



Civic Center Study Session

November 11, 2014



Presentation Overview

- Background
- Civic Center Development
 - Why a P3 project delivery model?
 - Civic Center Process
 - Proposal Summaries, graphics and costs
 - Civic Center Financial Structure
- Private Development
- Fiscal Impact
 - The Exclusive Negotiation Agreement (ENA)
 - City Costs and Risks
- Conclusions
- Next Steps



Background

- On February 12, 2013, the City Council directed staff to prepare and release an RFQ for a Public-Private Partnership to design, build, finance, operate and maintain a new Civic Center
- On April 1, 2013, the Board of Harbor Commissioners agreed to participate in the RFQ process
- On October 22, 2013, the City Council selected the Short List of RFQ Respondents and directed staff to prepare and release an RFP to this Short List
- On January 27, 2014, the Board of Harbor Commissioners agreed to participate in the RFP, with no obligation to proceed to a contract



Background (Cont.)

- The RFP was released on February 28, 2014 to the Short List of RFQ Respondents
- Proposals from the Short List were received on June 2, 2014
- Proposals were received from two Project Teams:
 - Long Beach CiviCore Alliance
 - Plenary Edgemoor Civic Partners



Civic Center Study Sessions and Outreach

- Study Sessions:
 - 9/16/14: Historical perspective and update
 - Location: Long Beach City College
 - 10/14/14: Presentations by Project Teams
 - Location: City Hall
 - 11/11/14: Project Team Proposals
 - Location: Houghton Park
- Open Houses and Community Meetings
 - 11/1/14 Admiral Kidd Park from 9AM to Noon
 - 11/5/14 Los Altos Library Community Meeting at 4:30PM
 - 11/8/14 Rogers Middle School from Noon to 3PM
- At a future meeting, the City Council may decide to proceed with the project and select a Project Team, but will not be selecting a specific project

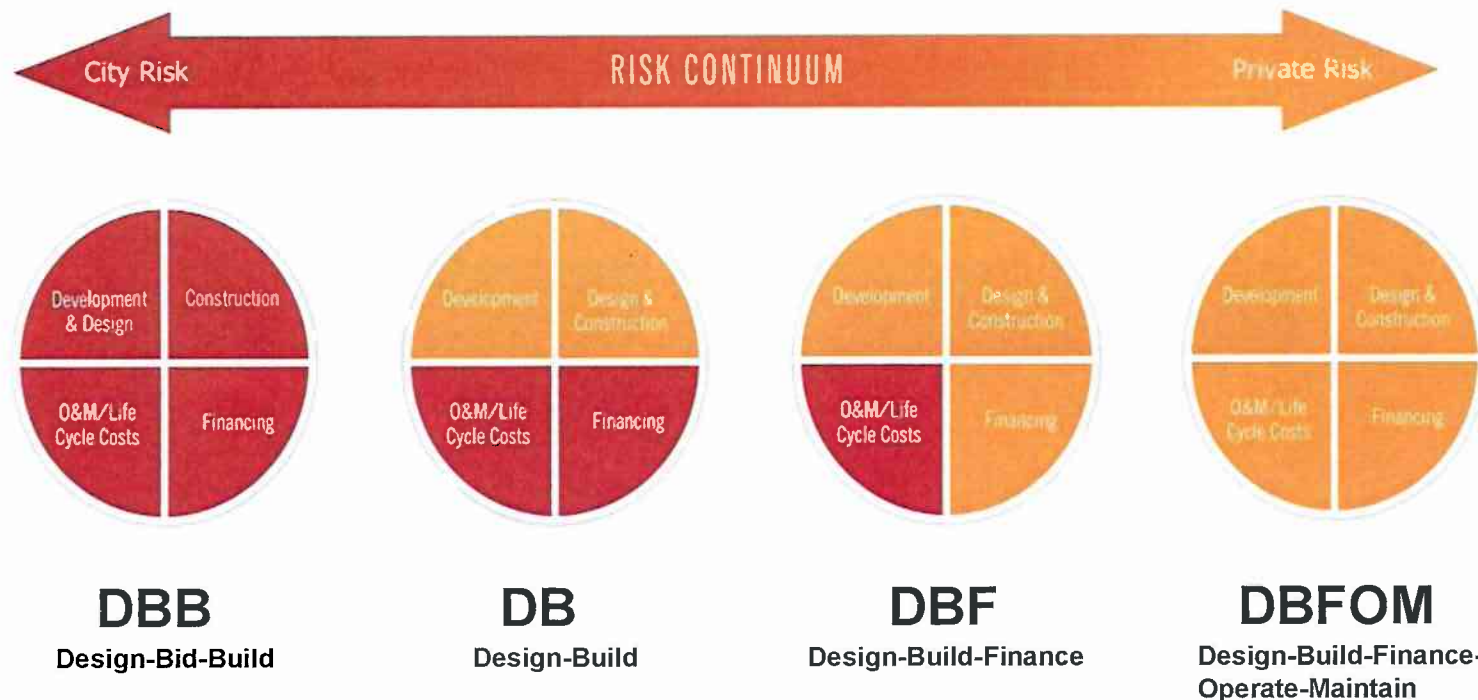


Civic Center Development



Why a P3 Project Delivery Model?

Risk Transfer





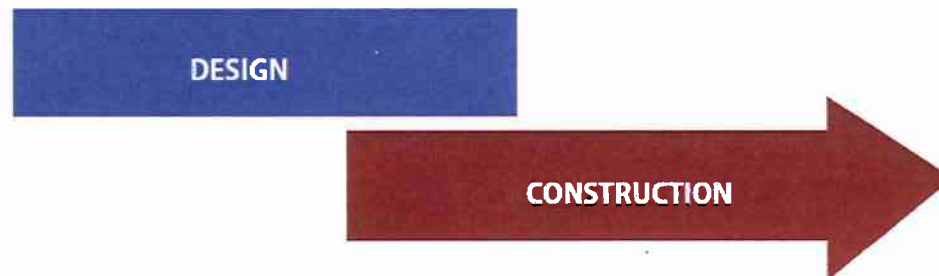
Why a P3 Project Delivery Model?

Project Delivery Timeline Comparison

Design-Bid-Build



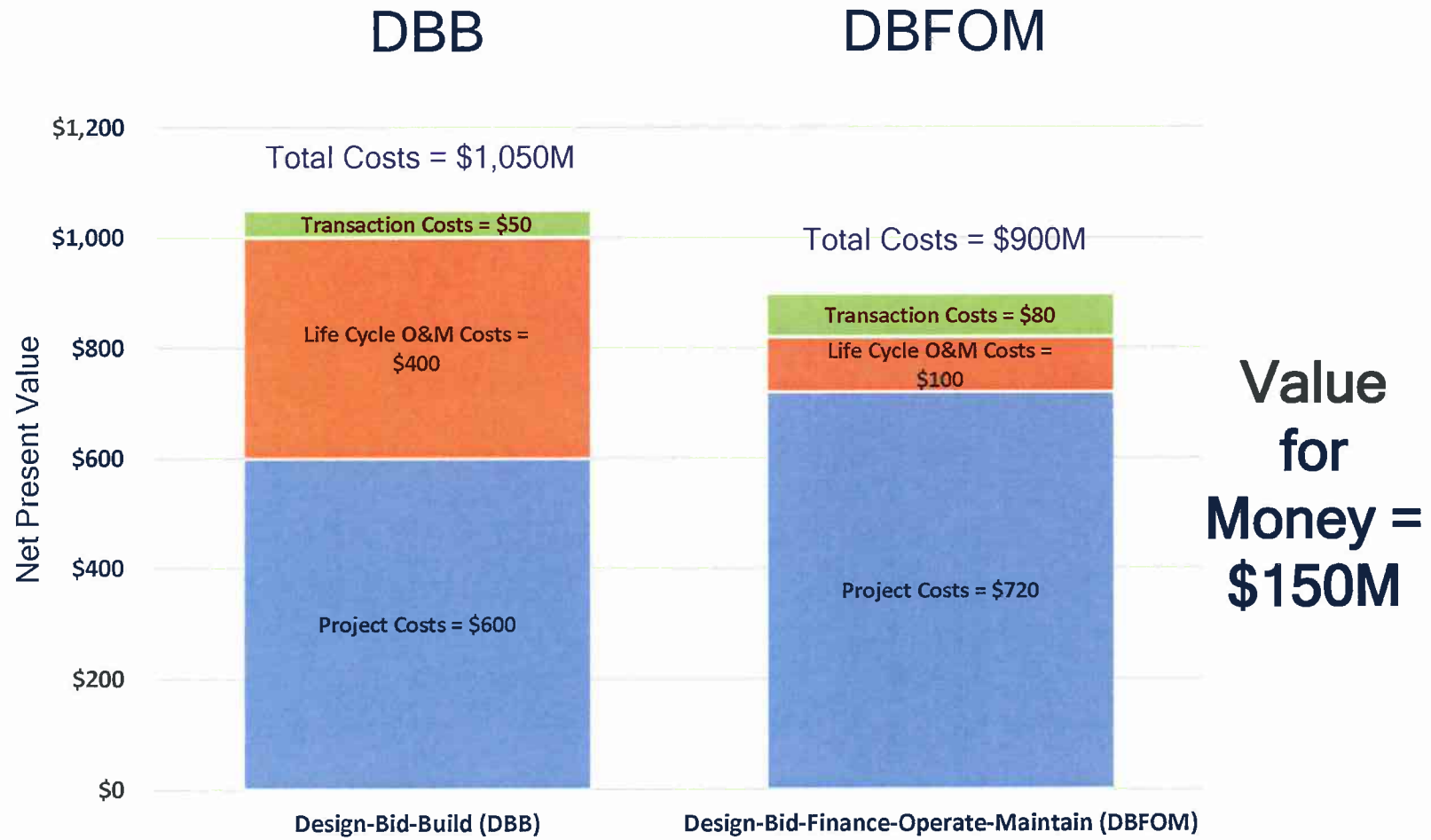
Design-Build-Finance-Operate-Maintain





Why a P3 Project Delivery Model?

Value for Money (Example)





Why a P3 Project Delivery Model?

Benefits

- Fastest path to new, seismically superior facilities
- City transfers to the Project Team design and construction risk, including entitlements, change orders, cost overruns and construction delays
- Lower maintenance and operation costs at the same performance level over life of the facility, resulting in lower cost
- City does not pay Project Team until City occupies the new facilities. At that time, the City will be obligated to make lease payments for 40 years
- At the end of the 40 year lease, the facility is transferred to the City at no cost at a Facility Condition Index of 15% or less, indicating the building is in Good or better condition



Why a P3 Project Delivery Model?

Alternatives to P3

- Retrofit - Building may be unusable after a significant seismic event; not practical to finance
- Purchase - Few alternatives in Downtown for City and Port; may not be less expensive; difficult to finance
- Conventional Design-Bid-Build - Likely to be more expensive over time; will take longer to occupy; difficult to finance
- P3 DBFOM - appears to be the best option with the lowest cost



Civic Center Process

Guiding Principles

- Redevelop the Civic Center into a vibrant mix of public and private space
- Improve connections between the new Civic Center and Downtown
- Revitalize Lincoln Park into a destination park with amenities for visitors, residents and Downtown workers
- Reduce maintenance costs, increase energy efficiency, consolidate selected offsite leases
- Remain cost neutral
- Consider private development elements and/or disposition of surplus property for private development



Civic Center Process

Project Goals in RFP

- Ensure the City's lease payments for the new City Hall and Main Library, including operations and maintenance (O&M), approximate current costs including annual CPI increases
- Shift more of the risks associated with design, development, entitlement, financing, construction, maintenance and operation to the Project Team
- Incorporate a 40-year life-cycle O&M contract for the Civic Center as part of the City's lease payment
- Require ownership of the facilities to revert at no cost to the City at the end of the contract at a "Good" or better condition



Proposal Summaries

Project Teams

- Long Beach CiviCore Alliance Project Team:
 - Macquarie Capital Group
 - Lend Lease Investments
 - Mar Ventures
 - Continental Development
 - PCL Construction
 - Fentress Architects
 - Civitas Landscape Architects
 - Bank of America / Merrill Lynch
 - ABM Facility Services



Proposal Summaries

Project Teams

- Plenary Edgemoor Civic Partners Project Team:
 - Plenary Group
 - Edgemoor Infrastructure & Real Estate
 - Clark Construction Group
 - Skidmore, Owings & Merrill Architects
 - Kelly Sutherlin McLeod Architects
 - Gustafson, Guthrie, Nichol, Landscape Architects
 - Stifel Financial Corporation
 - Johnson Controls



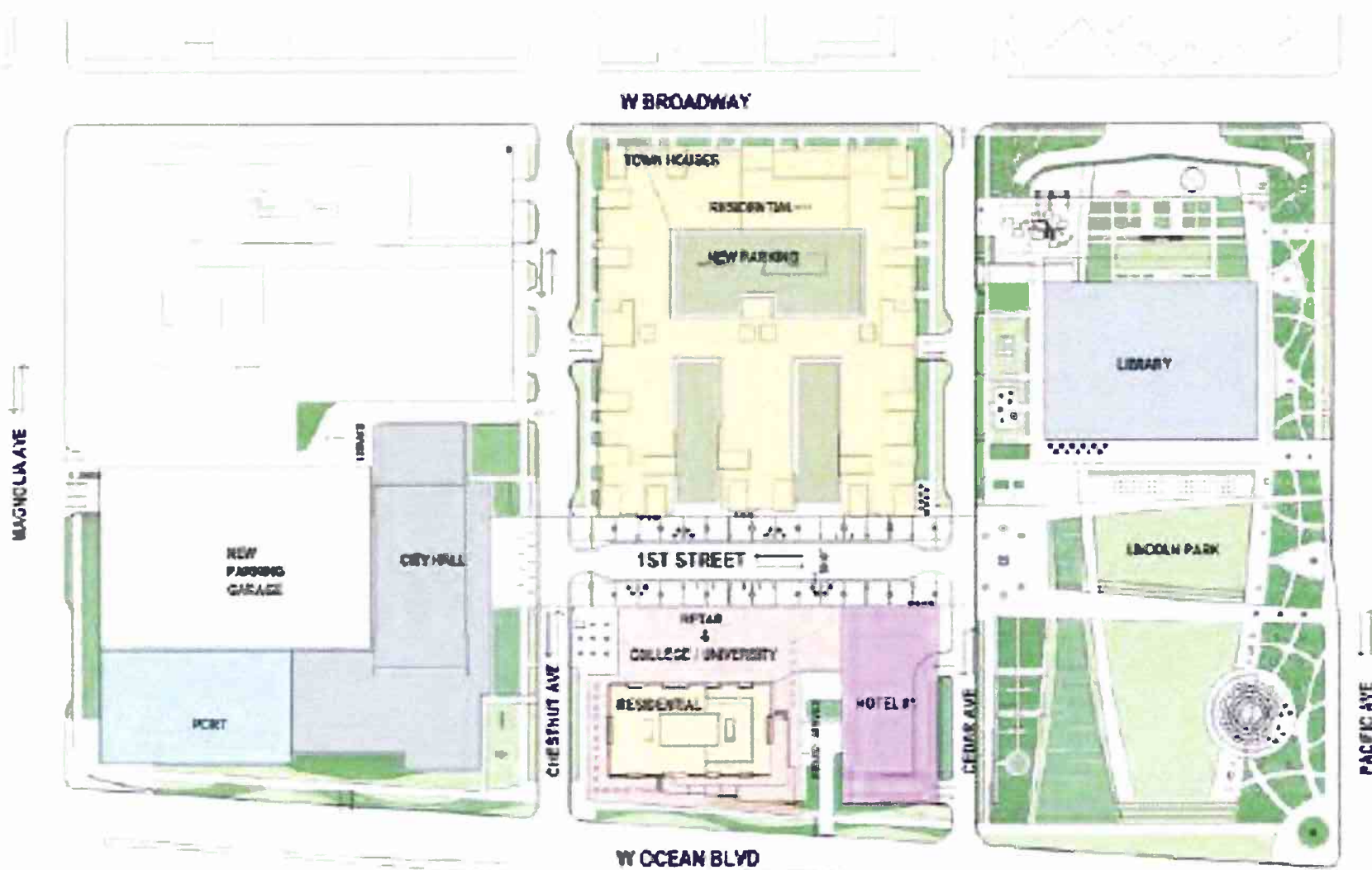
Proposal Summaries

Civic Center Development



Proposal Summaries - CiviCore Alliance

Site Plan from LBCCA's RFP submittal





Proposal Summaries - CiviCore Alliance

LBCCA's Artist's Rendering





Proposal Summaries - CiviCore Alliance

LBCCA's Model of the Civic Center





Proposal Summaries - CiviCore Alliance

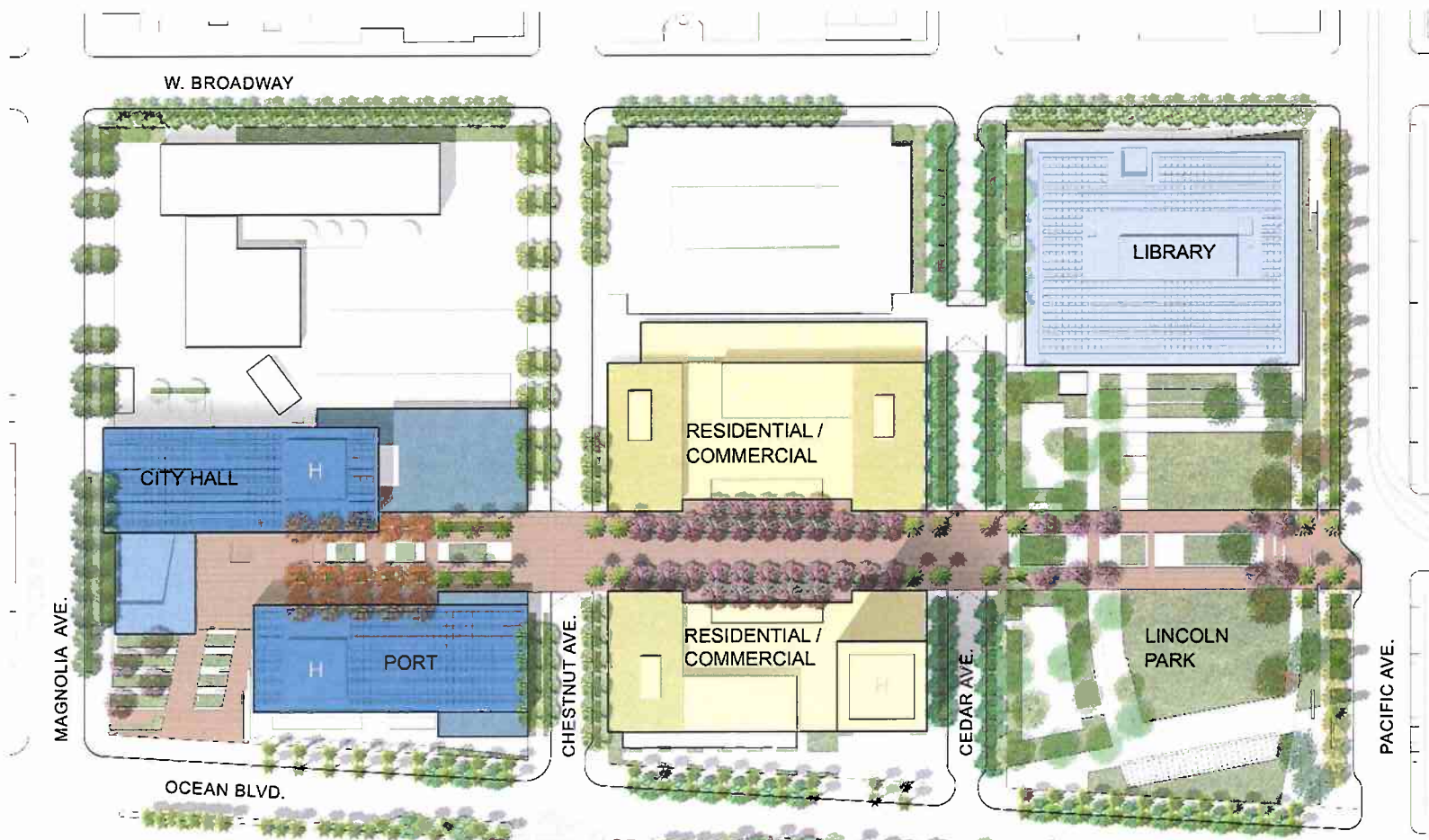
LBCCA's Model of the Main Library





Proposal Summaries - Plenary Edgemoor

Site Plan from PECP's RFP submittal





Proposal Summaries - Plenary Edgemoor

PECP's Artist's Rendering





Proposal Summaries - Plenary Edgemoor

PECP's Model of the Civic Center





Proposal Summaries - Plenary Edgemoor

PECP's Model of the Main Library





Proposal Summaries - Construction Costs

City Hall

City Hall	Long Beach Civicore Alliance	Plenary Edgemoor Civic Partners
Gross Square Feet	246,186	242,000
Total Construction Cost	\$ 120,932,000	\$ 117,749,000
Construction Cost /SF	\$ 490	\$ 487

*Includes Hard and Soft Costs, including inflation during construction



Proposal Summaries - Construction Costs

Main Library

Main Library	Long Beach Civicore Alliance	Plenary Edgemoor Civic Partners
Gross Square Feet	78,300	93,500
Total Construction Cost	\$ 39,857,000	\$ 44,199,000
Construction Cost /SF	\$ 509	\$ 473

*Includes Hard and Soft Costs, including inflation during construction



Proposal Summaries - Construction Costs

Lincoln Park

Lincoln Park	Long Beach Civicore Alliance	Plenary Edgemoor Civic Partners
Acres	4.8	4.8
Total Construction Cost	\$ 9,259,000	\$ 16,733,000
Construction Cost /SF	\$ 44	\$ 80

*Includes Hard and Soft Costs, including inflation during construction



Proposal Summaries - Construction Costs

Port Headquarters

Port Headquarters	Long Beach Civicore Alliance	Plenary Edgemoor Civic Partners
Gross Square Feet	246,985	254,000
Total Construction Cost	\$ 144,217,000	\$ 179,016,000
Construction Cost /SF	\$ 584	\$ 705

*Includes Hard and Soft Costs, including inflation during construction



Proposal Summaries - Construction Costs

Construction Costs

Construction Cost	Long Beach Civcore Alliance	Plenary Edgemoor Civic Partners
City Hall	\$ 120,932,000	\$ 117,749,000
Main Library	\$ 39,857,000	\$ 44,199,000
Subtotal	\$ 160,789,000	\$ 161,948,000
Lincoln Park	\$ 9,259,000	\$ 16,733,000
City Total Construction Costs	\$ 170,048,000	\$ 178,681,000
Port Headquarters	\$ 144,217,000	\$ 179,016,000
Total Project Costs	\$ 314,265,000	\$ 357,697,000

*Includes Hard and Soft Costs, including inflation during construction



Proposal Summaries - O&M Costs

O&M Partners

- Both Project Teams include leaders in the facility maintenance division of the building management industry. CiviCore includes ABM Facilities Services and Plenary Edgemoor includes Johnson Controls
- The facilities management approach proposed by each team is robust and will address preventative maintenance, major expense/capital tracking needs, and a tenant-specific work-order system
- Payments by City will be reduced if facility systems are inoperable or performance standards are not met



Proposal Summaries - Financial Structure

Civic Center Financial Structure



Proposal Summaries - Financial Structure

Public-Private Partnership (P3) DBFOM Structure

- The P3 DBFOM approach, as proposed, uses a complex financial and operational structure that relies on conventional tax-exempt financing
- The Port has various financial participation options, including DBFOM, or financing and maintaining its Headquarters



Proposal Summaries - Financial Structure

Underlying Financing is Conventional

- City-created non-profit corporate entity will issue conventional tax-exempt bonds (senior bonds)
- It will also issue subordinate bonds to be purchased by the Project Team. *If there are insufficient operating funds, there is no requirement to pay debt service on the subordinated bonds.* This is the Project Team's risk and its "equity" in the Project
- The final part of Project funding comes from the sale of City land in the Civic Center and at 3rd and Cedar Street
- City lease payments are used to pay debt service on bonds and to pay operations and maintenance



Proposal Summaries - Financial Structure

Debt Issuance by Proposers

Bond Issue	Long Beach Civcore Alliance	Plenary Edgemoor Civic Partners
Structure	Non-Profit Corp Issues Tax Exempt Bonds	Non-Profit Corp Issues Tax Exempt Bonds
Senior Debt	\$328 M	\$417 M
Subordinated Debt	\$52 M	\$46 M
Total Debt	\$380 M	\$463 M



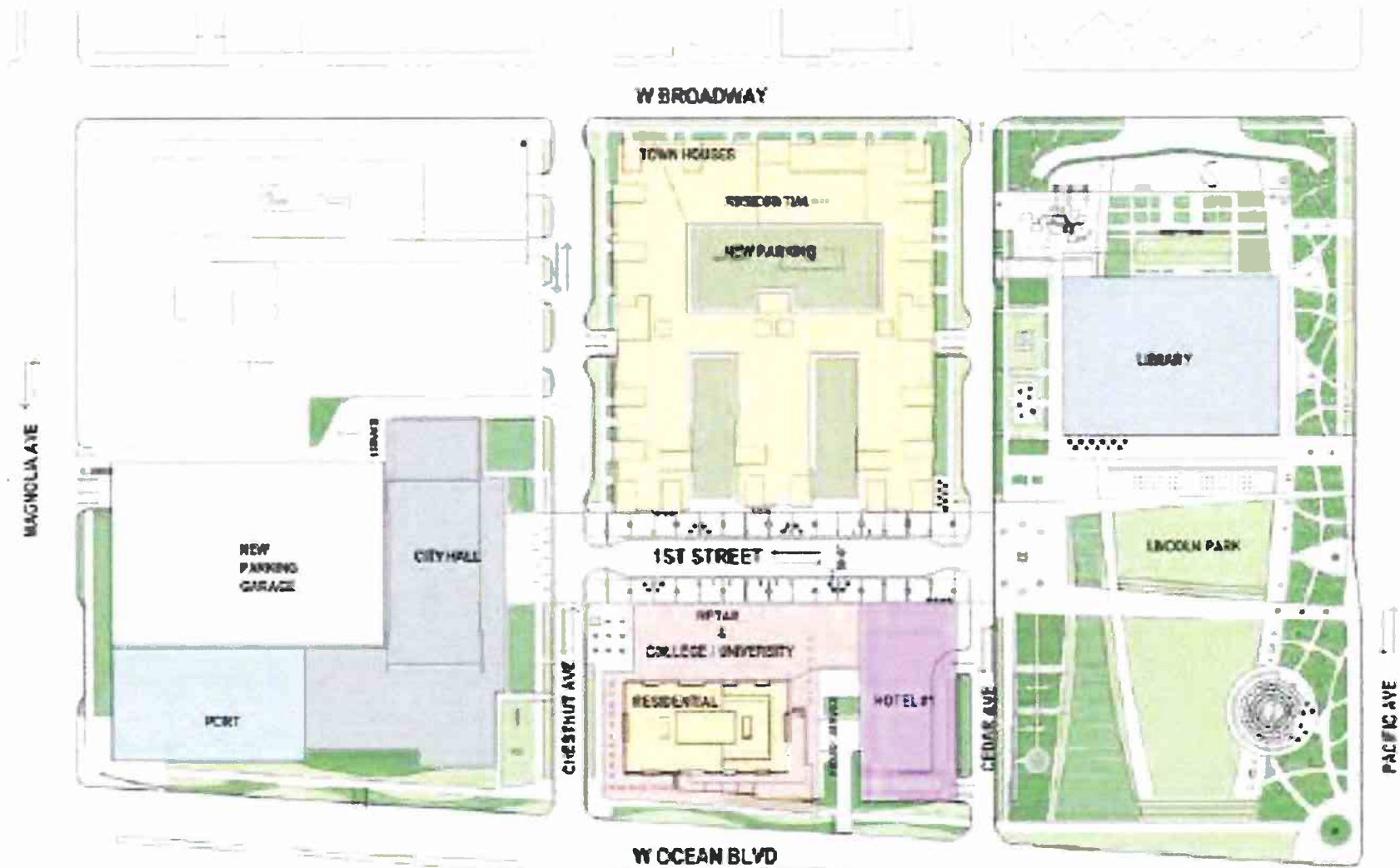
Private Development

Private Development



Private Development - CiviCore

Site Plan from LBCCA's RFP submittal





Private Development - CiviCore

LBCCA's Artist's Rendering





Private Development - Plenary Edgemoor

Site Plan from PECP's RFP submittal





Private Development - Plenary Edgemoor

PECP's Artist's Rendering





Private Development - Summary

Development Summary

Site		LBCCA	PECP
3rd & Cedar Ave			
Residential Units		170	199
Retail Square Feet		-	-
Mid-Block North			
Residential Units		339	213
Retail Square Feet		36,000	20,909
Mid Block South			
Residential Units		256	250-380
Retail Square Feet		33,000	26,929
Hotel Keys		250	200
Institutional Square Feet		15,000	-
TOTALS			
Total Residential Units		765	562-792
Total Retail Square Feet		69,000	47,838
Total Hotel Keys		250	200
Total Institutional Square Feet		15,000	-
Land Value in Millions		\$ 29.2	\$ 29.7



Summary

Summary: Civic Center & Private Development



Summary

Compared to Guiding Principles

- Both Project Teams have submitted proposals that meet the requirements of the RFP
- Both Project Teams propose a vibrant mix of public and private space
- Both Project Teams improve connections between the Civic Center and the surrounding communities
- Both Project Teams revitalize and activate Lincoln Park



Summary

Compared to Project Goals

- Both Project Teams provide a new Civic Center with a Project Payment of no more than \$12.6 million adjusted for inflation
- Both proposals shift most Project risks to the Project Team
- Both Project Teams incorporate a 40-year, life-cycle maintenance contract as part of the City's lease payment
- Both Project Teams are required to convey facilities to the City at the end of the lease, at no cost, at a condition of "Good" or better



Fiscal Impact

Fiscal Impact



Fiscal Impact - Overview

Overview

- Proposals provide for a City (lease) Project Payment that does not exceed \$12.6 million, adjusted for inflation
- There are some other continuing City costs, beyond the Project Payment and some risks
- The most significant risk is the potential for the Project cost to increase during the design period
- The costs and risks will be negotiated with the Project Team. Costs and risks are likely less with this P3 approach than with other options

Comments assume that the Port participates in the Project



Fiscal Impact - Financing Acceptable

Financial Proposals Are Acceptable

- Both Project Teams have financially acceptable proposals
- Both Project Teams appear to have sufficient financial capacity to allow flexibility in negotiations and to manage any future unexpected cost increases
- Except for a requirement to make lease payments, the General Fund is not at risk. Project Payments are reduced if building performance is below requirements



Exclusive Negotiation Agreement

Overview of ENA

- If City Council wishes to proceed, the City and the selected Project Team would enter into an Exclusive Negotiation Agreement (ENA)
- The ENA specifies the process, terms, conditions, and timelines intended to result in a set of agreements that would allow the Project to be constructed
- Activities include public outreach, due diligence, environmental studies, design, entitlements, and negotiation of agreements
- The ENA provides for a variable termination fee the City may be obligated to pay if the City terminates the ENA and the Project Team is not in default
- Projected 17 month process



Exclusive Negotiation Agreement

City Advisors

- The agreements associated with the ENA process will be extensive and complex
- The agreements will include all the specification, legal, financial, and commercial requirements of the City and the Project Team
- To help ensure that the agreements meet the City's needs and protect the City's interests, the City will use an experienced lead advisor, and legal and financial consultants



Exclusive Negotiation Agreement

Potential ENA Costs if the City and the Port Share Costs

(\$ in millions)

Estimated Costs	City	Total
Lead Advisor	1.5	2.9
Legal and Financial Specialists	1.1	2.2
Contingency	<u>0.3</u>	<u>0.5</u>
Total Direct Costs	2.9	5.6
Potential Maximum Termination Costs	<u>1.7</u>	<u>3.5</u>
Total Potential Costs	4.6	9.1
Projected Available from Civic Center Fund	(4.8)	

To execute the ENA, the City needs committed funding for the total cost of the ENA



Exclusive Negotiation Agreement

Risks During the ENA Timeframe

- Project costs increase during ENA and the design development process (Project costs include estimated construction cost inflation)
- The City or Project Team terminates the ENA
- Risks associated with negotiation of deal points will be minimized by use of advisors and consultants to offset any limitations on staff time

The substantial cost of the ENA process incentivizes both the City and the Project Team to reach agreement and not terminate the ENA



Costs and Risks of the Project

Project Payments

- Proposals provide for a Project Payment (lease) of up to \$12.6 million, adjusted for inflation
- The Project Payment is intended to approximate future costs to occupy and maintain current City Hall, i.e., no budget impact

Projected Annual Cost for Existing and New City Hall/Civic Center (\$ in millions)

	2013	2019 Occ.	2025	2030	2040
Budget - Existing Bldg., including outside leases	12.6				
Per RFP - New Bldg.		13.8	16.5	18.8	24.7

RFP - New Bldg. costs assume 2.5% inflation, 6% electricity rate increases



Costs and Risks of the Project

Continuing City Costs

- Additional analysis, subsequent to release of the RFP, identified some potential continuing City costs
- Some, but not all, of these continuing costs will be General Fund
- General Fund tax revenue from future private development may offset the continuing General Fund costs
- Any continuing costs may be managed through ENA negotiation or through the City's budget process



Costs and Risks of the Project

Continuing City Costs - Specifics

- Some rent savings may not occur in the final building configuration. This issue will be reviewed during negotiations and design development
- Not all building services may be provided by the Project Team, e.g., some security services, the information desk, the data center and traffic control center. This will be reviewed during negotiations and design development
- Some City allocated costs will continue, e.g., Technology & Innovation and other City general overhead costs



Costs and Risks of the Project

Continuing City Costs - Summary

Continuing Costs in Addition to \$12.6 million Project Payment
with Potential Future Revenue Offset
(in \$ millions)

Item	Cost Range
Rent for City operations not in new City Hall	0 to 1.4
Building services not paid by Project Team	0.5 to 1.4
City cost allocations that will continue	0.6
Total - continuing costs (all funds)	1.1 to 3.4
General Fund - continuing costs*	0.7 to 2.6
General Fund potential future tax revenue offset	(0) to (2.5)

*Continuing costs for Non-General Funds are from \$0.4 million to \$0.8 million



Costs and Risks of the Project

Risks of the Project

- Private development may not occur as or when expected
- Existing parking garages may have seismic event risk
- There may be risk associated with a catastrophic seismic event, but in a lesser seismic event the City Hall and Main Library will be protected
- Though unlikely, unexpected operating costs may exceed the capacity of the financing structure

Risks remaining with the City will be far less with a P3. Most risks will be transferred to the Project Team



Conclusions

Conclusions

- Both Project Teams meet the requirements of the RFP
- Both Project Teams propose a vibrant mix of public and private space and improve connections between the Civic Center and the surrounding communities
- The City is paying no more than \$12.6 million, adjusted for inflation, to the Project Teams. There will be some additional continuing costs which will be managed through negotiation, offsetting revenue from private development, or the budget process
- The most significant risk is the potential of Project cost increases during the ENA/design period. The City team will be prepared to address that risk
- The proposals present an excellent and unique opportunity to achieve the stated goals of the City Council



Next Steps



Next Steps

Upon selection, the Project Team shall:

- Enter an Exclusive Negotiation Agreement
- Conduct Citywide outreach and education
- Incorporate community feedback into project design
- Seek entitlements from Planning Commission and City Council
- Negotiate and Execute Project Agreements with the City
- Arrange Project financing
- Begin construction when financing is secured

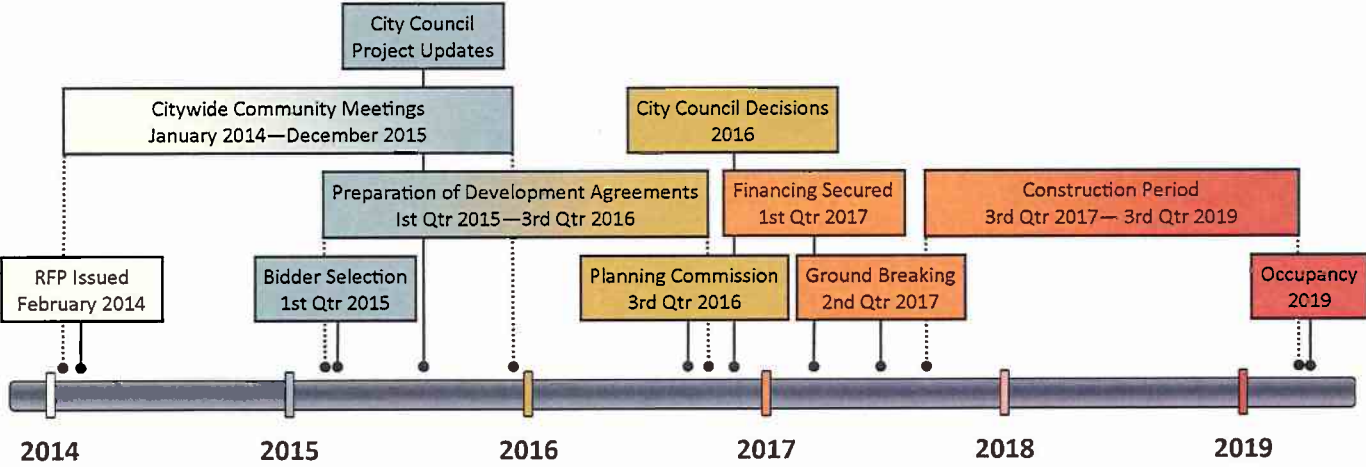


Next Steps



CIVIC CENTER PROJECT TIMELINE

The Civic Center Request for Proposals (RFP) was released on February 28, 2014. While the selection of the Project Team is estimated to occur in late 2014 or early 2015, this complex project will have multiple steps occurring after the Project Team is selected, including a robust public outreach process and public hearings by the Planning Commission and City Council. Below is a tentative timeline of the Civic Center Project.



www.lbciviccenter.com