEES OR WARRANTIES. SHOULD THE DEVELOPER'S/RESPONDENT'S LENDING INSTITUTION REQUIRE AN INSPECTION OF THE PROPERTY, THE COST OF SUCH INSPECTION IS THE SOLE RESPONSIBILITY OF THE DEVELOPER/RESPONDENT.
4. SHOULD YOU BE A PROSPECT AND WISH TO VIEW THE PROPERTY, THE BUILDING WILL BE OPEN FOR A SITE VISIT ON DATE TO BE SPECIFIED LATER.
5. IT SHALL BE THE RESPONSIBILITY OF THE OFFEROR(S) TO INSPECT THE PROPERTY PRIOR TO SUBMITTING A PROPOSAL TO DETERMINE PERTINENT FACTORS OF ACCESS, ZONING, UTILITIES, AND EASEMENTS, ETC. NO REFUNDS OR ADJUSTMENTS WILL BE MADE BECAUSE THE PROPERTY FAILS TO MEET STANDARDS OF QUALITY OR CONDITIONS EXPECTED, NOR WILL FAILURE TO INSPECT THE PROPERTY BE GROUNDS FOR ANY CLAIM FOR RELIEF FROM THE TERMS OF ANY PROPOSAL SUBMITTED IN RESPONSE TO THIS RFP OR ANY CONTRACT THAT MAY RESULT THEREFROM.
6. ANY AND ALL QUESTIONS SHOULD BE SUBMITTED NO LATER THAN NOVEMBER 18, 2016 @ 10:00 A.M. EST TO NANCY BROWNLEE, DIVISION OF REAL PROPERTIES, 3RD FLOOR, BUSH BUILDING, 403 WAPPING STREET, FRANKFORT, KENTUCKY 40601-2607 OR BY EMAIL AT NANCY.BROWNLEE@KY.GOV. ALL QUESTIONS AND ANSWERS WILL BE POSTED, ALONG WITH THE RESPONSES, ON THE FINANCE AND ADMINISTRATION CABINET WEBSITE FOR ALL TO REVIEW AND WILL BE INCLUDED AS AN ADDENDUM TO THE RFP.
7. THE COMMONWEALTH OF KENTUCKY RESERVES THE UNQUALIFIED RIGHT TO REJECT ANY AND ALL PROPOSALS.

NOTE: A RESPONSE FROM RESPONDENT/DEVELOPER WILL ONLY BE CONSIDERED VALID WHEN DELIVERED TO THE RECEIVER ON OR BEFORE THE DESIGNATED DUE DATE AND TIME (DECEMBER 14, 2016 @ 2:00 P.M. EST). FAXED OR EMAILED RESPONSES WILL NOT BE ACCEPTED.

8. LIABILITIES OF COK/FINANCE AND ADMINISTRATION CABINET

This RFI is only a request for information about potential development, financing, construction services and no contractual obligation on behalf of the Commonwealth of Kentucky, Finance and Administration Cabinet, whatsoever shall arise from the RFI process.

This RFI does not commit COK/F&AC to pay any cost incurred in the preparation or submission of any response to the RFI.

The Developer/Respondent is responsible for assuming all costs associated with determining the suitability of the site/property, and the Commonwealth shall not be liable for any deficiencies associated with same.

9. CONFIDENTIALITY & RFI OWNERSHIP

This RFI is both confidential and proprietary to the Commonwealth of Kentucky, Finance and Administration Cabinet, and Commonwealth of Kentucky, Finance and Administration Cabinet reserves the right to recall the RFI in its entirety or in part. Potential interested parties cannot and agree that they will not duplicate, distribute or otherwise disseminate or make available this document or the information contained in it without the express written consent of Commonwealth of Kentucky, Finance and Administration Cabinet.

Developers/Respondents shall not include or reference this RFI in any publicity without prior written approval from the client, which, if granted, shall be granted by the individual named above. Developers/Respondents must accept all of the foregoing terms and conditions without exception. All responses to the RFI will become the property of COK/F&AC and will not be returned.

10. OPTIONAL REQUIREMENTS

n/a

11. RESPONSE FORMAT

PLEASE FILL OUT AND RETURN THE INFORMATION BELOW: TO BE FILLED OUT/RETURNED.

Question	Response
Partner name Parent company	
Partner address	
Name of person responsible for the information contained in this RFI	
Telephone number Fax number Email address Web page	
Should the Commonwealth determine to proceed with an RFP, how long do you feel is adequate time from the RFP date of issuance to develop a proposal/response, which response would need to include site design, business plan, financial plan, professionally signed renderings, etc.?	
The phasing composition of the Project potentially may allow an income stream to the Developer/Respondent, once the initial office building is completed due to the lease-back by the Commonwealth; thus, theoretically allowing Developer/Respondent to financially structure the remaining phases. Do you agree with the phasing component of the Project and/or do you have any idea of whether financing could be obtained based on the phased aspect of construction/development or whether the Project should be phased?	
In your opinion, what is a rough estimate of a range for construction time, per phase?	
Do you agree that the Project should include two, low-rise office buildings, completed in phases, or do you feel that the two buildings would be better suited for the site as one office building, capable of	

Question	Response
<p>accommodating staff for the two lower-rise buildings? Which do you think would be most advantageous at this site and for the Developer's/Respondent's financing?</p>	
<p>In your opinion, what prior experience would qualify a Developer/Respondent for construction and operation of an urban, mixed-use, development of this scale/size?</p>	
<p>What incentive(s) would the Commonwealth need to provide to the Developer/Respondent for financing of this type of proposed development? A deed of conveyance from the Commonwealth to the Developer/Respondent or a long term lease with the Commonwealth for the land upon which the development would be constructed?</p> <p>If lease: What would be a desirable length of term for the lease associated with the development? What about extensions?</p> <p>If conveyance: Would financing be a problem if the deed was conveyed with the restriction that the property would be developed as proposed within a certain time frame? Would financial institutions balk at the deed containing a reversionary clause, if the development does not come to fruition?</p>	
<p>What ancillary amenities could be offered? Examples: entertainment destination center, themed restaurant, recreational or entertainment facilities, pool, etc.? See: http://www.kentuckytourism.com/industry/developmentincentives/devincentiveprogram.aspx</p>	
<p>What are the downfalls to the Developer/Respondent if the COK requires all maintenance associated with the office buildings to be the full responsibility/cost of the Developer/Respondent for the term of the leases? Would the Developer/Respondent be open to establishing an escrow account for defined major maintenance items throughout the terms of the</p>	

Question	Response
leases?	
Can you provide insight on the current trends for financing a project such as this?	
Given the Commonwealth's budget, it may be unlikely, but do you think there is an expectation of incentives for public/private partnerships for mixed use projects such as this? If so, what of type incentives?	
What component of the proposed mixed-use urban development might the Commonwealth have to assume responsibility for, in order for this Project to work from a financial perspective (i.e. COK assuming responsibility for separation of utilities component, if component can get budgeted)?	
Were you aware of the recent solicitations issued for the property? If so, what did you see as flaws with those lettings, if anything? See Pages 7-8 herein.	
Under KY's built-to-suit statutes, leased structures procured through the BTS process end with the COK owning the improvements for no additional costs at the expiration of the lease. At this time, it is not the COK's intent to own the property at the end of the lease; however, if that position changes and the COK intends to own the office buildings at the lease expiration, would this be an issue and/or how would that affect Developer's/Respondent's financing capability and/or Project development?	
What, in your opinion, are drawbacks to a mixed use project, from a developer's standpoint? From a financing aspect?	
How will the requirement for prevailing wages for this project affect the ability to finance, etc.?	

Note: From the issue date of this RFI until the responses are due, interested Developers/Respondents shall not individually communicate with any Commonwealth staff concerning this RFI, except as referenced above.