ATTACHMENT B

Report on Solutions for Addressing the Growing County Government Center Administrative Building Maintenance Costs

GENERAL SERVICES DEPARTMENT

May 8, 2018

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EXECUTIVE SUMMARY

The current 1950s-based sprawling County Government Center no longer serves the needs of our community, nor does it represent the highest and best use of valuable property assets. The campus was developed over the last 60 years with 10,000 square feet of building area per acre where less than one quarter of the available land is used for office space. This inefficient land use prioritizes vehicle parking over the efficient delivery of services, thereby underutilizing land that could be put to a higher purpose such as providing housing or generating revenue through mixed-use office and retail space.

The County's real estate portfolio is diverse, with over 2 million square feet of owned and leased facilities and over 170 structures. The County Government Center represents 470,456 square feet of office space, not including the detention facility and the Sheriff's buildings.

The cost of operating the property portfolio has grown as facilities have aged, and deferred maintenance obligations also have increased over time. Owned properties have no room for expansion and department needs for space are therefore met through market-rate commercial office leases. The opportunities for more efficient management of the County's real estate portfolio were studied by HOK Architects in 2007, and Gensler Architects in 2013. VFA was then tasked in 2014 to evaluate the condition of the County's facilities. These prior studies recommended either significant ongoing investment in maintenance or the replacement of the aging County campus buildings.

This report provides updated information on maintenance costs, and options for mitigating the growing financial liability of operating buildings beyond their useful life. This report provides information describing the cost to repair and replace buildings and demonstrates that it is more cost effective to construct new buildings. It also provides options for new construction, and analyzes possible locations and financing methods. This report is a companion document to a Board of Supervisors memo and presentation anticipated for the May 8, 2018 Board meeting.

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BACKGROUND

The General Services Department's annual operating budget funds the maintenance needed to keep all County buildings and facilities in acceptable condition and compliance with State and Federal laws and regulations.[1]

There are three types of maintenance that are discussed in this report:

- **Preventative maintenance** is performed while the building, equipment or systems are still operating to lessen the likelihood of failures. Preventative maintenance should be performed regularly on all building components. If preventative maintenance is not done it becomes deferred maintenance.
- **Corrective maintenance** is the task of rectifying failed equipment or building systems such that these can be restored to operational condition. Corrective maintenance can include the complete replacement of equipment or building components.
- **Deferred maintenance** is the postponement of preventative and corrective maintenance. The lack of funding to cover all maintenance on time can cause more severe conditions that require a greater level of investment than the cost of the original maintenance.

COUNTY GOVERNEMENT CENTER

The County Government Center makes up a quarter of the County's entire property asset portfolio and is the most expensive asset for the County to maintain. Over 80% of the County Government Center is 50-60 years old and experiences heavy use by the public and county employees – resulting in frequent and costly repairs or replacements. Compounding the age of the buildings, the County's investments in preventative maintenance have fallen behind and create an ever growing deferred maintenance obligation. The County's investment in maintenance has not met industry standard levels for more than ten years, a situation that has resulted in progressive building systems failures. Addressing deferred maintenance by either repairing or replacing the most expensive portion of the property portfolio will reduce the long-term financial risk to the County. Recognizing these trends in 2014 the General Services Department recommended and obtained a Comprehensive Facilities Condition Assessment.

KEY TAKEAWAYS

Over 80% of the County Government Center is 50-60 years old and experiences heavy use by the public and county employees – resulting in frequent and costly repairs or replacements.

The Board of Supervisors appropriated funds in 2014 for a Comprehensive Facilities Condition Assessment to help guide the County's asset management strategy.

The Comprehensive Facilities Condition Assessment conducted by VFA found that on the County Government Center, only the Family Justice Center, Main Adult Detention Facility, and the Sheriff's building warranted further investment based on the condition of the facilities.

[1] Such laws include the Title 24; Americans with Disabilities Act; Cal OSHA Regulations; Labor Codes; various Building and Fire codes, and Health and Safety Codes.

2014 COMPREHENSIVE FACILITIES CONDITION ASSESSMENT

The Board of Supervisors appropriated funds for a Comprehensive Facilities Condition Assessment to help guide the County's asset management strategy. VFA, now Accruent, conducted the study and used an industry standard benchmark known as the Facility Condition Index (FCI) to measure the current condition of the County's facilities. The FCI is calculated as a ratio by dividing the total estimated cost of completing all maintenance projects by a building's estimated replacement value. The higher the FCI, the higher the need for funding relative to the facility's value. A building with a good FCI would have a value under 0.05. A building with an FCI of between 0.05 and 0.10 would be considered in fair condition. And a building with an FCI of over 0.10 would be considered in poor condition. Buildings with an FCI of 0.3 or higher would be considered in critical condition.


LA PLAZA B (FCI 0.53) / LA PLAZA A (0.47)


LAW LIBRARY (FCI 0.47)

An FCI of 0.3 is typically considered the point beyond which the remaining low facility value outweighs further investments. The Comprehensive Facilities Condition Assessment found that the average FCI was 0.34 for all of the buildings analyzed in the report throughout the County property portfolio. The County Government Center buildings had an average FCI of 0.36. The La Plaza B (0.53), La Plaza A (0.47), Law Library (0.47), Human Services (0.46), Child Care Center (0.41) and Administration (0.38) buildings are well beyond their useful life. The FCI values for the buildings described above indicate that continued investment in these buildings will have diminishing returns for the County.


HUMAN SERVICES (FCI 0.46)


CHILD CARE CENTER (FCI 0.41)

Table 1 summarizes the essential county services and full-time employees that depend on the aging County Government Center buildings along with the FCI and replacement value for each building determined by VFA in the Comprehensive Facilities Condition Assessment. The replacement value is the cost to rebuild the existing structure in the same location, the same size, same quality of original construction, and original code at current costs. Replacement value does not equal the cost of building new construction to today's code, or market price.


ADMINISTRATION (FCI 0.38)

TABLE 1 - COUNTY GOVERNMENT CENTER BUILDINGS (FY 17/18)

BUILDING/ LOCATION	AGE	SQ FT	FCI	REPLACEMENT VALUE	SERVICES	FULL-TIME COUNTY EMPLOYEES
Administration Building 575 Administration Drive	60	45,682	0.39	$19,502,701	Board of Supervisors, County Administration, County Counsel, Human Resources, Auditor	184
Permit and Resource Management 2550 Ventura Avenue	58	31,360	0.30	$39,523,780	Permit Resource Management	136
Law Library 2604 Ventura Avenue & 445 Fiscal Drive	58	28,160	0.47	$37,480,974	Law Library, Information Systems, Registrar of Voters, Sheriff	16
Fiscal Building 535 Fiscal Drive	55	40,430	0.31	$45,108,140	Auditor/Controller/Treasurer /Tax Collector, Clerk/Recorder/Assessor	270
Mechanical Building	53	9,110	0.08	$68,809,494	Mechanical Plant	0
Human Services 2550 Paulin Drive	52	44,484	0.46	$51,058,011	Human Services	138
Emergency Operations 600 Administration Drive	51	5,400	0.36	$13,929,895	Emergency Operations	0
Hall of Justice 600 Administration Drive	51	129,361	0.22	$180,757,085	Superior Court of California	235
2300 Professional Center Drive	48	13,200	0.36	$13,563,659	Information Systems	21
Data Processing 2615 Paulin Drive	45	15,524	0.35	$25,157,907	Information Systems	52
La Plaza A 2300 County Center Drive	41	34,300	0.47	$35,670,824	General Services, Regional Parks, Congressman, Energy and Sustainability, IOLERO	155
La Plaza B 2300 County Center Drive	41	34,300	0.53	$34,312,372	Transportation and Public Works, District Attorney, Fire Emergency Services	154
Credit Union 370 Administration Drive	32	14,022	0.39	$19,502,701	Information Systems, Probation	29
Children's Day Care Center 2614 Paulin Drive	30	2,300	0.41	$2,841,411	Child Care	0
Family Justice Center 2755 Mendocino Avenue	11	22,823	0.12	$20,224,751	Civil Legal Service Providers, Community-based Advocates, Law Enforcement and Prosecutors	13
Totals		**470,456**		**$635,748,266**		**1403**

The FCIs in the table above illustrate that only the Family Justice Center warrants further investment. All the other buildings have FCI where further expenditures in maintenance are considered a poor investment. The table also indicates that the replacement value per square foot is over $1,351. This cost to replace per square foot is higher than new construction as we will describe later in this report and does not represent bringing the buildings up to current code. The current practice of repairing systems as they fail is replacement. Systems are fixed, like for like, but these are not wise investments and do not represent industry best practices.

INDUSTRY BENCHMARKS FOR FACILITY MAINTENANCE

The International Facilities Management Association (IFMA) reports industry-wide benchmarks allowing Facility Managers to see how their operation ranks against other organizations. If facilities fall significantly above or below the median, IFMA recommends examining cost or procedures.

IFMA's 2017 Benchmarking Report surveyed Facility Managers throughout the United States and Canada, analyzing more than 2,000 responses and 98,000 buildings about their maintenance costs for external building maintenance and interior systems maintenance. These costs included all repair, preventive, materials, direct-labor and contract costs for the following building components: foundations, structure, exterior closure (including doors, windows, walls, roof, and sealants), interior finishes, heating, ventilation and air conditioning systems, plumbing and building electrical distribution.

Average maintenance costs by region - The report determined that on-average, Facility Managers on the Pacific Coast spend $4.07 per square foot for building maintenance.

Average maintenance costs by facility age – The report also determined that on-average, Facility Managers nationwide spend $4.83 per square foot to maintain buildings that are 31-50 years and dedicate 44% of their expenditures to preventative maintenance.

Overall maintenance costs increased by $1.59 per square foot (72%) from the previous benchmark report completed in 2013.

The next section describes how the County's operation and investment in facility maintenance contrasts with industry benchmarks.

KEY TAKEAWAYS

The IFMA standard for building maintenance on the Pacific Coast is $4.07 per square foot.

Facility Managers nationwide spend $4.83 per square foot to maintain buildings that are 31-50 years and dedicate 44% of their expenditures to preventative maintenance.

The County is funding building maintenance below IFMA standards by $0.71 per square foot and $2,980,561 annually for the entire asset portfolio.

The County Government Center itself falls short of IFMA benchmarks by $752,330 a year.

Since 2012, the General Services Department has expended over 80% of its annual operating budget on unplanned building repairs and replacement of parts and systems instead of the preventative maintenance needed to extend the useful life of the County Government buildings.

MAINTENANCE EXPENDITURE TRENDS

The County funds building maintenance through the General Service Department Facility Operation division budget. As described above the IFMA standard is $4.07 per square foot. If the County funded building maintenance based on IFMA benchmarks at $4.07 per square foot, its annual maintenance budget would be $8,108,714. The County is currently budgeting $5,128,153 annually on building maintenance for all county buildings – a difference of $2,980,561 annually. As Table 2 illustrates, funding for the County Government Center itself falls short of IFMA benchmarks by $752,330 a year.

TABLE 2 - IFMA BENCHMARKS VS. COUNTY FUNDING AND MAINTENANCE STAFF

	TOTAL BUILDINGS	TOTAL SQ FT	IFMA FUNDING BM*	BUDGET FY 17/18	GAP BETWEEN IFMA AND COUNTY
ENTIRE COUNTY PORTFOLIO	170	1,992,313	$8,108,714	$5,128,153	$2,980,561
COUNTY GOVERNMENT CENTER	15	470,456	$1,914,756	$1,162,426	$752,330

* Based on IFMA benchmark of annual maintenance budget of $4.07 per square foot

HOW DID WE GET HERE?

The County's maintenance budget has wavered year to year and resulted in irregular maintenance. Table 3 shows that from the early 2000's to 2007 maintenance budgets and expenditures rose year over year as square footage was increasing. Then from 2007 to 2011, the County's maintenance budget was reduced by 47%, down to $1.90 per square foot in 2011 even with continued square footage increases. Budget cuts resulted in postponing regular preventative maintenance for several years, increasing the County's deferred maintenance backlog and causing county buildings and systems to deteriorate. Although the annual maintenance budget has gradually increased since 2012, the budget has not kept pace with the increase in square footage and with the backlog of maintenance needed to restore neglected buildings and systems. Table 3 also shows that the General Services Operations division's actual costs for maintenance have exceeded the available budget every year since 2010 as more expensive repairs and system replacements are needed. The General Services Department has used salary savings and revenues from within the department to offset maintenance budget deficits.

TABLE 3 – MAINTENANCE BUDGET AND EXPENSES FOR THE ENTIRE COUNTY PORTFOLIO

	SQUARE FOOTAGE	BUDGET	ACTUAL COSTS	ACTUAL COST PER SQUARE FOOT
FY 00/01	1,530,770	$ 3,756,443	$ 3,509,436	$ 2.29
FY 01/02	1,530,770	$ 4,289,883	$ 3,866,813	$ 2.53
FY 02/03	1,577,999	$ 4,461,831	$ 4,121,006	$ 2.61
FY 03/04	1,577,999	$ 4,901,991	$ 4,715,023	$ 2.99
FY 04/05	1,675,267	$ 5,288,002	$ 5,191,612	$ 3.10
FY 05/06	1,675,267	$ 5,778,696	$ 5,490,152	$ 3.28
FY 07/08	1,754,699	$ 6,395,788	$ 6,168,527	$ 3.52
FY 08/09	1,779,311	$ 6,454,676	$ 5,940,227	$ 3.34
FY 09/10	1,775,111	$ 5,557,425	$ 5,451,874	$ 3.07
FY 10/11	1,796,542	$ 3,865,458	$ 4,186,364	$ 2.33
FY 11/12	1,801,822	$ 3,036,004	$ 3,421,176	$ 1.90
FY 12/13	1,801,822	$ 3,312,571	$ 3,602,033	$ 2.00
FY 13/14	1,806,390	$ 3,823,666	$ 3,838,141	$ 2.12
FY 14/15	1,992,313	$ 4,087,045	$ 4,435,896	$ 2.23
FY 15/16	1,992,313	$ 4,431,626	$ 4,820,594	$ 2.22
FY 16/17	1,992,313	$ 4,977,613	$ 5,358,235	$ 2.69
FY 17/18*	1,992,313	$ 5,128,153	$ 6,697,541*	$ 3.36

*Fiscal year estimate only

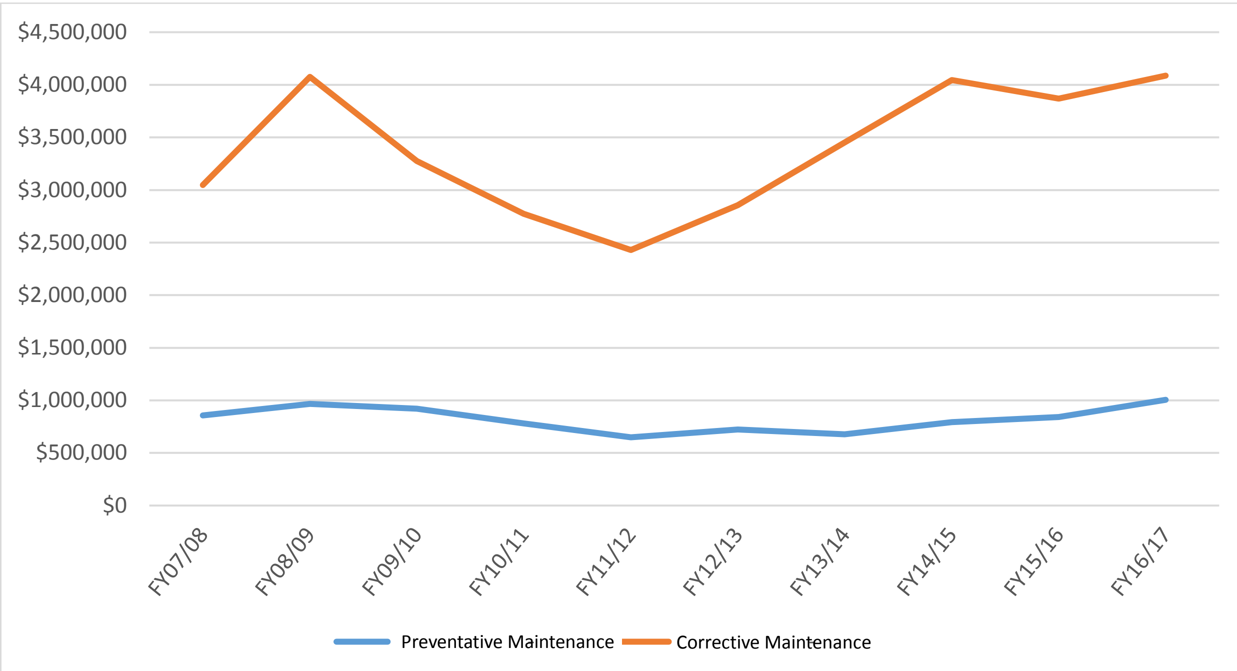
Even with the increase in budgeted maintenance in FY 17/18, the County is below IFMA standards by $0.71 per square foot or $2,980,561 annually for the entire asset portfolio. Not only is the county below IFMA benchmarks, it is far below the investment needed to address the growing deferred maintenance backlog described below.

GROWING CORRECTIVE MAINTENANCE

Since 2012, the General Services Department has expended over 80% of its annual maintenance operating budget on unplanned building repairs and replacement of parts and systems instead of the preventative maintenance needed to extend the useful life of the County Government buildings. As systems fail, the County must choose between replacing the system, finding an interim solution, or deferring maintenance. Replacement of systems is often cost-prohibitive, so the County frequently relies on interim solutions to keep facilities operating. Such repairs will restore system functionality but will not last as long as a system replacement or extend the useful life of the system. This type of corrective maintenance does not reduce the County's growing deferred maintenance. In some situations, the County has no option but to replace the entire system.

In the last two years alone, the County spent $781,000 on emergency system replacements including: the gas line to the Main Adult Detention Facility ($97,000), heating ventilation and air conditioning systems at the La Plaza A building ($229,000) and at the Family Justice Center ($110,000), new roof at Permit Sonoma ($340,000), structural failures of the Permit Sonoma trailer and the Information Technology department building roof, walls and foundation. Given that over 80% of the County Government Center is 50-60 years old, such failures are likely to continue and the cost to repair will increase with construction cost escalation. Chart 1 below shows the increasing trend of corrective maintenance expenditures as preventative maintenance expenditures stay low.

CHART 1 –ACTUAL PREVENTATIVE VS. CORRECTIVE MAINTENANCE COSTS



GROWING DEFERRED MAINTENANCE

Postponing both preventative and corrective maintenance results in a backlog of deferred maintenance. Deferred maintenance results in major structural or building systems failure and therefore systems must be replaced at significant cost and often on an emergency basis.

In 2014, the Comprehensive Facilities Condition Assessment conducted by VFA determined that the County Government Center alone had a backlog of $236 million in deferred maintenance. VFA based this evaluation on the condition of County facilities given their age, construction type, maintenance performed and overall condition of each building's systems. The assessment evaluated building closures (exterior walls, roofing, doors, windows, and sealants), foundations and structure, heating ventilation and air conditioning, electrical distribution systems, plumbing, interior doors and hardware and fire protection systems. In subsequent years, with escalating construction costs the County Government Center's deferred maintenance backlog has increased to $258 million.

ADDRESSING DEFERRED MAINTENANCE THROUGH THE CAPITAL IMPROVEMENT PLAN

In FY 16/17, the General Services Department developed a five-year deferred maintenance plan to address the highest priority deferred maintenance projects in five annual phases. Projects in the five-year plan totaled $64 million and included air handler replacement and auger grinder maintenance at the Main Adult Detention Facility, ISD switchgear replacement, County complex transformer repair, central mechanical plant generator replacement. The five-year plan was introduced in the 2016/2021 Capital Improvement Plan and was not funded. It has been included in all Capital Improvement Plans since and remains unfunded.

In FY 17/18, the Board authorized capital funding to address failing systems including roof replacements at the Permit Sonoma building ($340,000) and the Santa Rosa Veterans Memorial Hall ($1,456,956).

Critical repairs and maintenance costs have increased since the development of the original five-year plan. The updated five-year plan included in the 2018/2023 Capital Improvement Plan identifies over $70 million in deferred maintenance projects. The updated plan identifies $14 million "must do" deferred maintenance projects to be completed in FY 18/19 to preserve property assets.

In addition, over $131 million in capital improvements requested by departments and $21 million in Americans with Disability barrier removal projects on the County campus are described in the Capital Improvement Plan. These department requests could be met by replacing buildings.

As of FY 17/18, the Capital Improvement Plan identified total deferred maintenance investment needs of $665 million for all County owned facilities. The County Government Center portion of the total $665 million is $258 million, representing over 39% of the total liability. Other properties such as Los Guilicos, the North County Detention facility, Main Adult Detention Facility and Veteran's Buildings represent the remaining $407 million. Although the focus of this report is on the County Government Center, a plan is also needed for appropriately funding maintenance on the other County owned properties described above.

KEY TAKEAWAYS

In 2014, the Comprehensive Facilities Condition Assessment conducted by VFA determined that the County Government Center alone had a backlog of $236 million in deferred maintenance.

Overall $131 million in capital improvements and $21 million in Americans with Disability barrier removal projects on the County campus are described in the Capital Improvement Plan. These department requests could be met by replacing buildings.

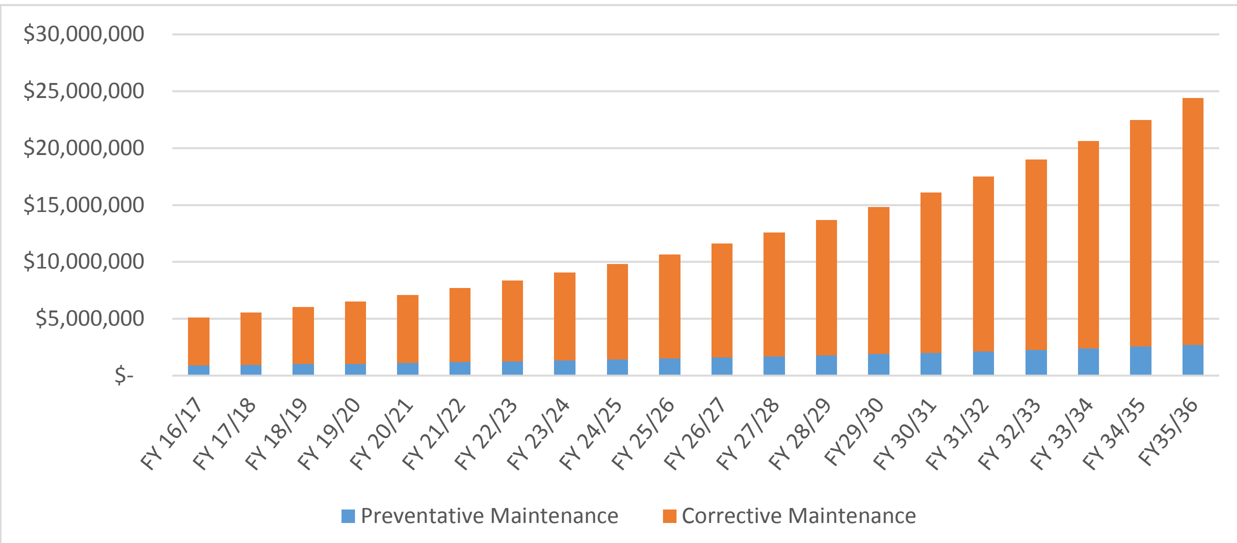
Projected out twenty years, deferred maintenance at the County Government Center grows from $258 million to over $650 million assuming a 6% construction cost escalation.

PROJECTED MAINTENANCE COSTS

Corrective maintenance needs are expected to increase significantly over the next twenty years. Currently, cost escalation is at four percent and expected to grow to six percent over the next year due to market conditions including increased labor and material costs. The chart below describes projected corrective maintenance and deferred maintenance costs for the next twenty years, based on current operating and inflation trends.

Based upon actual costs and past practice, Chart 2 below shows the trend of increasing corrective maintenance as preventative maintenance investment remains low. Projecting forward with cost escalation affecting the price of materials and labor, a flat investment means the buying power of a dollar invested decreases.

CHART 2 – PROJECTED INCREASES IN PREVENTATIVE AND CORRECTIVE MAINTENANCE FOR ENTIRE ASSET PORTFOLIO



In the absence of significant changes, the long-term financial liability of deferred maintenance backlog will increase with annual cost escalation.

Chart 3 below illustrates how the lack of investment in preventative maintenance contributes to the growth of deferred maintenance. Projected out twenty years, deferred maintenance at the County Government Center grows from $258 million to over $650 million assuming a 6% construction cost escalation.[2] Although the chart illustrates the Consumer Price Index (CPI)

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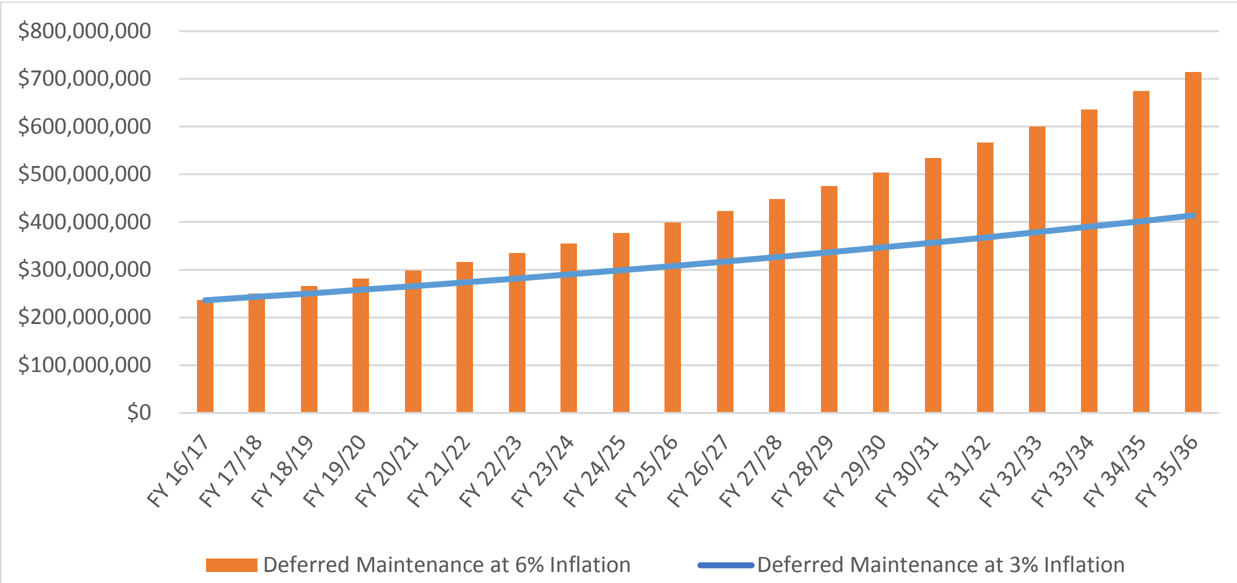
[2] The State of California requires project cost estimates to apply the California Construction Cost Index (CCCI) to budgets and estimates. The CCCI is based on Building Cost Index (BCI) cost indices produced by Engineering News Record (ENR). The CCCI has been at 0.42% per month. With locality adjustments for specific California markets, the annual construction cost escalation rate is about 6%. The professional construction estimating company RS Means also publishes historical indexes and cost trends, and their data is consistent with the CCCI.

average of 3%, it is not a valid indicator of construction cost escalation. Whereas CPI has increased annually by 3%, construction cost has escalated by 6% in the past year. Construction costs include the price of skilled labor and building materials such as steel, lumber, and concrete and are expected to continue growing.

CHART 3 – PROJECTED DEFERRED MAINTENANCE WITH CPI VS CONSTRUCTION COST ESCALATION



As illustrated, the deferred maintenance costs will continue to increase over time as shown unless buildings are replaced or significant investments are made to address deferred maintenance.

The remainder of this report describes possible solutions and financing methods to address these issues.

SOLUTIONS

Staff studied four options and developed cost estimates to determine how best to mitigate the growing deferred maintenance obligation; 1) continuing as-is with the status quo, 2) catching up on deferred maintenance, 3) new construction either on the county owned property or elsewhere, and 4) leasing existing buildings. Staff examined various factors during the development of these solutions including reports and analysis provided by subject matter experts on construction costs, bond financing, and real estate market conditions.

In order to obtain a rough estimate of the costs of demolition, design and construction, staff requested a master service agreement vendor, Kitchell Construction Management, provide cost estimates. Summaries of these cost estimates are attached to this report.

Also, the County's financial advisor, KNN Public Finance LLC. prepared financing options that included issuing bonds to finance deferred maintenance and new construction. The analysis studied opportunities for potential revenues from the sale or ground lease of the 21 – 29 acre County property that might result from a consolidated campus. The possible one-time or ongoing revenues could be used to offset the costs of the financing approach selected. See attachments at the end of this report.

The feasibility of constructing on land not owned by the County requires additional market research and input from the development community through market soundings and request for information. Further study will examine other variables such as potential mitigations mandated by CEQA as a result of a site's location and the equitability of site exchanges.

1) STATUS QUO

If the County continues the status quo of investing approximately $5 million a year in total maintenance, it will never catch up given the rate of structural and building systems failure. As previously described the $5 million budget includes preventative maintenance, corrective maintenance, and interim solutions that may not extend the useful life of County assets or reduce its deferred maintenance.

Even if the County directed $5 million a year to deferred maintenance, it would address less than 2% of the $258 million backlog each year. Since the annual CPI inflation rate is 3% and the construction cost inflation rate is 6%, the County would continue to spend millions a year and still face unplanned repairs and emergency system replacements.

Additionally, the status quo results in continued seismic and other code deficiencies, additional costs and liabilities associated with accessibility requirements under the American Disabilities Act, the loss of workspace functionality, higher utility costs due to poor energy efficiency, and higher insurance costs. As Department functions change, space needs cannot be accommodated within existing buildings without expensive interior redesign projects. To address additional space needs, the County is forced to lease space. The cost of County leased facilities have increased from annual rents of $7.9 million for 328,667 square feet in

KEY TAKEAWAYS

If the County continues the status quo of investing $5 million a year in total maintenance costs, it will never catch up given the rate of structural and building systems failure.

An annual investment of $15 million per year, starting in 2019 will never pay off because the rate of escalation exceeds the amount of investment and would not be able to eliminate the deferred maintenance.

An aggressive investment of $20 million a year starting in 2019, would eventually pay off in 2056.

By consolidating County department administrative functions on the County Government Center campus, land utilization would improve to where approximately 29 acres could be made available for mixed use office, retail and housing development.

General Services' staff surveyed the Sonoma county market to identify potential opportunities to lease up to 500,000 square feet of office space in existing properties and did not identify a single property in the market that could accommodate this requirement.

FY12/13 to an annual rent of $9.7 million for 438,691 square feet in FY17/18.

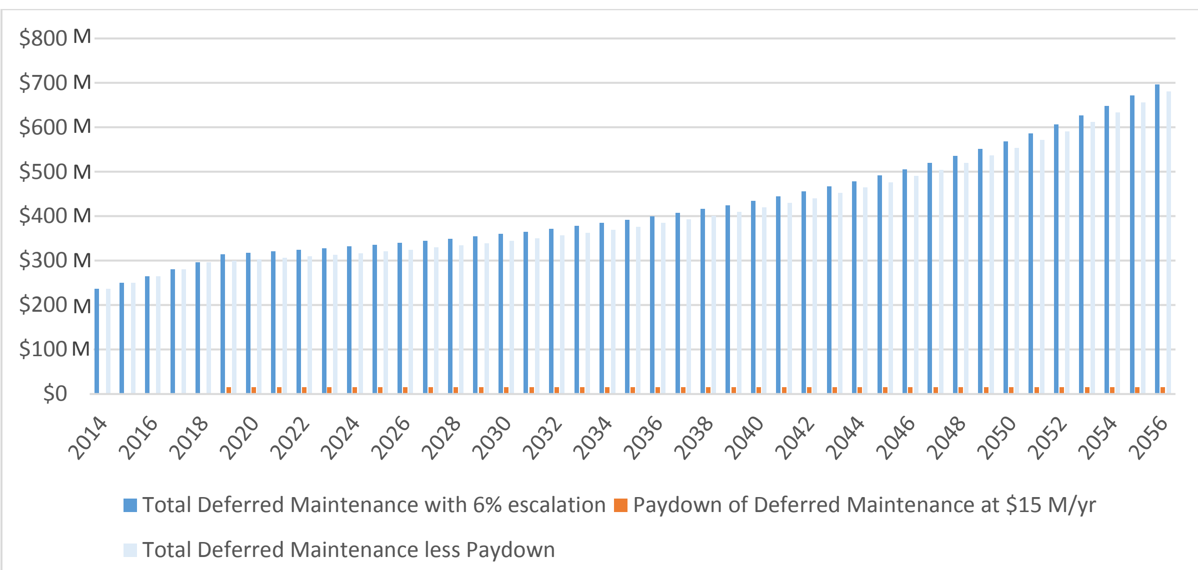
Continuing with the status quo means spending more money on costly corrective maintenance and systems replacements each year without extending the useful life of the County Government Center buildings.

2) CATCH UP ON DEFERRED MAINTENANCE

To effectively extend the useful life of all County buildings, the County would need to adequately address its growing deferred maintenance across the entire asset portfolio. This approach would require the County to dedicate a fixed annual amount of funding that outpaces the rate(s) of inflation and should include sufficient funding for preventative maintenance to protect newly replaced systems.

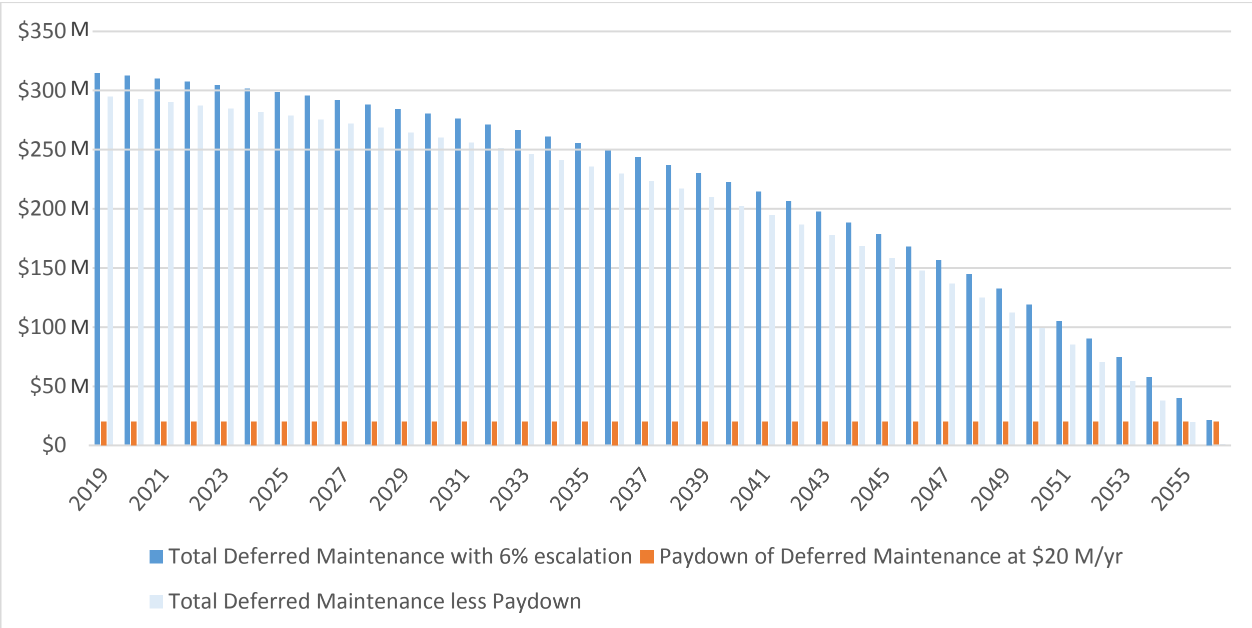
$15 Million Per Year - Chart 4 below shows that an annual investment of $15 million per year, starting in 2019 will never pay off because the rate of escalation exceeds the amount of investment and would not be able to eliminate the deferred maintenance. Deferred maintenance would continue to increase. An annual investment of $15 million per year is similar to making minimum payments on a credit card balance.

CHART 4 – DEFERRED MAINTENANCE PROGRAM AT $15M ANNUALLY



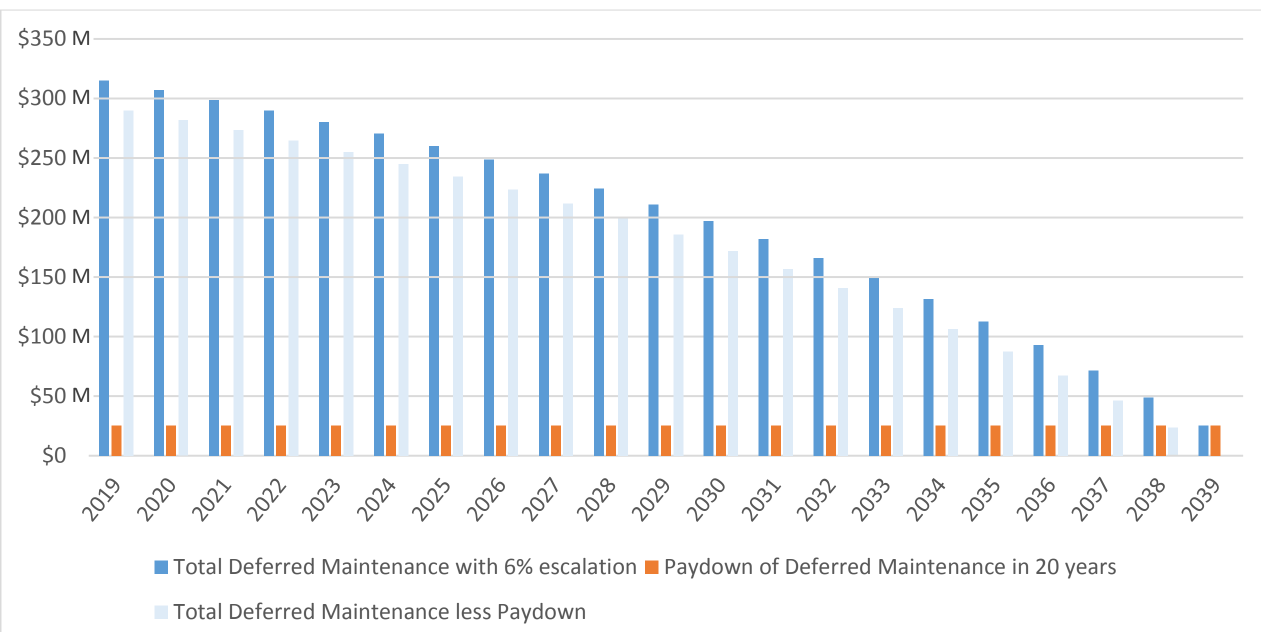
$20 Million Per Year - Chart 5 below shows that a more aggressive investment of $20 million per year starting in 2019. Investing $20 million a year addresses work at a rate that is not overcome by escalation and would eventually pay off in 2056. However, this would be a continuous program because system replacements have a 50 year lifecycle. So starting in 2069, all systems would need to be replaced again.

CHART 5 – DEFERRED MAINTENANCE PROGRAM AT $20M ANNUALLY



Twenty Year Plan - Chart 6 below shows that to address the County's backlog of deferred maintenance within the next 20 years, it would need to invest $25.3 million annually just to catch up with deferred maintenance.

CHART 6 – 20 YEAR DEFERRED MAINTENANCE PROGRAM



Staff do not consider the option of catching up on deferred maintenance via a $25 million annual investment as viable.

3) NEW CONSTRUCTION

Another option would be to demolish the County Government Center's oldest buildings and replace them with a new 500,000 square foot building(s) and a parking garage. While the Main Adult Detention Facility, Hall of Justice, Sheriff Buildings, new Fleet building, and Family Justice Center would remain, the rest of the land would be reimagined.

Consolidating County department administrative functions on the County Government Center campus would improve land utilization allowing approximately 29 acres to be made available for mixed-use office, retail, and housing development. Consolidation would also enable the sale of the La Plaza and County Government Center Information Technology building properties as these functions would be able to move back onto campus.

A 500,000 square foot building(s) would accommodate current County Government Center staffing levels plus the additional staff returning from leased space to the administration center. As of 2016, the County has 2,004 full-time employees who would occupy the new building(s) with an expected 3% increase in staff totaling 2,064 by 2021. The new building(s) would provide full-time employees 170 square feet of workspace, which is the Federal Government workspace standard. Additionally, fifteen percent of the new building space would be used for common use areas, and 10% would be for future expansion.

Building new could accommodate a long-term ground lease for Human Service and Health Services and a separate structure for the Public Health and the Morgue, which would be relocated from the Chanate Campus. Replacing the Hall of Justice is not factored in costs estimate as needs and plans for continued use by the Superior Court have not been finalized with the Judicial Council. If the need for the Hall of Justice continues, seismic deficiencies should be addressed by demolishing and building new.

The replacement option considers the State of California's plans to proceed with the new courthouse and related parking improvements. Plans also include the construction of smaller mechanical plants to replace the central mechanical plant. The central mechanical plant currently serves the MADF and Sheriffs Building. Finally, the new construction option considers the need to replace the Public Health Laboratory and County Morgue that must be relocated due to the sale and disposition of the property on Chanate Road.

NEW CONSTRUCTION ON OTHER SITES

Other possible locations for the new County Campus could be in the Sonoma County Airport area or a co-located facility with the City of Santa Rosa in the downtown area.

- **Sonoma Airport** - The Sonoma County Airport could provide opportunities for development of new County Administrative offices. Although county owned property is limited, property may be available in an exchange with other property owners. The benefit of the airport location would be the ability to construct new facilities without disruption to current operations or the need to find swing space. However, height limitations required of the Federal Aviation Administration in the vicinity of flight operations could restrict building heights.
- **Downtown Santa Rosa** - The City of Santa Rosa has also expressed an interest in building a new civic building and investigating possibilities for new development. In addition to the City Hall property the City owns two parcels in the downtown area of approximately two acres each. The City and County could potentially share a building, or build two separate buildings in the downtown area. The benefits of co-locating could include maximizing shared facilities including public meeting rooms, conference facilities and transactional spaces with the public.

COST ESTIMATE AND METHODOLOGY

As previously mentioned Kitchell, Inc. was contracted to perform a rough order of magnitude cost estimate of the various new construction options. The cost estimates consider site improvements, building type, structure, HVAC, plumbing, electrical distribution, California Building Code provisions including seismic, accessibility, energy and sustainability to a “Net Zero Standard” for waste, water and energy needs.

The Kitchell estimate utilized historical databases from recognized estimating standards for similar construction and projected escalation factors. Escalation, as an industry practice, was calculated to the midpoint of construction which was projected to occur in 2023. Associated soft costs were included for architects design fees, construction management, permitting and County staff. Kitchell was tasked to provide estimates for two models:

- **Single Building Concept** – All County Administrative functions could be consolidated into a single building. The benefit of a single building is that it supports a more efficient service delivery model by locating all administrative functions under one roof with appropriate adjacencies. Site development is more efficient as well with a smaller footprint. A single building of mid to high rise construction would be of similar scale to the new proposed 120 foot State Court house. The Cost estimate assumed construction would be of steel and concrete with glass and solid panel cladding. The cost for the single building concept was estimated to be $349.9 million.

- **Multi-Building Concept** – Consolidation of all County Administrative functions was also studied in a phased approach with new construction of multiple buildings. Phasing construction minimizes the amount of temporary space (referred to as swing space) required to house departments as the sites are demolished and cleared for new construction. For the purpose of cost estimating, assumptions were made about the design, which included steel and concrete construction with a glass and solid panel cladding. The cost of designing and constructing multiple buildings was estimated at $375.5 million. See Attachment 2 for more details.

4) LEASE EXISTING BUILDINGS

Another option for consideration is to lease an existing building. In cooperation with the local brokerage community General Services' staff surveyed the Sonoma County market to identify potential opportunities to lease up to 500,000 square feet of office space in existing properties. The survey did not identify a single property in the market that could accommodate this requirement. While square footage in larger office complexes in the Sonoma county market can range up to 300,000 square feet, increased commercial office activity has reduced the county's office vacancy rate from 20.1 % in 2017 to a current vacancy rate of 17.5%. Local brokers attribute some of the increased activity in the Sonoma market to spillover from the San Francisco market. While an assemblage strategy to lease proximate space as current tenants' leases expire in a targeted Sonoma county submarket may be possible, execution of the this strategy would require planning and cooperative relationships with a number of landlords over a period of years.

SUMMARY OF SOLUTIONS

Staff have considered various options for constructing and financing new facilities or catching up on deferred maintenance. As table 4 illustrates, new construction would be the most effective way to address the County's growing backlog of deferred maintenance and provide long-term value to the public.

TABLE 4 – SUMMARY OF SOLUTIONS

	STATUS QUO	CATCH-UP ON DEFERRED MAINTENANCE	NEW CONSTRUCTION	LEASE EXISTING BULIDINGS
PROS	• Maintains current funding levels	• Addresses deferred maintenance	• Completely new, code-compliant, buildings with a 50 year life span • Enhanced public convenience with one-door service model • Streamlined operations of administrative services • Energy conservation • Improved security • Efficient workspace standards • Use lands to generate revenue and property tax	• Move in directly into existing buildings • Saves on move costs
CONS	• Does not address deferred maintenance, code deficiencies, safety, security or lack of space • Prone to systems failure which impacts service delivery	• Does not address safety, security, code deficiencies or lack of space	• Exceeds current funding level • Exceeds current funding levels	• No large Class "A" Office space is available in the County
DESIGN CONSTRAINTS AND OPPORTUNITIES	• Constrained by existing footprint and one story construction • Inefficient land use • Currently 318,272 square feet of existing administration buildings: need is 500,000 square feet	• Constrained by existing footprint and one story construction • Inefficient land use • Currently 318,272 square feet of existing administration buildings: need is 500,000 square feet	• Opportunity for more efficient land use • Opportunity for housing and commercial development • Opportunity for more efficient service delivery • 500,000 square feet of new office space	• Need to work within existing supply

CONCLUSION

The current 1950s-based sprawling County Government Center no longer serves the needs of our community, nor does it represent the highest and best use of valuable property assets. This inefficient land use prioritizes vehicle parking over the efficient delivery of services, thereby underutilizing land that could be put to a higher purpose such as providing housing or generating revenue through mixed-use office and retail space. Over 80% of the County

Government Center is 50-60 years old and experiences heavy use by the public and county employees – resulting in frequent and costly repairs or replacements. The County Government Center buildings had an average FCI of 0.36. The La Plaza B (0.53), La Plaza A (0.47), Law Library (0.47), Human Services (0.46), Child Care Center (0.41) and Administration (0.38) buildings are well beyond their useful life. The FCI values for the buildings described above indicate that continued investment in these buildings will have diminishing returns for the County.

The cost of operating the property portfolio has grown as facilities have aged, and deferred maintenance obligations also have increased over time. Corrective maintenance needs are expected to increase significantly over the next twenty years. In the absence of significant changes, the long-term financial liability of deferred maintenance backlog will increase with annual cost escalation. To address the County's backlog of deferred maintenance within the next 20 years, it would need to invest $25.3 million annually just to catch up with deferred maintenance.

The County has an opportunity and responsibility to invest taxpayer dollars in solutions that provide long-term value. Spending millions of dollars a year on short-term repairs that do not extend the life of the County Government Center's buildings, address seismic safety, or reduce the County's financial liability is ineffective. A new approach is needed to reduce risks to the County that result from over $258 million in deferred maintenance.

APPENDIX A – FINANCING OPTIONS

In 2014, when the Comprehensive Facilities Master Plan was presented to the Board, staff were directed to further analyze financing options. This Appendix expands upon financing options that were described in the 2014 Board Report. In order to understand the feasibility of replacing buildings, staff reviewed debt financing, Performance Based Infrastructure and build-to-suit options.

DEBT FINANCING BONDING

With the assistance of the Auditor Controller Treasurer Tax Collector (ACTTC), finance options for debt financing were studied. Using the estimates for the Single Building Concept and the Multi-Building Concept, ACTTC obtained the services of KNN Public Finance LLC to perform debt financing scenarios. Financing of deferred maintenance was studied in addition to the new construction scenarios. The analysis assumed that bonds would be issued as Certificates of Participation or Lease Revenue Bonds backed by the General Fund. Currently the County's credit ratings is Standard & Poor's AA (stable). The credit structure requires the pledge of a County asset for bondholder security approximately equal to the par amount of the bonds. The justice related County Center buildings could possibly serve as the pledge assets for the bonds, which also requires the use of capitalized interest through the point of beneficial use and occupancy of the new buildings. KNN also assumed a "net funding" of the project cost requirements where the project fund would earn interest at 1.21% (the 2-year U.S. treasury rate at the time of the analysis) during the estimated term of construction.

Although the County has sufficient debt capacity, bonding may not be considered a favorable option as pledged assets may not be sufficient to back the bonds, and capitalized interest drives the overall cost of the option out of the likely range of feasibility.

PERFORMANCE BASED INFRASTRUCTURE

Performance Based Infrastructure (PBI) is an approach to capital projects in which the investment, risk, responsibility, and rewards of the project are shared between government and private-sector participants. PBI's origins are from Public Private Partnerships (P3) that were well suited to transportation and water infrastructure projects. In recent years the need for performance based requirements for vertical construction led to the development of PBI. Under the PBI model, design, construction, financing, operations, and maintenance are bundled together into a single program with a contracted entity. The development team is the single point of contact for procurement and delivery of all services under the contract. Shifting both the financial risk and responsibility for long-term maintenance to the private partner creates a compelling incentive to ensure high levels of performance: both high-quality construction and the proactive upkeep of the finished building. The government entity continues to own the land through the duration of the term.

PBI benefits taxpayers by bringing additional discipline to the costs and timeline of a project. The cost to the government entity can be distributed over a longer period of time than with bonding – typically 35-40 years vs 25 years, and payments can be linked to operational performance. At the same time, PBI arrangements can streamline and shorten the design and construction phases of the project compared with those of typical public building projects. Shortening the timeline of design and construction saves money because of avoided construction cost escalation. Taxpayers also benefit from the competitive solicitation of bundled design, construction, and facility operation services, which gives the government entity more economic advantage than it might have with traditional procurement.

A PBI on County land would entail a lease-leaseback contractual arrangement where the PBI contracted entity would lease the property from the County for a specified period and the newly constructed building would then be leased back to the County (leased to own) at a rate that recovers the PBI entity's development financing, operating and maintenance costs. At the end of the term, the building would revert to the County's ownership and the maintenance provisions of the PBI would specify the condition of the building when it is returned. There is an opportunity with development on the County campus, where lease costs could be reduced through revenue generating housing or commercial uses on the balance of the campus. For example, in the City of Long Beach's PBI contract, annual lease payments were capped at a set amount and the developer was able to recoup costs through revenue generated from the sale of land for a new hotel, residential, and commercial real estate development.

Alternatively, a PBI executed on non-county property would have to consider the cost of acquiring land and either performing tenant improvements to an existing building or building new. In this scenario, a PBI would likely take the form of a lease with an operating agreement and a potential option for acquisition.

Other jurisdictions have embarked upon similar development programs. The California State Courts and the City of Long Beach has used the Performance Based Infrastructure method to revitalize public buildings and build housing. The City of Napa is also proceeding under this model to replace their City Hall. Santa Clara County has been working on a Civic Center Campus master plan of approximately 1.15 million square feet of government offices. The City of Santa Rosa is also considering a Performance Based Infrastructure model for redevelopment of several city properties downtown. A number of other jurisdictions nationwide are using the Performance Infrastructure model to revitalize their downtowns, expand educational facilities, or create centers of innovation and entrepreneurship, whereas others have used the Build-to-Suit or debt financing model as described in Attachment 3 Project Delivery Comparisons.

The annual debt service for the bond financing of the single building concept is projected by the KNN financial analysis to be $28.2 million. The annual debt service for the bond financing of the multi building concept is projected by the KNN financial analysis to be $30.5 million. Based on our analysis of other jurisdictions, using the PBI financing option could result in an annual debt service in the range of $10 to $15 million. Refer to Attachment 3 for more information.

BUILD-TO-SUIT

Another strategic option would be establishing a contractual relationship with a real estate development firm to construct a new facility or campus to County specifications. The completed facility would be leased to the County for County use. Similar to the Performance Based Infrastructure alternative described earlier, construction costs incurred by the Performance Based Infrastructure builder would likely be similar to construction costs that would be incurred by the County. Annual lessor debt service costs would be similar to County financed bond finance costs. However, there is potential that builder costs would also include administration and overhead costs in addition to financing costs.

ATTACHMENT 1

Sonoma County Center Facilities Plan Financial Analysis

March 7, 2017

KNN public finance

1300 Clay Street, Suite 1000, Oakland, CA 94612
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Overview of Financial Analysis

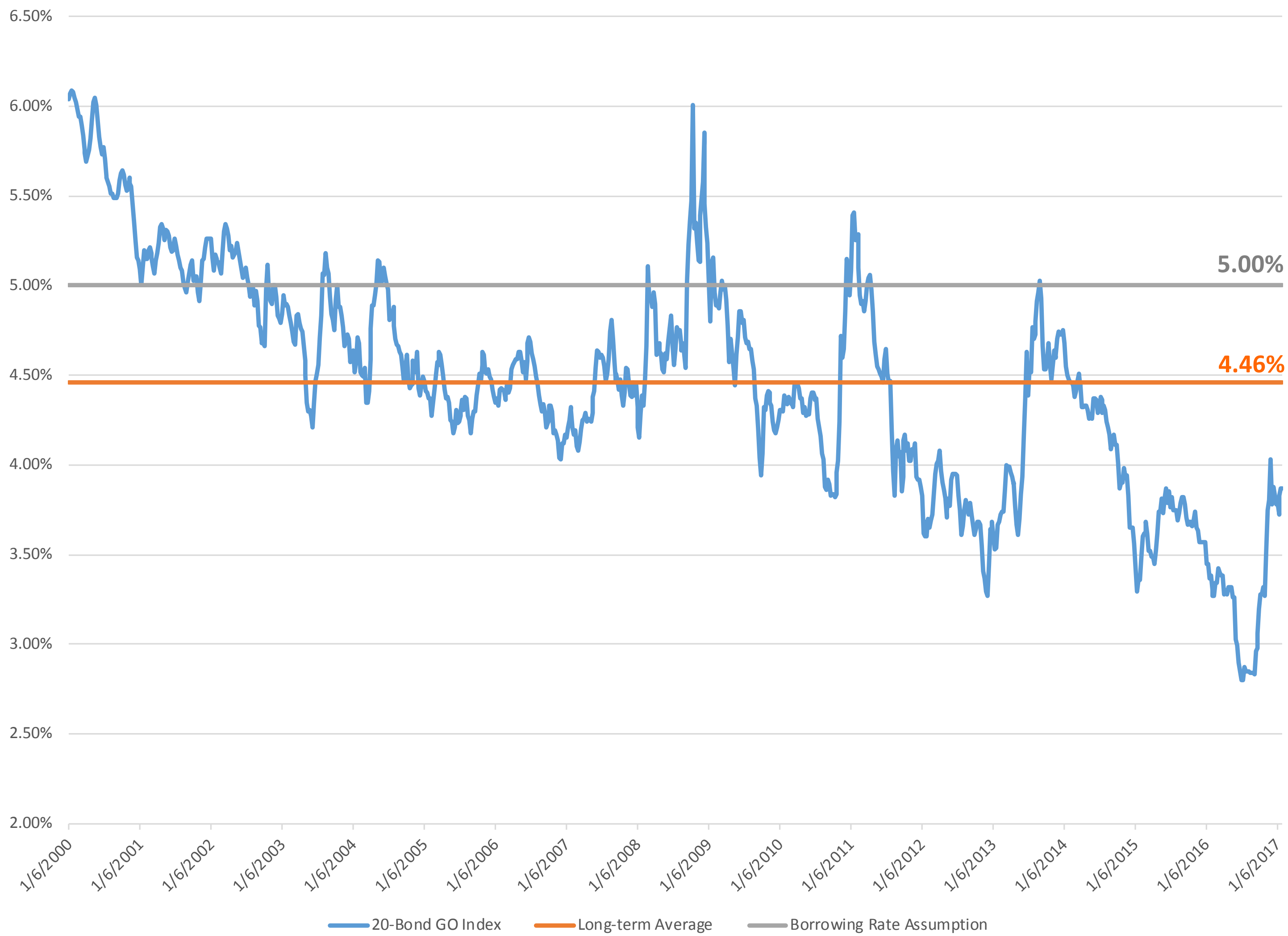
- Based on information and guidance provided by the County, KNN prepared preliminary bond sizing analyses for the alternatives under consideration.
  - Single Building Concept: $349.9 million.
  - Multiple Building Concept: $375.5 million.
  - Deferred Maintenance Needs: $312.6 million.
  - Amounts represent escalated figures from 2017 value.

- Our analysis assumes that the bonds will be issued as Certificates of Participation or Lease Revenue Bonds backed by the General Fund.
  - Current credit ratings: Standard & Poor's AA (stable).
  - Credit structure requires the pledge of a County asset for bondholder security approximately equal to the par amount of the bonds.
  - County Center buildings will serve as the pledge assets for the bonds, which requires the use of capitalized interest through establishing beneficial use and occupancy of the new buildings.
  - No voter approval required.

Financial Analysis Assumptions

- **Debt Repayment Structure**
  - Level debt service (principal and interest) payment structure.
  - Final term of bonds is 30 years from issuance date for new building construction and 20 years from issuance date for deferred maintenance capital.
- **Bondholder Security Features**
  - Capitalized interest fund sized through the estimated construction period (County does not make net debt service payments during construction).
  - Debt service reserve fund sized at 50% of maximum annual debt service (provides additional bondholder security and supports strong credit ratings).
- **Project Tax Status**
  - Bonds are issued on a tax-exempt basis (subject to bond counsel review) and buildings are assumed to be for 100% governmental use.
  - Projects that have predominantly private use are assumed to be financed through vehicles other than tax-exempt bonds.
- **Borrowing Costs**
  - Interest cost is assumed at 5% for planning/budgeting purposes (current market rates are lower but subject to increases and volatility between now and Q1 2019).
  - Proceeds from the sale of County properties are applied to FY 2019 financings to reduce borrowed amounts.

Historical Interest Rates: Bond Buyer 20-Bond Index



Source: *The Bond Buyer*. The Bond Buyer 20-Bond Index consists of 20 General Obligation bonds that mature in 20 years with an average rating of "Aa2 / AA".

Single Building Concept: Bond Sizing Overview

- **Single Bond Issuance to Finance Single Building Construction**
  - Buildings 1 and 2: $343,145,919.
  - Parking Lot: $6,719,463.

- **Timing**
  - Bond Issuance: Q1 2019 (based on project schedules).
  - Final Bond Term: FY 2049 (30-year final maturity).

- **Financing Components**
  - Property Sale Proceeds: Approximately $19 million from the sale of County properties are assumed to be available by Q1 2019 and are contributed to the financing to reduce bond issuance needs.
  - Ground Lease Revenues: Assumed to begin in FY 2025 and extend through FY 2052 and are estimated to generate an average of $2.6 million annually – partially offsetting annual debt service requirements.
  - Rental Payments: Swing space during construction is assumed to be needed in FY 2020 through FY 2024 and would represent additional cost to the project.

Single Building Concept: Bond Sizing Results

	FY 2019 Issuance
Sources	
Par Amount	$413,645,000
County Contribution from Sale of Property	19,320,000
Total Sources:	$432,965,000
Uses	
Phase 1: Building 1 and 2[1]	$337,181,099
Phase 2: Parking Lot[1]	6,700,744
Debt Service Reserve Fund[2]	14,125,750
Capitalized Interest Fund[3]	72,387,875
Cost of Issuance[4]	2,568,225
Rounding Amount:	1,307
Total Uses:	$432,965,000
Financing Cost:	5.00%
Total Debt Service:	$824,762,250
Maximum Annual Debt Service:	$28,251,500
Average Annual Debt Service:	$27,492,075

[1] Construction cost estimates provided by the County. Project fund net of assumed earnings at 1.21%.

[2] Sized at 50% of Maximum Annual Debt Service.

[3] Sized based on bond interest through 8/1/2022, gross funded.

[4] Estimated costs associated with bond and disclosure counsel, underwriting ($5/bond), municipal advisor, and bond credit rating fees.

[5] Estimated net payments includng net debt service, swing space lease payments, and ground lease revenues.

Single Building Concept: Annual Net Costs

- The highest annual net cost occurs prior to the commencement of ground lease revenues when debt service payments and swing space lease payments are both due.
- Overtime, annual net payments decline as swing space costs end in FY 2024 and ground lease revenues are projected to increase through FY 2054.
- The term of the debt repayment is FY 2049 and ground lease revenues are estimated through FY 2054.

		(A)	(B)	(C)	(D) = A+B-C
Fiscal Year Ending	Total Debt Service	Net[1] Debt Service	Swing Space Lease Payments[2]	Ground Lease Revenues[2]	Net[3] Total Costs
6/30/2024	28,249,000	27,977,786	$243,527		28,221,313
6/30/2034	28,247,750	27,976,536		1,976,786	25,999,749
6/30/2044	28,249,250	27,978,036		2,926,127	25,051,909
6/30/2054				4,331,382	(4,331,382)

[1] Net of capitalized interest and debt service reserve fund interest earnings at 2% over the term of the bonds.

[2] Cost and Revenue estimates provided by the County.

[3] Net cost to County after making bond debt service and swing space lease payments and receiving ground lease revenues.

Multiple Building Concept: Bond Sizing Overview

- **Multiple Bond Issuances to Finance Multiple Building Construction**
  - Issuance 1
    - Building 1a: $158,614,523
    - Building 1b: $160,389,443
  - Issuance 2
    - Building 3: $56,493,037

- **Timing**
  - Issuance 1: Bond transaction in Q1 2019 and bond maturity in FY 2049 (30-year term).
  - Issuance 2: Bond transaction in Q1 2021 and bond maturity in FY 2051 (30-year term).

- **Financing Components**
  - <u>Property Sale Proceeds</u>: Approximately $19 million from the sale of County properties are assumed to be available by Q1 2019 and are contributed to the financing to reduce bond issuance needs.
  - <u>Ground Lease Revenues</u>: Expected revenues to be generated from various ground leases – partially offsetting annual debt service requirements.
    - Site 1 lease revenues begin in FY 2020 and extend through FY 2049, estimated to generate an average of $1.0 million annually.
    - Site 2 lease revenues begin in FY 2023 and extend through FY 2052, estimated to generate an average of $1.0 million annually.
  - <u>Rental Payments</u>: Swing space during construction is assumed to be needed beginning in FY 2020 and extend through FY 2022 and would represent additional cost to the project.

Multiple Building Concept: Bond Sizing Results

	FY 2019 Issuance	FY 2021 Issuance	Total
Sources			
Par Amount	$374,930,000	$71,280,000	$446,210,000
County Contribution from Sale of Property	$19,320,000		$19,320,000
Total Sources:	$394,250,000	$71,280,000	$465,530,000
Uses			
Phase 2: Building 1a[1]	$155,857,366	-	$155,857,366
Phase 3: Building 1b[1]	157,601,433	-	157,601,433
Phase 4: Building 3[1]	-	55,511,032	55,511,032
Debt Service Reserve Fund[2]	12,803,500	2,435,125	15,238,625
Capitalized Interest Fund[3]	65,612,750	12,474,000	78,086,750
Cost of Issuance[4]	2,374,650	856,400	3,231,050
Rounding Amount	301	3,443	3,744
Total Uses:	$394,250,000	$71,280,000	$465,530,000
Financing Cost:	5.00%	5.00%	5.00%
Total Debt Service:	$747,564,000	$142,121,250	$889,685,250
Maximum Annual Debt Service:	$25,607,000	$4,870,250	$30,477,250
Average Annual Debt Service:	$24,918,800	$4,737,375	$29,656,175

[1] Construction cost estimates provided by the County. Project fund net of assumed earnings at 1.21%.

[2] Sized at 50% of Maximum Annual Debt Service.

[3] Sized based on bond interest through 10/1/2022 for FY2019 Issuance and 10/1/2024 for FY2021 Issuance.

[4] Estimated costs associated with bond and disclosure counsel, underwriting ($5/bond), municipal advisor, and bond credit ratings.

[5] Estimated net payments includng net debt service, swing space lease payments, and ground lease revenues.

Multiple Building Concept: Annual Net Costs

- Swing space lease payments and Site 1 ground lease revenues commence prior to the initial net debt service payment requirement.
- Both Site 1 and Site 2 ground lease revenues are available to offset net debt service payments at the start of the debt repayment schedule – swing space costs terminate prior.
- The term of the debt repayment occurs in FY 2051 and the term of ground lease revenues occurs in FY 2052.

	FY 2019 Issuance		FY 2021 Issuance					
		(A)		(B)	(C)	(D)	(E)	(F) = A+B+C-(D+E)
Fiscal Year Ending	Total Debt Service	Net[1] Debt Service	Total Debt Service	Net[1] Debt Service	Swing Space Lease Payments[2]	Site 1 Ground Lease Revenues[2]	Site 2 Ground Lease Revenues[2]	Net[3] Total Costs
6/30/2022	18,746,500		$3,564,000		1,069,998	580,074		489,925
6/30/2024	25,603,500	25,357,673	3,564,000			627,408	557,763	24,172,502
6/30/2034	25,604,750	25,358,923	4,865,000	4,818,246		928,717	825,626	28,422,826
6/30/2044	25,603,000	25,357,173	4,868,000	4,821,246		1,374,728	1,222,128	27,581,563
6/30/2051			4,866,750	2,384,871			1,608,237	776,634
6/30/2052							1,672,566	(1,672,566)

[1] Net of capitalized interest and debt service reserve fund interest earnings at 2% over the term of the bonds.

[2] Cost and Revenue estimates provided by the County.

[3] Net cost to County after making bond debt service and swing space lease payments and receiving ground lease revenues.

Deferred Maintenance: Bond Sizing Results

- **Multiple Bond Issuances to Deferred Maintenance Needs Overtime**
  - Current deferred maintenance needs of $236 million.
  - Assumes three bond issuances of equal amounts to address needs.
  - Deferred maintenance amounts step up from annul cost inflation of 6% and step down following bond issuance.

Fiscal Year	Maintenance Cost	Bonding Amount
2017	236,000,000	
2018	250,160,000	
2019	265,169,600	104,200,000
2020	170,627,776	
2021	180,865,443	
2022	191,717,369	104,200,000
2023	92,768,411	
2024	98,334,516	
2025	104,234,587	104,234,587

- **Financing Components**
  - Proceeds from the sale of County properties, ground lease revenues, and swing space costs do not factor into the deferred maintenance analysis.
  - Assumes leased asset for the financing to be the deferred maintenance projects – it is not certain that existing assets are sufficient to serve as pledge on the financing.

Deferred Maintenance: Bond Sizing Results

	FY 2019 Issuance	FY 2022 Issuance	FY 2025 Issuance	Total
Sources				
Par Amount	$134,665,000	$134,665,000	$134,710,000	$404,040,000
Total Sources:	$134,665,000	$134,665,000	$134,710,000	$404,040,000
Uses				
2017-2019 Deferred Maintenance	$104,200,000			$104,200,000
2020-2022 Deferred Maintenance		104,200,000		$104,200,000
2023-2025Deferred Maintenance			104,234,587	$104,234,587
Debt Service Reserve Fund[2]	5,973,500	5,973,500	5,975,625	17,922,625
Capitalized Interest Fund[3]	23,566,375	23,566,375	23,574,250	70,707,000
Cost of Issuance[4]	923,325	923,325	923,550	2,770,200
Rounding Amount	1,800	1,800	1,988	5,588
Total Uses:	$134,665,000	$134,665,000	$134,710,000	$404,040,000
Financing Cost:	5.00%	5.00%	5.00%	5.00%
Total Debt Service:	$223,260,750	$223,260,750	$223,331,500	$669,853,000
Maximum Annual Debt Service:	$11,947,000	$11,947,000	$11,951,250	$35,845,250
Average Annual Debt Service:	$11,163,038	$11,163,038	$11,166,575	$33,492,651

[1] Deferred maintenance costs estimates provided by the County. Project fund gross funded.

[2] Sized at 50% of Maximum Annual Debt Service.

[3] Sized based on bond interest through 8/1/2022 for FY2019 Issuance, 8/1/2025 for FY2022 Issuance, and 8/1/2028 for FY2025 Issuance.

[4] Estimated costs associated with bond and disclosure counsel, underwriting ($5/bond), municipal advisor, and bond credit rating fees.

Deferred Maintenance: Annual Net Costs

- Annual costs step up as additional debt is issued and then step down overtime as prior debt is retired.

	FY 2019 Issuance		FY 2022 Issuance		FY 2025 Issuance		
		(A)		(B)		(C)	(D) = A+B+C
Fiscal Year Ending	Total Debt Service	Net[1] Debt Service	Total Debt Service	Net[1] Debt Service	Total Debt Service	Net[1] Debt Service	Net Total Costs
6/30/2024	11,942,750	11,823,280	6,733,250				11,823,280
6/30/2028	11,943,500	11,824,030	11,944,250	11,824,780	6,735,500		23,648,810
6/30/2034	11,946,500	11,827,030	11,945,250	11,825,780	11,950,000	11,830,488	35,483,298
6/30/2040			11,946,500	11,827,030	11,947,250	11,827,738	23,654,768
6/30/2044					11,951,000	11,831,488	11,831,488

[1] Net of capitalized interest and debt service reserve fund interest earnings at 2% over the term of the bonds.

Financing Considerations

- The pledge of the new buildings and use of capitalized interest during construction is costly.
  - Approximately 25% of the County's average annual debt service payment is attributable to the cost of capitalized interest.
  - Thus, without capitalized interest, the County's annual debt payments would be reduced by approximately 25% - under the Single Building Concept average annual debt service is $27.5 million, a 25% reduction equates to approximately $20.6 million.

- Explore strategies to help minimize amount of capitalized interest.
  - Research availability of existing County facilities for asset pledge, reducing or eliminating the need for capitalized interest.
  - Explore interim financing solutions to help minimize capitalize interest (ie. Bond Anticipation Notes, Commercial Paper program, etc.) during construction period.

- Explore other forms of non-General Fund financing.
  - General Obligation Bonds backed by ad-valorem property taxes (requires 2/3 vote) or sales tax measures to raise additional available revenues.

- Evaluate impact of additional debt upon County's existing debt ratios.
  - Evaluate impact to credit rating(s) and future access to financing.

Detailed Cashflow Schedules

Single Building Concept: Estimated Annual Debt Service and Lease Cost and Revenues Schedule

Fiscal Year Ending	Total Debt Service	(A) Net[1] Debt Service	(B) Swing Space Lease Payments[2]	(C) Ground Lease Revenues[2]	(D) = A+B-C Net[3] Total Costs
6/30/2018					-
6/30/2019					-
6/30/2020	$20,682,250		$891,447		$891,447
6/30/2021	20,682,250		1,363,913		1,363,913
6/30/2022	20,682,250		1,404,831		1,404,831
6/30/2023	28,247,250	$15,069,481	1,446,976		16,516,457
6/30/2024	28,249,000	27,977,786	$243,527		28,221,313
6/30/2025	28,246,750	27,975,536		$1,388,864	26,586,672
6/30/2026	28,249,750	27,978,536		1,444,418	26,534,117
6/30/2027	28,246,750	27,975,536		1,502,195	26,473,341
6/30/2028	28,247,000	27,975,786		1,562,283	26,413,503
6/30/2029	28,249,250	27,978,036		1,624,774	26,353,261
6/30/2030	28,247,250	27,976,036		1,689,765	26,286,270
6/30/2031	28,250,000	27,978,786		1,757,356	26,221,430
6/30/2032	28,251,000	27,979,786		1,827,650	26,152,136
6/30/2033	28,249,000	27,977,786		1,900,756	26,077,030
6/30/2034	28,247,750	27,976,536		1,976,786	25,999,749
6/30/2035	28,250,750	27,979,536		2,055,858	25,923,678
6/30/2036	28,251,250	27,980,036		2,138,092	25,841,944
6/30/2037	28,247,750	27,976,536		2,223,616	25,752,920
6/30/2038	28,248,750	27,977,536		2,312,560	25,664,975
6/30/2039	28,247,250	27,976,036		2,405,063	25,570,973
6/30/2040	28,246,500	27,975,286		2,501,265	25,474,020
6/30/2041	28,249,500	27,978,286		2,601,316	25,376,970
6/30/2042	28,249,000	27,977,786		2,705,368	25,272,417
6/30/2043	28,248,000	27,976,786		2,813,583	25,163,202
6/30/2044	28,249,250	27,978,036		2,926,127	25,051,909
6/30/2045	28,250,250	27,979,036		3,043,172	24,935,864
6/30/2046	28,248,500	27,977,286		3,164,898	24,812,387
6/30/2047	28,251,500	27,980,286		3,291,494	24,688,791
6/30/2048	28,246,250	27,975,036		3,423,154	24,551,881
6/30/2049	28,250,250	13,853,286		3,560,080	10,293,205
6/30/2050				3,702,484	(3,702,484)
6/30/2051				3,850,583	(3,850,583)
6/30/2052				4,004,606	(4,004,606)
6/30/2053				4,164,790	(4,164,790)
6/30/2054				4,331,382	(4,331,382)
6/30/2055					
TOTAL:	**$824,762,250**	**$728,360,406**	**$5,350,694**	**$77,894,340**	**$655,816,760**

[1] Net of capitalized interest and debt service reserve fund interest earnings at 2% over the term of the bonds.

[2] Cost and Revenue estimates provided by the County.

[3] Net cost to County after making bond debt service and swing space lease payments and receiving ground lease revenues.

KNN public finance

Multiple Building Concept: Estimated Annual Debt Service and Lease Cost and Revenues Schedule

	FY 2019 Issuance		FY 2021 Issuance					
		(A)		(B)	(C)	(D)	(E)	(F) = A+B+C-(D+E)
Fiscal Year Ending	Total Debt Service	Net[1] Debt Service	Total Debt Service	Net[1] Debt Service	Swing Space Lease Payments[2]	Site 1 Ground Lease Revenues[2]	Site 2 Ground Lease Revenues[2]	Net[3] Total Costs
6/30/2018								-
6/30/2019								-
6/30/2020	$18,746,500				$678,976	$536,311		$142,665
6/30/2021	18,746,500				1,038,833	557,763		481,070
6/30/2022	18,746,500		$3,564,000		1,069,998	580,074		489,925
6/30/2023	25,606,500	$13,662,113	3,564,000			603,277	$536,311	12,522,525
6/30/2024	25,603,500	25,357,673	3,564,000			627,408	557,763	24,172,502
6/30/2025	25,603,500	25,357,673	4,869,000	$2,598,112		652,504	580,074	26,723,207
6/30/2026	25,605,500	25,359,673	4,868,750	4,821,996		678,604	603,277	28,899,788
6/30/2027	25,603,500	25,357,673	4,870,250	4,823,496		705,748	627,408	28,848,012
6/30/2028	25,606,750	25,360,923	4,868,250	4,821,496		733,978	652,504	28,795,936
6/30/2029	25,604,000	25,358,173	4,867,750	4,820,996		763,337	678,604	28,737,227
6/30/2030	25,604,500	25,358,673	4,868,500	4,821,746		793,871	705,748	28,680,799
6/30/2031	25,607,000	25,361,173	4,865,250	4,818,496		825,626	733,978	28,620,064
6/30/2032	25,605,250	25,359,423	4,868,000	4,821,246		858,651	763,337	28,558,680
6/30/2033	25,603,250	25,357,423	4,866,250	4,819,496		892,997	793,871	28,490,051
6/30/2034	25,604,750	25,358,923	4,865,000	4,818,246		928,717	825,626	28,422,826
6/30/2035	25,603,250	25,357,423	4,869,000	4,822,246		965,865	858,651	28,355,152
6/30/2036	25,602,500	25,356,673	4,867,750	4,820,996		1,004,500	892,997	28,280,172
6/30/2037	25,606,000	25,360,173	4,866,250	4,819,496		1,044,680	928,717	28,206,272
6/30/2038	25,607,000	25,361,173	4,869,250	4,822,496		1,086,467	965,865	28,131,336
6/30/2039	25,604,000	25,358,173	4,866,250	4,819,496		1,129,926	1,004,500	28,043,243
6/30/2040	25,605,500	25,359,673	4,867,250	4,820,496		1,175,123	1,044,680	27,960,366
6/30/2041	25,604,500	25,358,673	4,866,750	4,819,996		1,222,128	1,086,467	27,870,074
6/30/2042	25,604,250	25,358,423	4,869,500	4,822,746		1,271,013	1,129,926	27,780,230
6/30/2043	25,602,750	25,356,923	4,870,000	4,823,246		1,321,853	1,175,123	27,683,192
6/30/2044	25,603,000	25,357,173	4,868,000	4,821,246		1,374,728	1,222,128	27,581,563
6/30/2045	25,602,750	25,356,923	4,868,250	4,821,496		1,429,717	1,271,013	27,477,689
6/30/2046	25,604,750	25,358,923	4,865,250	4,818,496		1,486,905	1,321,853	27,368,660
6/30/2047	25,606,500	25,360,673	4,868,750	4,821,996		1,546,381	1,374,728	27,261,559
6/30/2048	25,605,500	25,359,673	4,868,000	4,821,246		1,608,237	1,429,717	27,142,965
6/30/2049	25,604,250	12,554,923	4,867,750	4,820,996		1,672,566	1,486,905	14,216,447
6/30/2050			4,867,500	4,820,746			1,546,381	3,274,364
6/30/2051			4,866,750	2,384,871			1,608,237	776,634
6/30/2052							1,672,566	(1,672,566)
6/30/2053								-
6/30/2054								-
6/30/2055								-
TOTAL:	**$747,564,000**	**$660,185,105**	**$142,121,250**	**$125,507,622**	**$2,787,808**	**$30,078,953**	**$30,078,953**	**$728,322,629**

[1] Net of capitalized interest and debt service reserve fund interest earnings at 2% over the term of the bonds.

[2] Cost and Revenue estimates provided by the County.

[3] Net cost to County after making bond debt service and swing space lease payments and receiving ground lease revenues.

Deferred Maintenance: Estimated Annual Debt Service

	FY 2019 Issuance		FY 2022 Issuance		FY 2025 Issuance		
		(A)		(B)		(C)	(D) = A+B+C
Fiscal Year Ending	Total Debt Service	Net[1] Debt Service	Total Debt Service	Net[1] Debt Service	Total Debt Service	Net[1] Debt Service	Net Total Costs
6/30/2018							-
6/30/2019							-
6/30/2020	$6,733,250						-
6/30/2021	6,733,250						-
6/30/2022	6,733,250						-
6/30/2023	11,943,250	$7,156,090	$6,733,250				7,156,090
6/30/2024	11,942,750	11,823,280	6,733,250				11,823,280
6/30/2025	11,944,250	11,824,780	6,733,250				11,824,780
6/30/2026	11,947,000	11,827,530	11,943,250	$7,156,090	$6,735,500		18,983,620
6/30/2027	11,945,250	11,825,780	11,942,750	11,823,280	6,735,500		23,649,060
6/30/2028	11,943,500	11,824,030	11,944,250	11,824,780	6,735,500		23,648,810
6/30/2029	11,946,000	11,826,530	11,947,000	11,827,530	11,950,500	$7,161,730	30,815,790
6/30/2030	11,941,750	11,822,280	11,945,250	11,825,780	11,949,750	11,830,238	35,478,298
6/30/2031	11,945,250	11,825,780	11,943,500	11,824,030	11,951,000	11,831,488	35,481,298
6/30/2032	11,945,250	11,825,780	11,946,000	11,826,530	11,948,500	11,828,988	35,481,298
6/30/2033	11,946,000	11,826,530	11,941,750	11,822,280	11,946,750	11,827,238	35,476,048
6/30/2034	11,946,500	11,827,030	11,945,250	11,825,780	11,950,000	11,830,488	35,483,298
6/30/2035	11,945,750	11,826,280	11,945,250	11,825,780	11,947,250	11,827,738	35,479,798
6/30/2036	11,942,750	11,823,280	11,946,000	11,826,530	11,948,000	11,828,488	35,478,298
6/30/2037	11,946,500	11,827,030	11,946,500	11,827,030	11,951,250	11,831,738	35,485,798
6/30/2038	11,945,500	11,826,030	11,945,750	11,826,280	11,946,000	11,826,488	35,478,798
6/30/2039	11,943,750	5,850,780	11,942,750	11,823,280	11,946,750	11,827,238	29,501,298
6/30/2040			11,946,500	11,827,030	11,947,250	11,827,738	23,654,768
6/30/2041			11,945,500	11,826,030	11,946,500	11,826,988	23,653,018
6/30/2042			11,943,750	5,850,780	11,948,500	11,828,988	17,679,768
6/30/2043					11,947,000	11,827,488	11,827,488
6/30/2044					11,951,000	11,831,488	11,831,488
6/30/2045					11,949,000	5,853,863	5,853,863
6/30/2046							
6/30/2047							
6/30/2048							
6/30/2049							
6/30/2050							
6/30/2051							
TOTAL:	$223,260,750	$190,388,820	$223,260,750	$190,388,820	$223,331,500	$190,448,405	$571,226,045

[1] Net of capitalized interest and debt service reserve fund interest earnings at 2% over the term of the bonds.

Attachment 2 Preliminary Costs Estimates

Preliminary Costs Concept 1	Preliminary Costs
Construction costs included in KNN Bond Financing Analysis: Adminstration Building: 5 stories 64,710 s.f. each, Morgue & Public Health Lab Building: 2 stories 13,225 s.f. each, Site Clearing & Demolition, Subsurface Improvements, Parking Lots and Central Mechanical Plant at MADF & Sheriff. Includes costs for, Design, Construction, Furniture and Move Costs	**$349,865,382**
Construction costs not included in KNN Bond Financing Analysis: Health & Human Services Building: 5 stories 30,000 s.f. each and Swing space costs	**$142,778,074**
Total	**$492,643,456**

Preliminary Costs Concept 2	Preliminary Costs
Building Construction includes: Administration Building 1a & 1b: 5 stories 33,000 s.f. each, Morgue & Public Health Lab Building: 2 stories 13,225 s.f. each, Site Clearing & Demolition, Subsurface Improvements, Parking Lots and Central Mechanical Plant at MADF & Sheriff. Includes costs for Swing Space, Design, Construction, Furniture and Move Costs	**$375,497,004**
Construction costs not included in KNN Bond Financing Analysis: Health & Human Services Building: 5 stories 28,000 s.f. each and Swing space costs	**$145,882,681**
Total	**$521,379,684**

Concept 1 Capital Costs: Swing Space

DESCRIPTION	Size	Unit	$/Unit	Amount	Notes
SWING SPACE CONSTRUCTION COSTS (GOVERNMENTAL)					
Leased space for 3 years					
Swing Space for Ag & PRMD: Lease & TI Costs	40,790	s.f.	$90	$3,671,100	1 & 3
Move costs for Ag & PRMD	143	FTE	$12,000	$1,716,000	2
Subtotal Building Construction				$5,387,100	
SUBTOTAL CONSTRUCTION COST				**$5,387,100**	
CONTINGENCIES					
Soft Costs 30%				$1,616,130	
Design Fees 8%				$560,258	
Construction Contingency 7%				$529,444	
Subtotal contingencies				**$2,705,833**	
Subtotal Construction Costs & Contigencies				**$8,092,933**	
ESCALATION					
11.25% to mid point of construction				$910,455	
TOTAL PROJECT COSTS				**$9,003,388**	

Notes

1. Includes min TI improvements
2. Move costs x2
3. Leased space assumptions: 3 year full service lease at $2.50 per s.f. per month = 2.50 x 12 x 3= 90 s.f.

Concept 1 Capital Costs: Administration, Morgue & Public Health Lab Buildings

DESCRIPTION	COSTS				
	Size	Unit	$/Unit	Amount	Notes
CONSTRUCTION COSTS					
Building Construction (Governmental)					1
Adminstration Building: 5 stories 64,710 s.f. each (ZNE Core + TI)	323,550	s.f.	$482	$155,951,100	
Morgue & Public Health Lab Building: 2 stories 13,225 s.f. each (ZNE Core + TI)	26,450	s.f.	$682	$18,038,900	
Subtotal Building Construction				$173,990,000	
Site Clearing & Demolition	1	l.s.	$977,608	$977,608	
Subsurface Improvements	1	l.s.	$680,383	$680,383	
Surface Improvements: includes Central Mechanical Plant at MADF & Sheriff	1	l.s.	$13,318,222	$13,318,222	
SUBTOTAL CONSTRUCTION COST				**$188,966,213**	
CONTINGENCIES					
Soft Costs 30%				$56,689,864	
Design Fees 8%				$19,652,486	
Construction Contingency 7%				$18,571,599	
Furnishing & Relocation Costs 6%				$11,337,973	
Project Labor Agreement Costs 7%				$13,227,635	
Subtotal contingencies				**$119,479,557**	
Subtotal Construction Costs & Contigencies				**$308,445,770**	
ESCALATION					
11.25% to mid point of construction				$34,700,149	
TOTAL PROJECT COSTS				**$343,145,919**	

Notes

1. 323,550 s.f Governmental, 150,000 Leased Governmental

Concept 1 Capital Costs: Human & Health Services Building

DESCRIPTION	COSTS				
	Size	Unit	$/Unit	Amount	Notes
CONSTRUCTION COSTS					
Building Construction (Leased Governmental)					1
Health & Human Services Building: 5 stories 30,000 s.f. each (ZNE Core + TI)	150,000	s.f.	$482	$72,300,000	
Subtotal Building Construction				$72,300,000	
Site Clearing & Demolition	1	l.s.	$418,975	$418,975	
Subsurface Improvements	1	l.s.	$291,592	$291,592	
Surface Improvements	1	l.s.	$657,498	$657,498	
SUBTOTAL CONSTRUCTION COST				**$73,668,065**	
CONTINGENCIES					
Soft Costs 30%				$22,100,420	
Design Fees 8%				$7,661,479	
Construction Contingency 7%				$7,240,097	
Furnishing & Relocation Costs 6%				$4,420,084	
Project Labor Agreement Costs 7%				$5,156,765	
Subtotal contingencies				**$46,578,844**	
Subtotal Construction Costs & Contigencies				**$120,246,909**	
ESCALATION					
11.25% to mid point of construction				$13,527,777	
TOTAL PROJECT COSTS				**$133,774,686**	

Notes

1. 323,550 s.f Governmental, 150,000 Leased Governmental

Concept 1 Capital Costs: Parking Lot

DESCRIPTION	COSTS			
	Size	Unit	$/Unit	Amount
CONSTRUCTION COSTS				
Site Clearing & Demolition	1	l.s.	$946,534	$946,534
Subsurface Improvements	1	l.s.	$180,000	$180,000
Surface Improvements	1	l.s.	$2,715,000	$2,715,000
SUBTOTAL CONSTRUCTION COST				**$3,841,534**
CONTINGENCIES				
Soft Costs 30%				$1,152,460
Design Fees 8%				$399,520
Construction Contingency 7%				$377,546
Project Labor Agreement Costs 7%				$268,907
Subtotal contingencies				**$2,198,433**
Subtotal Construction Costs & Contigencies				**$6,039,967**
ESCALATION				
11.25% to mid point of construction				$679,496
TOTAL PROJECT COSTS				**$6,719,463**

Concept 2 Capital Costs: Swing Space Costs

DESCRIPTION	COSTS				
	Size	Unit	$/Unit	Amount	Notes
SWING SPACE CONSTRUCTION COSTS (GOVERNMENTAL)					
Option 2: Leased space for 3 years					
Swing Space for PRMD: Lease & TI Costs	32,000	s.f.	$90	$2,880,000	1 & 3
Move costs for PRMD	120	FTE	$12,000	$1,440,000	2
Subtotal Building Construction				$4,320,000	
SUBTOTAL CONSTRUCTION COST				**$4,320,000**	
CONTINGENCIES					
Soft Costs 30%				$1,296,000	
Design Fees 8%				$449,280	
Construction Contingency 7%				$424,570	
Subtotal contingencies				**$2,169,850**	
Subtotal Construction Costs & Contigencies				**$6,489,850**	
ESCALATION					
11.25% to mid point of construction				$730,108	
TOTAL PROJECT COSTS				**$7,219,958**	

Notes

1. Includes min TI improvements
2. Move costs x2
3. Leased space assumptions: 3 year full service lease
at $2.50 per s.f. per month = 2.50 x 12 x 3= 90 s.f.

Concept 2 Capital Costs: Adminstration Building 1a

DESCRIPTION	COSTS			
	Size	Unit	$/Unit	Amount
CONSTRUCTION COSTS				
Building Construction (Governmental)				
Admin Building 1a: 5 stories 33,000 s.f. each (ZNE Core + TI)	165,000	s.f.	$482	$79,530,000
Subtotal Building Construction				$79,530,000
Site Clearing & Demolition	1	l.s.	$1,043,311	$1,043,311
Subsurface Improvements	1	l.s.	$653,295	$653,295
Surface Improvements	1	l.s.	$6,120,450	$6,120,450
SUBTOTAL CONSTRUCTION COST				**$87,347,056**
CONTINGENCIES				
Soft Costs 30%				$26,204,117
Design Fees 8%				$9,084,094
Construction Contingency 7%				$8,584,469
Furnishing & Relocation Costs 6%				$5,240,823
Project Labor Agreement Costs 7%				$6,114,294
Subtotal contingencies				**$55,227,797**
Subtotal Construction Costs & Contigencies				**$142,574,853**
ESCALATION				
11.25% to mid point of construction				$16,039,671
TOTAL PROJECT COSTS				**$158,614,523**

Note

See ROM Estimate Worksheet for Site Clearing & Demolition, Subsurface Improvementsand Surface Improvements detail

Concept 2 Capital Costs: Administration Building 1b

DESCRIPTION	COSTS			
	Size	Unit	$/Unit	Amount
CONSTRUCTION COSTS				
Building Construction (Governmental)				
Admin Building 1b: 5 stories 33,000 s.f. each (ZNE Core + TI)	165,000	s.f.	$482	$79,530,000
Subtotal Building Construction				$79,530,000
Site Clearing & Demolition	1	l.s.	$1,178,220	$1,178,220
Subsurface Improvements	1	l.s.	$483,690	$483,690
Surface Improvements	1	l.s.	$3,333,670	$3,333,670
SUBTOTAL CONSTRUCTION COST				**$84,525,580**
CONTINGENCIES				
Soft Costs 30%				$25,357,674
Design Fees 8%				$8,790,660
Construction Contingency 7%				$8,307,174
Furnishing & Relocation Costs 6%				$5,071,535
Project Labor Agreement Costs 7%				$5,916,791
Subtotal contingencies				**$53,443,834**
Subtotal Construction Costs & Contigencies				**$137,969,414**
ESCALATION				
16.25% to mid point of construction				$22,420,030
TOTAL PROJECT COSTS				**$160,389,443**

Note

See ROM Estimate Worksheet for Site Clearing & Demolition, Subsurface Improvementsand Surface Improvements detail

Concept 2 Capital Costs: Health & Human Services Building

DESCRIPTION	COSTS			
	Size	Unit	$/Unit	Amount
CONSTRUCTION COSTS				
Building Construction				
Health & Human Services Building: 5 stories 28,000 s.f. each (ZNE Core + TI) (Leased Governmental)	140,000	s.f.	$482	$67,480,000
Subtotal Building Construction				$67,480,000
Site Clearing & Demolition	1	l.s.	$789,127	$789,127
Subsurface Improvements	1	l.s.	$229,000	$229,000
Surface Improvements	1	l.s.	$1,564,000	$1,564,000
SUBTOTAL CONSTRUCTION COST				**$70,062,127**
CONTINGENCIES				
Soft Costs 30%				$21,018,638
Design Fees 8%				$7,286,461
Construction Contingency 7%				$6,885,706
Furnishing & Relocation Costs 6%				$4,203,728
Project Labor Agreement Costs 7%				$4,904,349
Subtotal contingencies				**$44,298,882**
Subtotal Construction Costs & Contigencies				**$114,361,009**
ESCALATION				
21.25% to mid point of construction				$24,301,714
TOTAL PROJECT COSTS				**$138,662,723**

Note

See ROM Estimate Worksheet for Site Clearing & Demolition, Subsurface Improvementsand Surface Improvements detail

Concept 2 Capital Costs: Morgue & Public Health Lab Building

DESCRIPTION	COSTS			
	Size	Unit	$/Unit	Amount
CONSTRUCTION COSTS				
Building Construction				
Moruge & Public Health Lab Building: 2 stories 13,225 s.f. each (ZNE Core + TI) (Governmental)	26,450	s.f.	$682	$18,038,900
Subtotal Building Construction				$18,038,900
Site Clearing & Demolition	1	l.s.	$197,282	$197,282
Subsurface Improvements	1	l.s.	$229,000	$229,000
Surface Improvements: includes New Central Plant for MADF & Sheriff	1	l.s.	$10,079,060	$10,079,060
SUBTOTAL CONSTRUCTION COST				**$28,544,242**
CONTINGENCIES				
Soft Costs 30%				$8,563,273
Design Fees 8%				$2,968,601
Construction Contingency 7%				$2,805,328
Furnishing & Relocation Costs 6%				$1,712,655
Project Labor Agreement Costs 7%				$1,998,097
Subtotal contingencies				**$18,047,953**
Subtotal Construction Costs & Contigencies				**$46,592,195**
ESCALATION				
21.25% to mid point of construction				$9,900,842
TOTAL PROJECT COSTS				**$56,493,037**

Note

See ROM Estimate Worksheet for Site Clearing & Demolition, Subsurface Improvements and Surface Improvements detail

Attachment 3: Project Delivery Comparisons
Updated 4/16/18

Performance Based Infrastructure Projects				
	City of Long Beach New Civic Center	**Napa**	**Santa Clara County**	**Contra Costa County**
General Project Description	New Main Downtown Library, City Hall and Port Building to replace existing seismically unsafe facilities. New parking facility and revitalization of Lincoln Park. • An 11 story 254,000 sq.ft. City Hall • An 11 story 237,000 sq.ft. Port Headquarters Building • A two story 92,500 sq.ft. Main Library • A 73,000 sq.ft. Civic Plaza • New underground parking with 469 spaces • Central utility plant • A three rooftop solar array system to provide up to 25% of the Civic Center energy needs • Revitalized City Lincoln Park. • Total Civic sq.ft. = 583,500	New Public Safety and City Administration Building • Civic Center: new 112,193 sq.ft., three floor building housing City Administration includes City Council Chambers, City Council, City Manager, City Clerk, City Attorney, Human Resources, Finance, Community Development, Public Works, Fire Prevention, and Parks & Recreation • City of Napa Fire Station #1: new 13,167 sq.ft. , two story building • Clay Street Garage Expansion: additional 114,200 garage addition. Adds 271 parking spaces • Total Civic sq.ft. = 239,560	New Civic Campus • 1.15 million square feet rehabilitated, replacement or new facilities • Site A (Richey Site): 500,000 sq.ft office space for public safety and justice services, 2,400 parking space multi-level garage, Central Plant, Logistics Hub, street and onsite improvements. Demolition of existing buildings. 8.9 acres • Site B County Campus: Office space and structured parking. 4.5 acres • Site C County Campus: Office space and structured parking. 10.3 acres • Site D Development & Urban Village: Mixed Use Development and structured parking. 16.3 acres • Total Civic sq.ft. = 1.15 million	Rodeo Downtown • Development plans for two locations including new town plaza. • Site A - 1.5 acre vacant County owned property with three parcels. Residential mixed use, commercial and artist live-work development. (former RDA site) • Site B - 189/199 Parker Avenue, 12,500 sq. ft. parcel with existing 5,063 sq. ft. building located west of the Town Plaza site. Relocate senior center. • Requirement for 15% affordable, subject to negotiation. • Total Civic sq ft. = TBD
Site Acreage	15.8 acres Civic: City Hall 2.82 acres, Port 0.61 acres, Library 4.91 acres (includes Lincoln Park) Private Development: 7.46 acres	4.71 acres Civic: 1.23 acres (doesn't include Fire Station or Parking acreage) Private Development: 3.48 acres (Superblock)	55 acres Civic Development 23 acres Site A: 8.9 acres Site B: 4.5 acres Site C: 10.3 acres Private Development Sites D & E: 6.5 + 9.8 acres = 16.3 acres	1.6 acres Site A: 1.5 acres Site B; 12,500 sq. ft.
Agreement	DBFOM Design/Bid/Build/Finance/Operate & Maintain	DBFOM Design/Bid/Build/Finance/Operate & Maintain	Design Build	Lease Revenue Bonds
Entities	Plenary Edgemoor Civic Partners (PECP)	Plenary Properties Napa (PPN) ownership entity consisting of Plenary, Stanford Hotels Corp., Cresleigh Homes Inc	Lowe Enterprises Real Estate Group	In RFQ/RFP process. Issued December 2016. Did not receive acceptable responses and are now reviewing project with developers
Commercial Development Components	3rd & Pacific: multi-family residential with up to 200 units with 250 parking spaces. Center Block: 2 building mixed use. Up to 580 residential units, 32,000 s.f. retail, 200 room hotel, 725 parking spaces. 10% units affordable to moderate income residents	Hotel Development in partnership with Stanford Hotels Corp: 200 minimum rooms 4 star hotel on 2.2 acres 60 minimum Residential Units on 1.25 acres Developed and owned by Cresleigh Homes Inc. Retail on Superblock site Hotel total s.f. = 222,000 Residential s.f. =102,235 Total = 324,235	Mixed use development on North First Street. Approximately 2 to 2.2 million GSF Private Development or Future Growth	Mixed use development in unincorporated Rodeo downtown.
Project Costs: Construction, Permitting, Management and Relocation	$300.7 million	$110.2 million	$150 million	Not yet defined.
Total Debt Service Cost	$531 million	Not public information.	To be determined in Phase D - Financing & Preconstruction.	Not yet defined.
Annual Debt Service & Term	$12.6 million for City Hall and Library only 43 year	$5.8 million 40 year	County intends to debt finance	Not yet defined.
Cost per Square Foot	$21	$24	Not yet defined.	Not yet defined.

	City of Long Beach New Civic Center	Napa	Santa Clara County	Contra Costa County
Cost for Leasing Class A Office Space in Area	Range of $27 to $36			
Government Finance Sources	City Cash: $18.78 million Land Sales: $21.7 million	Transient Occupancy Tax: $2,730,155 Land Sales $14.35m	Not planning on selling land.	Lease Revenue Bonds
Build-to-Suit Projects				
	County of Alameda Social Services Building	**City of Alameda Landing and Bayport**		
General Project Description	Mixed use commercial and residential development.	700,000 square foot retail and office on former naval base. Includes 889 units of residential (22% affordable) and elementary school		
Site Acreage	2000 San Pablo Ave. Oakland CA 94612	218 acres, includes 72 acres for residential and 11 acres for public park		
Commercial Development Components	88 residential units and 150 stall parking structure	300,000 square feet of Retail space, 400,000 square feet of Office space,		
Project Costs: Construction, Permitting, Management and Relocation	$80 million Cost was $44.35 per square foot	$90 million of new infrastructure Total project costs not available		
Debt Service & Term (if applicable)	County paying 30 years of rent totaling $136 million with a buyout option for $19 million	Not available		
Developer Finance Sources	$51.7 million in tax free public bond financing along with private loans	Not available		
Government Finance Sources				
Deferred Maintenance Programs				
	State of California General Services –K-12 School Deferred Maintenance program	**City of San Jose Facility Management Division of Public Works Deferred Maintenance Program**		
General Project Description	Program identified 11 categories described in the Education Code Section 17582. Included building systems without which the building could not function including: asbestos abatement, lighting, electrical, floor coverings, HVAC, lead paint abatement, painting, paving, plumbing, roofing, UST remediation, and wall systems. Program is inactive now	Deferred maintenance on 400 buildings with 5 million square feet. Program increased to improve 90% of Preventative Maintenance activities from the 38% Preventative Maintenance program in FY 2011-12. (not bond funded)		
Project Costs: Construction, Permitting, Management and Relocation	$254,430,098	Deferred maintenance backlog of $147 million		
Government Finance Sources	Bond financing to school districts and County offices of education for 5 year program from FY 2008-09 – FY 2012-13.	Funding through General Fund and Construction and Conveyance Taxes		

Enhanced Infrastructure Financing District				
	West Sacramento County	**City of Los Angeles**	**Santa Clara Valley Transportation Authority & Bay Area Rapid Transit**	**City of San Diego Otay Mesa Public Infrastructure**
General Project Description	The city of West Sacramento is working with the city of Sacramento to construct the Broadway Bridge connecting West Sacramento with Sacramento. The cities have created an EIFD authorized to issue bonds secured by tax increment revenues to pay for the construction. Enhanced Infrastructure Financing District is a means of capturing tax increments for the purpose of infrastructure investments. The bridge is part of a 2009 Bridge District Specific Plan, covering a 188-acre former industrial and rail yard site. The plan includes 4,000 housing units and 5,000,000 square feet of commercial and retail space by 2035. The new Sacramento River crossing will accommodate motor vehicles; transit, including buses and a proposed light rail system; bikes; and pedestrians. The EIFD will implement Measure G, an advisory measure approved by voters that allows West Sacramento to use revenue received from the dissolution of its Redevelopment Agency to "continue funding community investment projects such as streets, bridges, transportation, parks, and public infrastructure.	Los Angeles River Revitalization EIFD is in the planning stage. The project area is an 11-mile segment of the 48-mile L.A. River, which includes Elysian Park Bridge, Broadway Arterial Green Street, the eastern end of the Los Angeles State Historic Park and the Cornfields site. The overall objective is to make the river a community amenity by investing in housing, commercial, and recreational developments.	The Santa Clara Valley Transportation Authority (VTA) and Bay Area Rapid Transit (BART) are working to create an EIFD as part of the funding strategy for Phase II of the BART to Silicon Valley Extension plan. Phase II will build the four stations and five-mile tunnel through downtown San Jose that completes the 16-mile extension to San Jose.	The Otay Mesa EIFD will encompass the entire Community Plan Area, which is comprised of residential, industrial, commercial, office, and other land uses, as well as vacant land. Proposed project types include Transportation, Park, Police, Fire, Library, Water & Sewer. The Otay Mesa EIFD is located in the City of San Diego bounded by the Otay River Valley and the City of Chula Vista on the north, an unincorporated area of San Diego (County) to the east, the international border with Mexico and the City of Tijuana on the south, and Interstate 805 (I–805) on the west.
District Acreage or Area	4,144 acres	Boundary of District: one mile on either side of 32 miles of the Los Angeles River as it flows through the City of Los Angeles	To be determined	9,285 acres approximately
Agreement	Infrastructure Financing Plan	Infrastructure Financing Plan	Creating a Community Facilities District and forming an EIFD will begin in 2017. This EIFD, with the ability to issue TIF bonds, will use some of the growth in tax revenue resulting from increased business activity and property value along the BART system to fund its expansion.	Infrastructure Financing Plan
Entities	Public Finance Authority	Public Finance Authority	Public Finance Authority	Public Finance Authority
Project Costs: Construction, Permitting, Management and Relocation	$1.8 billion	First 11 mile segment: $40 million $5.78 billion total project costs	$4.7 billion	$1.1 billion
Financing District Members	City of West Sacramento	City and County of Los Angeles, Universal City, Cities of Burbank, Glendale and Vernon	To be determined	three (3) City of San Diego Council members and two (2) public members
Financing District Potential Yield over 45 year term	$2 billion	$2.3 billion	$70 million	$1.192 billion