

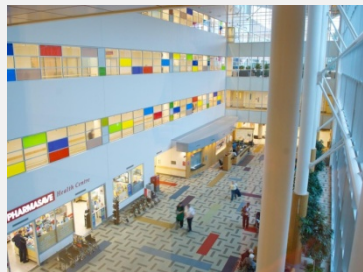
# Multnomah County Courthouse Project

Presentation to the Multnomah County Board of Commissioners

Sarah Clark, President & CEO, Partnerships BC

Mark Pucsek, Project Director, Partnerships BC

February 26, 2013



# Agenda

---

- Introduction
- Project Background
- Early Screen
- Conclusions
- Next Steps
- Questions

# Partnerships BC ~ History

- Established in 2002 to develop provincial approach to alternate procurement methods
- Serves governments and public sector agencies through the planning, delivery and oversight of major infrastructure projects
- 35 projects to date: \$12.5B+ in value with \$5B+ private capital at risk
  - Origins in health care and transportation projects
  - Projects have generated significant benefits for taxpayers
  - New sectors include social housing, justice, energy, advanced education, schools

# Partnerships BC ~ At a Glance

- Board: oversight and governance
- Commercially independent – cost recovery
  - Fee for service (consulting model)
  - Exclusively advises the public sector
  - > 15% outside Provincial Entity
- Involved in:
  - Planning
  - Procurement analysis
  - Procurement management
  - Design and construction oversight
  - Contract administration

# Canadian PPP Defined

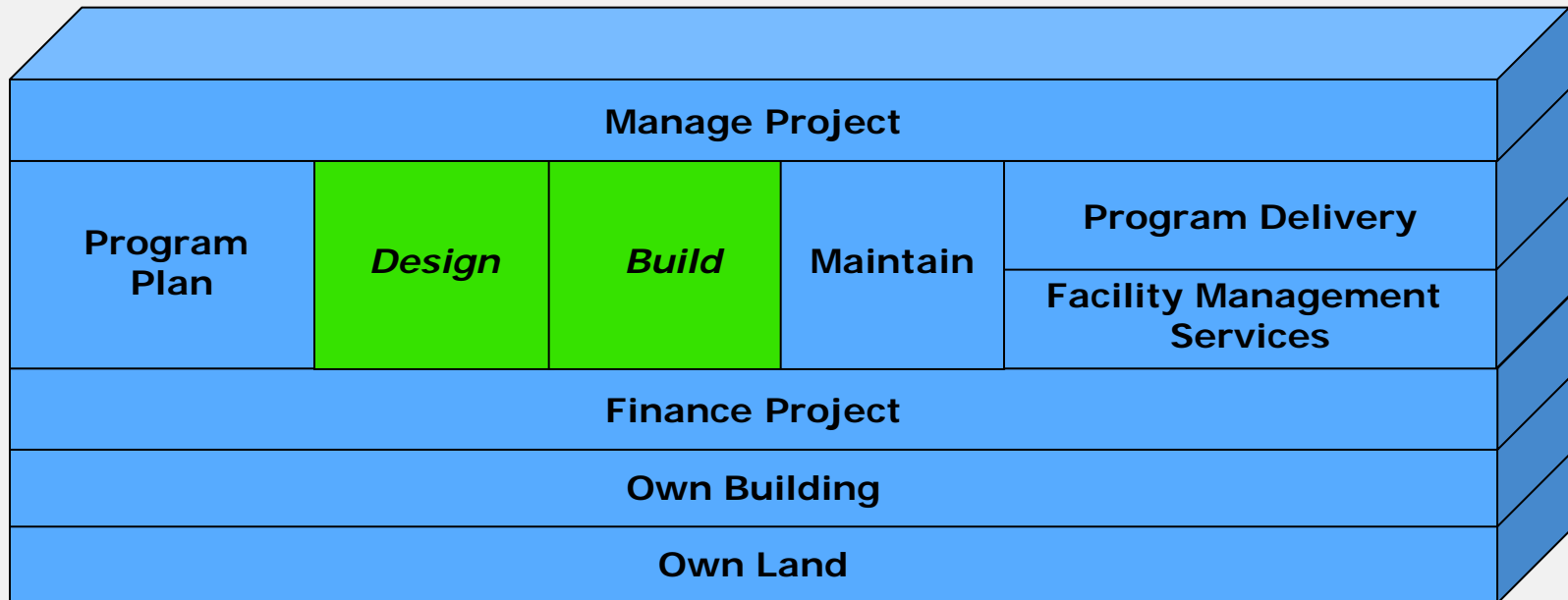
- Long-term, performance based contract
  - Combines design, build, maintain/rehabilitate and often finance
  - Government retains ownership and control
  - Risk transfer and innovation
  - Life cycle planning
- Objectives
  - Fair, open and transparent competitive process
  - Delivers value for taxpayer's dollars
  - Public interest served

# What Canadian PPPs are not

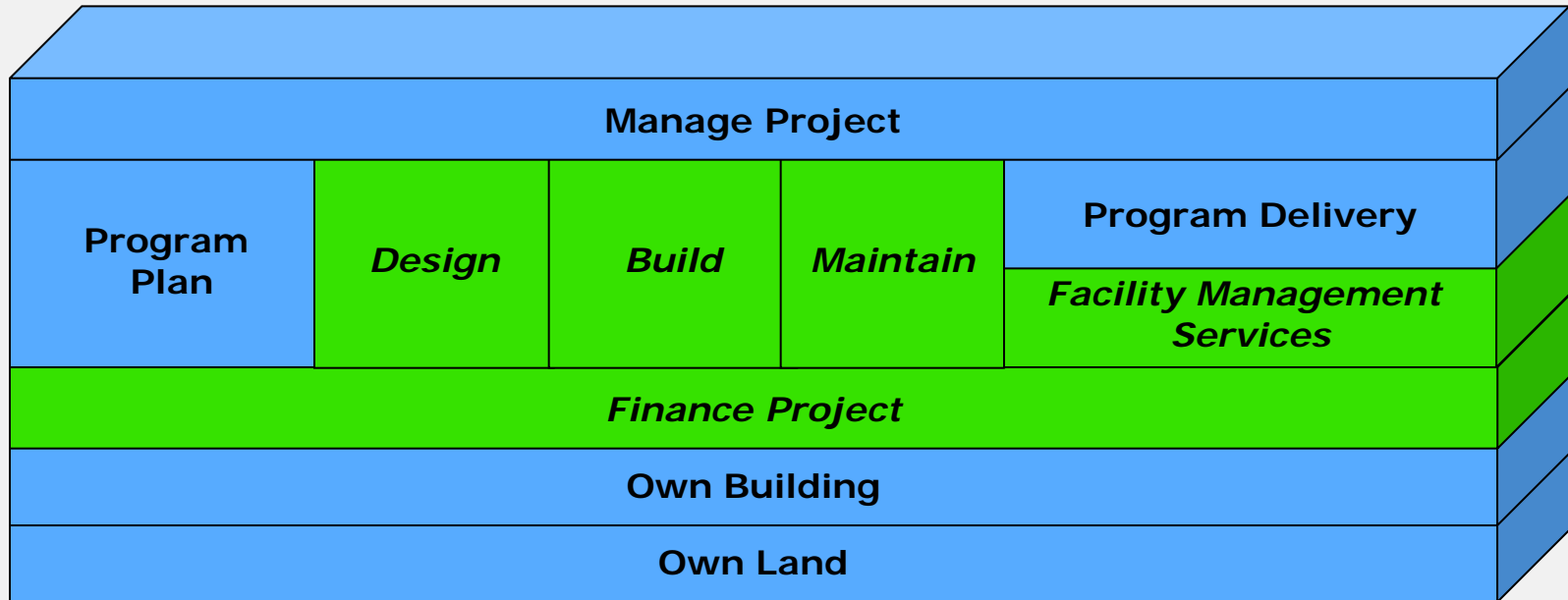
---

- An asset sale
- An off book transaction
- Loss of control of government asset
- Programming is still provided by province – i.e. health care, education

# Traditional Delivery Model



# Partnership Delivery Model





# Ingredients for a Successful Program

- Political and stakeholder support
- Enabling policy framework
- Centre of Expertise that works for both sides
- Focus on best practices
  - Commercial terms
  - Consistency and transparency
  - Appropriate risk allocation
  - Disclosure



# Health Care & Education Sectors







# Transportation & Rapid Transit







# Accommodations & Resource Sectors



# Multnomah Courthouse Background

---

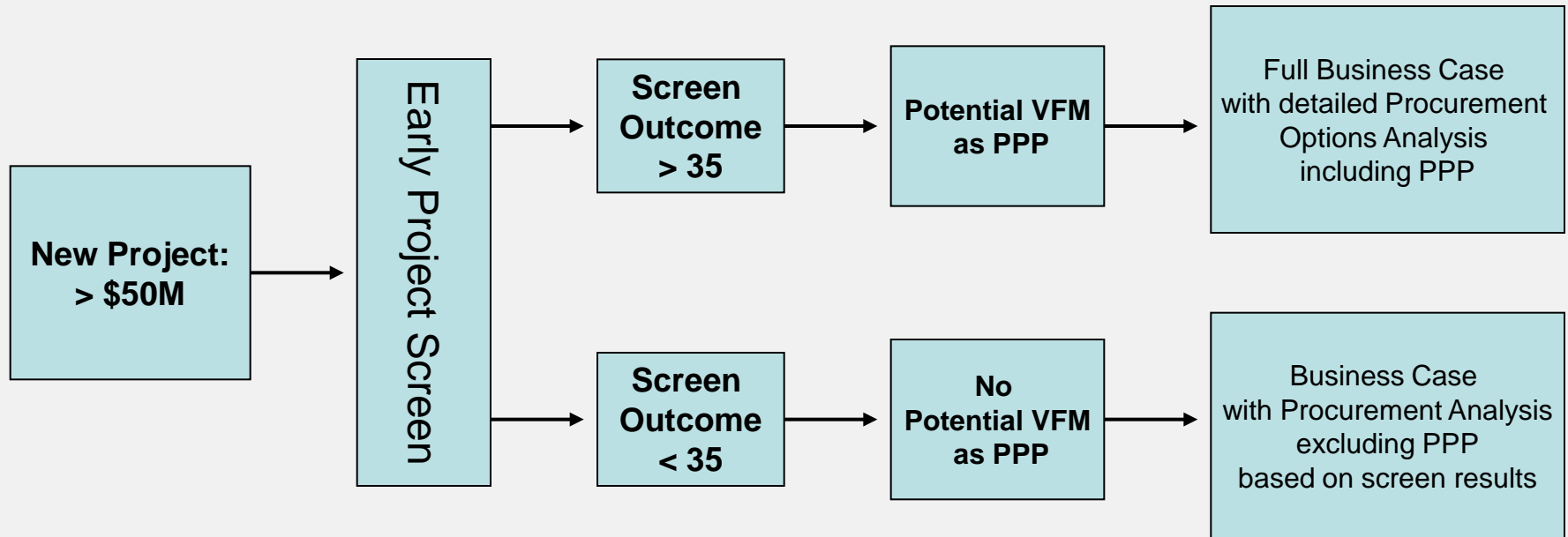
- Courthouse is approximately 100 years old
- National Register of Historic Places
- Eight-storey building with approximately 300,000 sf
- Operationally and functionally obsolete
- Does not meet seismic code requirements
- Two project delivery options under consideration
  - Renovate and modernize
  - New build in the downtown



# Project Options

- Renovate and modernize
  - Assume building substantially gutted and renewed
  - Continued court operations during construction
  - Major renovation less complex if building is vacant
  - Phased project over 4 to 6 year period
- New Build
  - Downtown site location TBD
  - Build to current standards
  - Major move upon completion
  - Repurpose or sell existing courthouse

# Where the Early Screen Fits



# Early Screen Basics

- Goal is to assess potential to realize value for taxpayers early in the planning process
- Informs whether further analysis should include a partnership option
- High-level screen of relevant project characteristics
- Assess likelihood of a project benefiting from PPP procurement based on:
  - Understanding of Partnership benefits
  - Unique Project Characteristics
  - Identifying potential impediments early-on



# Early Screen Basics

- Potential Benefits of PPP Procurement
  - Effective Risk Transfer
    - Effective allocation of risk to party best able to manage it
  - Schedule and Cost Certainty
    - Performance based availability model
  - Integration
    - Design, construction, operations and maintenance, and rehabilitation
  - Innovation
    - Output specifications based on performance requirements not detailed design

# Early Screen – Assessed Scores

Criteria	Renovation	New Build
1. Timeline	1 – 5	5
2. Legislative and Legal	3	3
3. Construction Cost	4	4
4. Term Duration	5	5
5. Operating Costs	4	4
6. Rehabilitation Cost	3	3
7. Output specification	1 – 3	5
8. Complexity	3 – 5	4
9. Renovation	1	5
10. Ownership	5	5
Total	30 – 38	43

# Early Screen – Timeline

- Completion on time or earlier is important for both options
- Assume both Renovation and New Build could be completed in 4 to 6 years
- Faster completion would reduce duration of impacts on commercial activities and traffic flows
- Phasing and move timing is critical
- Range is due to extent of vacancy
  - Schedule risks more manageable if building is vacant

Renovation	New Build
1 – 5	5

# Early Screen – Legislative, Policy and Legal

- Could be first partnership project for State and County
- Impediments to long term contracting include:
  - Ability to enter into multi-year agreements that bind future governments
  - Bid exemption statute
- Assume these are manageable

Renovation	New Build
3	3

# Early Screen – Construction Cost

- Order of magnitude estimates are similar
- 2012\$ from inici group report
  - New Build: \$181 to \$207 million
  - Renovation: \$151 to \$190 million (excludes renovation of existing courthouse)

Renovation	New Build
4	4

# Early Screen – Term Duration

- Both options are long-term facility investments
- Term of 20 years or more can reasonably be expected
- Consistent with other major facilities
- Long Beach Courthouse is 35 year term

Renovation	New Build
5	5

# Early Screen – Operations & Maintenance Costs

- Both options are similar based on order of magnitude estimates from inici group report and estimates for the existing courthouse
- New build should produce a more efficient building than a renovation

Renovation	New Build
4	4

# Early Screen – Rehabilitation Cost

- Both options are similar based on order of magnitude estimates from inici group report and estimates for the existing courthouse
- New build should produce a more efficient building than a renovation

Renovation	New Build
3	3



# Early Screen – Project Specification

- Anticipate that both options would have similar specialized requirements resulting in prescriptive specification
- Performance based requirements offer opportunity for innovations in design, construction and ongoing operations
- New Build will have less constraints than Renovation
- Renovation has constraints imposed by existing facility
- A partially occupied facility may cause compromise on program, design and long term asset performance

Renovation	New Build
1 – 3	5

# Early Screen – Complexity & Innovation

- Both project options involve complex building solutions
- New build has opportunities for innovation across all aspects of the project and facility lifecycle: design, construction, operations, rehabilitation and hand back
- Renovation has added complexity in construction logistics, phasing, and site constraints
- Range relates to working within an existing building and the extent of occupancy

Renovation	New Build
3 – 5	4

# Early Screen – Renovation

- Renovation carries existing condition risk
- Assumption is that the building will be totally gutted and fully renewed whether partially occupied or fully vacant
- Fully vacant building reduces risks related to interim occupancy conditions, schedule and performance penalties
- Extent of occupancy influences risk profile and market appeal

Renovation	New Build
1	5

# Early Screen – Ownership

- Both options assume the facility will be under public ownership
- No residual risk for private partner at end of term

Renovation	New Build
5	5

# Conclusions

---

- New Build option warrants business case analysis partnership procurement model
- Renovation option requires assessment of:
  - Ability to provide a long-term solution
  - Building conditions
  - Practicality and extent of occupancy during construction
    - Renovation while court services remain in occupancy may not warrant further consideration of a partnership model

# Next Steps

- Select preferred option: new build or renovation
- Score of 35+ supports detailed business case procurement evaluation, including:
  - Program, indicative design, schedule and detailed cost estimates
  - Procurement assessment of traditional and potential partnership models (i.e. DBF, DBFR, DBFM)
  - Financial analysis including detailed risk assessment and quantification of preferred option against PSC
  - Detailed qualitative assessment
  - Funding analysis of accounting implications



**Sarah Clark**  
President & CEO

**partnerships**  
British Columbia

604 806-4167  
Sarah.Clark@partnershipsbcc.ca

[www.partnershipsbcc.ca](http://www.partnershipsbcc.ca)

**Mark Pucsek**  
Project Director

**partnerships**  
British Columbia

250 475-4672  
Mark.Pucsek@partnershipsbcc.ca

[www.partnershipsbcc.ca](http://www.partnershipsbcc.ca)

[www.partnershipsbcc.ca](http://www.partnershipsbcc.ca)