

Attachment G to Agenda File No. 2018-0552

RISK FACTORS AND POTENTIAL POLICY MITIGATION MEASURES

Risk	Mitigation Measures
Strategic risks that a project design or business plan lacks elements necessary to secure approvals from State or local regulatory agencies	In solicitations, give preference to firms' successful experience in securing necessary approvals, including technical knowledge, flexibility to incorporate elements required/requested by an approving agency(ies), and stakeholder outreach and cooperation
Challenges to granted approvals	<ul style="list-style-type: none"> • In solicitations, give preference to firms' successful experience in navigating this process, including technical knowledge and stakeholder outreach and cooperation • In solicitations, weigh project and proponents' ability to work collaboratively with stakeholders to address challenges, align interests, and reduce the chances of permits or environmental review being challenged
Disputes between developer, contractor, and/or workforce	In solicitations, give preference to firms' successful experience in minimizing or preventing these types of delays
Flawed Project Design or Implementation	<ul style="list-style-type: none"> • Continue implementing District project risk management processes and incorporating emerging best practices as appropriate (current practice) • Continue due diligence measures already being taken by the District in development solicitations such as considering the strength of a firm's project submittal, relevant experience, project team, key personnel, financial capability, financial feasibility of the project and proforma, and sample projects (current practice) • In solicitations process, consider requiring firms to submit their detailed project risk management processes and for the chosen firm to provide risk management updates throughout the project lifecycle
Lack of access to capital delays a project	<ul style="list-style-type: none"> • Monitor market conditions to anticipate these types of market events (when possible) • In negotiations, require forms of security to ensure project completion such as completion guaranties and payment and performance bonds (current practice) • In negotiations, require security to ensure rent payments are made such as security deposit and lease guaranties (current practice)

Changes in financing costs, particularly interest paid, increases project costs	<ul style="list-style-type: none"> • In solicitations or subsequent negotiations process, require developer to provide a plan for addressing unanticipated increases in this cost category • In negotiations, require forms of security to ensure project completion such as completion guaranties and payment and performance bonds (current practice) • In negotiations, require security to ensure rent payments are made such as security deposit and lease guaranties (current practice)
Changes in local construction market increases cost of construction	<ul style="list-style-type: none"> • In solicitations or subsequent negotiations process, require developer to provide a plan for addressing unanticipated increases in this cost category • In negotiations, require forms of security to ensure project completion such as completion guaranties and payment and performance bonds (current practice) • In negotiations, require security to ensure rent payments are made such as security deposit and lease guaranties (current practice)
Changes in national market for construction materials increases cost of construction	<ul style="list-style-type: none"> • In solicitations or subsequent negotiations process, require developer to provide a plan for addressing unanticipated increases in this cost category • In negotiations, require forms of security to ensure project completion such as completion guaranties and payment and performance bonds (current practice) • In negotiations, require security to ensure rent payments are made such as security deposit and lease guaranties (current practice)
Risks of a project under or over-performing projections	Design lease agreements to minimize downside risks and to capture upside risks (current practice)
Risks that the District's developer partner(s) fail to complete all aspects of a project to the project specifications and accompanying agreements.	<ul style="list-style-type: none"> • Perform due diligence on selected developers to identify warning signs for these types of failures (current practice) • In negotiations, require forms of security to ensure project completion such as completion guaranties and payment and performance bonds (current practice)