

EAST COUNTY COURTS DEVELOPMENT UPDATE

**FAC-1 AMENDMENT
SUBMISSION to the MULTNOMAH COUNTY
BOARD of COMMISSIONERS
OCTOBER 1, 2009**

Prepared jointly by Multnomah County Department of
Facilities & Property Management and
Shiels Oblatz Johnsen, Inc.



EAST COUNTY COURTS

FAC – 1 AMENDMENT

Submission to Multnomah County Board of Commissioner - October 1, 2009

SUMMARY OF RECENT PROJECT HISTORY

In February 2007, Multnomah County F&PM presented the FAC-1 Project Plan for the East County Justice Center Project (ECJC). The Project Plan established a building program consisting of 3 to 4 Courts, District Attorney, Multnomah County Sheriff's Office and City of Gresham Police. The plan was approved, and the architectural team of HDR and Emmons Architects was selected and contracted to undertake programming and conceptual cost estimating. Hoffman Construction was selected as the Construction Manager / General Contractor and engaged in pre-design assistance and cost estimating.

At the time of approval of the original Project Plan approved February 22, 2007, the ECJC had an anticipated cost of \$14,645,100 for hard construction, soft costs and Fixtures, Furnishings & Equipment (FF&E). Land costs were not included in this figure. When programming was complete, the project cost jointly estimated by the Contractor and the Cost Consultants was found to be substantially higher than the approved \$14,645,100 budget figure. In August 2008, the County solicited proposals to engage an independent project management consultant for the project with experience in multi-disciplined, multi-jurisdictional and cost control management.

In September 2008, Shiels Oblatz Johnsen, Inc. was retained by the County to provide specialized project management services. As Multnomah County's Representative for the project, some of these responsibilities include:

- Developing a project action plan
- Seeking, obtaining and implementing County decisions
- Leading the architect, contractor and others in executing the project plan
- Negotiating and managing contracts for consultants on the County's behalf
- Managing a single-source channel for communications
- Overseeing team performance
- Managing the budget

SOJ worked with the County, HDR and Emmons Architects to continue pre-design of the East County Justice Center Project. This work first focused on analysis of development options for the site at 185th & Stark, related entitlement procedures and consideration of other sites.

In late 2008, several events began to transpire that generated material shifts in the scope of the project. The Multnomah County Sheriff's Office began to consider remaining in the existing Hansen Building. The City of Gresham was concerned about the costs

associated with re-location to the new ECJC, specifically without the presence of the Multnomah County Sheriff's Office. With potential movement toward a downsized program, an alternative building site was identified and a site analysis was initiated for property at N.E. 8th Avenue in downtown Gresham owned by the County.

While discussions between Multnomah County and the City of Gresham continued on the Rockwood purchase, the project remained dormant through the first half of 2009. In mid-2009, based on the economic climate, the City of Gresham notified it was not moving forward with the purchase of the Rockwood property. This effectively eliminated a practical option to further consider the 8th Avenue site.

The County then requested SOJ, Inc. to re-address the status of the project and to begin looking at options to develop a project of reduced scope at the original Rockwood site.

As the re-consideration of a reduced scope facility on the Rockwood site evolved, it was evident that many of the more significant challenges of the site were diminished. Parking needs and compliance with the Floor to Area Ratio (FAR) requirements were more manageable. The elimination of the Law Enforcement components of the program reduced or eliminated the more complex construction issues such as holding cells, sally port and law enforcement parking. The reduced program resulting in more flexibility in locating the building on the site, so a more prominent and appropriate position at Stark Street could be considered.

PURPOSE OF THIS FAC-1 AMENDMENT REQUEST

The Project Plan approved February 2007 evolved from a building program consisting of 3 to 4 Courts, District Attorney, Multnomah County Sheriff's Office and City of Gresham Police to a reduced program consisting of three (3) courts and District Attorney offices. In terms of basic programming, this changes the project from an original 70,000 square foot facility to approximately 40,000 square feet.

This change relates directly to the FAC-1 Policy, which clarifies in Section IV – D – b of the Policy that should a project be revised in excess of 20% +/- in scope or square footage, it is deemed a “Significant Change” and requires approval of an amendment to the FAC-1.

The information provided in this FAC – 1 Amendment is intended to satisfactorily illustrate only the revisions from the original FAC-1 approval dated Feb. 22, 2007. That document is available separately for reference.

The following is an **excerpt** of the FAC-1 Policy requirements that pertains to the “Project Plan”. Of the elements of the Project Plan below, only the elements shown in bold lettering are materially changed for this FAC – 1 Amendment.

C. PROJECT PLAN

1. Project Charter (previously approved, no changes required)
2. **Development Plan** (changes included herein)
 - Define Project Scope**
 - Outline of Project Team**
 - Comprehensive Schedule**
 - Estimates**
3. Siting Plan (previously approved, no changes required)
4. **Operational Funding** (changes included herein)
5. **Capital Funding** (changes included herein)

**FAC – 1 AMENDMENT:
PART C – 2: DEVELOPMENT PLAN**

DEFINE PROJECT SCOPE

The Feb. 22, 2007 Project Scope was:

Building Program (in square feet):

| | |
|--|--------------|
| Courtrooms, Court Support, District Attorney | 36,000 |
| Multnomah Co. Sheriff | 20,000 |
| Gresham Police | 12,000 |
| County Information Technology | <u>2,000</u> |
| TOTAL | 70,000 |

The October 1, 2009 Project Scope is:

Building Program (in square feet):

| | |
|--|----------|
| Courtrooms | 15,000 |
| Court Support | 6,000 |
| District Attorney | 5,200 |
| Building Support Common Area | 3,800 |
| Building Efficiency Factor | 7,500 |
| Multnomah Co. Sheriff | 0 |
| Gresham Police | 0 |
| County Information Technology | <u>0</u> |
| TOTAL | 37,500 |

OUTLINE OF PROJECT TEAM

The Feb. 22, 2007 Project Team was:

- Multnomah County Board of Commissioners
- Facilities & Property Management
- Architect to be determined (HDR Architecture, Emmons Architects later selected)
- Construction Contractor to be selected (Hoffman Construction later selected)

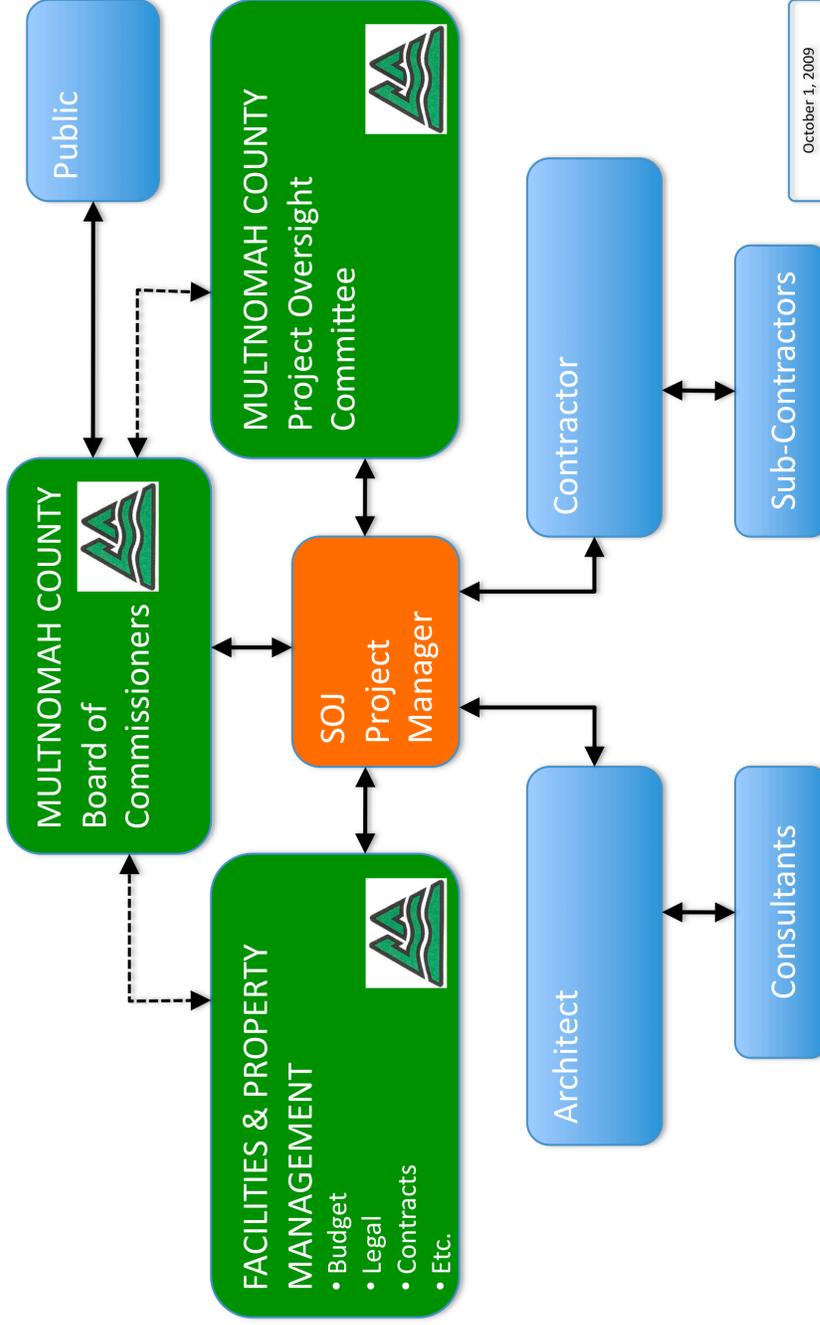
The October 1, 2009 Project Team is:

- Multnomah County Board of Commissioners
- Facilities & Property Management
 - Budget Office
 - County Counsel
 - Contracting
 - Risk Management
 - Public Affairs Office
- Project Oversight Committee
- Shiels Oblatz Johnsen, Inc.
- Architect to be determined
- Pre-Construction Consultant (Contractor) to be determined
- Construction Contractor to be determined

The Project Oversight Committee consists of representatives from the Commissioners' offices, District Attorney, Multnomah County Circuit Court and Facilities. They will meet periodically to monitor the project as well as receive meeting minutes from the Project Team meetings.

Project Management is to be provided primarily by Shiels Oblatz Johnsen, Inc., with direct communication and interface with County Facilities & Property Management. SOJ will be the primary contact for all other major team members, and will report directly to Chair Wheeler, the Board of Commissioners and Project Oversight Committee as necessary. SOJ will coordinate with Facilities & Property Management, Risk Management, Contracting, Budget and County Counsel Departments to ensure integration of all County standards and administrative procedures into the Project. An organizational and communications chart follows:

EAST COUNTY COURTS ORG CHART



October 1, 2009

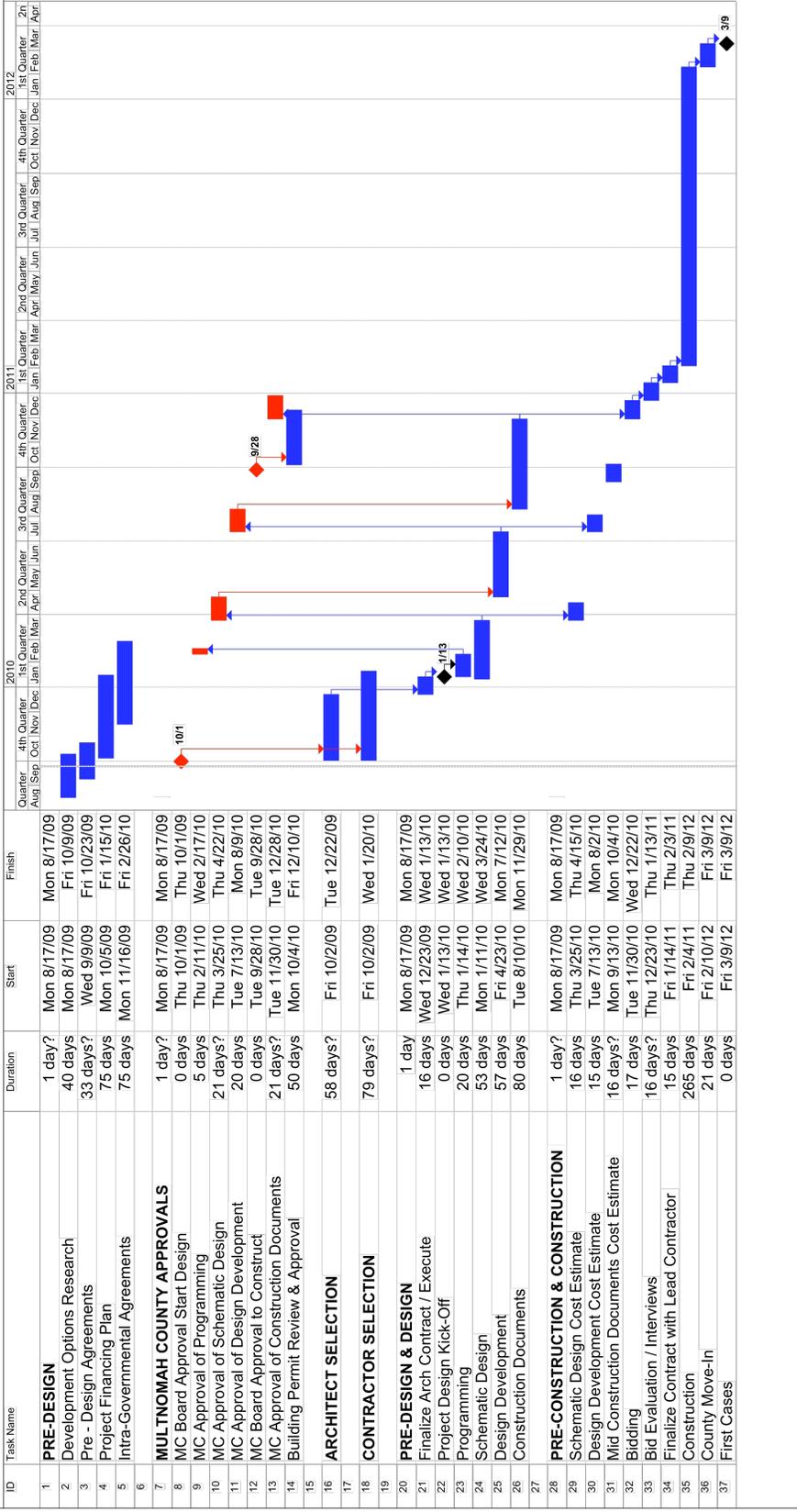
COMPREHENSIVE SCHEDULE*

A preliminary list of major milestones and approximate dates follows. Key Multnomah County decision and approval points are in **Bold**:

| DATE | MILESTONE | COUNTY APPROVAL |
|-----------------------------|---|------------------------|
| October 1, 2009 | Request Approval of Revised FAC 1 Project Plan | Yes |
| October – December 2009 | Procurement of Architecture Team | |
| October '09-January 2010 | Procurement of the Pre-Construction Contractor | |
| January -February 2010 | Facility Programming | |
| February 2010 | Multnomah County Review & Approval of Programming Phase | Yes |
| January-March 2010 | Schematic Design | |
| April 2010 | Schematic Design Cost Estimate | |
| April 2010 | Review and Approval of Schematic Design | Yes |
| April – July 2010 | Design Development | |
| July – August 2010 | Design Development Cost Estimates | |
| August 2010 | Review and Approval of Design Development Phase | Yes |
| August – November 2010 | Construction Documents | |
| November 2010 | Construction Documents Cost Estimate | |
| November 2010 | Approval of Construction Documents | Yes |
| December 2010 | Request Board Approval for Construction of East County Court | Yes |
| December 2010- January 2011 | Final Cost Estimate, Bidding, Contractor Negotiations | |
| February 2011-February 2012 | Construction | |
| March 2012 | Move In | |

A Conceptual Overall Project (Bar-Chart) Schedule follows:

*Schedule information is conceptual, and based on similar project types.



Project: ECC OVERALL PROJECT SC
 Date: Thu 9/24/09

Task Split

Progress Milestone

Summary Project Summary

External Tasks External Milestone

Deadline

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COST ESTIMATES

MULTNOMAH COUNTY - EAST COUNTY COURTS

CONCEPTUAL DEVELOPMENT COST ESTIMATE

| Project Component | | Cost/SF * | 3 Courtrooms, including 1 for Flexible Community Use | |
|--------------------------------|-----|-----------|--|----------------------|
| | | | Area | Cost |
| Courtrooms | | \$318 | 15,000 | \$ 4,770,000 |
| Phase 2 Courtroom Shell | | \$186 | 0 | 0 |
| Flexible Community Space | | \$249 | 0 | 0 |
| Court Support Space | | \$265 | 6,000 | 1,590,000 |
| District Attorney | | \$255 | 5,200 | 1,326,000 |
| Building Support/Common Area | | \$286 | 3,800 | 1,086,800 |
| Building Efficiency Factor | | \$212 | 7,500 | 1,590,000 |
| Subtotal Building Costs | | | 37,500 | \$ 10,362,800 |
| Site Development | | | | 2,000,000 |
| FF&E Allowance | | | | 900,000 |
| Soft Costs | 25% | | | 3,315,700 |
| Contingencies | 25% | | | 4,144,625 |
| TOTAL PROJECT COST | | | | \$ 20,723,125 |

Source: Architectural Cost Consultants, Sept. 15, 2009

* Adjusted to June 2011 dollars

CONCEPTUAL OCCUPANCY COST ESTIMATE (YEAR 1)

| Occupancy Costs | | Factor | 3 Courtrooms, including 1 for Flexible Community Use | |
|--|---------|--------|--|----------------------|
| | | | | |
| TOTAL PROJECT COST | | | | \$ 20,723,125 |
| (-) ECC Reserve Fund | | | | (4,800,000) |
| BOND AMOUNT | | | | \$ 15,923,125 |
| Interest Rate | 5.50% | | | |
| Term | 20 | | | |
| ANNUAL DEBT SERVICE | | | | \$ 1,332,436 |
| (+) Operating & Maintenance Expenses | \$ 8.00 | | | 285,000 |
| (+) Asset Preservation Fee | \$ 2.75 | | | 98,111 |
| TOTAL ANNUAL OCCUPANCY COST | | | | \$ 1,715,548 |
| (-) Taco Bell Lease Income | | | | (83,000) |
| (-) Existing Courthouse Lease & Expenses | | | | (70,000) |
| (-) D.A. Lease Pmts. (from 8th & Kelly) | | | | (30,500) |
| NET ANNUAL OCCUPANCY COST | | | | \$ 1,532,048 |
| NET OCCUPANCY COST/SF/NLA | | | | \$ 43.00 |

OPERATIONAL FUNDING

The operational funding of Multnomah County Circuit Court personnel is budgeted through the State of Oregon's judicial system. Additional staffing by the Multnomah County Sheriff's office and District Attorney will be managed through the annual budgeting process.

CAPITAL FUNDING



Department of County Management
MULTNOMAH COUNTY OREGON

Finance & Risk Management Division
501 SE Hawthorne, Suite 531
Portland, Oregon 97214
(503) 988-3312 phone
(503) 988-3292 fax

TO: Peggidy Yates, Economic Development Advisor
FROM: Mark Campbell, Sr. Revenue & Financial Analyst
DATE: September 18, 2009
SUBJECT: Preliminary Debt Capacity Calculation

This memo offers an overview of the County's outstanding debt obligations that are anticipated as of July 1, 2010. It also provides an analysis of the County's estimated debt capacity based on the Financial Policies adopted with the FY 2010 budget.

FULL FAITH AND CREDIT BONDS AND DEBT OBLIGATIONS – SUMMARY

The FY 2010 Approved Budget includes bond proceeds from the sale of Full Faith & Credit Obligations. All projects to be supported by these funds are new projects reflected in program offers purchased by the County Chair.

Debt payments for existing obligations are budgeted according to established schedules. It is worth noting that the FY 2009 budget used approximately \$24 million of one-time-only (OTO) General Fund revenue to "buydown" current and future debt payments. It supports **\$4.1 million of annual debt payments** that would otherwise need to be charged to departments.

There are two statutory limits on County borrowing as well as the internal County policy on outstanding debt limits. The more restrictive, the County's internal policy, would **provide for additional long term borrowing of up to approximately \$110 million in FY 2011**. Planned borrowing in the FY 2010 budget could use up to \$24.6 million of that estimated capacity.

The FY 2010 budget authorized up to \$24.6 million in short-term (7 years) borrowing for the following projects:

- \$12 million for Capital Improvement Program projects related to deferred maintenance and energy efficiency improvements;
- \$ 6 million for Information Technology infrastructure upgrades;
- \$ 5 million for implementation of a new Assessment & Taxation system; and
- \$ 1.6 million for the second phase of a Library materials movement system.

At this time, bonds have not been issued for these projects. The Board will hold a worksession in October to discuss which projects should be financed and determine the overall size of the debt offering.

OUTSTANDING DEBT AND DEBT CAPACITY

There are two statutory limits on County borrowing and a County policy on outstanding debt limits. The most restrictive, the County policy, would allow for estimated additional borrowing of approximately \$110 million in FY 2011. If all the debt authorized in the FY 2010 budget is issued there would be approximately \$85 million available under this policy.

ORS 287.054 provides a debt limit on voter approved general obligation bonds of 2% of the real market value of all taxable property within the County's boundaries. The following table represents the estimated debt capacity at June 30, 2010.

| | |
|-----------------------------------|-------------------|
| Real Market Value 2008 - 2009 | \$107,381,958,130 |
| Debt limit at 2% | 2,147,639,163 |
| Est. Outstanding Debt (6/30/2010) | (49,710,000) |
| Legal Debt Margin | \$2,097,929,163 |

ORS 287.053 provides a debt limit on full faith and credit bonds of 1% of the real market value of all taxable property within the County's boundaries. The following table represents the estimated debt capacity at June 30, 2010.

| | |
|-----------------------------------|-------------------|
| Real Market Value 2008 - 2009 | \$107,381,958,130 |
| Debt limit at 1% | 1,073,819,581 |
| Est. Outstanding Debt (6/30/2010) | (210,238,000) |
| Legal Debt Margin | \$863,589,581 |

In addition to statutory debt limits, the County's internal *Financial Policies*, adopted by the Board, further limit our debt on non-voter approved debt to annual payments that will not exceed 5% of General Fund budgeted revenues. As of June 30, 2010, the County will have an estimated \$56,504,000 in outstanding debt subject to the limit established by policy. The County could authorize up to a total of approximately \$167 million of General Fund supported debt - assuming a 20 year payback at 5.25% annual interest - which would allow us to issue additional debt of approximately \$110 million after considering existing outstanding debt.

The real issue when considering the issuance of debt has to do with ability to pay. The General Fund is heavily reliant on two revenue sources – Property Tax and Business Income Tax. One source, Property Tax, is limited by state constitution. The other is highly volatile and tends to follow changes in the economy. Given the mix of revenues in the General Fund the issuance of additional debt should be viewed in terms of how it may limit the ability of the County to support ongoing programs and operations.

It should be noted that the estimates prepared for this analysis use FY 2009 assessed values and FY 2010 budgeted General Fund revenues. That data, along with information related to the debt issue authorized in the FY 2010 budget, will be updated over the next few months and will be incorporated into a revised memo which will be presented to the Board next spring.

The following table highlights the County's estimated outstanding debt and debt limit, per the Financial & Budget Policies, as of June 30, 2010 (\$'s are in \$1,000s).

| <u>Description</u> | <u>Moody's Rating</u> | <u>Dated</u> | <u>Maturity Date</u> | <u>Amount Issued</u> | <u>Principal Outstanding</u> | <u>2010-11 Prin & Int Payment</u> |
|--|-----------------------|--------------|----------------------|----------------------|------------------------------|---------------------------------------|
| General Obligation Bonds | Aa1 | 2/1/1999 | 10/1/2016 | \$ 66,115 | \$ 49,710 | \$ 9,253 |
| <u>Revenue Bonds</u> | | | | | | |
| Port City (Revenue Bond/2000A) | Aaa | 11/1/2000 | 11/1/2015 | \$ 2,000 | \$ 1,030 | \$ 198 |
| Oregon Food Bank (Revenue Bond/2000B) | Aaa | 11/1/2000 | 11/1/2015 | 3,500 | 1,815 | 350 |
| | | | | <u>\$ 5,500</u> | <u>\$ 2,845</u> | <u>\$ 548</u> |
| Pension Obligation Revenue Bonds | Aa2 | 12/1/1999 | 6/1/2030 | \$ 184,548 | \$ 151,373 | \$ 15,202 |
| <u>Full Faith and Credit Obligations</u> | | | | | | |
| Series 2003 Full Faith & Credit | Aa2 | 7/1/2000 | 7/1/2013 | \$ 9,615 | \$ 4,175 | \$ 1,103 |
| Series 2004 Full Faith & Credit | Aa2 | 10/1/2004 | 8/1/2019 | 54,235 | 53,670 | 7,878 |
| | | | | <u>\$ 63,850</u> | <u>\$ 57,845</u> | <u>\$ 8,981</u> |
| <u>Capital Leases</u> | | | | | | |
| Sellwood Lofts Capital Lease | N/A | 1/1/2002 | 1/1/2032 | \$ 1,093 | \$ 1,020 | \$ 118 |
| Total FFFCO and Capital Leases | | | | | \$ 58,865 | \$ 9,099 |
| Less Non General Fund Supported Debt | | | | | | |
| Road Fund (Series 2000A/Series 2004 FFCO) | | | | | (1,341) | (288) |
| Library Fund (Sellwood Lofts) | | | | | <u>(1,020)</u> | <u>(118)</u> |
| Total General Fund Obligations | | | | | \$ 56,504 | \$ 8,693 |
| (Less) Annual Payment From Prior Year's Debt Buydown | | | | | | (5,170) |
| Net General Fund Obligation | | | | | | \$ 3,523 |
| REMAINING BORROWING CAPACITY | | | | | | |
| Debt Capacity (Supported by General Government Fund Types Only) | | | | | | |
| 2009-2010 General Fund Revenues (Excluding ITAX and BWC) | | | | | | \$ 356,000 |
| Policy Limitation (5% of GF Revenues) | | | | | | x 5.00% |
| 5% Policy Limit Dollar Amount | | | | | | \$ 17,800 |
| Lease/Debt Capacity Used (Total General Fund Obligations) | | | | | | (8,693) |
| Annual Payment Available | | | | | \$ 9,107 | |
| Estimated Principal Value Available | | | | | \$ | 110,000 |