



Legislation Details (With Text)

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On agenda:	12/9/2014	Final action:		12/9/2014:	12/9/2014
Title:	<p>Recommendation related to the Public-Private-Partnership to Design-Build-Finance-Operate-Maintain a re-envisioned Civic Center, including City Hall, Main Library, Lincoln Park, Private Development and a possible new permanent headquarters for the Harbor Department (Project), the following actions are hereby requested:</p> <p>Receive and file the Evaluation Summary Report, dated October 2, 2014, which summarizes the analyses and scores of the responses to Request for Proposals (RFP) No. CM14-040;</p> <p>Confirm the findings in the Evaluation Summary Report that both Plenary Edgemoor Civic Partners (PECP) and Long Beach CiviCore Alliance (LBCCA) submitted proposals responsive to the RFP and are eligible to receive payment of the stipend;</p> <p>Confirm the recommendation of staff to select PECP as the City's preferred Project Team for the Project;</p> <p>For the Port-In alternative, authorize City Manager to negotiate and execute an Memorandum of Understanding (MOU) with the Board of Harbor Commissioners (BHC) detailing rights and obligations of both parties during the Exclusive Negotiation Agreement period;</p> <p>Authorize City Manager to extend Agreement No. 33344 with Arup North America Limited (Arup) for an additional period of five years and increase authority by \$2,900,000, plus a ten percent contingency of \$290,000, for a total contract authority of \$4,070,438;</p> <p>Authorize City Manager to enter into a contract with Sheppard Mullin Richter & Hampton, LLC, for legal services for a term of five years at a cost of \$1.8 million, plus a ten percent contingency of \$180,000, for a total contract authority of \$1,980,000;</p> <p>Authorize City Manager to take all actions necessary to pursue enabling legislation in the event it is determined that such legislation would benefit the Project;</p> <p>Authorize City Manager to negotiate and execute, at a minimum, the following agreements with PECP, and, if negotiations with PECP come to an impasse, or otherwise terminate, then with LBCCA: Exclusive Negotiation Agreement, Term Sheet, Global Executory Agreement and any other document or agreement necessary to effectuate the terms of the Project;</p> <p>Appropriate \$4.6 million from the Civic Center Fund for the estimated City share of the cost of the Exclusive Negotiation Agreement (ENA) period;</p> <p>Authorize City Manager to conduct all activities, and sign and submit all documents or applications, necessary to proceed with the entitlement of the Project, including clearance under the California Environmental Quality Act; and</p> <p>Approve the formation of one or more Non-Profit Special Purpose Entities for the purpose of issuance of bonds to fund the Project costs. (District 2)</p>				
Sponsors:	City Manager, Development Services, Financial Management, Library Services				
Indexes:	Contracts				

Code sections:

Attachments: 1. 120914-R-10sr&att.pdf, 2. 120914-R-10 Corresp. Michaelian.pdf, 3. 120914-R-10 Corresp. MacKenzie.pdf, 4. 120914-R-10 CA Memo.pdf, 5. 120914-R-10 Staff PowerPoint.pdf, 6. 120914-R-10 Handout Whitney.pdf, 7. 120914-R-10 LBCCA PowerPoint.pdf

Date	Ver.	Action By	Action	Result
12/9/2014	1	City Council	approve recommendation	Pass

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Authorize City Manager to take all actions necessary to pursue enabling legislation in the event it is determined that such legislation would benefit the Project;

Authorize City Manager to negotiate and execute, at a minimum, the following agreements with PECP, and, if negotiations with PECP come to an impasse, or otherwise terminate, then with LBCCA: Exclusive Negotiation Agreement, Term Sheet, Global Executory Agreement and any other document or agreement necessary to effectuate the terms of the Project;

Appropriate \$4.6 million from the Civic Center Fund for the estimated City share of the cost of the Exclusive Negotiation Agreement (ENA) period;

Authorize City Manager to conduct all activities, and sign and submit all documents or

applications, necessary to proceed with the entitlement of the Project, including clearance under the California Environmental Quality Act; and

Approve the formation of one or more Non-Profit Special Purpose Entities for the purpose of issuance of bonds to fund the Project costs. (District 2)

In May 2007, the Department of Public Works presented findings of a study that identified the seismic deficiencies of the existing Long Beach City Hall and Main Library. This study, and a parallel report identifying the current physical condition of both facilities, concluded that substantial seismic renovations were required to protect lives during a significant seismic event. The required seismic retrofit would trigger building code upgrades, systems replacements and ADA improvements. When including design and engineering costs, and moving and lease expenses for temporary facilities during construction, retrofitting City Hall would cost an estimated \$170 million in 2013 dollars. On October 22, 2013, further findings from a new seismic study were presented to City Council that identified additional seismic deficiencies and increased the cost to retrofit City Hall to an estimated \$194 million in 2014 dollars, or \$685 per square foot for the existing City Hall. An additional \$70 million for maintenance and building systems replacement would be needed over the following 35-year life cycle of the facility. This cost does not include retrofitting the Main Library, which suffers from similar seismic and building deficiencies.

Even with this investment, after a significant seismic event, City Hall likely could not be occupied, and essential government operations would be sporadic and fragmented, at best, until undamaged and available facilities could be located, and funding identified, to lease such facilities.

The standard metric for determining the physical condition of a facility is known as the Facility Condition Index (FCI). The FCI represents the percent of a facility's replacement value that must be spent in order to restore the facility to a "like new" condition. The higher the FCI, the worse the condition of the facility. Industry standards establish that a municipal building or structure with an FCI above 50% should be replaced rather than repaired. The 2013 FCI for City Hall was 52% and 73% for the Main Library, indicating that both facilities should be replaced rather than repaired.

On February 12, 2013, City Council authorized the preparation and release of a Request for Qualifications (RFQ) for a Public-Private Partnership (P3) to Design-Build-Finance-Operate-Maintain (DBFOM) a new Civic Center, including a City Hall, a Main Library, a revitalized Lincoln Park, and possibly a permanent headquarters for the Harbor Department (Project). On April 1, 2013, the BHC agreed to participate in the RFQ process. On October 22, 2013, City Council selected the Short List of RFQ Respondents, authorized the payment of a stipend and directed staff to prepare and release an RFP to this Short List. On January 27, 2014, the BHC agreed to participate in the RFP process, with no obligation to proceed with the Project. In order to ensure that proposals were viable should the BHC choose not to proceed, the RFP required two alternative proposals: one that assumes that the BHC chooses to participate (Port-In), and one that assumes that the BHC chooses not to

participate (Port-Out).

On December 3, 2013, City Council selected Arup North America Limited (Arup) to assist the City in the preparation of the RFP and to review and evaluate the proposals. The RFP was released on February 28, 2014 and proposals were received on June 2, 2014 from Long Beach CiviCore Alliance (LBCCA) and Plenary Edgemoor Civic Partners (PECP). Since that time, City staff and Arup have continued to analyze, clarify, assess and score the proposals.

The Mayor and City Council requested a number of study sessions on various topics related to the Civic Center. In the first City Council study session on September 16, 2014, staff presented information related to the seismic integrity of City Hall and the Main Library, the results of a Facility Assessment Report on both facilities, a discussion of the retrofit, relocation and rebuild alternatives, and a summary of the benefits of a P3 DBFOM. On September 22, 2014, the BHC held a similar study session. At the second City Council study session on October 14, 2014, the Project Teams presented their models and proposals to City Council and the BHC. On October 27, 2014, The BHC held a study session regarding the financial aspects of the Project Teams' proposals related specifically to the proposed permanent headquarters for the Harbor Department. At the third City Council study session on November 11, 2014, staff again presented information on the P3 DBFOM procurement model, including a summary of the public and private development components of each Project Team's proposal, a description of construction and operations and maintenance costs for the public component of each Project Team's proposal, a discussion of the appropriate shifting of risk from the City to the Project Team, a discussion of the financing structure proposed by each Project Team, and a review of potential risks and costs associated with moving forward with the Project.

At this point in the process, the threshold decision for the City Council is to determine whether or not to proceed with the next step in a Public-Private-Partnership (P3) under the Design-Build-Finance-Operate-Maintain (DBFOM) procurement model. If City Council elects to proceed, City Council should then select the Project Team that they believe has best responded to the guidelines, goals and terms and conditions of the RFP, and has offered the best value to the City. After selection of the Project Team, there would then occur a six- to nine- month entitlement process that would include a public outreach and education program that would include meetings in every Council District. It is anticipated that, through this process, certain design elements will likely change as a result of feedback from residents, City Councilmembers and City staff.

If City Council elects to proceed, the following information is provided to assist the City Council in its selection of a Project Team.

Project Team Selection Committee

A Project Team Selection Committee (PTSC) was established at the time the RFQ was released. The PTSC includes the Directors of Financial Management, Development Services, Library Services and Economic and Property Development, together with the Chief Harbor Engineer and Managing Director of Finance from the Harbor Department. A representative

from the Office of the City Attorney joined the PTSC as a non-voting participant. The PTSC was formed to assess the qualifications of the respondents to the RFQ and to recommend to City Council a Short List of RFQ Respondents. After City Council selected the Short List of RFQ Respondents and authorized the release of the RFP, the PTSC remained in place to lead the preparation of the RFP, assess the responses to the RFP, guide the preparation of the Evaluation Report and recommend to City Council a preferred Project Team.

Evaluation Matrix

The RFP describes the evaluation criteria and related scoring, which was designed, in part, to assess and score each Project Team's responsiveness to Guiding Principles and Project Goals as approved by City Council and as set forth in the RFQ and RFP. The requirements in the RFP were further clarified during four, full-day, one-on-one meetings, and subsequently, seven weekly conference calls with both Project Teams specifically focused on providing responsiveness feedback.

The evaluation matrix is aggregated into six categories, divided into 39 elements containing 84 criteria. For the Port-In alternative, the total potential score for all categories is 267 points. For the Port-Out alternative, the total potential score is 259 points. The six categories are:

- Administrative Responsiveness: there are ten elements and ten criteria, that are Pass/Fail, and have no numerical value;
- Technical Responsiveness: there are seven elements and 41 criteria, that are both Pass/Fail and scored and reflect a total potential score of 118 points for the Port-In alternative and 110 points for the Port-Out alternative;
- Facilities Management: there are five elements and five criteria, that are both Pass/Fail and scored and reflect a total potential score of 18 points for both alternatives;
- Private Development: there are five elements and 14 criteria, that are both Pass/Fail and scored and reflect a total potential score of 43 points for both alternatives;
- Financial Proposal - Civic Center: there are six elements and eight criteria, that are both Pass/Fail and scored and reflect a total potential score of 50 points for both alternatives; and
- Financial Proposal - Private Development: there are six elements and six criteria that are both Pass/Fail and scored and reflect a total potential score of 38 points for both alternatives.

Evaluation Results

The PTSC, together with Arup, spent considerable time reviewing the two proposals submitted in response to the RFP, clarifying matters of information, analyzing the merits of each proposal, conducting stress and sensitivity analyses on the financial models of each proposal, and scoring the various elements and categories of the evaluation criteria. The

Executive Summary of the Proposal Evaluation Report is attached as Exhibit A. Of particular interest to the PTSC was aligning the Guiding Principles and Project Goals with the technical and financial components of each proposal. As it relates to each of the six categories, the following conclusions were reached on both the Port-In and Port-Out alternatives:

- **Administrative Responsiveness**

Both Project Teams complied with all 10 elements and 10 criteria of Appendix E and Appendix H-1 of the RFP and were determined to be responsive for the purposes of qualifying for a stipend as described in the RFP.

- **Technical Responsiveness**

This category contains seven elements and 41 criteria of evaluation including: Urban Form, containing seven criteria; Citywide Amenity, containing nine criteria; Access, containing six criteria; Programming, (including City Hall, Library, Port, Shared Space, Security, and Parking) containing 14 criteria; Quality, containing 3 criteria; Sustainability, including 1 criterion; and, Code and Regulatory Compliance (Pass/Fail). For the Port-In alternative, out of a potential 118 points, LBCCA received 83 points and PECP received 107 points. For the Port-Out alternative, out of a potential 110 points, LBCCA received 73 and PECP received 100. The primary elements that affected the scoring include the provision of a civic plaza for public gatherings; the placement of, and accessibility to, the Main Library; civic building architecture, layout, functionality and efficiency; building adjacencies, and integration of civic and private development.

- **Facilities Management**

This category contains five elements and five criteria of evaluation including: General Facilities Management (Pass/Fail); Customer Service and Support, containing one criterion; Human Resources, containing one criterion; Building Systems, containing one criterion; and, Operational Services, containing one criterion. Both proposals fully satisfied the requirements of the RFP in this element. Out of a potential 18 points for both alternatives, both proposals received 18 points.

- **Private Development**

This category contains five elements and 14 criteria of evaluation including: Citywide Amenity, containing three criteria; Quality, containing 1 criterion; Sustainability, containing one criterion; Urban Form, containing eight criteria; and Code and Regulatory Compliance (Pass/Fail). Out of a potential 43 points for the Port-In alternative, LBCCA received 30 points and PECP received 40 points. Out of a potential 43 points for the Port-Out alternative, LBCCA received 29 points and PECP received 40 points. The primary elements that affected the scoring include building massing and adjacencies, Lincoln Park vitality and programming, programming of public art, compliance with the Downtown Plan, and a well-structured urban fabric.

- **Financial Proposal - Civic Center**

This category contains six elements and eight criteria of evaluation including: Financial Plan, containing two criteria; Financial Model, containing two criteria; Flow of Funds,

containing one criterion; Financial Documents, containing one criterion; Timing/Phasing containing one criterion; and, Economic Impacts (Pass/Fail). Out of a potential 50 points for the Port-In alternative, LBCCA received 41 points and PECP received 38 points. Out of a potential 50 points for the Port-Out alternative, LBCCA received 37 points and PECP received 32 points. The primary elements that affected the scoring include the strength and clarity of the financial plan, strength and amount of equity, risk to the City, stress and sensitivity analyses, validity of assumptions, reasonableness of expectations and realistic timing.

Financial Proposal - Private Development

This category contains six elements and six criteria of evaluation including: Market Assessment, containing one criterion; Financial Plan, containing one criterion; Contingency Plan, containing one criterion; Financial Model, containing one criterion; Timing/Phasing, containing one criterion and Economic Impacts (Pass/Fail). Out of a potential 38 points for the Port-In alternative, LBCCA received 32 points and PECP received 32 points. Out of a potential 38 points for the Port-Out alternative, LBCCA received 31 points and PECP received 32 points. The primary elements that affected the scoring include the reasonableness of market assumptions, strength of the financial plan, strength of the contingency plan, and realistic timing.

A summary of the scoring results for both the Port-In and Port-Out alternatives are shown on the next page in Tables 1 and 2.

Table 1. Scoring Results for Port-In Alternative

<u>Criteria Category</u>	<u>Potential</u>	<u>LBCCA</u>
<u>PECP</u>		
<u>Score</u>	<u>Score</u>	<u>Score</u>
Administrative Proposal Scoring Pass	N/A	Pass
Technical Proposal Scoring - Civic Center 107	118	83
Technical Proposal Scoring - Civic Center 18 Facility Management	18	18
Technical Proposal Scoring - Private 40 Development	43	30
Financial Proposal Scoring - Civic Center	50	41

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Financial Proposal Scoring - Private 32 Development	38	32
Total Proposal Score 235	267	204

Table 2. Scoring Results for Port-Out Alternative.

<u>Criteria Category</u> <u>PECP</u>	<u>Potential</u> <u>Score</u>	<u>LBCCA</u> <u>Score</u>
<u>Score</u>		
Administrative Proposal Scoring Pass	N/A	Pass
Technical Proposal Scoring - Civic Center 100	110	73
Technical Proposal Scoring - Civic Center 18 Facility Management	18	18
Technical Proposal Scoring - Private 40 Development	43	29
Financial Proposal Scoring - Civic Center 32	50	37
Financial Proposal Scoring - Private 32 Development	38	31
Total Proposal Score 222	259	188

Consistent with the outcome of the evaluation, the PTSC unanimously selected PECP to be recommended to City Council as the City's preferred Project Team. It is important to underscore that this recommendation of a preferred Project Team is not reflective of the quality of the Project Team not selected. The selection of a preferred Project Team is based

primarily on the Project Team's responsiveness to the Guiding Principles and Project Goals as set forth in the RFP. Both Project Teams are fully qualified and capable of successfully proceeding with the Project.

Next Steps

As part of City Council's third study session on November 11, 2014, staff discussed next steps, should City Council elect to move forward with a P3 DBFOM and select a preferred Project Team. These next steps are discussed below and include:

- Executing an Exclusive Negotiation Agreement (ENA), Term Sheet and Global Executory Agreement with the preferred Project Team, and, in the Port-In alternative, with the BHC. If such efforts come to an impasse or otherwise terminate, the City will proceed with the back-up preferred Project Team. These Agreements regulate the entitlement process, risk allocation, land conveyance and lease details, commercial and financial closing documents, and various rights and obligations of both parties;
- For the Port-In alternative, entering into a Memorandum of Understanding (MOU) with the BHC setting forth the objectives and obligations of both parties during the ENA period;
- Extending the contract and increasing the budget with Arup North America Ltd to provide P3 DBFOM advisory and consultation expertise;
- Entering into a contract with Sheppard Mullin Richter & Hampton, LLC for P3 DBFOM legal counsel;
- Entering into a contract for P3 DBFOM financial advisory and consultation expertise, at an estimated cost of \$450,000, which will be brought to City Council at a later date;
- Forming one or more non-profit, special purpose entities as the legal corporations that will issue the bonds;
- Pursuing enabling legislation in the event it is determined that such legislation would benefit the Project;
- Appropriating funds for the \$4.6 million estimated City share of the ENA costs; and
- Paying the stipend to the non-selected Project Team.

ENA, Term Sheet and Global Executory Agreement

The ENA sets forth a framework of terms and conditions within which the City, and in the Port-In alternative, the BHC, agrees to negotiate solely with the preferred Project Team within broadly scoped parameters that will lead to the preparation of a Term Sheet. The Term Sheet will more specifically detail the rights and obligations of the parties within the scope of the Project, until more fully detailed in a Global Executory Agreement which will include lease/leaseback, conveyance, concession, development rights, and commercial and financial closing documents.

The ENA requires the City to pay a Termination Fee in the event the City, and in the Port-In alternative, the BHC, unilaterally terminates the ENA and the preferred Project Team is not then in default. While there is no expectation of unilateral termination, future issues may arise that may compel the City to choose to terminate the process. The Termination Fee amount is

determined using a sliding scale, based on milestones being achieved by the preferred Project Team, with the highest possible Termination Fee amount of \$3.5 million, which would accrue at the point of approved entitlements. Any recommendation to terminate the ENA would be brought to the City Council and the BHC for consideration and approval.

MOU with the Harbor Department

In the Port-In alternative, the City and the Harbor Department will partner in the development of the Project. Therefore, the City and the Harbor Department would require an MOU that provides certain rights for the Harbor Department to access the services of the City's consultants, conduct value engineering, maintain design oversight, and reserve the right to consider and choose alternatives from a financial and maintenance perspective. Additionally, the MOU will detail the rights and obligations of both parties to fund the consultant costs and Termination Fee, if any. For the Port-In alternative, a draft MOU has been prepared that sets forth these rights and obligations of the City and the Harbor Department.

Arup North America Ltd

In addition to the ENA, Term Sheet and Global Executory Agreement there will be other related documents that will need to be prepared, negotiated and executed, requiring considerable expert consultation in the P3 DBFOM arena, including economics, architecture, engineering, development, entitlement, and operations and maintenance. Estimates of costs associated with this "Phase III" for Arup North America Ltd (Arup) is \$2.9 million. The contract is proposed to be extended for an additional five years, to bring the City to the point of occupancy of a new City Hall and Main Library. The budget is proposed to be increased by \$2.9 million, plus a ten percent contingency of \$290,000, in addition to the existing authority of \$848,438, for a total contract authority of \$4,070,438.

Legal and Financial Advisors

Since the P3 DBFOM procurement model is currently a unique model for municipalities, the Office of the City Attorney and the Department of Financial Management require expert legal and financial consultation. This consultation would include the expertise necessary to form one or more non-profit special purpose entities for the issuance of bonds. It is anticipated that legal consultation will cost approximately \$1.8 million and financial consultation will cost \$450,000. It is further recommended that a contingency be authorized, totaling ten percent of the cost for each of the legal and financial consultants at an amount not to exceed \$225,000. These contracts are anticipated to bring the City (and in the Port-In alternative, the Harbor Department) to the point of occupancy.

Non-Profit Special Purpose Entity

During the ENA period, the City will need to create one or more special purpose non-profit entities, whose purpose will be to issue the bonds, the proceeds from which will be used to fund the Project costs. The City will have a significant role in forming these special purpose

entities and appointing its Board of Directors.

Special Legislation

City staff, in consultation with the City Attorney, considers the preferred Project Team's lease/lease-back structure to be appropriate under current statutory and case law. Nevertheless, should City staff consider that there are potential benefits for the City from other possible Project structures, for example, such as reducing the bond interest rates and thereby increasing the net proceeds from a bond issuance and increasing the dollars available for the Project, then they may consider pursuing special legislation for this purpose.

Timeline

Should City Council elect to proceed, certain Performance Milestones have been established that work to bring the Project back to City Council for Project approval in Spring or Summer 2016. Please see the attached Exhibit B. If City Council grants Project approval at that time, anticipated occupancy of City Hall, the Main Library, and in the Port-In alternative, the permanent headquarters for the Harbor Department, would occur in late 2019.

Summary

The City is confronted with the task of addressing the liability of ongoing use by City employees and visitors of municipal facilities that have been determined to be seismically deficient. The City is also faced with severe budget constraints that started eight years ago and are expected to continue for the foreseeable future. As a result, one-time funds to address a retrofit or relocation option are not available. Even if available, a retrofitted City Hall likely could not be occupied after a significant event, further burdening the City with costs associated with leasing temporary facilities, if any, and again retrofitting City Hall. Similarly, while there is a limited supply of appropriate buildings Downtown that could be acquired for use as a City Hall, and possibly a permanent headquarters for the Harbor Department, these buildings have been constructed to earlier building codes and may suffer similar damage during a significant seismic event. Additionally, there has not been identified a building in the Downtown area that would be appropriate for use as a Main Library. In all of these alternatives, funding is not available without asking our residents to bear the cost of an assessment bond.

The P3 DBFOM procurement model offers an opportunity for the City to receive a new City Hall and Main Library, built to seismic standards more rigorous than current building codes, offering a 21st Century alternative to the current inefficient and functionally obsolete buildings, at a cost that mirrors the City's current cost, adjusted for inflation. Additionally, this model offers the City a levelized payment, adjusted for inflation, for Operations and Maintenance expenses for 40 years, to be included in the City's annual payment of \$12.6 million adjusted for inflation. The City will ensure that any affected employees from engineering, maintenance or custodial services, will be accommodated through attrition and vacancies, redeployment to other City facilities which currently contract-out for such services, or will be offered

employment by the Project Team. At the end of the contract term, the facilities will be conveyed back to the City at no cost, at a Facilities Condition Index of 15% or less. Additionally, private development near the new Civic Center will serve to invigorate the area, adding residential density, retail opportunities, hotel supply and activation of Lincoln Park. Rather than locking the door on three blocks of Downtown at 5:30 PM, the Civic Center could be a thriving gathering place for activities other than municipal, creating a new catalyst for future managed growth offering ongoing benefits to the entire City.

This matter was reviewed by Deputy City Attorney Richard F. Anthony and by Director of Financial Management John Gross on November 26, 2014.

City Council consideration at its meeting of December 9, 2014 is essential to maintaining the aggressive timeline established in February 2013, enabling occupancy by late 2019.

Project Costs and Risks

Both P3 DBFOM proposals for the new Civic Center (the Project) provide for a total annual City Lease Payment amount of no more than \$12.6 million, adjusted for inflation. The \$12.6 million is the 2013 budget for the current City Hall, Main Library, Broadway and Lincoln Park garages and inclusive of rent for City off-site operations originally considered for moving into City Hall. As a result, the Lease Payments are budget-neutral and, based on the estimates, will not impact the City budget. There are some potential continuing costs of approximately \$1.1 to \$3.4 million that may add to the annual City costs in addition to the Lease Payment. These costs include lease payments for City offsite facilities that may not move into City Hall, building services that may not be provided by the Project Team and other City cost allocations. The potential continuing costs may be negotiated down during the ENA process with the Project Team and/or be offset by future tax revenue from the private development components of the Project. The ongoing costs of the Project through the P3 DBFOM proposals are anticipated to be less than other options available to the City for a similar Project.

There are several risks once the Project is constructed, but the risks are less than the City would have faced if it owned the Civic Center instead of leasing it. (The City will own the Civic Center after 40 years.) The most notable risks are that the private development does not occur either how or when anticipated, that there is a catastrophic seismic event beyond that for which the building is designed, or that inflation is much higher than anticipated. These are not unusual risks. Most other risks have been transferred to the Project Team (private sector).

ENA Costs and Risks

The total City cost through the ENA process is expected to be approximately \$5.6 million, not including any Termination Fee. If the City terminates the ENA without the Project Team being in default of the ENA, the cost to the City could be as much as \$9.2 million due to a possible required Termination Fee of up to \$3.5 million. If the Harbor Department participates in the

project and its fair share of the cost during this ENA phase is 50 percent, the City's cost for a successful ENA completion would be approximately \$2.9 million, or \$4.6 million if a Termination Fee is required. The Civic Center Fund has an estimated minimum of \$4.8 million available to fund the ENA process, so if the Harbor Department participates, and its fair share of the cost is 50 percent, there is enough money to fund the entire ENA process, even if it a Termination Fee is paid. If the Harbor Department's fair share is less than 50 percent, more City funding may be needed to keep the ENA process moving forward to avoid stopping the Project due to lack of funding.

There are risks associated with the ENA process. The most significant risk is that Project costs rise for a variety of reasons, including environmental issues, design problems, and increasing interest rates, beyond that already built into the Project Teams' financial models. Another risk is that the City, the BHC in the Port-In alternative, or the Project Team could terminate the ENA, or that the agreements developed during the ENA process do not protect the City as much as desired. These risks are reasonable risks.

Exhibit C provides detailed information on the financing of the Project, the Project costs and risks, and the costs and risks associated with the ENA process.

Approve recommendation.

MICHAEL P. CONWAY
DIRECTOR OF ECONOMIC AND PROPERTY DEVELOPMENT

AMY BODEK
DIRECTOR OF DEVELOPMENT SERVICES

JOHN GROSS
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