

**Minutes of the Meeting of the
Board of Commissioners
Multnomah Building, Board Room 100
501 SE Hawthorne Blvd., Portland, Oregon
Tuesday, March 1, 2016**

BOARD BRIEFING

Chair Deborah Kafoury called the meeting to order at 10:08 a.m. with Vice-Chair Loretta Smith and Commissioners Jules Bailey, Judy Shiprack and Diane McKeel present.

Also attending were Jenny Madkour, County Attorney, and Marina Baker, Assistant Board Clerk.

B.1 Informational Board Briefing on the Hansen Relocation & Multnomah County Services Building Project. Presenters: Steve Cruzen, Principal – Shiels Oblatz Johnsen, Inc.; Jon Legarza, Facilities Property Management-Strategic Project; Commander Jason Gates – Sheriff’s Office; and, Mark Campbell, CFO – Multnomah County.

Chair Kafoury: GOOD MORNING. WELCOME TO THE BOARD BRIEFING OF THE MULTNOMAH COUNTY BOARD OF COMMISSIONERS. THIS MORNING WE HAVE A BRIEFING ON THE HANSEN RELOCATION. EXCELLENT. TAKE IT AWAY.

Mr. Legarza: GOOD MORNING. MY NAME IS JON LEGARZA, I'M WITH THE FACILITIES AND PROPERTY MANAGEMENT DEPARTMENT. I WORK WITHIN THE STRATEGIC PROJECT END. TODAY I'LL BE PRESENTING A BRIEFING ON THE HANSEN RELOCATION STRATEGY, ALSO JOINING US AT THE BRIEFING TODAY FROM MULTNOMAH COUNTY IS THE CHIEF FINANCIAL OFFICER, MARK CAMPBELL, AND ALSO FROM THE DEPUTY SHERIFF, JASON GATES. AND FROM THE RENOWNED FIRM SHIELS OBLETZ JOHNSEN, MR. STEVE CRUZEN. OUR PURPOSE IS TO GIVE YOU A BRIEF BACKGROUND ON THE HANSEN FACILITY, SOLICIT INPUT, AND OUTLINE OUR NEXT STEPS FOR THE PROJECT.

BRIEF HISTORY ON THE HANSEN BUILDING. IT WAS BUILT BACK IN 1954, THE BUILDING IS 62 YEARS OLD, AND WAS ORIGINALLY OCCUPIED AS THE COUNTY'S HEALTH CLINIC. IN 1998, THE COUNTY PLACED THE BUILDING ON A DISPOSITION LIST. FAST FORWARD TO 2004, THE COUNTY DECLARED THE BUILDING A SURPLUS. IN 2014, THE BOARD OF COUNTY COMMISSIONERS APPROVED ONE-TIME-ONLY FUNDING OF \$1 MILLION TO DO A RESEARCH AND STRATEGY POSITIONING OF THE HANSEN BUILDING. THIS ONE-TIME-ONLY FUNDING IS BEING USED FOR OUR PROJECT GOALS AND OBJECTIVES. WE'RE LOOKING AT HOW WE CAN REPLACE THE HANSEN BUILDING TO ELIMINATE ONE OF THE LOWEST PERFORMING BUILDINGS WITHIN THE COUNTY'S SEAT STRATEGIC PLAN. WE'VE ALSO HELPED IDENTIFY WITH EARLY PROGRAMMING IN 2014 AND 2015 GREATEST LOCATION FOR THE NEW SHERIFF'S BUILDING

THAT WILL HELP REDUCE RESPONSE TIME AND PROVIDE EFFICIENCY TO THE PUBLIC.

Mr. Legarza: FURTHER, AS ADDITIONAL PROGRAMMING AND FUNDS COME AVAILABLE, WE'LL LOOK TO DESIGN A MODERN SAFE FACILITY THAT WILL PROVIDE BEST PRACTICES MOVING FORWARD FOR THE SHERIFF'S OFFICES. NEXT I'D LIKE TO HAVE MR. STEVE CRUZEN TALK A LITTLE BIT ABOUT THE STUDIES THAT WERE COMPLETED IN 2014 AND 2015 FROM THE PRIOR YEARS. AND WHAT HAS ENVELOPED OUT OF THOSE STUDIES MOVING FORWARD FOR THE NEXT PHASE.

Mr. Cruzen: THANK YOU, JON. IN 2014, WE FIRST GOT INVOLVED IN THE PROJECT TO DEVELOP AN OVERALL BUILDING PROGRAM TO MEET OR REPLICATE THE FACILITIES THAT WERE IN PLACE AT THE HANSEN PROPERTY. WE ALSO DID SOME PRELIMINARY SITE STUDIES TO LOOK AT WHAT PROPERTIES MIGHT BE AVAILABLE THAT COULD ACCOMMODATE, AND WE WERE ENGAGED UNDER THE PREMISE THAT WITH THE NEED FOR THE REPLACEMENT OF THE FACILITY CAME ALSO AN OPPORTUNITY TO LOOK AT A BETTER LOCATION FOR THE FACILITY AS POPULATION CENTERS HAVE SHIFTED AND AREAS OF USE HAVE CHANGED. SO THAT IS WHAT DROVE OUR SEARCH FOR AVAILABLE PROPERTIES. AND THROUGH THAT PROCESS WE DETERMINED THERE WERE ADEQUATE PROPERTIES FOR THE PROJECT TO BE VIABLE.

AS WE MOVED INTO 2015, WE HAD A NUMBER OF OPPORTUNITIES TO LOOK AT WAYS TO MINIMIZE THE OUTLAY FOR A NEW FACILITY. WE LOOKED AT CHANGES IN THE PROGRAMMING WE LOOKED AT DIFFERENT WAYS THAT SOME OF THE SHERIFF'S NEEDS MIGHT BE SERVED IN DIFFERENT FACILITIES. THEREBY BRINGING THE SIZE NEEDS FOR THE NEW FACILITY DOWN SUBSTANTIALLY. AND ALSO AT THE TAIL END OF 2015, WE IDENTIFIED THE TWO ALTERNATIVES FOR DEVELOPMENT THAT WE ARE RECOMMENDING AS PART OF OUR PROGRAM TODAY. THE UPPER PART OF THE SPREADSHEET SHOWS THE PROGRAMS SPACE REQUIREMENTS BASED ON A FULL REPLACEMENT OF THE EXISTING HANSEN FACILITY WITH DIFFERENT PROJECTIONS OF GROWTH OVER 10 AND 20 YEARS. AND THE CONCEPTUAL COSTS THAT WERE DEVELOPED ACCORDING TO THAT.

IN 2015, WE LOOKED AT SOME ADDITIONAL REDUCTIONS BY ELIMINATING THE VEHICLE MAINTENANCE, RELOCATING LARGE EVIDENCE STORAGE TO ANOTHER LOCATION, AND THE LAST TWO ALTERNATIVES WHICH ARE THE RECOMMENDATIONS THAT WE'RE BRINGING FORWARD TODAY FOR NUMBERS FOUR AND FIVE IS A FACILITY THAT IS TAKING ADVANTAGE OF THE FACT THAT DURING THE COURSE OF 2014 AND 2015, THERE WAS THE DEVELOPMENT OF THE SERVICE AGREEMENT WITH THE TROUTDALE POLICE, AND PART OF THE ORIGINAL PROGRAM OF ENFORCEMENT AND FACILITIES SUPPORT HAS ALREADY MOVED INTO THAT FACILITY, AND THOSE KINDS OF THINGS HAVE

BROUGHT DOWN THE SIZE OF THE NEW FACILITY NEEDS EVEN FURTHER. AND WE ARE NOW RECOMMENDING OPTIONS FOUR AND FIVE WHICH I WILL GIVE A LITTLE MORE DETAIL IN THE NEXT SLIDE.

Mr. Cruzen: SO ALTERNATIVE FOUR IS, WE DO NOT HAVE A SITE IN PARTICULAR AT THIS POINT, AND SO WE NEED AN OPTION THAT ALLOWS US TO DO A BROAD SEARCH OF AVAILABLE PROPERTIES, A MORE ROBUST AND OFFICIAL SEARCH FOR PROPERTIES, AND WE HAVE THE CONCEPTUAL COSTS OF \$20 TO 22 MILLION, INCLUDING LAND, FOR THAT PARTICULAR ALTERNATIVE. AND ALTERNATIVE FIVE IS A SIMILAR FACILITY, BUT LOCATED CLOSE TO THE EXISTING TROUTDALE POLICE AND COMMUNITY CENTER, WHICH WOULD ALLOW SOME FURTHER REDUCTIONS IN THE PROGRAM BECAUSE THERE ARE SOME SHARED SPACES WITHIN THE TPCC THAT COULD BE UTILIZED. SO THAT BRINGS THE ESTIMATE FOR OVERALL DEVELOPMENT TO ALTERNATIVE FIVE DOWN TO ABOUT \$18 TO 20 MILLION, INCLUDING LAND. THIS DIAGRAM WAS DEVELOPED TO ILLUSTRATE THE PROGRAMMING DIFFERENCES BETWEEN OPTIONS FOUR AND FIVE, POINTING OUT THAT THIS IS NOT A DESIGN, IT'S NOT NECESSARILY TO SCALE, BUT IT ILLUSTRATES THE RED IN THE UPPER LEFT CORNER OF EACH PLAN, THERE'S SEVERAL PROGRAM ELEMENTS, SALLY PORT, BOOKING, INTERROGATION AND IN-CUSTODY HOLDING THAT ARE REQUIRED IF A SITE SOMEWHERE OTHER THAN QUITE NEARBY THE TROUTDALE FACILITY WOULD BE SELECTED. AND IF THERE WAS PROPERTY THAT COULD BE DEVELOPED NEAR THE TROUTDALE FACILITY, THEN THOSE PROGRAM ELEMENTS, AS YOU CAN SEE, WOULD BE REDUCED SOMEWHAT BECAUSE OF THE ABILITY TO SHARE THOSE FACILITIES THAT ARE IN THE TPCC. SO MARK CAMPBELL WILL TALK ABOUT THE FINANCING MODELS.

Mr. Campbell: THANK YOU, STEVE. FOR THE PURPOSES OF THIS ANALYSIS, WE SEE MOST OF THE COST OF THIS PROJECT WOULD BE SUPPORTED BY BOND ISSUANCE. OVER THE PAST COUPLE BUDGET SEASONS, THE BOARD HAS ALLOCATED ONE-TIME-ONLY MONEY TO THIS PROJECT. \$1.2 MILLION IN 2014, AND THEN THERE WAS ANOTHER \$500,000 IN 2016. AND TO DATE WE'VE ONLY SPENT ABOUT \$300,000 OF THAT, SO THE CASH THAT WE HAVE ON HAND IS ROUGHLY \$1.4 MILLION. SO WHAT WE'VE DONE HERE IS WE'VE LAID OUT A RANGE OF OPTIONS FOR EACH OPTION FOUR AND OPTION FIVE BASED ON FUNDING OVER 20 YEARS OR 30 YEARS. YOU CAN SEE THAT THE DEBT SERVICE DEPENDING ON WHICH OPTION WE CHOOSE WOULD RANGE FROM A LOW OF ABOUT \$960,000, TO A HIGH OF JUST UNDER \$1.5 MILLION. AND THIS ASSUMES THAT INTEREST RATES WILL GO UP SLIGHTLY BETWEEN NOW AND THE TIME THAT WE BORROW, BUT JUST AS A POINT OF REFERENCE TODAY F. WE WERE GOING TO GO OUT AND BORROW FOR 20-YEAR BOND, WE WOULD BE LOOKING AT LIKELY IN THE 3.2 5% RANGE.

Mr. Campbell: ON THE NEXT SLIDE, YOU'VE SEEN THIS CHART BEFORE, AND WHAT I'VE DONE HERE IS I'VE OVERLAID THE COUNTY'S EXISTING DEBT WITH NOW ADDING THE HANSEN DEBT TO THE OTHER PROJECTS THAT WE'VE TALKED ABOUT, THE COURTHOUSE AND THE HEALTH DEPARTMENT. THE KEY POINT HERE IS THAT THE BLUE LINE ON THE TOP REPRESENTS OUR DEBT CAPACITY, AND EVEN OVERLAYING THESE THREE PROJECTS ON TOP OF OUR EXISTING DEBT, WE ARE WELL WITHIN THE COUNTY'S DEBT CAPACITY WHICH JUST AS A REMINDER, THE POLICY SAYS THAT WE WILL HAVE DEBT SERVICE THAT IS NO MORE THAN 5% OF ANNUAL GENERAL FUND REVENUES. TODAY THAT NUMBER IS ABOUT \$22 MILLION AND THE GENERAL FUND IS CONTRIBUTING ABOUT A LITTLE MORE THAN \$5 MILLION TOWARDS DEBT SERVICE. SO THERE'S STILL QUITE A BIT OF ROOM UNDER THERE.

Chair Kafoury: I'M CURIOUS ABOUT THE DYNAMICS THAT WERE IN WITH YOUR PREDICTION. IT SEEMS LIKE A WIDELY HELD PREDICTION THAT INTEREST RATES ARE GOING UP. WE'RE PRETTY CERTAIN A COUPLE OF PROJECTS THAT WILL REQUIRE A HEAVY LIFT BELOW OUR LINE.

Commissioner Shiprack: DO YOU HAVE ENOUGH CONFIDENCE IN THE PROJECTS GOING FORWARD, A AND B, IN INTEREST RATES GOING UP TO SUGGEST THAT THE BOARD ADVANCE OUR BORROWING PLAN TO GET IN FRONT OF INTEREST INCREASES?

Mr. Campbell: THAT WOULD BE SOMETHING THAT WE WOULD TAKE INTO CONSIDERATION. I DO FEEL LIKE ONE OF THE OTHER THINGS I DIDN'T MENTION IS THAT TO THE EXTENT THAT WE CAN PUT ADDITIONAL ONE-TIME-ONLY MONEY INTO THESE PROJECTS, JUST AS A GENERAL RULE OF THUMB, EACH MILLION DOLLARS THAT YOU PUT INTO A PROJECT WOULD REDUCE YOUR DEBT SERVICE ON AN ANNUAL BASIS LIKE \$60 TO 75,000 DOLLARS A YEAR, SO THAT COULD BE A BENEFIT, BUT ALSO I DO SENSE THAT INTEREST RATES WILL RISE TRYING TO TIME THAT IS ALWAYS A BIT PROBLEMATIC, BUT THE POINT IS WELL TAKEN.

Commissioner Shiprack: SO LET ME ASK YOU A FOLLOW-UP AND YOU CAN GET BACK TO ME ON THIS, BECAUSE I SUSPECT IT'S A LITTLE MORE DIFFICULT TO ANSWER, AND THAT IS, WE KNOW WHAT THE VALUE OF EVERY MILLION DOLLARS OF BASICALLY EQUITY THAT THE COUNTY PUTS INTO THE PROJECT IS WORDS IN TERMS OF OUR ONGOING DEBT SERVICE COMMITMENT. DO WE KNOW WHAT THE VALUE OF EVERY, SAY, QUARTER OF A PERCENT IN INTEREST IS OVER THIS HORIZON OF BORROWING THAT IS ON THE SCREEN RIGHT NOW?

Mr. Campbell: SO EACH QUARTER PERCENT WOULD BE ROUGHLY 75 TO 100,000 DOLLARS A YEAR DEPENDING ON THE TERM.

Commissioner Shiprack: THANK YOU.

Vice-Chair Smith: WE'RE TALKING ABOUT THE PROJECTS THAT WE DO KNOW, AND THERE'S SOME OTHER PROJECTS THAT ARE GOING TO COST US A GREAT DEAL OF MONEY THAT WE HAVE NO IDEA HOW MUCH IT'S GOING TO COST, AND I'M TALKING ABOUT THE DCJ CAMPUS. HAVE YOU FACTORED IN THOSE DOLLARS AS WELL?

Mr. Campbell: WE HAVE NOT FACTORED THAT INTO THIS ANALYSIS, BUT SOMETHING THAT WE ARE CURRENTLY LOOKING AT IS HOW ALL OF THESE THINGS FIT TOGETHER. AND I THINK THAT PROBABLY WHEN WE COME TO THE BOARD, TALK ABOUT CAPITAL DURING THE BUDGET PROCESS, WE MIGHT HAVE A BETTER SENSE OF THAT.

Vice-Chair Smith: IS THERE A WAY WE CAN TALK ABOUT ALL OF THEM TOGETHER? BECAUSE IT REALLY IS DIFFICULT, WE HAVE THIS CONVERSATION, IT'S GREAT, IT LOOKS GREAT, BUT THEN WE HAVE TO HAVE ANOTHER CONVERSATION WITH THE OTHER, SO WE CAN LOOK AT EVERYTHING AT THE SAME TIME TO SEE WHAT IS THE PRIORITY, WHAT'S NOT A PRIORITY AND HOW WE'RE GOING TO FIGURE THAT OUT. IT DRIVES ME CRAZY.

Mr. Campbell: WE CAN LOOK INTO THAT AND COME BACK WITH A RECOMMENDATION.

Vice-Chair Smith: OKAY.

Mr. Legarza: THANK YOU, MARK. THE PROJECT MANAGEMENT TEAM OR NEXT STEPS, WE'VE DONE THE BOARD STAFF BRIEFINGS, WE'RE AT THE BOARD BRIEFING HERE, WE'LL BE BRINGING THE PRESENTATION FOR FACT ONE NEXT THURSDAY TO THE BOARD UPON APPROVAL WE'LL INITIATE PHASE TWO ACTIVITIES AND WE'LL COME BACK IN THE FOURTH QUARTER TO GIVE YOU AN UPDATE ON THE PROJECT PLAN TO MOVE FORWARD FOR THE PROJECT THERE. I WANT TO STRESS IT'S ONE-TIME-ONLY FUNDING DONE IN 2014, WE'VE INCURRED A COST OF APPROXIMATELY \$300,000 TO DATE. WE'RE REQUESTING FUNDS TO MOVE FORWARD FROM THAT ONE-TIME-ONLY FUNDING FOR THIS PLANNING STAGE. WHAT WE'LL BE DEVELOPED FROM NOW WILL BE PROPOSALS THROUGH AN R-5 PROCESS THROUGH THE COMMUNITY, WE'LL HAVE AN EVALUATION OF THOSE PROPOSALS WHEN THEY COME IN. WE'LL CONDUCT A DUE DILIGENCE ON THE PROPOSED SITES TO LOOK AT WHICH ONES WILL WORK OUT FOR THE FACILITY, WE'LL COME BACK AND UPDATE OUR COSTS AND OUR SCHEDULE FOR THE PROJECT, AND THEN WE'LL PRESENT TO THE BOARD A NEW UPDATED PROJECT DELIVERY AND COST PROJECT SCHEDULE.

IF YOU LOOK ON THE LAST SLIDE HERE, AND YOU FOCUS ON THE MAIN STARS, THIS IS A SIMILAR DUPLICATION PROCESS THAT'S HAPPENED TO THE OTHER PROJECTS WITHIN THE COUNTY HERE. WE'LL BE COMING IN FOR THE APPROVAL IN EARLY MARCH, WE WOULD TAKE APPROXIMATELY THREE-QUARTERS, WE'LL COME BACK IN 2016 AT THE END OF THE YEAR WITH AN UPDATED DECISION TO RECOMMENDATION TO MOVE FORWARD, IN THE MIDDLE OF 2017, WE'LL COME BACK WITH A DESIGN UPDATE ESTIMATE FOR THE PROJECT, AND THEN IN 2018 WE WOULD HAVE A FINAL CONTRACT, GMP THAT WE WOULD BRING BACK TO THE BOARD. SO WE'RE IMPLEMENTING AND FOLLOWING THE SAME STEPS THAT HAVE HAPPENED ON THE OTHER PROJECTS, CONTINUOUSLY CHECKING IN WITH THE BOARD, UPDATING AS WE GO FORWARD HERE. THAT CONCLUDES THE PRESENTATION. I APPRECIATE YOUR GUYS' TIME S THERE ANY QUESTIONS?

Commissioner McKeel: ON THE LAST PAGE OF PHASE TWO, IS THAT THE MONEY THAT'S ALREADY BEEN ALLOCATED TOWARD, OR IS THAT NEW?

Mr. Legarza: THAT'S ALREADY BEEN ALLOCATED. IN 2014 THE \$1 MILLION YOU ALLOCATED FOR THE HANSEN RELOCATION STRATEGY, IT WOULD COME FROM THAT \$1 MILLION.

Commissioner McKeel: GREAT. THANK YOU FOR THAT. AND THANK YOU FOR THE PRESENTATION. I'M VERY EXCITED ABOUT THIS PROJECT. IT'S TIME WE MOVED ON THIS. I FEEL ABOUT THE HANSEN BUILDING THE WAY I FELT ABOUT OUR OLD EAST COUNTY COURTHOUSE THAT WE SHOULD BE EMBARRASSED TO HAVE OUR EMPLOYEES WORKING IN THESE BUILDINGS. AND SO I'M REALLY PLEASED TO SEE THIS PROJECT MOVING FORWARD. I KNOW IT HAS BEEN A LONG-TERM PROJECT EVEN THOUGH SOME OF US DON'T REALIZE HOW LONG, RIGHT?

Vice-Chair Smith: SO HOW MUCH OF THAT ORIGINAL MILLION DOLLARS HAS BEEN SPENT TO DATE?

Mr. Legarza: IN 2014, THERE'S APPROXIMATELY \$88,000; IN 2015, ABOUT \$175K, AND THERE'S BEEN SOME COST INCURRED TO DATE, AS MARK CAMPBELL MENTIONED, APPROXIMATELY \$300,000.

Vice-Chair Smith: OKAY. THANK YOU.

Chair Kafoury: ANY OTHER QUESTIONS OR COMMENTS? I JUST WANT TO SAY THANK YOU. I REALLY APPRECIATE THE WORK ON THIS AND I THINK SINCE WE'VE HIRED SOJ WE'VE REALLY GOTTEN A LOT OF WIND BENEATH OUR WINGS. I'M ESPECIALLY GRATEFUL TO EVERYONE ON OUR STAFF WHO HAS WORKED ON THIS AND TRIED TO NARROW DOWN THE SCOPE SO THAT IT'S A PROJECT THAT'S WITHIN OUR BUDGET AND IT'S GOING TO BE AFFORDABLE TO BUILD, AND BY TAKING IT HOPEFULLY TAKING ADVANTAGE OF EXISTING

BUILDINGS, WE CAN REALLY UTILIZE, MAXIMIZE THE SPACE THERE. SO I WANT TO THANK EVERYONE FOR WORKING ON THIS. ALL RIGHT. I THINK THAT'S IT, UNLESS YOU HAVE ANYTHING ELSE.

Mr. Legarza: THANK YOU VERY MUCH FOR YOUR TIME.

ADJOURNMENT – 10:27 a.m.

Chair Kafoury: SEEING NO FURTHER BUSINESS, WE'RE ADJOURNED.

This transcript was prepared by LNS Captioning. For access to the video and/or board packet materials, please view at:

http://multnomah.granicus.com/ViewPublisher.php?view_id=3

Submitted by:

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