

# NEW COUNTY GOVERNMENT CENTER



**FINANCING PLAN**

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# POSSIBLE ACTION - IMPACTS AND COSTS

ACTION	1. DO NOTHING	2. REHAB EXISTING BUILDINGS	3. REBUILD ON EXISTING SITE	4. REBUILD DOWNTOWN
IMPACTS	<ul style="list-style-type: none"> <li>+ County corrects deferred maintenance issues as funding becomes available</li> </ul>	<ul style="list-style-type: none"> <li>+ Current facilities are gut renovated, reorganized to accommodate modern space requirements and additional staff</li> </ul>	<ul style="list-style-type: none"> <li>+ Current facilities are demolished and new facilities built</li> </ul>	<ul style="list-style-type: none"> <li>+ Current facilities are demolished and new facilities built at Sears site</li> </ul>
COSTS	<ul style="list-style-type: none"> <li>- Cost to correct 2014 deferred maintenance is projected to be \$367 million in \$2026 (4.5% escalation).</li> <li>- + Growth in new deferred maintenance and ongoing operations and maintenance</li> </ul>	<ul style="list-style-type: none"> <li>- Significant renovation risk and cost</li> <li>- Doesn't solve ongoing O&amp;M underspend, resulting in additional deferred maintenance</li> </ul>	<ul style="list-style-type: none"> <li>- With 1,644 new parking spaces constructed, a total construction cost of \$486 million in 2026\$ (equating to initial annual financing cost of \$50 million)</li> <li>- With no new parking constructed, a building-only construction cost of \$348 million in 2026\$ (equating to initial annual financing cost of \$38 million), using existing surface lots</li> <li>- Operations and maintenance costs beginning at \$8.2m/year</li> </ul>	<ul style="list-style-type: none"> <li>- Construction cost of \$393 million in 2026\$ (equating to initial annual financing cost of \$42 million)</li> <li>- Operations and maintenance costs beginning at \$8.2m/year</li> </ul>

## Improve services with modern, safe facilities

The County is facing challenges with its current facilities:



170+ aging buildings we have outgrown - almost \$10M/yr to rent more space



In 2018, the County Government Center's deferred maintenance backlog was \$258M - a cost that goes up every year.



Many County Government Buildings are not up to modern standards for accessibility, efficiency, and seismic safety.



Recognizing this need, the Board of Supervisors has asked for a technical evaluation of the most efficient locations and best approach.

\*As presented to BOS in Mar 2019  
Deferred Maintenance Report

NEW GOVERNMENT CENTER  
OUR GROWING NEED

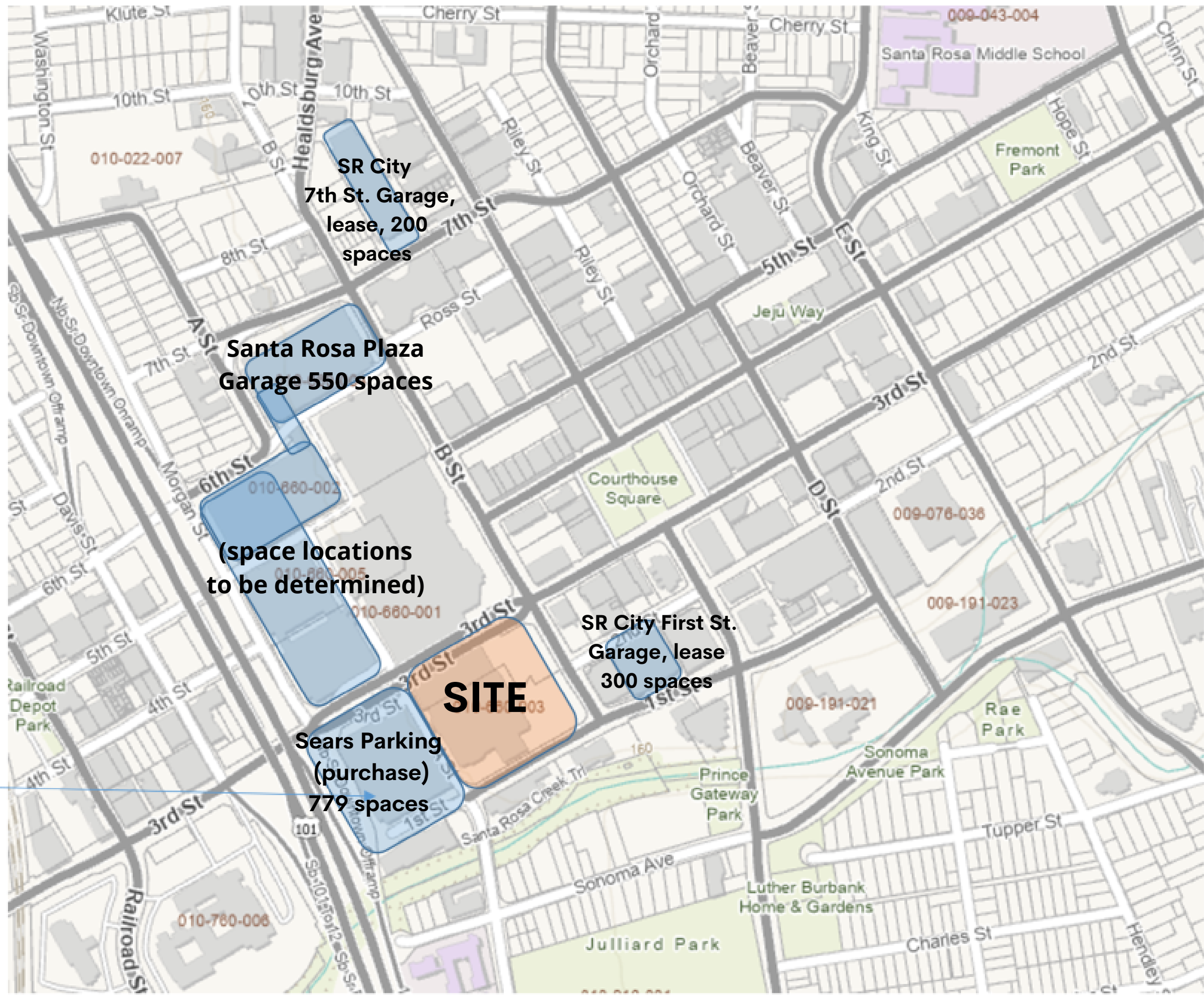


# POTENTIAL SITE

FORMER SEARS SITE

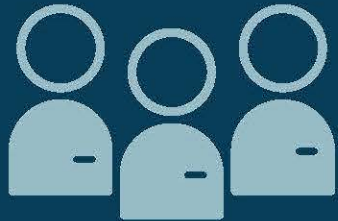
POTENTIAL SANTA ROSA MALL PARKING LEASE

POTENTIAL CITY OF SANTA ROSA PARKING LEASE

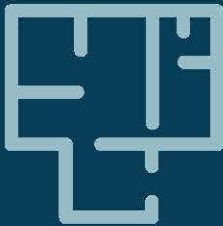




# KEY COST MODEL FACTORS



# of employees



Sq. ft. per employee



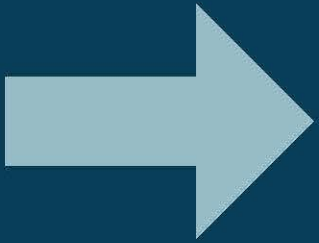
Percentage remote work



Sustainability objectives



Type of facility



Cost per Sq. ft.

# COST MODEL EXAMPLES - RANGES

INITIAL AP (\$33M)  
LOW

COST FACTOR	
No. of employees	1,300
Sq. ft. per person	170
Percent remote work	50%
Sustainable design	LEED Gold

INITIAL AP (\$42M)  
MID  
**RECOMMENDED**

COST FACTOR	
<b>No. of employees</b>	<b>1,800</b>
<b>Sq. ft. per person</b>	<b>170</b>
<b>Percent remote work</b>	<b>50%</b>
<b>Sustainable design</b>	<b>LEED Platinum</b>

INITIAL AP (\$53M)  
HIGH

COST FACTOR	
No. of employees	2,100
Sq. ft. per person	170
Percent remote work	30%
Sustainable design	LEED Gold



# SUSTAINABILITY STANDARDS - COSTS MODELED



**LEED Gold**



**LEED Platinum**

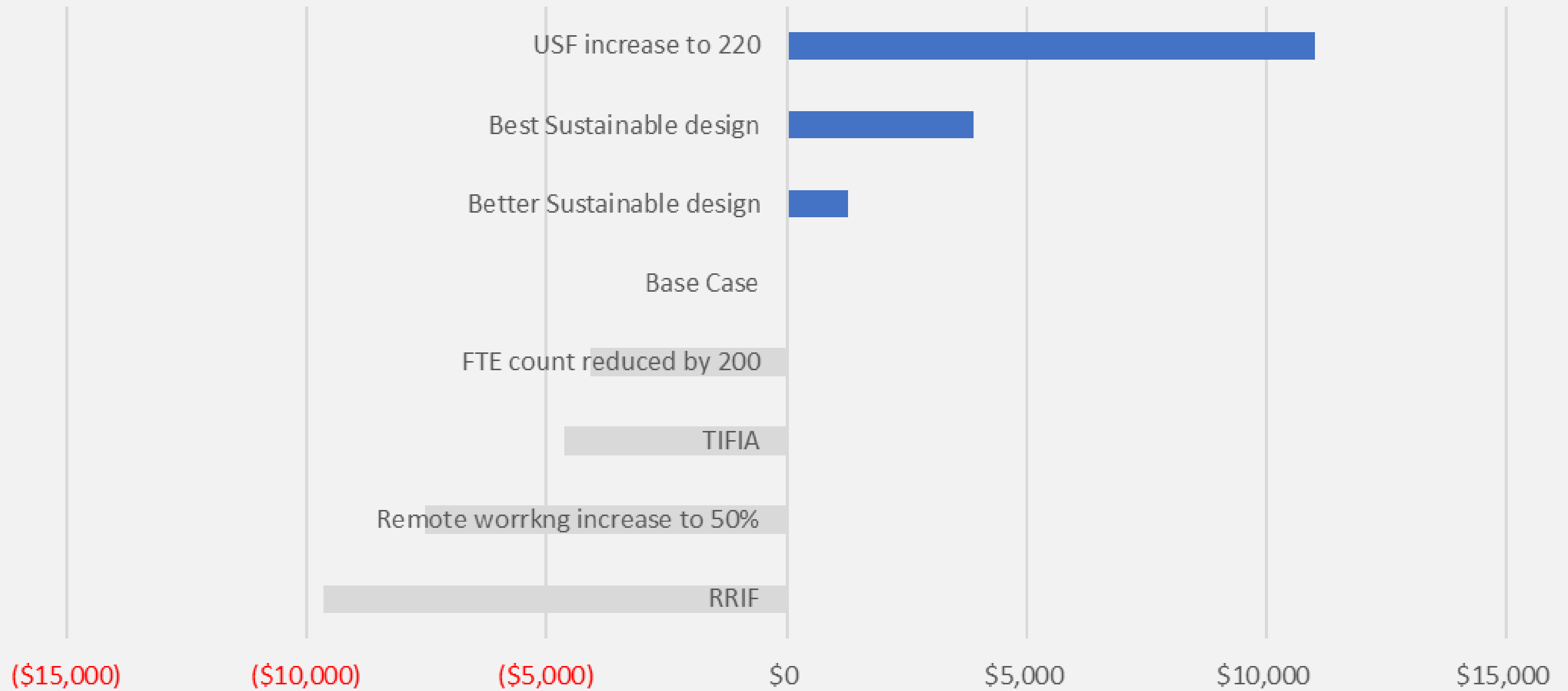


**LEED Platinum +  
Living Building Challenge**



# IMPACTS ON MODEL

Initial Annual Availability Payment delta against "Base Case" (\$000s)



# On-site spaces for a hybrid workforce



## 50% TELEWORK

Open-plan layouts can effectively accommodate staff at 170 sq. ft./FTE

## FLEXIBILITY

Modern furniture supports ergonomics, safety

## PRIVACY

Secure, private environments available when needed



# Petaluma

Leased Neighborhood Site  
Human Services Dept.  
Dept. of Health Services

BOTH SITES SUPPORT  
NON-PROFIT PARTNERS



5350 Old Redwood Highway	Human Services	Dept. of Health	TOTAL
Lease rate/square foot per month	\$1.85	\$1.85	
Square footage/site	15,949	6,361	22,310
Number of staff/site	56	25	81
Annual cost per site	\$354,068	\$141,214	\$495,282

# SATELLITE SERVICES -EXISTING



# SATELLITE SERVICES - LEASE ALTERNATIVES

- Inventory of commercial space for lease is extremely limited at the current time.
- Leasing satellite service locations of 10,000 sq. ft. will be difficult in some locations.
- A comprehensive search with a qualified commercial broker could identify additional properties not marketed online.

## Lease Scenario: \$1M/Year

Lease rate/square foot per month	\$2.25
Square footage/site	12,000
Number of staff/site*	56
Annual cost per site	\$324,000
Annual cost of 3 sites	\$972,000

\*Assumes 170 usf/person + 20% gross

Purchase – Improved Office/Retail Properties	
Price Range per Sq. Ft.	\$260 to \$500
Building Size	10,000 sq. ft.
Estimated Price	\$2.6M to \$5M

- **Additional Costs:** Inspections, closing, improvements
- **Current inventory for existing office buildings meeting this size requirement is extremely limited.**
- **A comprehensive search with a qualified commercial broker could identify additional properties not marketed online.**

Build on Undeveloped Ground (Office Only)	
Construction Cost per Sq. Ft.	\$450 to \$500
Building Size	10,000 sq. ft.
Estimated Construction Cost	\$4.5M to \$5M
Number of staff/site*	47

\*Assumes 170 usf/person + 20% gross

### Not Included:

- Site improvements (site specific)
- Utilities (site specific)
- Environmental review
- Cost of ground acquisition (est. \$500K - \$M per acre)
- Operate and maintain costs of owned building



# ISSUE RFQ/P FOR OWNER/DEVELOPER TO BUILD/LEASE SATELLITE SITE

PROS	CONS
County able to identify preferred locations.	May not be space available for development in preferred location.
County able to control building design.	Could require a complex transaction between multiple parties-land owner/developer/contractor/property manager.
Should be able to "lock in" space for extended period w/successful proposer.	Project may be a one-of-a-kind, w/owner looking to recover investment during lease term, increasing cost.
	Preferred locations may require increased construction costs due to existing conditions, such as flooding or liquefaction, resulting in increased rents.
	County would not own its government facilities
	County would not have control over future rent escalations,
	End of term, County would not own the facility unless a buy-out option is exercised.
	O&M expenses exposed to market rate rent increases

# SATELLITE SERVICES - RFQ/P BUILD TO SUIT

# FEDERAL FINANCE OPTIONS - UNIQUE, LIMITED OPPORTUNITY

**\$5 ANNUAL AP SAVINGS**

TIFIA LOAN

**\$10 ANNUAL AP SAVINGS**

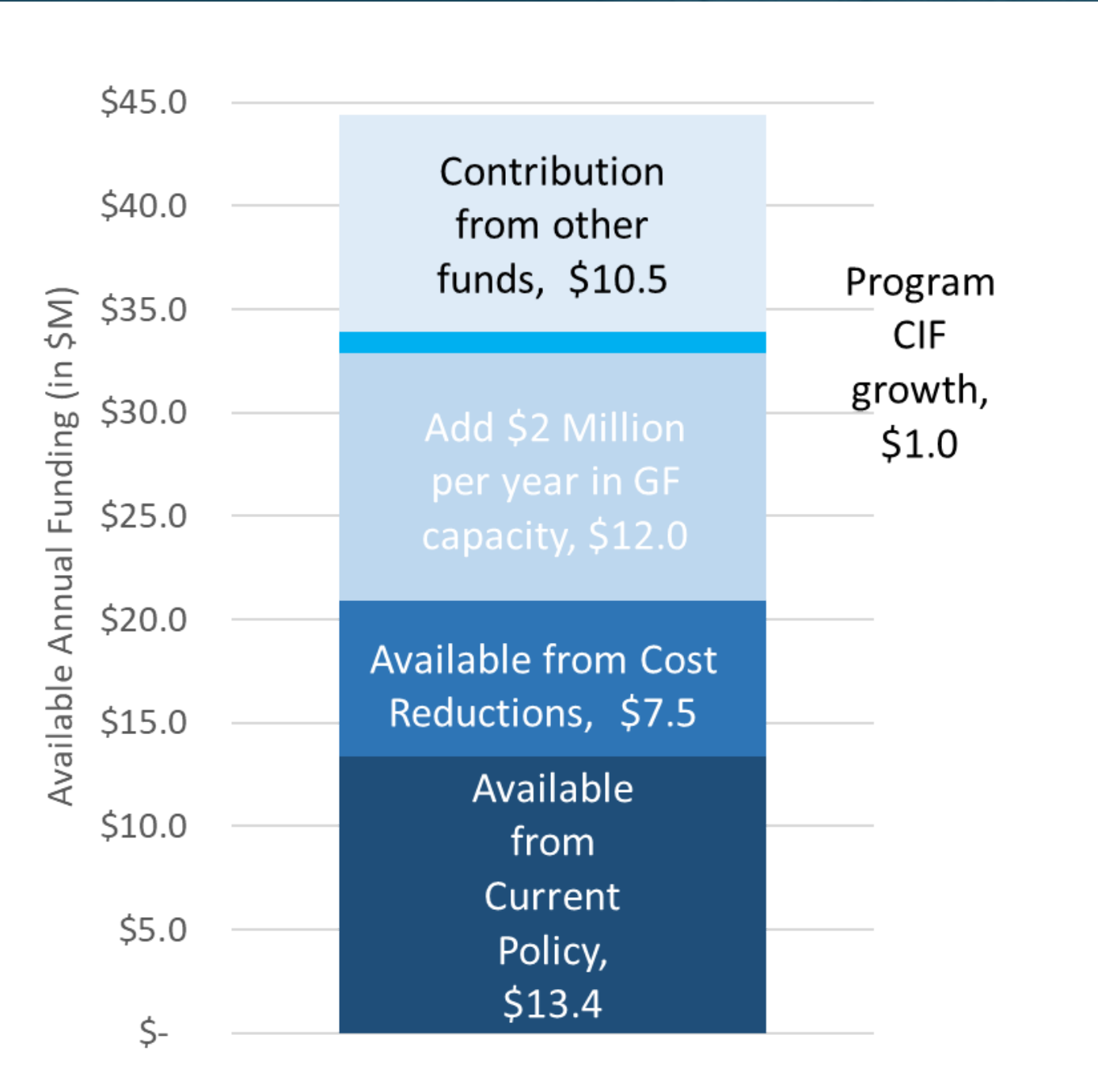
RRIF LOAN

**Build America Bureau (BAB) Federal Loan Programs offer very low cost debt financing:**

- **Project must meet federal contracting and procurement requirements including National Environmental Policy Act (NEPA)**
- **Fed. Loan sizing permits up to 33% / 75% (TIFIA/RRIF) of eligible project costs**
- **Initial feedback from BAB confirms project is expected to meet eligibility requirements**

# PAYMENT SOURCES

- Total estimated funding in 2027-28: \$44.4 million
- Allows for \$42 million annual availability payment
- Allows \$2.4 million for additional annual costs such as:
  - Lease of additional parking space estimated at \$1 million
  - Rental costs for neighborhood services estimated at \$1 million
  - Inflation adjustment of 3% annually

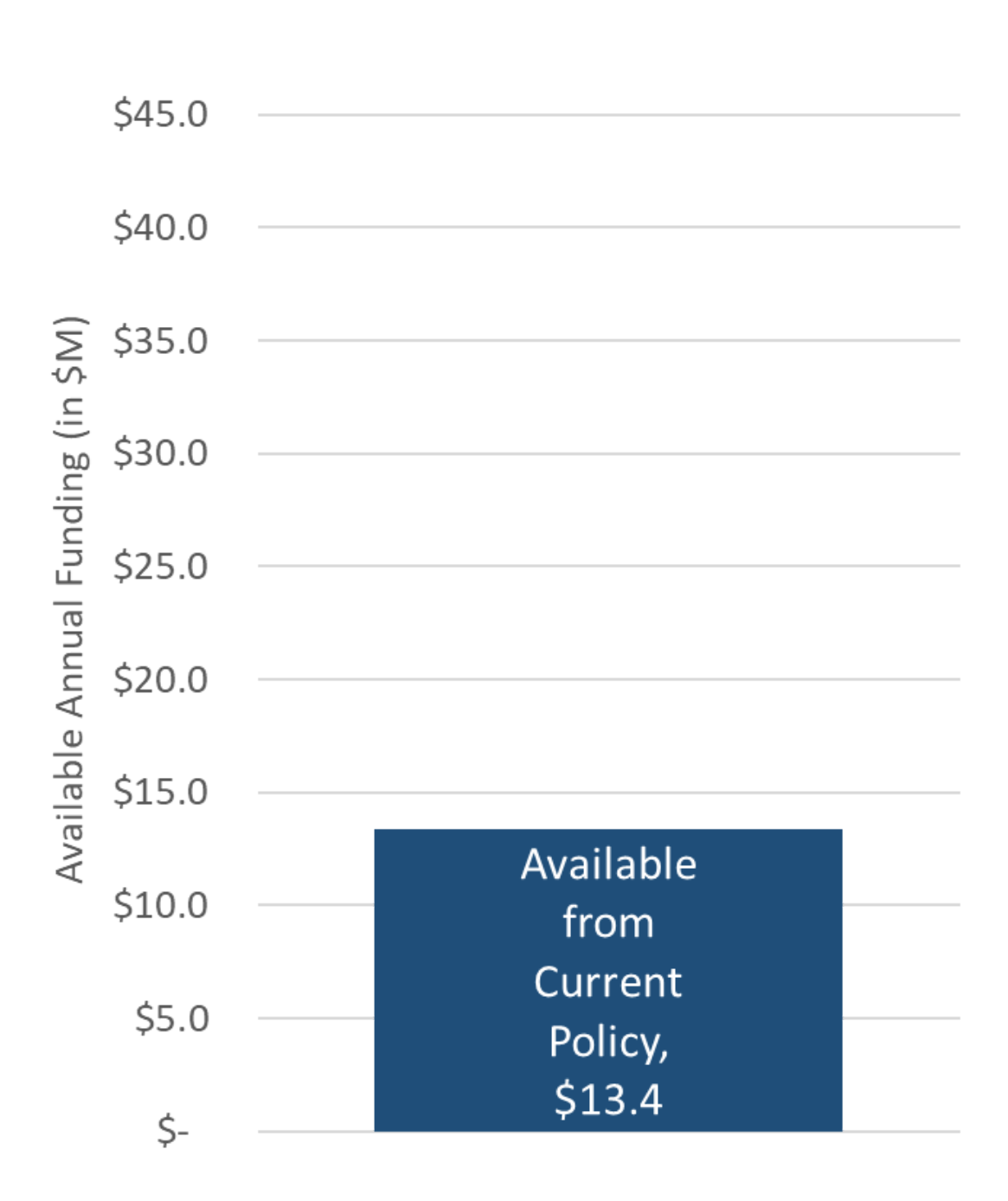


# FUNDING PLAN



# CURRENT POLICY

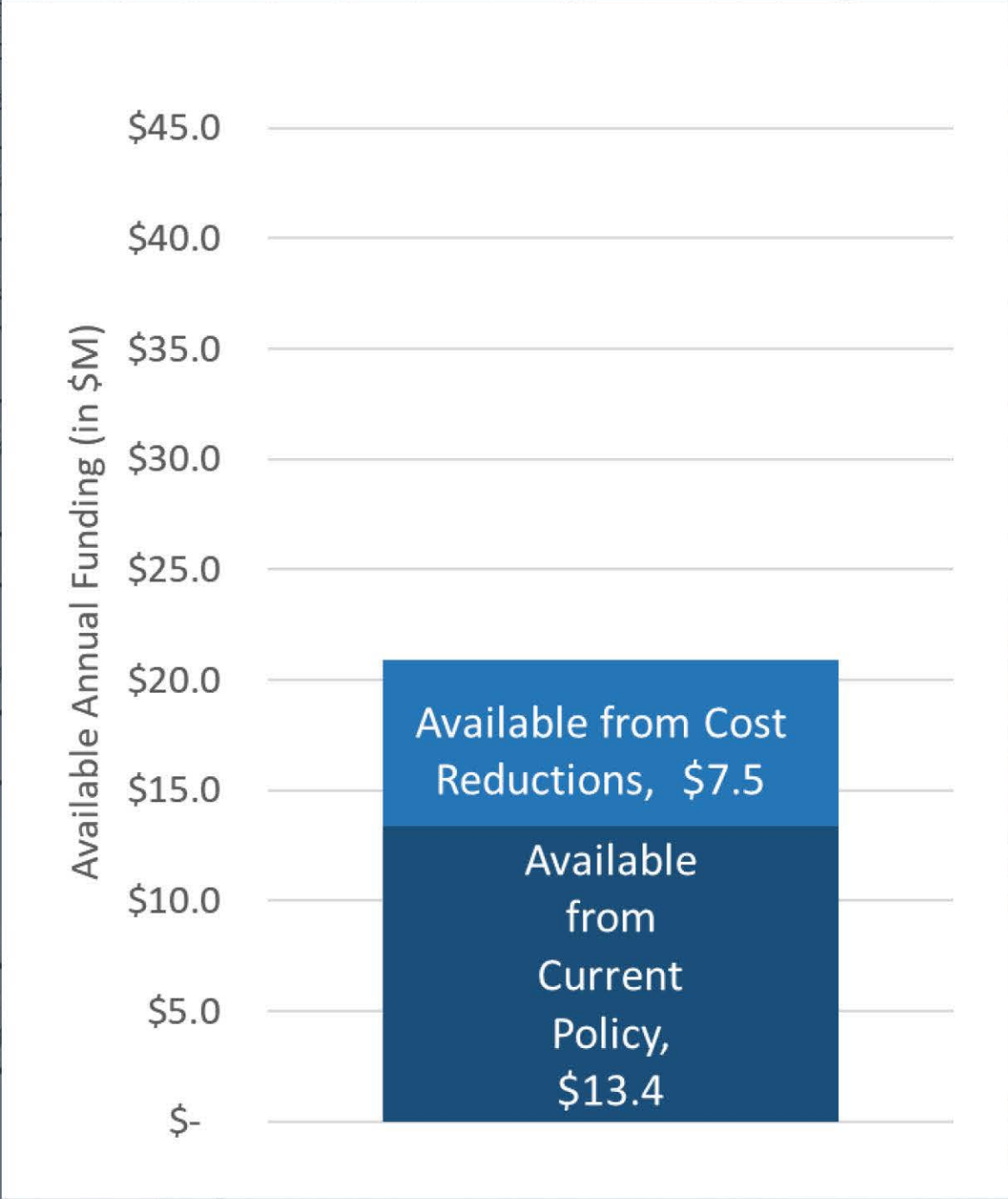
- Currently \$8.9 million ongoing capacity
- Policy calls for 40% of property tax growth *above the level assumed in the Adopted Budget*
- Estimate \$750,000 additional annually, total of \$4.5 million by occupancy
- Allows for estimated \$13.4 million by 2027-28



# FUNDING PLAN

# COST REDUCTIONS

- Additional savings will be realized that can be programmed
- Items include:
  - Retirement of debt obligations
  - Savings on lease costs
  - Other anticipated savings
- Total of \$7.5 million in savings within the General Fund
- Brings total to \$20.9 million

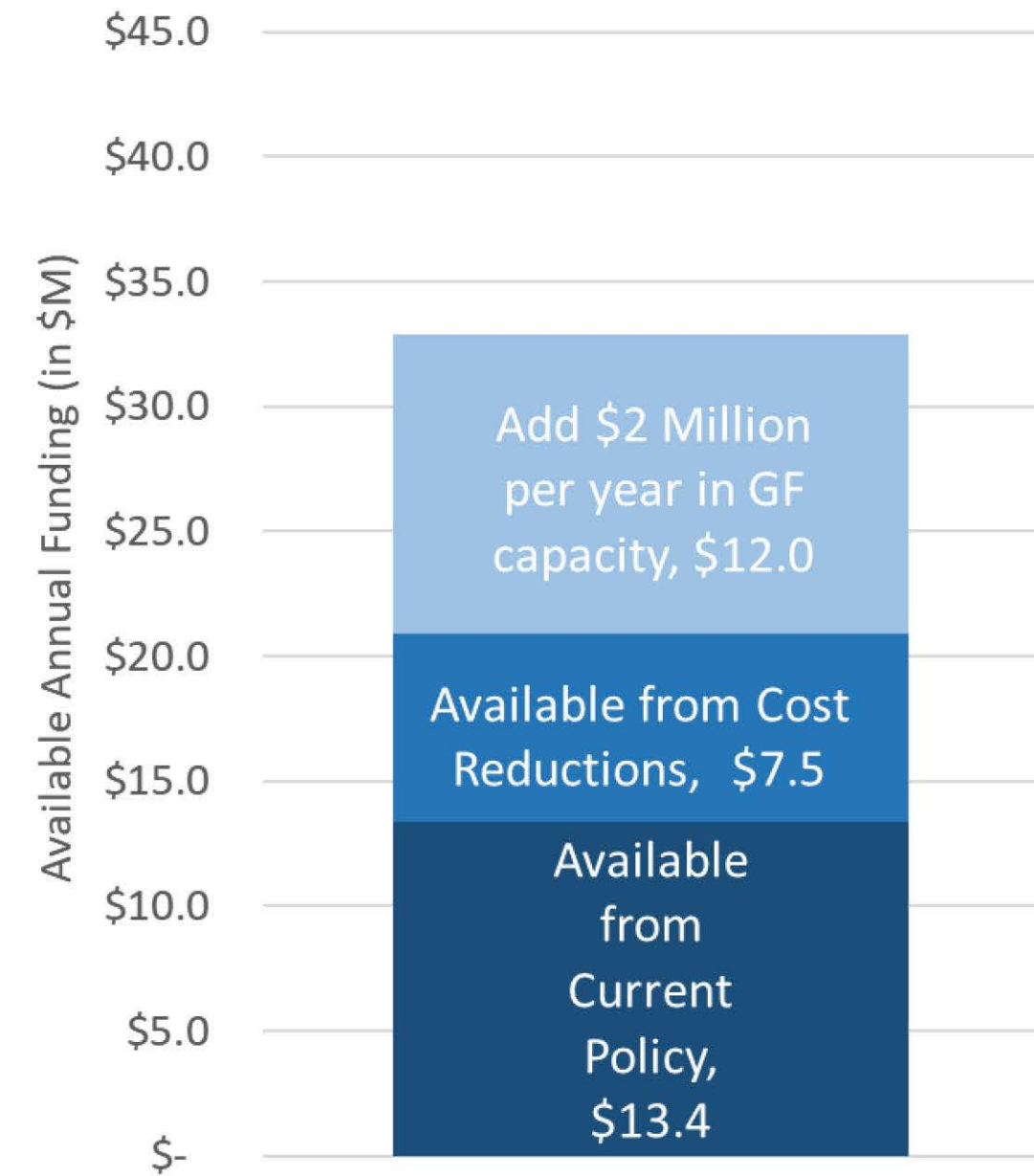


# FUNDING PLAN



## RECOMMENDATION

- Set aside \$2 million of ongoing General Fund Capacity annually for six years
- Begin with FY 2022-23 Budget
- Total of \$12.0 million by 27-28
- Amounts to about 20% of historical discretionary General Fund Growth
- Allows remaining growth for other costs
- Brings total to \$32.9 million

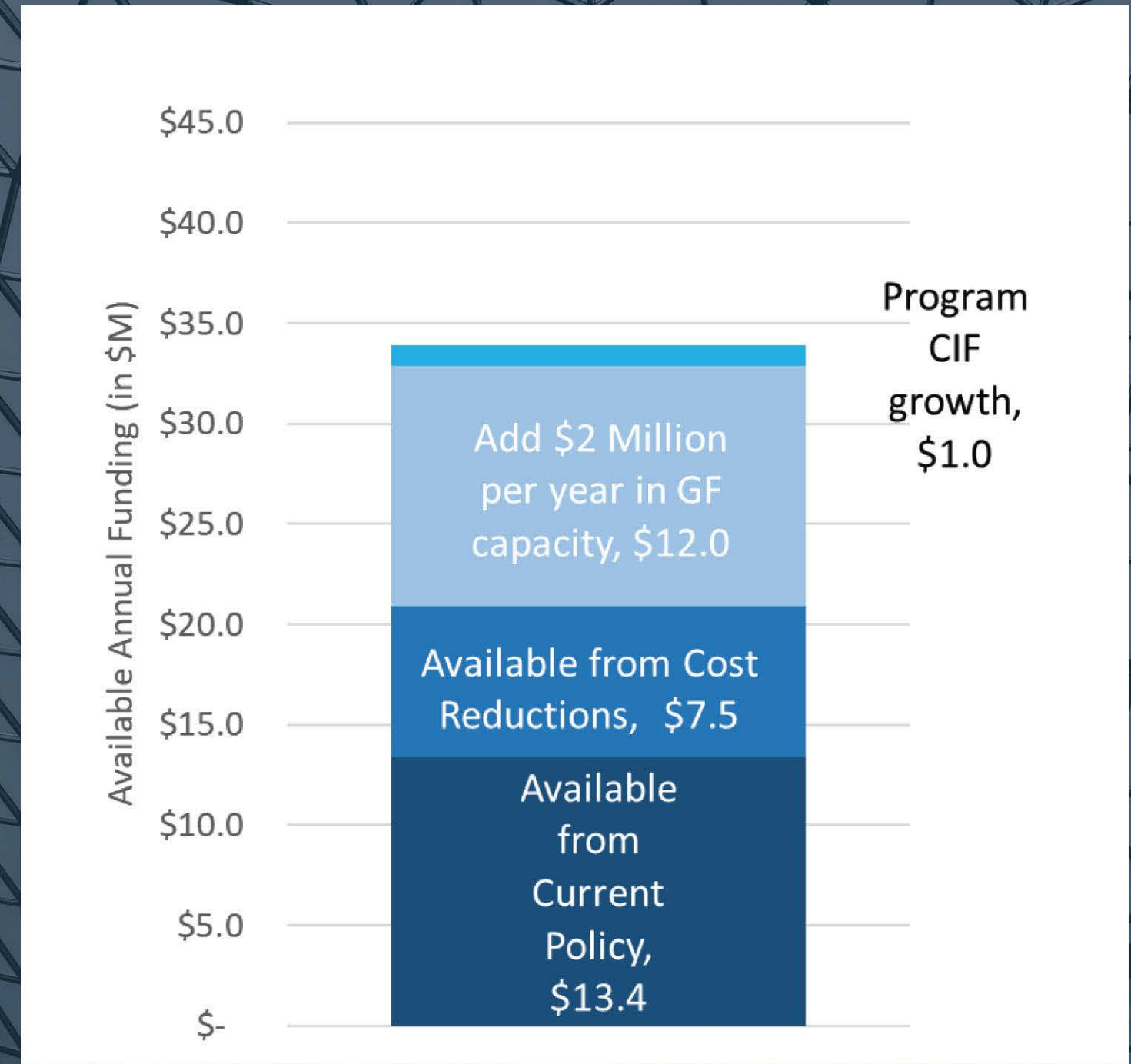


## FUNDING PLAN



# RECOMMENDATION

- Board set aside \$1 million of ongoing TOT capacity
- TOT has recovered faster than anticipated
- Capacity exists to provide funding while funding current policy at full level
- Provides capacity for countywide issues, such as satellite service centers
- Brings total to \$33.9 million

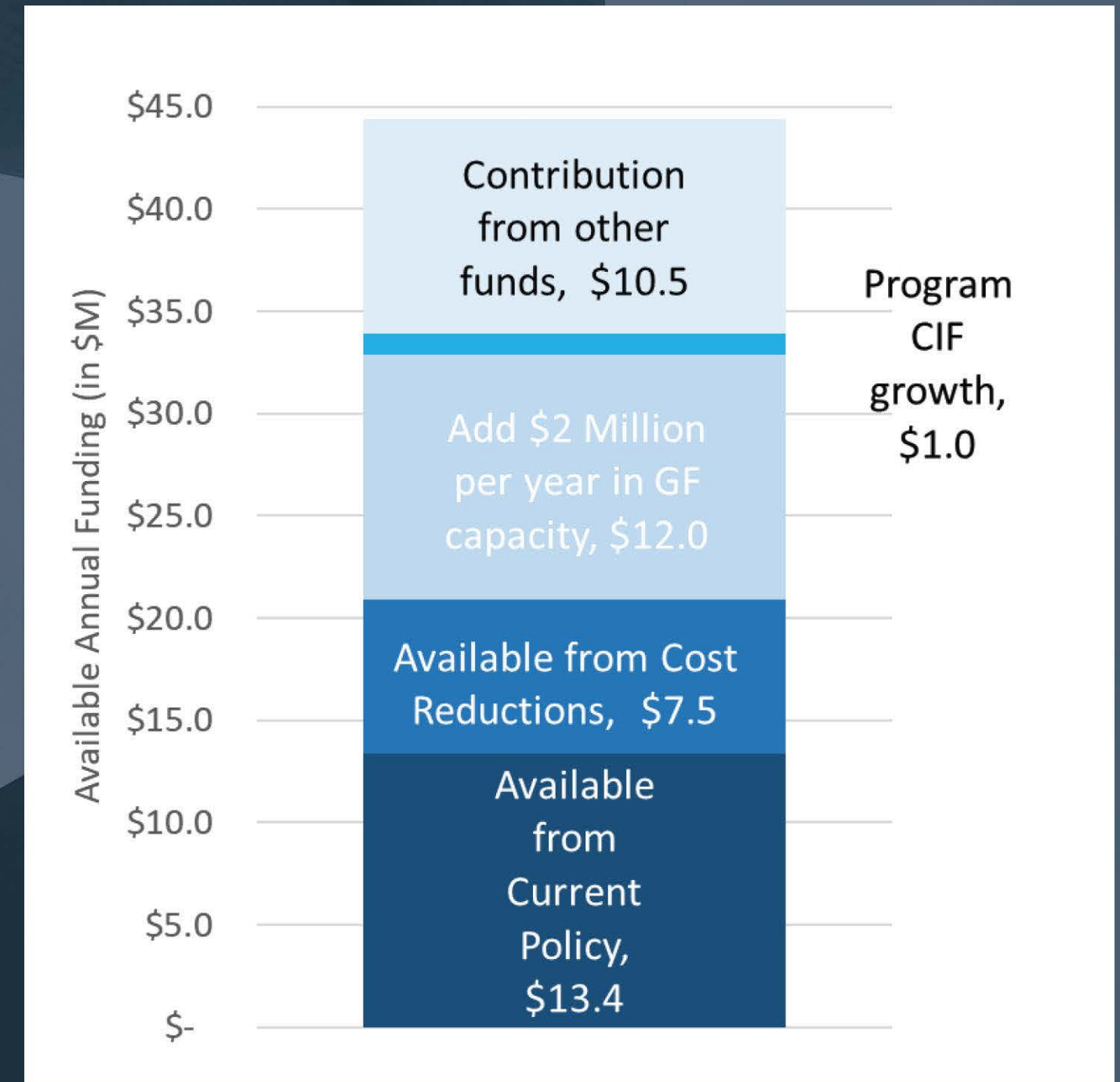


# FUNDING PLAN



# OTHER FUNDS

- Depending on final size and configuration, up to 60% may be occupied by “non-General Fund” departments
- Additional space by departments traditionally funded by fees
- Limitations:
  - Limits on use of sources
  - Limits on availability of sources
  - Concern over impacts to public
- Brings total to \$44M



# FUNDING PLAN

# ALTERNATE SCENARIO



# FUNDING PLAN



### Availability Payment Compared to Salary & Benefits



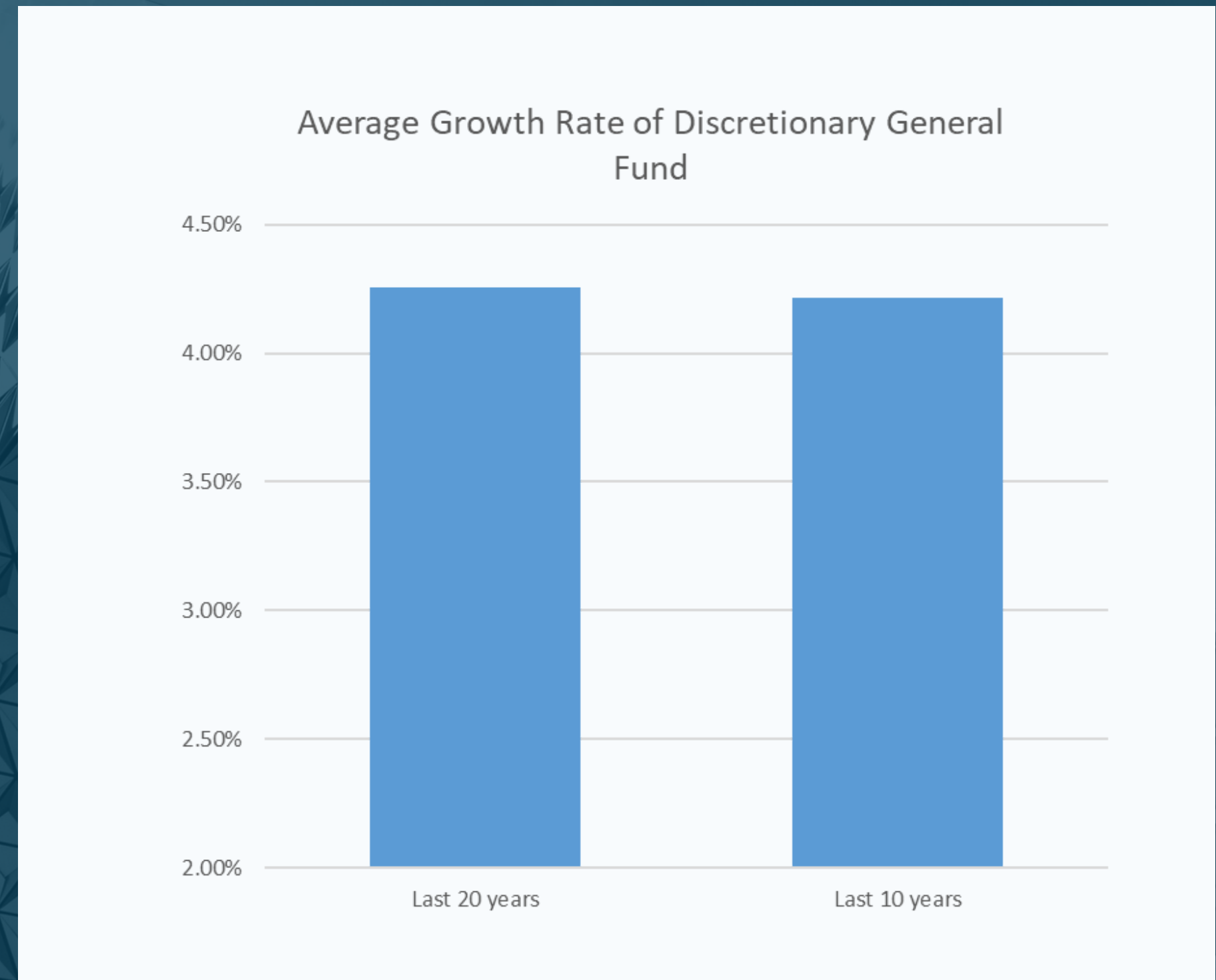
### COSTS IN PERSPECTIVE

- \$42 million availability payment less than 1/20 of estimated 2027-28 Salary and Benefits costs
- Less than County spends annually on health insurance for employees today
- Less than County spend on IT costs annually

# FUNDING PLAN

# HISTORICAL GROWTH

- GF Growth historically around 4.2% annually
- Significant variation from year to year
  - 20-year high: 15.9%
  - 20-year low: (2.6%)
- Long-term stable:
  - 10-year average: 4.22%
  - 20-year average: 4.26%



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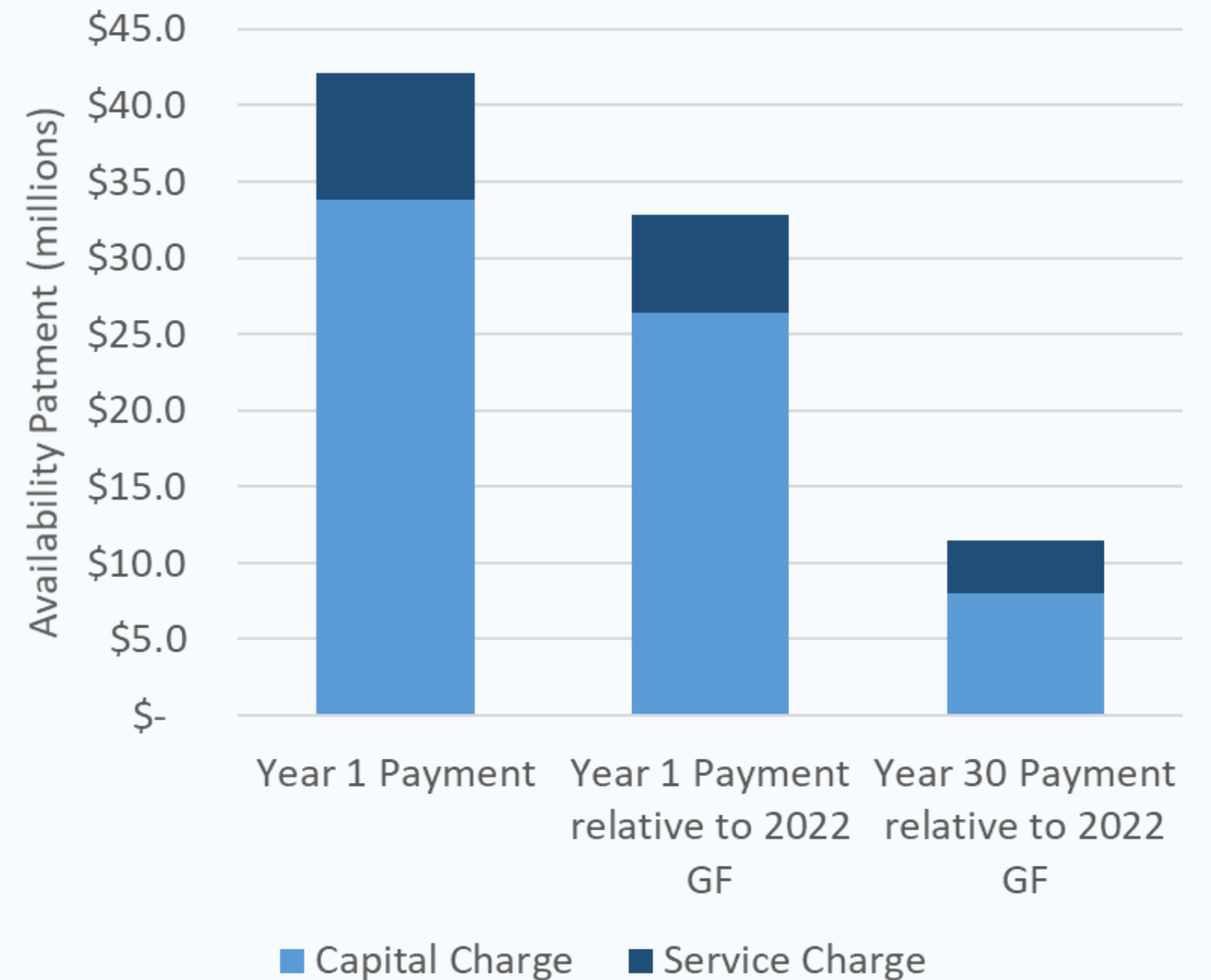
# FUNDING PLAN



# PAYMENTS OVER TIME

- Under recommended model, Availability payments start at \$42 million
- Using average growth rate of 4.2%, first payment equivalent to \$32.8 million in 2022
- Final payment equivalent to \$11.5 million in 2022

Value of Payments relative to 2022 General Fund



# FUNDING PLAN

# ACTION: PROS AND CONS

PROS



CONS



Pros and Cons	1. Do nothing	2. Rehab Existing Buildings	3. Rebuild on Existing Site	4. Rebuild in Downtown
No immediate large expenditure required	✓		✓	✓
No acquisition required	✓	✓	✓	
Removes 2014 deferred maintenance liability			✓	✓
Cost control over design, construction, and operations			✓	✓
TIFIA Loan Eligible (c.\$5m/yr savings)			✓	✓
RRIF Loan Eligible (c.\$10m/yr savings)				✓
Meets Board-approved County goals and objectives			✓	✓
Good transit connectivity				✓
Opportunity to develop 34.5 acres on existing campus				✓
Potential negative impact to County credit rating	✗	✗		
Renovation risk: low contractor appetite, unknown/non-controllable cost risk, aged buildings may require more extensive rehab once work begins		✗		
Swing space required for staff during renovation/construction		✗	✗	
Growing deferred maintenance and financial liability	✗	✗		
Larger expenditure than "do nothing" option		✗	✗	✗





# QUESTIONS