



Project Finance  
Advisory Ltd.

# Sonoma County – New County Gov't Center Financial Analysis

## Sustainable Design & Affordability Update

February 18, 2022



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# Financial Model Assumptions & Scenarios Summary

# Financial Model Assumptions

## Construction Pricing Assumptions (capex only - does not include finance and O&M costs):

- Weighted average unit cost for hard building costs includes the following specialty spaces:
  - Emergency Operations Center (13,000 sf)
  - Board of Supervisors Chambers (21,000 sf)
  - No parking build; all leased outside P3 contract
  - Morgue and Public Health Lab (26,450 sf) not included
  - Hall of Justice replacement not included
- Additional allowances built into softs costs
  - Site Related Costs
  - Fixtures, Fittings & Equipment
  - LEED Gold & Sustainable Design “Good” Premium
  - LEED Platinum & Sustainable Design “Better” Premium, as indicated
  - Living Building Challenge & Sustainable Design “Best” Premium, as indicated
  - AV Equipment
  - Incoming Site Utilities
  - Moving & Relocation Costs
  - Allowance for additional Seismic strengthening
- Allowance for constrained urban site premium, high-rise/mid-rise construction
- Cost escalation under assumed CEQA & procurement schedule
- 20% project contingency
- Allowance for unsuccessful bidder stipend
- Design cost allowance included for County pre-development contingency
- Excludes IT Communications & Equipment
- Excludes demolition of existing County Buildings
- Excludes any parking structure modifications

## Annual O&M Cost Assumptions:

- Building cost Hard Facilities Maintenance
- Building cost Soft Facilities Maintenance
- Building lifecycle renewal is assumed
- Developer’s project-specific costs related to management and delivery of project obligations, including:
  - Developer’s project-level costs including payroll, accounting, legal
  - Lease costs for any office/vehicles needs
  - Insurance costs carried at project company level
  - Independent Engineer/Certifier, Project Reporting

# Sustainability Objectives

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## Good – LEED Gold

- Includes the following assumptions and cost-dependent design and performance targets:
  - LEED BD+C Gold
  - May include design criteria similar to: Fitwel 1-Star, cost dependent
  - Target Net-zero waste or Net-zero energy, cost dependent
  - Items generally included within this option which impact construction costs
  - More efficient equipment
  - Change in spec of AHUs to reduce static pressure
  - Coils with lower pressure drop
  - Changes to duct design
  - Hydronic system with condensing boiler
  - Plug controls at 50% workstations

## Better - LEED Platinum

- Includes “Good” and the following assumptions and cost-dependent design and performance targets:
  - LEED BD+C Platinum
  - May include design criteria similar to: WELL Silver or Fitwell 2-Star, cost dependent
  - Target Net-zero waste and choose either: Net-zero energy or Net-zero water, cost dependent
  - May include measurement standards to meet: LEED Existing Buildings: Operations & Maintenance
  - Items generally included within this option which impact construction costs
  - Plug controls at 75% workstations

## Best – LEED Platinum and Living Building Challenge

- Includes “Better” and the following assumptions and cost-dependent design and performance targets:
  - May include design criteria similar to: Living Building Challenge (Petal certification with at least energy and water petal achieved) , cost dependent
  - May include design criteria similar to: WELL Gold or Fitwell 3-Star, cost dependent
  - Target Full triple Net-zero goal (Energy, Water and Waste), cost dependent
  - May include measurement standards to meet: LEED Existing Buildings: Operations & Maintenance
  - Items generally included within this option which impact construction costs
  - Electric heat pumps and heaters
  - More efficient chillers
  - Further reduction in total static pressure
  - Plug controls at all workstations
  - Upgrade windows to triple glazing
  - Reduced glazed area to 50% of façade
  - Realign building to suit movement of sun
  - Concrete to have 50% cement replacement
  - Structural steel with over 90% recycled content
  - Waste Management Plans
  - Red listed materials - change of material specifications and additional costs for managing material process
  - Soft cost increases due to more stringent guidelines
  - Biophilic design reports
  - Lighting power densities can be reduced, together with building equipment power density

# Financial Model Assumptions (Base Case)

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- Construction Period: 3.0 years
- Construction Cost escalation: 4.5%
- Operation Period: 30 years
- Delivery Option: Design, Build, Finance, Operate, and Maintain (DBFOM)
- Debt Terms:
  - Tenor: 32 years
  - DSCR: 1.20x
  - Base rate: 2.38% (20-year Treasury + buffer)
  - Margin: 1.90%
  - Total interest rate: 4.28%
  - Gearing: 90%
- Equity IRR: 12%

# Recommended Scenarios

#	Scenarios	Est. FTE Count (Base Year)	Remote Work Assumption	Building Gross Area Requirement (SF)	Initial Annual AP (\$ millions)	Average Annual AP (\$ millions)	Annual Parking Lease Cost* (\$ millions)	Total Avg. Annual AP + Lease Cost (\$ millions)
	<b>Lowest Cost, Good Sustainable Design</b>							
R1	<b>(Owned spaces move, lease spaces remain, generally):</b> 50% Remote, ~1,300 FTE	1,300	50%	251,267	\$33.3	\$35.8	\$1.4	\$37.2
					<b>Highly Recommended</b>			
R2	<b>Low-Cost, Better Sustainable Design</b> 50% Remote, ~1,800 FTE	1,800	50%	318,696	\$42.0	\$45.0	\$1.6	\$46.6
R3	<b>Good Sustainable Design, Higher FTE:</b> 30% Remote, ~2,100 FTE	2,100	30%	422,986	\$53.0	\$56.7	\$1.6	\$58.3

## Parking Assumptions

- See next page

# Recommended Scenario Parking Needs (Downtown)

#	Scenarios	Employee Count	68% Parking for Employees	Fleet Vehicles	Client Parking	Total Need	Sears on-site Garage	Santa Rosa Mall	City of Santa Rosa	Total Available	Parking Gap
R1	<b>Lowest Cost, Good Sustainable Design (Owned spaces move, lease spaces remain, generally):</b> 50% Remote, ~1,300 FTE	1,300	884	411	177	<b>1,472</b>	638	550	500	<b>1,472</b>	<b>0</b>
R2	<b>Low-Cost, Better Sustainable Design</b> 50% Remote, ~1,800 FTE	1,800	1,224	411	245	<b>1,880</b>	638	550	500	<b>1,688</b>	<b>(192)</b>
R3	<b>Good Sustainable Design, Higher FTE:</b> 30% Remote, ~2,100 FTE	2,100	1,428	411	286	<b>2,125</b>	638	550	500	<b>1,688</b>	<b>(437)</b>

## Downtown Sears Site Parking Assumptions

- No new parking construction assumed
- Total Available Parking spaces: 1,688
  - Existing Sears Garage: 638
  - Existing Santa Rosa Mall: 550
  - City of Santa Rosa Leased: 500
- Scenario R1, 1,300 FTE assumes prorated lease to 1,472 spaces
- Annual parking costs are estimated to start at \$542,978 reflecting the first three years of free City of Santa Rosa garage parking, then increasing to \$1.14 million in year 4, or an average of \$1.6 million annually for parking over 30 years accounting for assumed escalation of 3.0% annually.



# Existing County Campus Parking Needs Using Existing Surface Lots

## Phased development

- A phased approach could consider initial phase of construction at the existing PRMD building, which would affect existing surface parking lots P13 and P14 (see figure).
- Construction price would be impacted significantly by phased construction approach, which requires additional analysis
- At a minimum, an estimated parking gap of 587 is anticipated for an initial phase, while future construction phases would require further analysis for which parking gap may grow



Scenario R-2

EMPLOYEE	1224
OFFSITE EMPLOYEE	292
FLEET IN LOTS	411
VISITORS	245
<b>TOTAL DEMAND</b>	<b>2172</b>
AVAILABLE LOTS	1632
AVAILABLE STREET	209
<b>TOTAL AVAILABLE</b>	<b>1841</b>
<b>NEEDED</b>	<b>(331)</b>
Initial Phase on PRMD Building (Affects P13 & P14)	256
<b>Parking Gap under Phased Construction</b>	<b>(587)</b>



# County Campus Scenarios

#	Scenarios	Est. FTE Count (Base Year)	Building Gross Area Requirement (SF)	New Parking	Office Building Only Initial Annual AP (\$ millions)	Parking Build Initial Annual AP (\$ millions)	Total Average Annual AP (\$ millions)	Avg. Annual Parking Lease Cost*	Total Avg. Annual AP + Lease Cost	Parking Gap (spaces)
R2	<b>Downtown Sears Site</b>									
	Low-Cost, Better Sustainable Design 50% Remote, ~1,800 FTE	1,800	318,696	1,688	\$42.0	\$0	\$45.0	\$1.6	\$46.6	(192)
C2	<b>County Campus Site, No New Parking</b>									
	Low-Cost, Better Sustainable Design 50% Remote, ~1,800 FTE	1,800	318,696	0	\$38.1	\$0	\$41.1	\$0	\$41.1	(1,688)

## Downtown Sears Site Assumptions:

- No new parking construction assumed
- Total Available Parking spaces: 1,688
  - Existing Sears Garage: 638
  - Existing Santa Rosa Mall: 550
  - City of Santa Rosa Leased: 500

## County Campus Assumptions:

- Parking assumptions:
  - Assumes no new spaces, existing campus surface lots will be maintained;
  - Assumes single phase for costs shown
  - A plan to address parking gap may require construction phasing, with significant cost premium and which requires additional analysis
  - This option also forgoes significant opportunity for future development
- No leased parking
- No high-rise premium
- No move costs included, assumed paid from funds otherwise set aside for purchase of Sears site
- 2 months escalation savings due to accelerated CEQA

# Estimated Annual Availability Payments

- Capital Charge is fixed, repays debt & equity
- Service Charge (Facilities Maintenance) increases with inflation



# R2 Sustainability & Remote Work Scenarios

Scenario No.	Sustainable Design Standard	Est. FTE	Initial Annual Availability Payment (\$ millions)			
			Standard Debt & Equity Financing <sup>1</sup>		With Build America Bureau RRIF <sup>2</sup> Loan (if Credit Approved)	
			Remote Work Assumption		Remote Work Assumption	
			30%	50%	30% with RRIF	50% with RRIF
R2 A / B	<b>"Good" Sustainability Case - LEED Gold</b>		R2 A	R2 B	R2 A2	R2 B2
		1,800	\$ 47.6	\$ 41.0	\$ 39.0	\$ 33.6
R2 C / D	<b>"Better" Sustainability Case - LEED Platinum</b>		R2 C	R2 D (as on page 6)	R2 C2	R2 D2
		1,800	\$ 48.8	\$ 42.0	\$ 39.9	\$ 34.4
R2 E / F	<b>"Best" Sustainability Case - LEED Platinum &amp; Living Building</b>		R2 E	R2 F	R2 E2	R2 E2
		1,800	\$ 51.1	\$ 44.0	\$ 41.7	\$ 35.9

Highly Recommended

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# Financial Definitions

# Financial Model Definitions

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## P3 & Project Terms

- DBFOM: Design, Build, Finance, Operate Maintain
- D&C: Design & Construction
- O&M: Operations & Maintenance
  - FM: Facilities Maintenance
  - LCC: Lifecycle (Major Maintenance / Capital Maintenance)
- FF&E: Fixtures, Fittings & Equipment (includes Furniture)
- FTE: Full-time Equivalent Employees

## Financial Terms

- All-in Rate: all-in interest rate on debt financing inclusive of base interest rate plus margin and accounting for upfront and on-going financing fees
- Capitalized Interest: interest payable during construction period, funded upfront with bond proceeds prior to receipt of first availability payment
- DSRA: Debt Service Reserve Account (12 or 6 months of Principal and Interest Payments)
- DSCR: Debt Service Coverage Ratio: Ratio of project

revenue relative principal & interest payment

- Debt Tail: Portion of O&M Period for which debt is no longer outstanding and delayed equity returns are collected from Availability Payment if availability conditions and handback conditions continue to be met
- Gearing: Portion of funding sources as debt
- IRR: Equity Internal Rate of Return
- Margin: Credit spread on base interest rate
- NPV: Net Present Value
- Private Placement: taxable long-term debt financing instrument
- RRIF: Railroad Rehabilitation & Improvement Financing, U.S.DOT low-cost loan program
- TEX Bond: Tax-Exempt bond (if any)
- TIFIA: Transportation Infrastructure Finance and Innovation Act, U.S.DOT low-cost loan program





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