

Multnomah County
Department of Community Justice
Mid-County Campus

FAC-1
Preliminary and Project Proposals
September 22, 2016



1. INTRODUCTION

Project Background

Facilities & Property Management (FPM) in cooperation with the Department of Community Justice (DCJ) has identified the need to acquire an asset in a strategic mid-county location. The intent is to purchase a developed site that will allow the County to consolidate four separate operating sites into a single County owned facility. Consolidation into a single mid county facility aligns with the County's Facilities Asset Strategic Plan (FASP) to increase operational efficiencies, align departmental points of service with their client base, and eliminate the lease risk associated from existing leased facilities. FPM is recommending that the Board of Commissioners approve a \$12M funding request for the purchase and the subsequent renovation of the Mid County Office Facility.

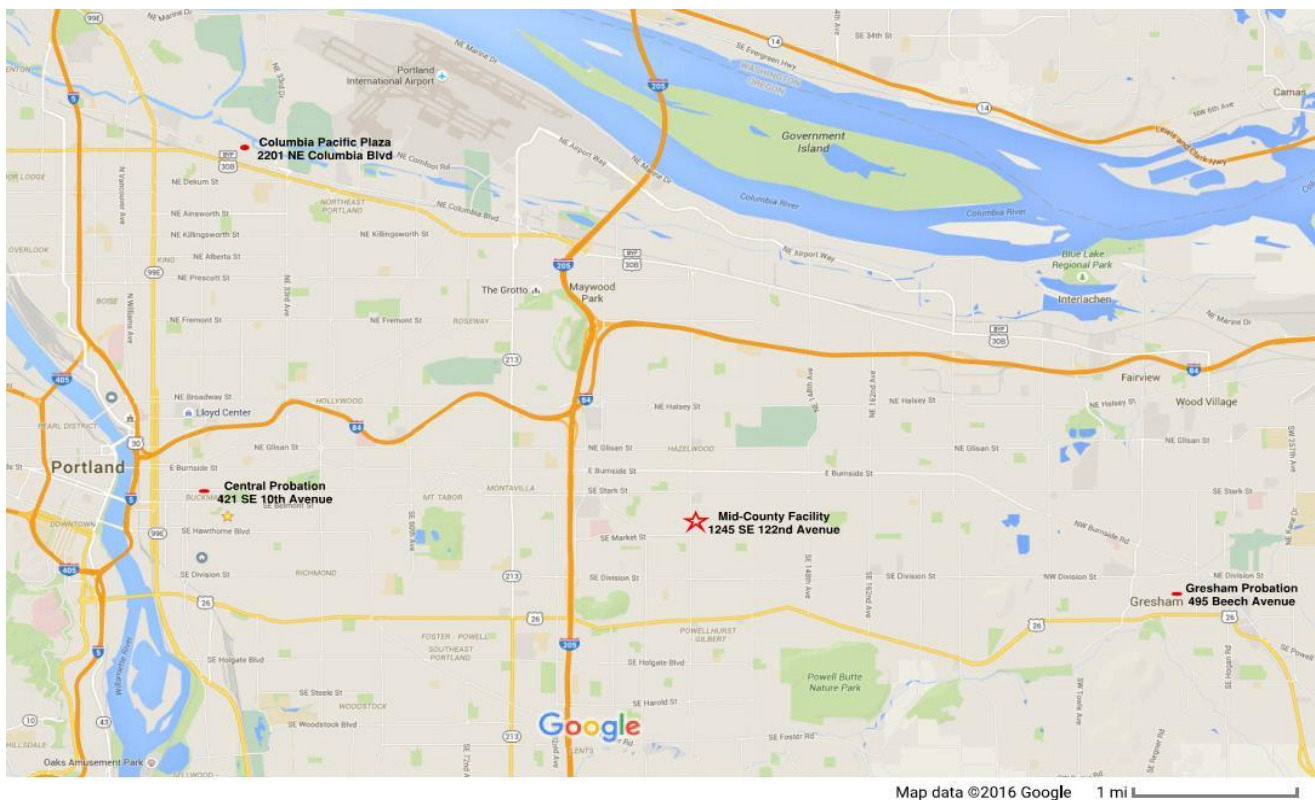


Figure 1: Mid-County Facility Location Map

The FAC1 Process

Projects in excess of \$1M are subject to a FAC-1 administrative process consisting of four phases. 1) Preliminary Proposal, 2) Project Proposal, 3) Project Plan, and 4) Project Design and Construction. This document summarizes the results of the first two phases and recommends funding that would allow the FPM to put up earnest money to secure the purchase and begin the design documents for the proposed renovation. Once the design documents are complete FPM would present the Project Plan for Board approval then initiate the close of escrow on the property. The intent is then for the Project Design and Construction Plan to be presented to the Board prior to the award the construction contract or approval of a guaranteed maximum price.

The Preliminary Proposal

The preliminary proposal summarizes the pre-purchase due diligence efforts. These efforts included site review and selection, a building assessment survey of the property, and a certified appraisal of the property's value. This effort resulted in two reports: 1) An Appraisal Report prepared by T. Chad Plaster JD, dated March 11, 2016. 2) A Baseline Property Condition Assessment Report (including preliminary cost estimates) prepared by LRS Architects, dated November 5, 2014. The appraisal represents an unbiased assessment of the property's value. The assessment report evaluated the site and the building systems. The report summarizes the systems that were considered deficient or in need of repair and puts forth preliminary estimates cost to renovate the facility to meet County Standards.

The Project Proposal

The project proposal represents the site specific programming component considering DCJ's proposed use. DCJ and FPM collaboratively engaged in programming for the site. DCJ identified operational parameters such as number of staff, space requirements, and general program needs; LRS Architects was able to take this information and create a test fit that considered the existing building floor plans and available square footage. The result was a program document that summarizes the program's need and proposes a plan for meeting that need within the existing Mid-County Facility parameters. Effectively, the document refined the scope of work for the facility's renovation. LRS also provided updated cost estimates to perform the described improvements and the renovation.

The Project Plan

The Project Plan will be developed and presented to the Board prior to the closing of escrow on the property. At that time FPM will have secured first rights to purchase the property and prepared final design documents and estimates for the renovation. This tiered approach will limit the risk to the County and allow the stakeholders an additional review before purchase.

2. PROJECT REQUIREMENTS

Program Goal

Procure an asset that is geographically central to the growing mid county service area while consolidating existing fragmented operations into a single facility that has a campus-like quality.

Site Selection

The existing points of service for the program's adult services clients are the Meade Building downtown, Columbia Pacific Plaza, Central Probation or Gresham Probation (See Figure 1). The County owns these properties, excepting Columbia Pacific Plaza, whose lease will expire in September 2016. Upon examination DCJ recognized that their points of service were not aligned with their client distribution (See Figure 2). This precipitated the need to acquire an asset in a strategic mid-county location. In cooperation with FPM the department began their search for a developed site that could function as a central campus for their Adult Services Operations. Following an exhaustive search the program settled on the Mid-County Campus.

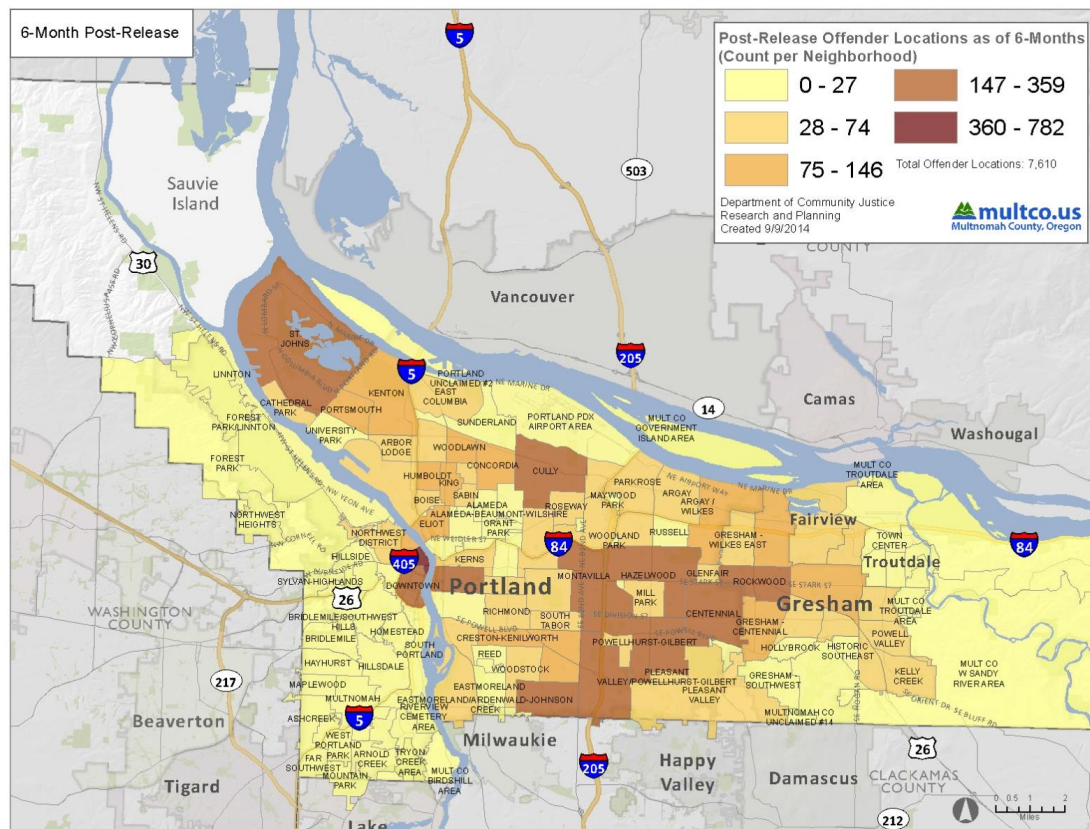


Figure 2: Adult Services Distribution Map

Proposed Mid-County Campus

The proposed Mid County Campus consists of three (3) two-story buildings located at 1245 and 1415 SE 122nd Avenue in Portland, OR. The south parcel (R332107) is 1.28 acres and contains two buildings; henceforth, referred to as the “south building” and the “west building.” The north parcel (R331969) is 1.18 acres and contains one building, referred to as the “north building.” The north and south buildings are connected by a pedestrian sky bridge and provide a total of 36,000 square feet of net rentable area. The existing and proposed use for the buildings is office commercial and is consistent with the existing City of Portland CO2 zoning for the site.

The south and the west buildings were both built in 1973 and are constructed with wood framed exterior walls that are overlaid with a brick veneer; there are pre-manufactured wood and metal roof trusses that are supported by glue laminated wood girders and steel columns. The north building was built in 1979 and is of similar construction. The buildings are surrounded by site improvements that include covered walkways, an asphalt parking lot with 149 parking spaces, concrete walks, landscaping, and utilities that serve the site; the two parcels are contiguous and collectively function as one large site and as such comprise the entire Mid County Campus.



Figure 3: Mid-County Campus

The Mid County purchase price is \$4.5 million and FPM estimates the probable cost to renovate the facility prior to commissioning for county use to be \$7.5 million. The total estimated cost of the facility plus renovation is \$12M. Following the approval of this proposal the design of the renovation will proceed while the site remains in escrow. The construction will begin following the close of escrow and is slated to start in May 2017. The desire is to commission the facility for occupancy prior to January 2018. Design will need to be completed and the first phase construction will need to occur prior to the summer 2017. The client will use the existing facility immediately upon the close of escrow to provide service for the clients in the area. The client will work with FPM staff on the timing of the renovation. The project will be completed in three phases to provide opportunity for MWBE firms to work on the project.

Strategic Objectives

The Facilities Asset Strategic Plan (FASP) has provided FPM a roadmap that links the County's overall mission, goals, values and priorities to its physical facilities; this roadmap accounts for location, operation, maintenance, and capital investment of existing and proposed facilities. The FASP has documented the vision, process, and evaluation criteria that enable the County to continue efforts to develop a more flexible, responsive, and financially sustainable portfolio that aligns with County program needs with demographic trends, capital funding priorities, and ongoing efforts to maximize operational efficiency. The need to acquire an asset in a strategic mid-county location comes from this long range plan.

The proposed acquisition of the Mid County Facility meets the four major objectives of the FASP study; 1) It optimizes the County's portfolio by consolidating four County operating sites into one single facility; 2) It strategically relocates low-ranked facilities in the portfolio to a mid-county location where the demand for County services is high; 3) It aligns the work environment with the program needs by creating a space that is intentionally designed for operational efficiencies for the end-user; and finally, 4) It promotes an integrated Department of Community Assets (DCA) service model. By renovating an existing property FPM can create a facility meets programmatic needs and optimizes operational efficiency.

Consolidation of Properties

Consolidation into a single mid-county facility aligns with the County's Facilities Asset Strategic Plan (FASP) to increase operational efficiencies, align departmental points of service with their client base, and eliminate the lease risk associated from existing leased facilities. The primary occupant of the Mid-County Facility would be the Multnomah County Department of Justice, Adult Services Division (DCJ). Currently, DCJ occupies space in three separate locations Columbia Pacific Plaza (27,300sf), Central Probation (7000sf) and Gresham Probation (4200sf) will consolidate into the more centrally located Mid-County Campus (36,000sf). The Columbia Pacific Plaza lease will not be renewed and Gresham and Central Probation will be sold. The financial savings are significant and are quantified in the Project Cost and Budget Section.

3. PROJECT SCOPE

Property Appraisal

FPM engaged to conduct an appraisal of the property. The results are documented in the final report dated . The report summarizes the range of values for real estate of comparable uses. The appraisal was adjusted to take into account the upgrades necessary for County Building standards.

Preliminary Property Assessment

FPM engaged LRS Architects to conduct a Baseline Property Condition Assessment of the Facility; the results are documented in the final report dated November 5, 2014. The report summarizes the condition of the property and estimates the probable costs to renovate the facility to County standards. The renovation would need to be completed and the facility commissioned prior to January 2018 in order to accommodate the timely relocation of the DCJ. Subsequent to the assessment a program document was developed with revised project costs.

Programming Documentation

FPM engaged LRS Architects to lead a project programming exercise. This was a site specific programming component that investigated DCJ's proposed use and aligned it with building specific parameters. DCJ identified operational parameters such as number of staff, space requirements, and general program needs; LRS Architects was able to take this information and create a test fit that considered the existing building floor plans and available square footage. The result was a program document that summarized the program's need and proposed a plan for meeting that need within the existing Mid-County Facility footprint. This document represents the current scope of work for the facility's renovation. LRS also provided updated cost estimates to perform the described program improvements and the required amount of renovation.

Project Specific Scope

Appendix A contains building specific test-fit floor plans that depict the nature of the work that is to occur. These floor plans along with the cost estimates in Appendix B represent the preliminary scope of work to accommodate the program need and renovate the building to county Standard.

4. COST ESTIMATES

Project Specific Costs

Appendix B contains the preliminary scope/costs to meet the specific program requirements. At present the estimated purchase price is \$4.5M and the estimated cost of renovation is \$7.5M.

The estimates list the raw cost of construction and the "loaded" costs, which include soft costs such as design costs, project management, permitting and an amount for project contingencies.

Exclusions: The estimated costs do not include the cost of commissioning the facility, nor do they include costs to move the DCJ staff from their existing location to the new Mid-County location. Also excluded is the cost of any new furnishings or fixtures for the new facility.

5. FUNDING SOURCES

Capital Funding Sources

FPM is requesting \$4.5M for purchase and \$7.5M for renovation of the Facility, for a total of \$12M. The purchase and renovation schedules are very short and preclude the use of bond measures for funding; instead, FPM proposes funding the acquisition, design documentation, and professional services of the project from the one-time only funds completed in FY 2017, Mid-County Program Offer 78220-12 Fund 2512, \$6,750,000.00. The balance of the project with low interest loans from internal sources. ORS allows for local agencies to borrow from internal accounts for terms up to ten years. FPM proposes borrowing \$5.25M from the Multnomah County Interfund Loan Fund or internal accounts at .75% APR with a ten year amortization schedule.

It is a three month process to secure the funding and issue the long term debt. The funding process would be started immediately following Board approval and secured as early as January 2017. The terms would be structured such that the first loan payment would be payable on July 2017. FPM would suggest that DCJ's rent for the building be equal to the amortized cost of the proposed renovation prorated on a square foot basis, Rent payments would be due upon occupancy (November 2017) and would be banked prior to the beginning of the loan schedule.

Should FPM wish to fund the renovation in phases over an extended period they may elect to reduce the amount initially secured through internal lending and fund subsequent phases of the project through a bond purchase. For example, FPM may elect to fund the purchase and phase one off the renovation (a total of \$12M through internal loans) and fund subsequent phases through bond measures. Facility renovation bond monies may be aggregated with other public improvement project monies for efficiency.

Operational Funding Sources

As part of the due diligence process FPM leveraged their departmental trades to perform an exhaustive reconnaissance of the building and determine the operations and maintenance (O&M) requirements for the lifecycle of the building. Given the extensive renovation the county will be adding a well conditioned facility to its portfolio. FPM has found that new and/or renovated facilities cost far less to operate and maintain than a non-reconditioned facility; in this regard it is expected that O&M cost should be relatively low. Budgets for that exact amount are being prepared and will be part of the subsequent Project Plan FAC-1 documentation.

Grant Funding Sources

The design phase of the project may yield opportunities for grant funding or rebates. Should energy efficient materials and or products be specified there will be opportunity for grants or rebates from a variety of potential sources. DCJ will also be encouraged to identify interdepartmental sources of grant funding. Elaboration will occur in the final FAC-1 document

6. FEASIBILITY STUDIES

Below is a cost comparison of a lease versus buy comparison for the project. The County estimated cost to improve and lease the building over ten years approximately \$14.5M.

OPTION 1: LEASE		
		<u>Option Detail</u>
Square Footage		38,000
Lease cost per Sq. Ft.		\$ 14
Monthly Lease		\$ 44,333
Annual Lease		\$ 532,000
Yearly Escalation		3%
10 Year Lease Cost		\$ 7,018,160
10 year Lease Admin Cost		\$ 384,234
Tenant Improvements		
Free Rent (months)	6	(\$266,000)
Tenant Improvement (from Owner) / sf	\$ 20	(\$760,000)
Tenant Improvement (from County) \$s		\$6,000,000
County Building Improvements		\$ 1,500,000
OTO Funds Available		\$ (7,500,000)

The county estimated cost to purchase the asset, \$4.5M along with capped tenant improvements for the project of \$6M and \$1.5M for County standards is \$12M. The new campus would allow the County to surplus the Central Probation and potentially the Gresham site. The sale of these sites would reduce the financing from \$5.25 M to \$3.25M.

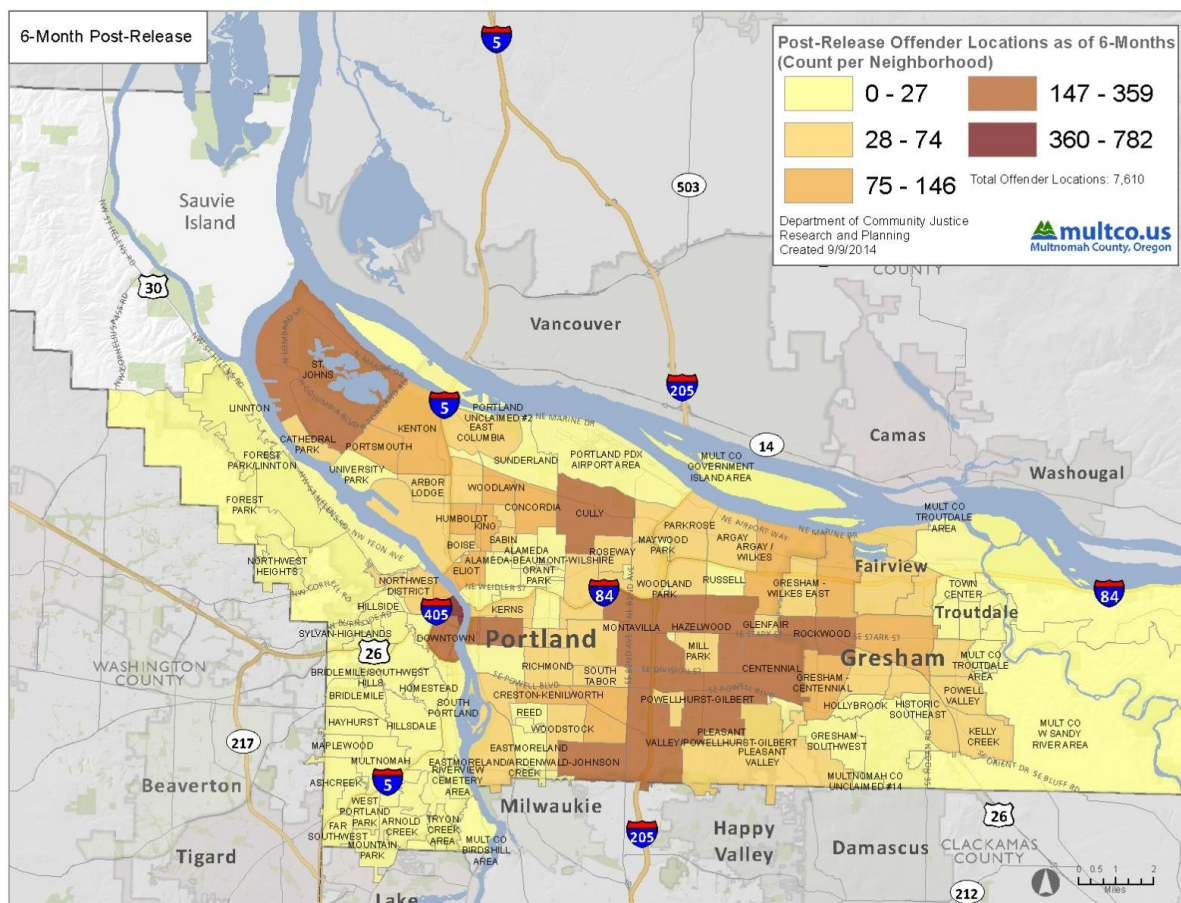
OPTION 2: BUY	
	<u>Option Detail</u>
Purchase Price	\$ 4,500,000
Upgrades-County Standard	\$ 1,500,000
Tenant Improvements	\$ 6,000,000
Total Cost	\$ 12,000,000
Property Sales:	
Central Probation	\$ (1,500,000)
Gresham	\$ (500,000)
OTO Funds Available	\$ 6,750,000
Amt to Finance	\$ 3,250,000

7. ALTERNATIVES

FPM is proposing to work with DCJ on developing a three phased development plan for enhancement of the campus. The phased approach will provide MWBE general contractors and vendors the ability to work on the project due to the reduced scope size. FPM is researching into the opportunity of Youth Build Program with contractors on the project.

8. RISK ASSESSMENT

The increase in the service population moving into Mid and East county is representative in the GIS map below. The opportunity for the County to acquire an asset to meet the client needs will be met with the acquisition and improvements of the property. Further, the acquisition will meet the Facilities Asset Strategic Plan of achieving a more strategic location to meet the client needs for its customer base.



9. SCHEDULE

Project Time Lines

The project schedule currently includes the following major milestones:

Due diligence period (beginning)	Sept., 2014
Due diligence period (completed)	Feb. 2015
The Board Approves Mid County Purchase	Sept 2016
Complete the A&E Procurement	Mar 2015
County closes on The Mid County Property	Oct. 2016
Complete CM/CG Procurement	Mar 2017
Complete 50% Design Development Package	Jan 2017
Complete 90% Design Development Package	Mar 2017
Negotiate Guaranteed Maximum Price with CM/GC	Apr 2017
Award General Contract for the Construction	Apr 2017
Complete Design Development Plan Package	Apr. 2017
Begin Construction	May 2017
End of Construction	Dec. 2018
DCJ Move in Dates	Oct. 2017

a. Construction Schedules

A complete construction schedule will be provided in the final FAC1 document

STAKE HOLDERS

a. Project Sponsors

- i. Multnomah County Chair, Deborah Karfoury
- ii. Multnomah County Commissioner, Judy Shiprack
- iii. Multnomah County Department of Community Justice, Scott Taylor
- iv. Multnomah County Department of Community Assets, Sherry Swackhammer

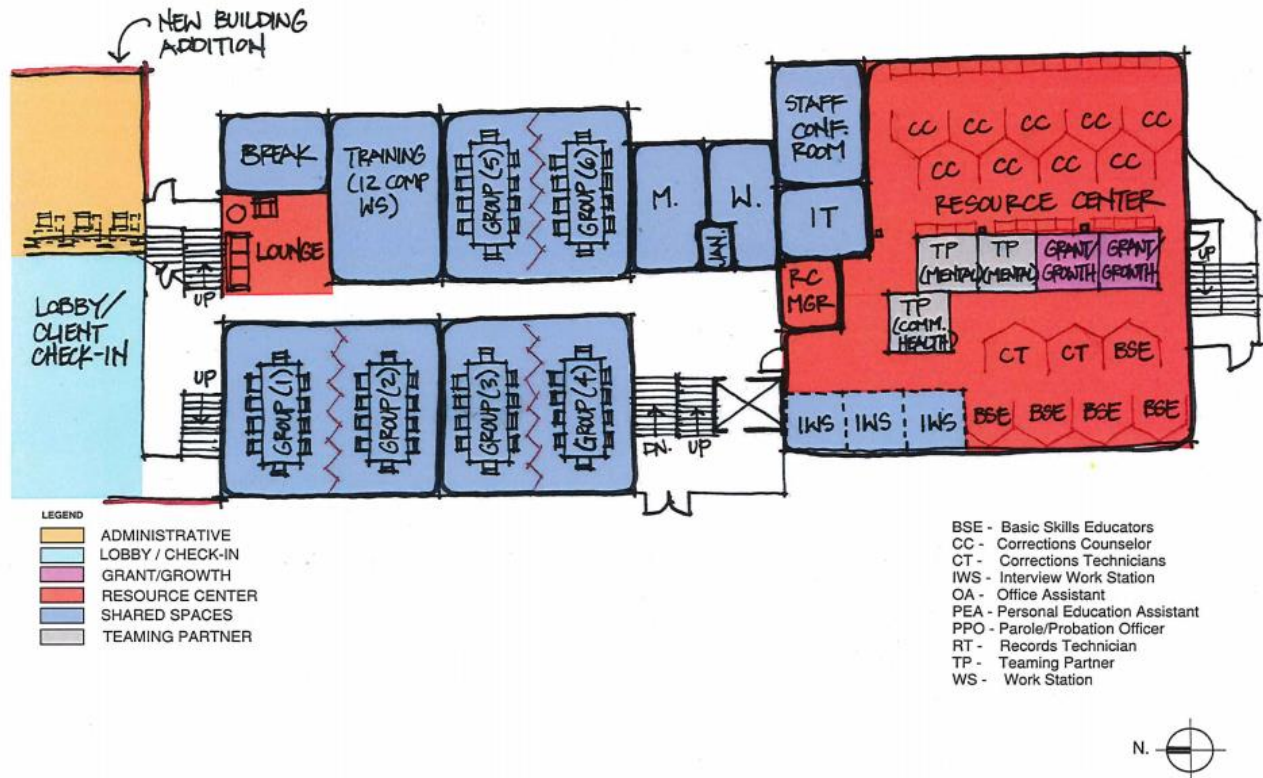
b. Primary Stakeholders

- v. Multnomah County Board of Commissioners
- vi. Multnomah County Chief Financial Officer (CFO), Mark Campbell
- vii. Multnomah County Department of Facilities & Property Management
- viii. Multnomah County Department of Community Justice, Adult Services

c. Project Team

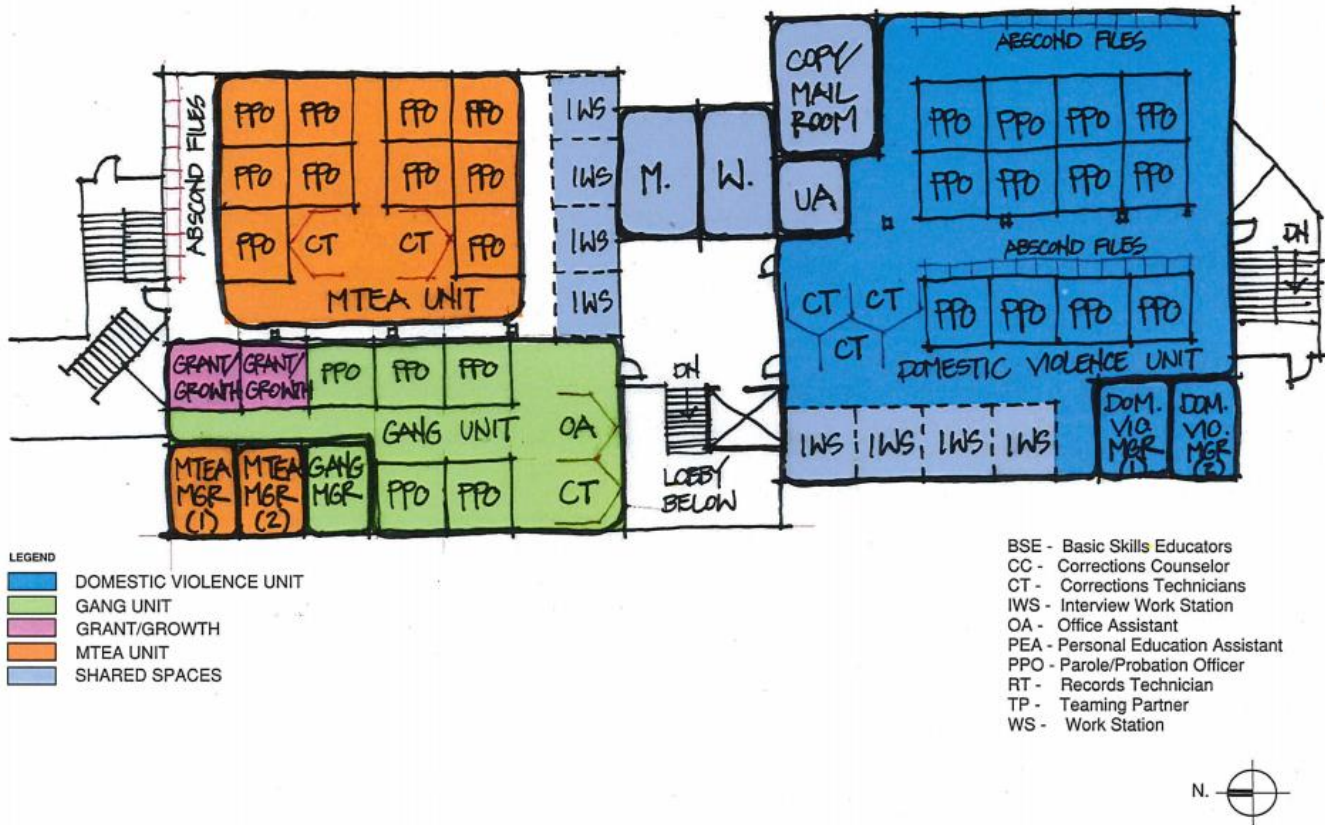
- ix. Jon Legarza, FPM Strategic Project Manager
- x. Jay Scoggins and Karen Rhein, DCJ, Adult Services
- xi. LRS Architects, Project A&E and Design Consultants
- xii. Construction Manager / General Contractor, TBD

Appendix A – Test Fit Program



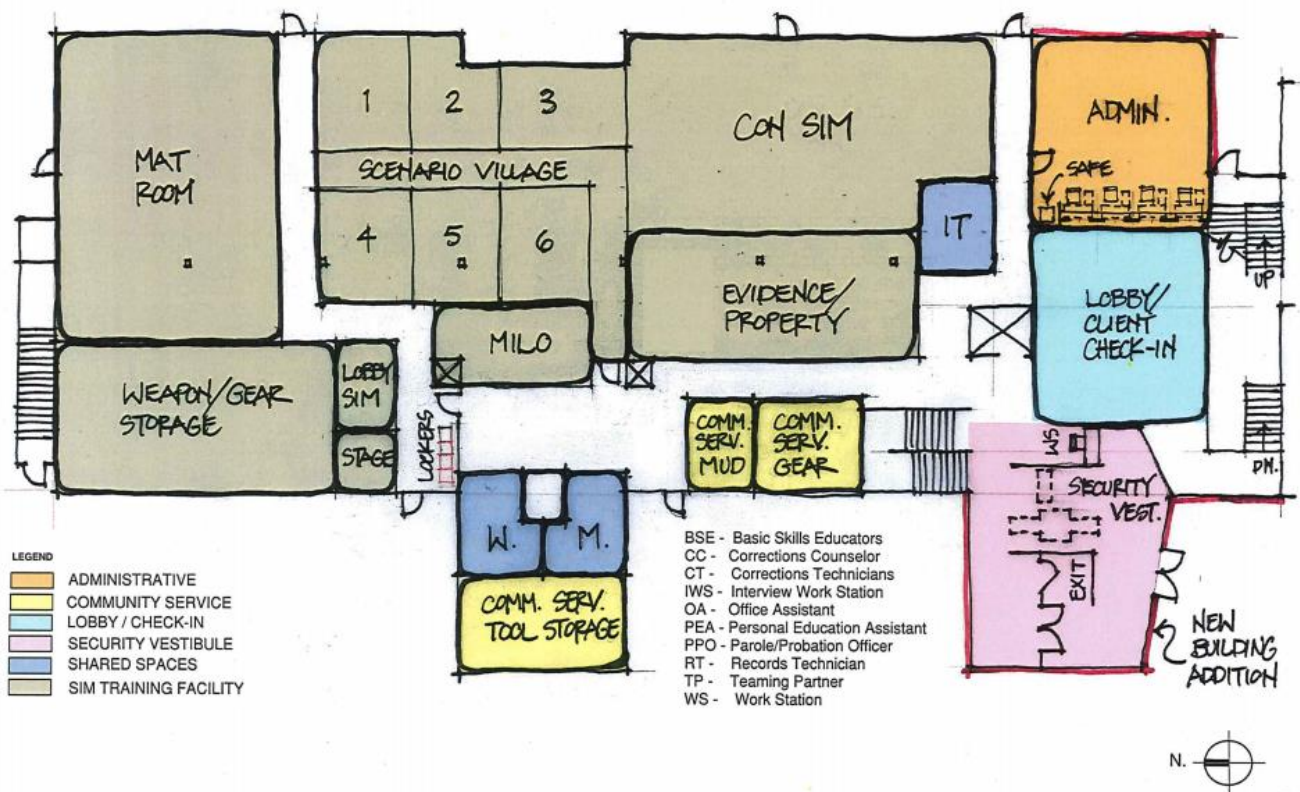
MULTNOMAH COUNTY DCJ - SOUTH BUILDING
FIRST FLOOR - SPACE ALLOCATIONS
02.08.2016

LRS
ARCHITECTS

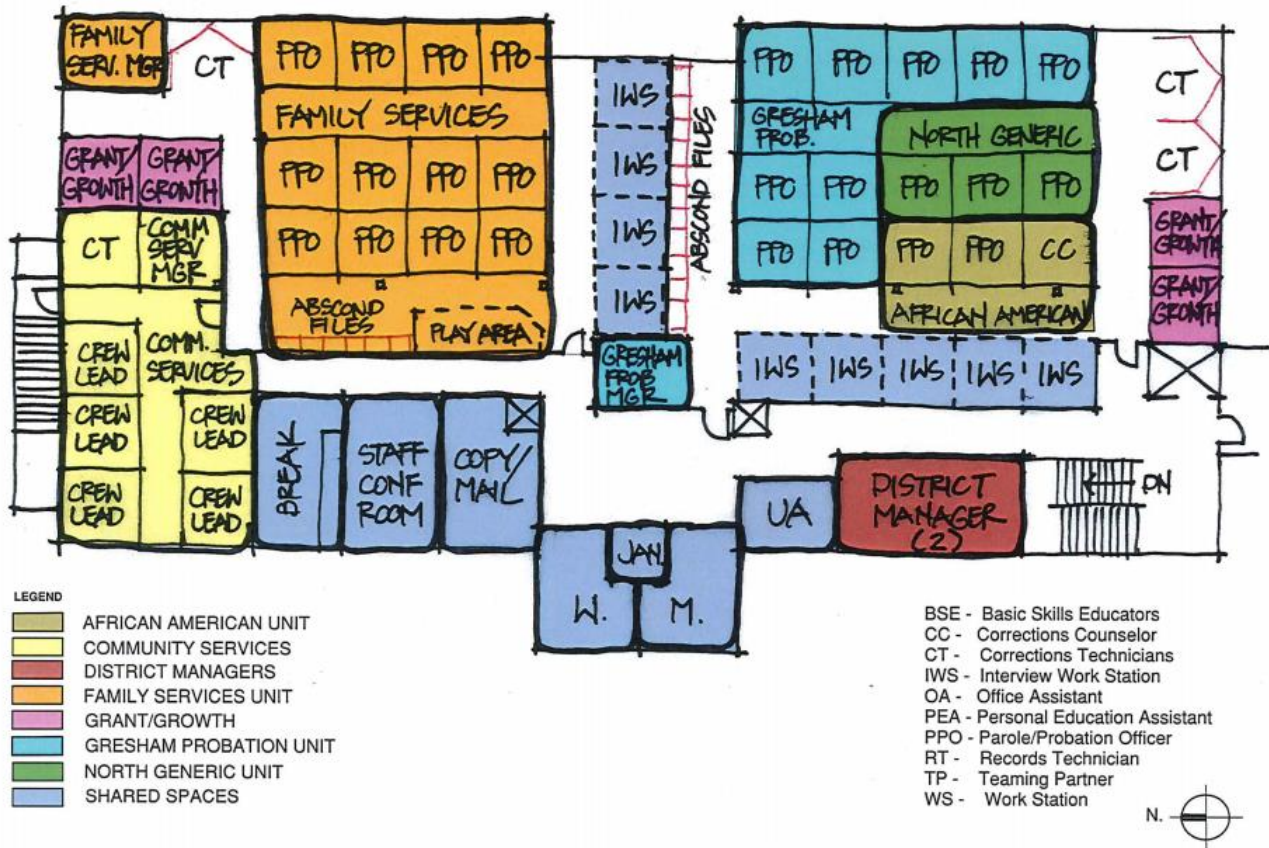


MULTNOMAH COUNTY DCJ - SOUTH BUILDING
SECOND FLOOR - SPACE ALLOCATIONS
02.08.2016

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MULTNOMAH COUNTY DCJ - NORTH BUILDING
FIRST FLOOR - SPACE ALLOCATIONS
02.08.2016



MULTNOMAH COUNTY DCJ - NORTH BUILDING
SECOND FLOOR - SPACE ALLOCATIONS
02.08.2016

LRS
ARCHITECTS

Department of County Assets



Appendix 2 Cost Estimate

	ASTM / ASCE		DCJ Program		Overall Project		
	Direct	Total	Direct	Total	Direct	Total	
North Building	\$596,921	\$1,074,457	\$289,450	\$498,888	\$886,371	\$1,573,345	
South Building	\$770,195	\$1,386,351	\$234,058	\$421,304	\$1,004,253	\$1,807,655	
West Building	\$515,844	\$928,519	\$54,292	\$97,726	\$570,136	\$1,026,245	
New Construction / Site	\$269,261	\$484,670	\$1,109,200	\$1,996,560	\$1,378,461	\$2,481,230	
			Total Project Cost		\$3,839,221	\$6,888,475	