



# The Civic Center Project

December 15, 2015

# City Council Guiding Principles

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

# Civic Center Project Goals

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- ▶ Ensure the City's lease payments for the new City Hall and Main Library, including operations and maintenance, approximate current costs, but include annual CPI increases
- ▶ Shift risks associated with design, development, entitlement, financing, construction, operations and maintenance to the Project Team
- ▶ Incorporate a 40-year life-cycle Operations and Maintenance contract for the Civic Center as part of the City's current costs
- ▶ 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
- ▶ Ensure any facilities meet current seismic standards

# Background

- ▶ February 12, 2013 – Release of Request for Qualifications (RFQ)
- ▶ April 1, 2013 – Board of Harbor Commissioners agreed to participate in the RFQ process
- ▶ October 22, 2013 – City Council selected a Short List of RFQ Respondents and directed staff to issue a Request for Proposals (RFP)
- ▶ January 27, 2014 – Board of Harbor Commissioners agreed to participate in the RFP process
- ▶ The RFP was released on February 28, 2014
- ▶ June 2, 2014, responses to the RFP were submitted
- ▶ On December 9, 2014, City Council selected Plenary Edgemoor Civic Partners as the City's Project Team

# Requested Entitlements

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- ▶ Parks and Recreation Commission recommended approval of Lincoln Park design October 15, 2015
  
- ▶ Planning Commission recommended approval November 9, 2015
  - ▶ Site Plan Review
    - ▶ New City Hall, new Port Building for Harbor Department administration, new Main Library, redeveloped Lincoln Park
    - ▶ Includes private residential/commercial uses on Center Block and at 3<sup>rd</sup>/Pacific
  
- ▶ Accept Supplemental EIR 02-15

# Project Components

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- ▶ **City Hall** – 11 story, 254,000 sf: office space, public counters, 250 seat Council Chambers
- ▶ **Port HQ** – 11 story, 237,000 sf: office space
- ▶ **Civic Plaza** – 73,000 sf: subterranean employee parking
- ▶ **Main Library** – 92,500 sf: Miller Reading Room, community space; library programming
- ▶ **Lincoln Park** – approx. 4.9 acres; dog park; children's playground; events lawn; restrooms

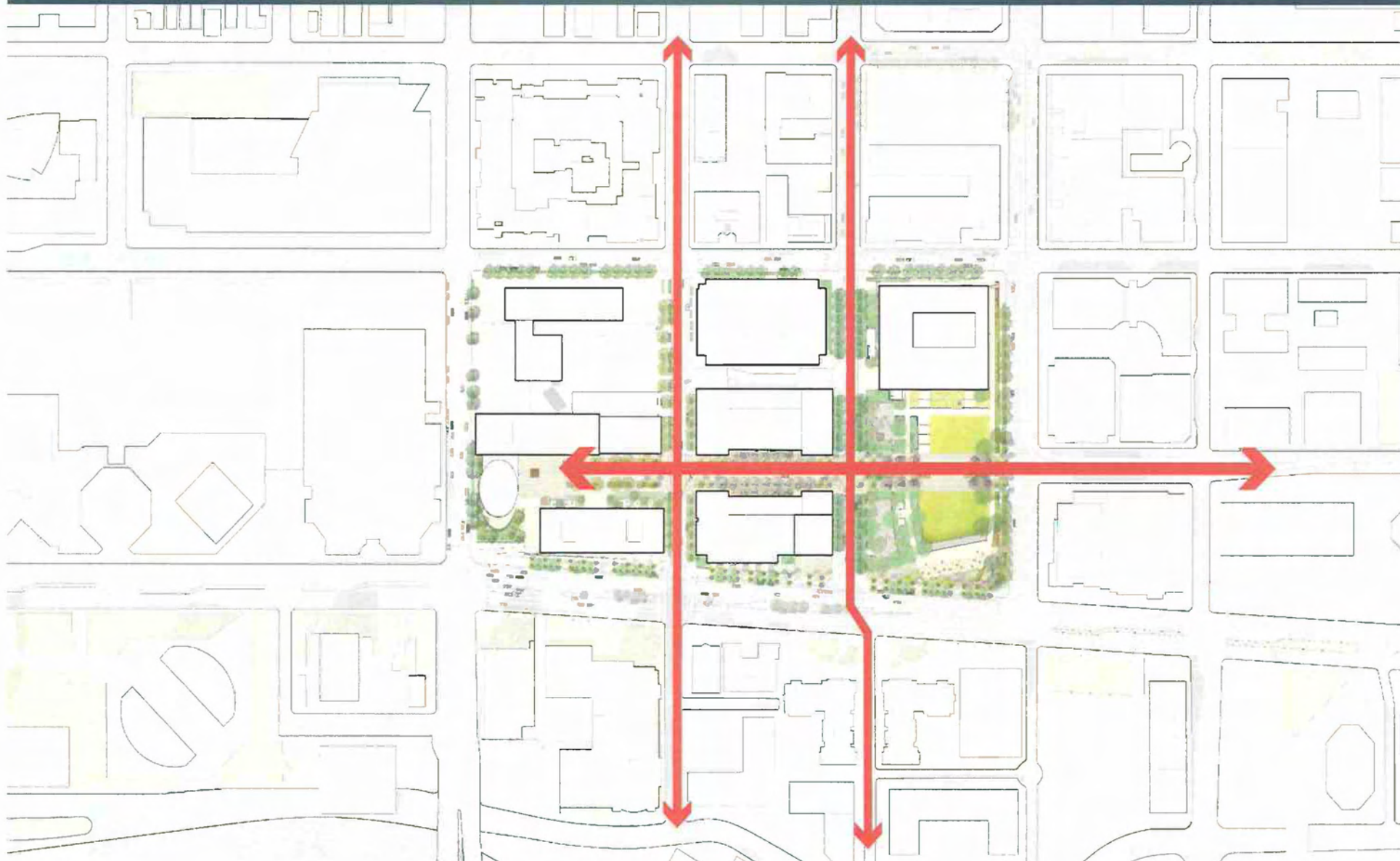
# Project Components

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- ▶ **Center Block commercial development:** 2 building mixed use project; private First Street; up to 580 residential units, 32,000 sf retail, 200 room hotel, 725 parking spaces
- ▶ **3<sup>rd</sup>/Pacific** – multifamily residential development with up to 200 units; 250 parking spaces
- ▶ **Housing affordability** – 10% of all residential units must be affordable to moderate income residents; covenants to be recorded as part of transaction.
- ▶ **3 new parking garages**
- ▶ **2 public street extensions;** 1 private street
- ▶ **Demolition** of Old Courthouse, City Hall/Main Library complex

# Reconnecting the Downtown

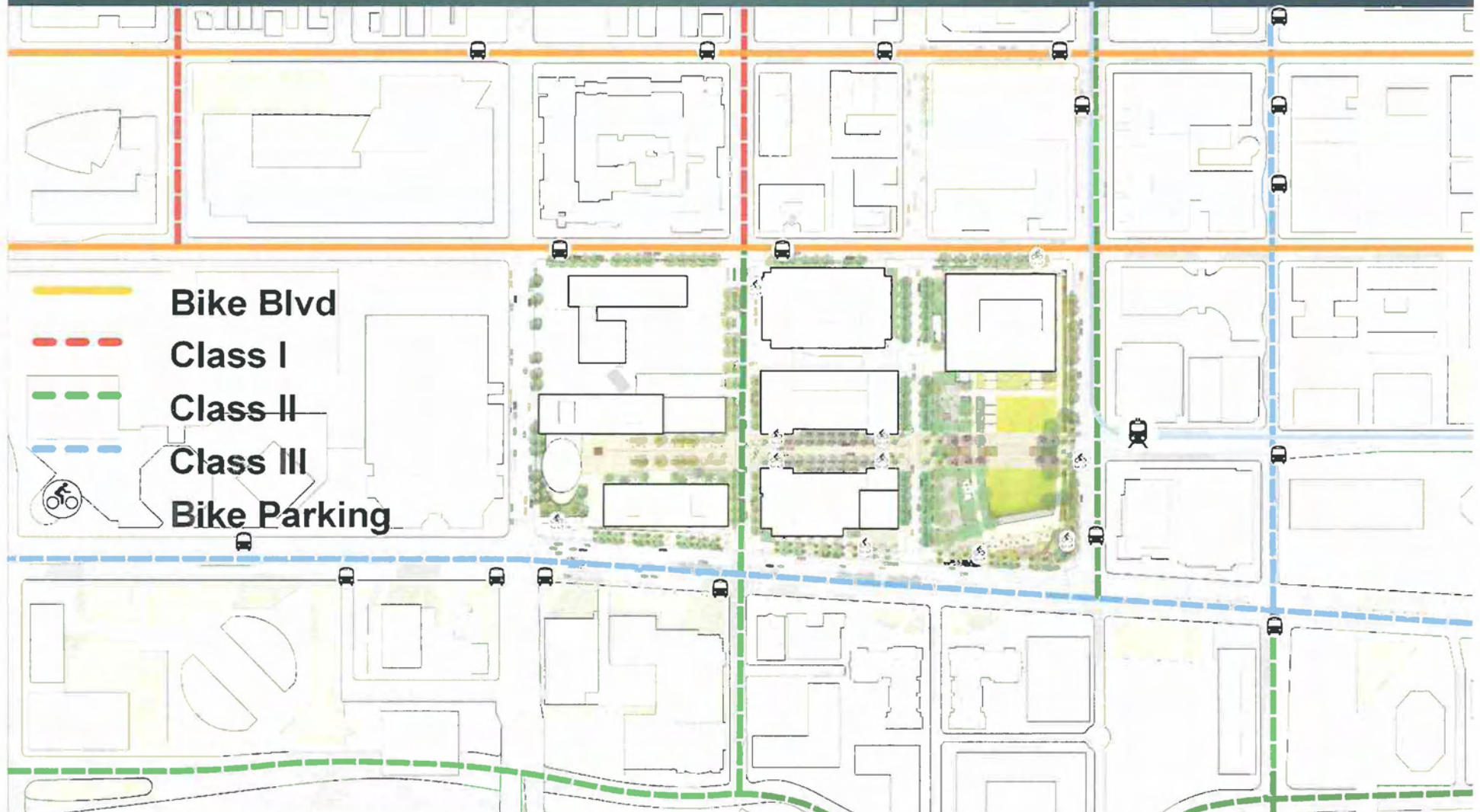
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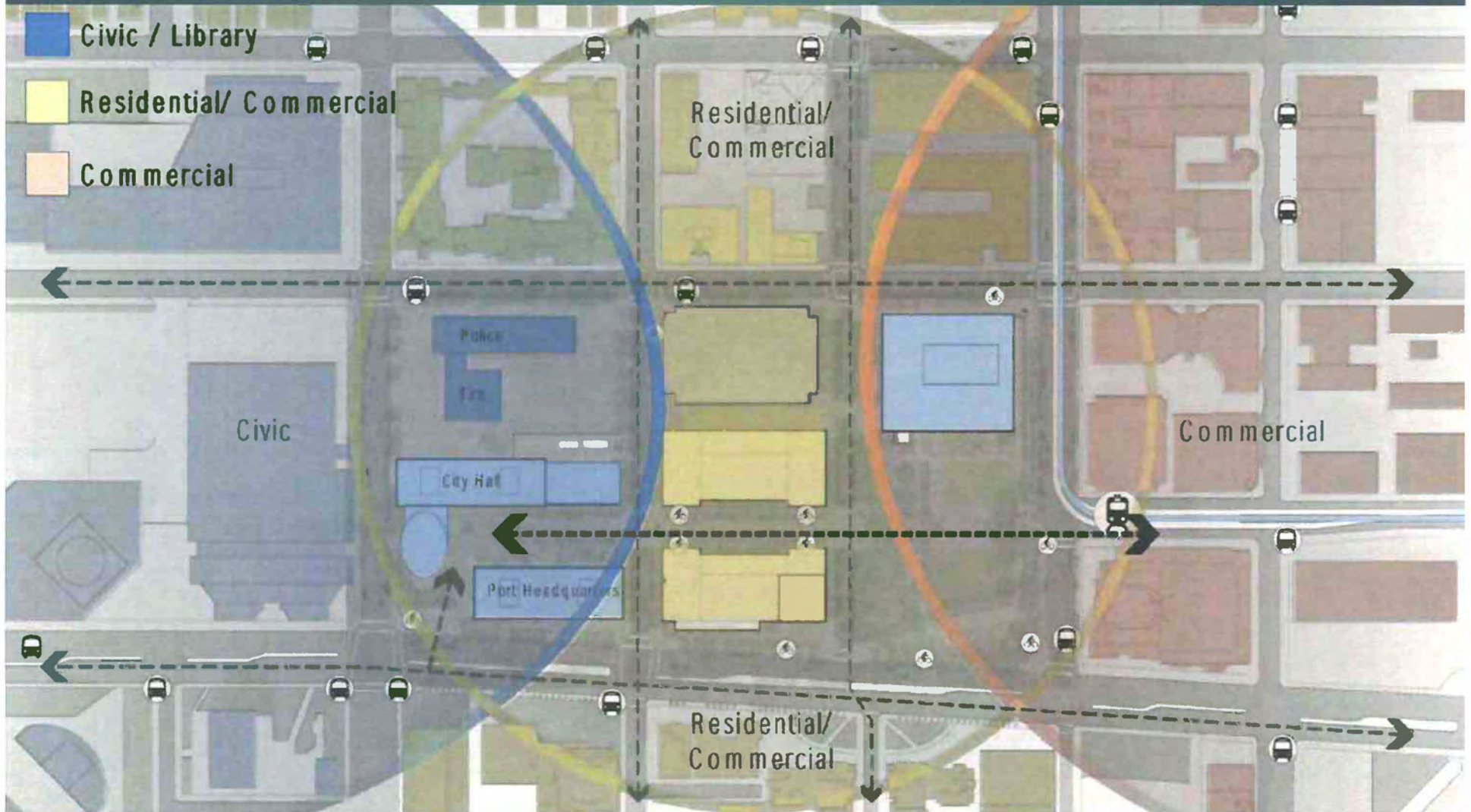
# Mobility and Access

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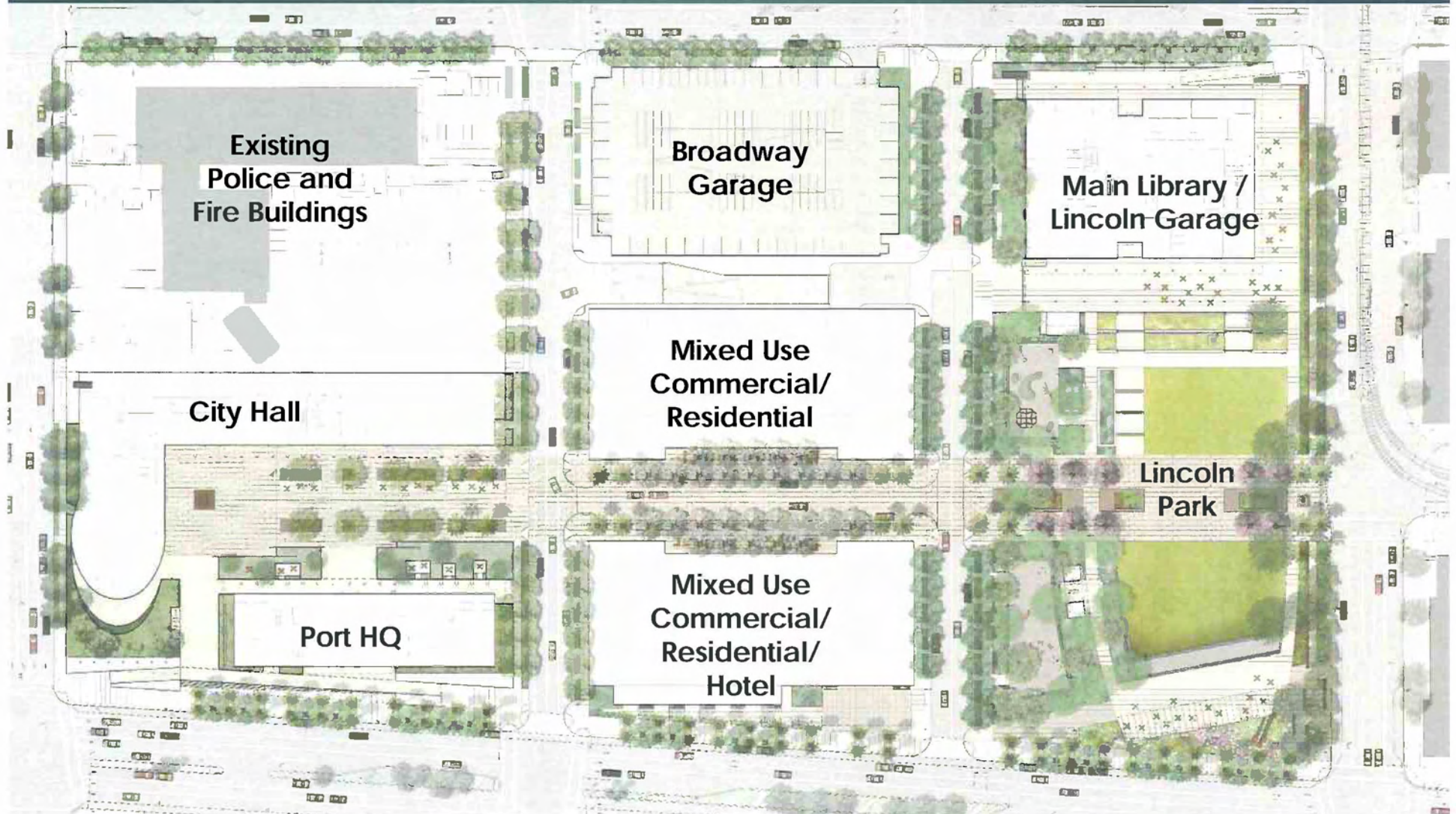
# Orientation of Site Plan

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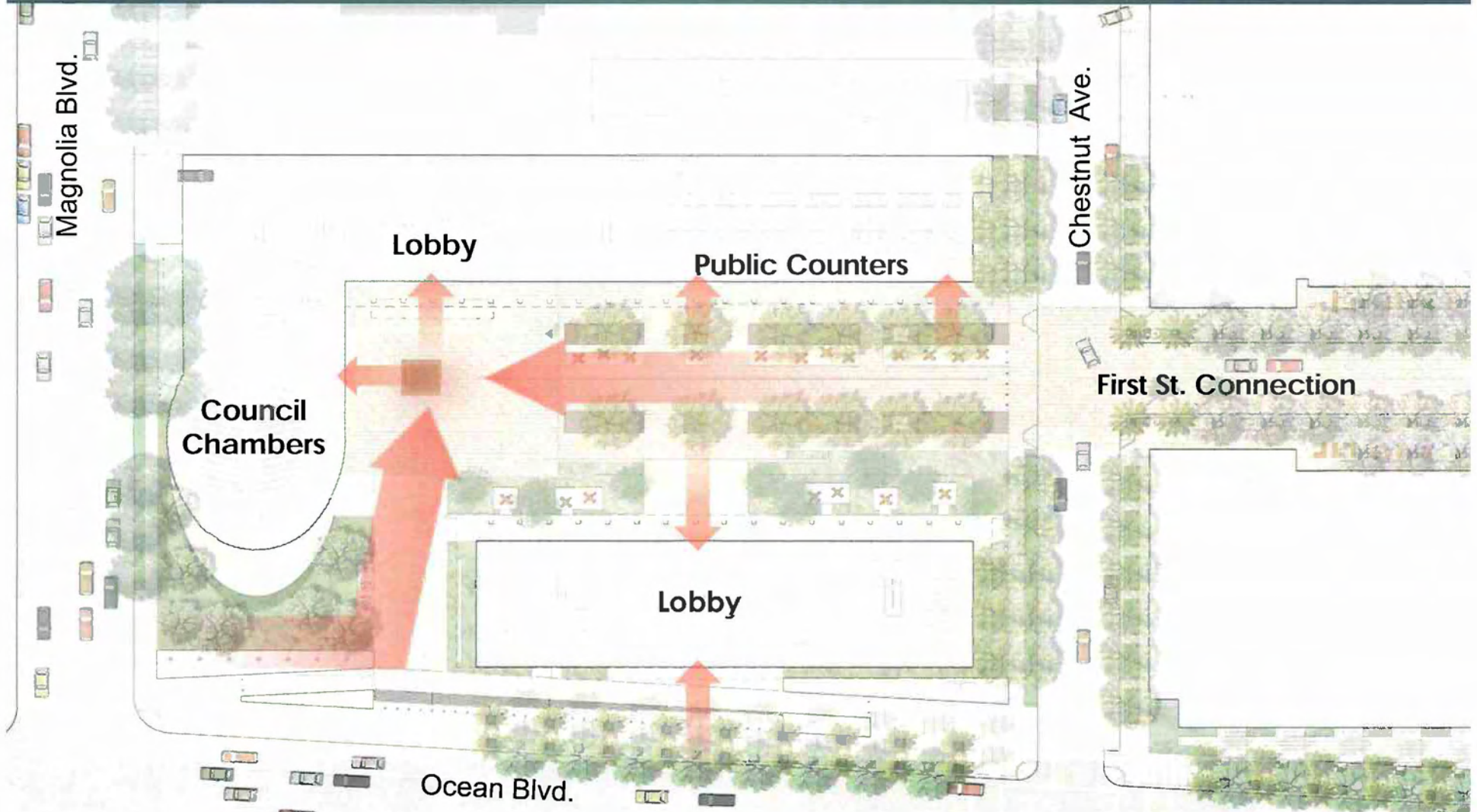
# Proposed Site Plan

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# Civic Plaza, City Hall and Port Administration

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# View from Magnolia Ave

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# View from Magnolia Ave at Night

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# Ocean Boulevard Entry

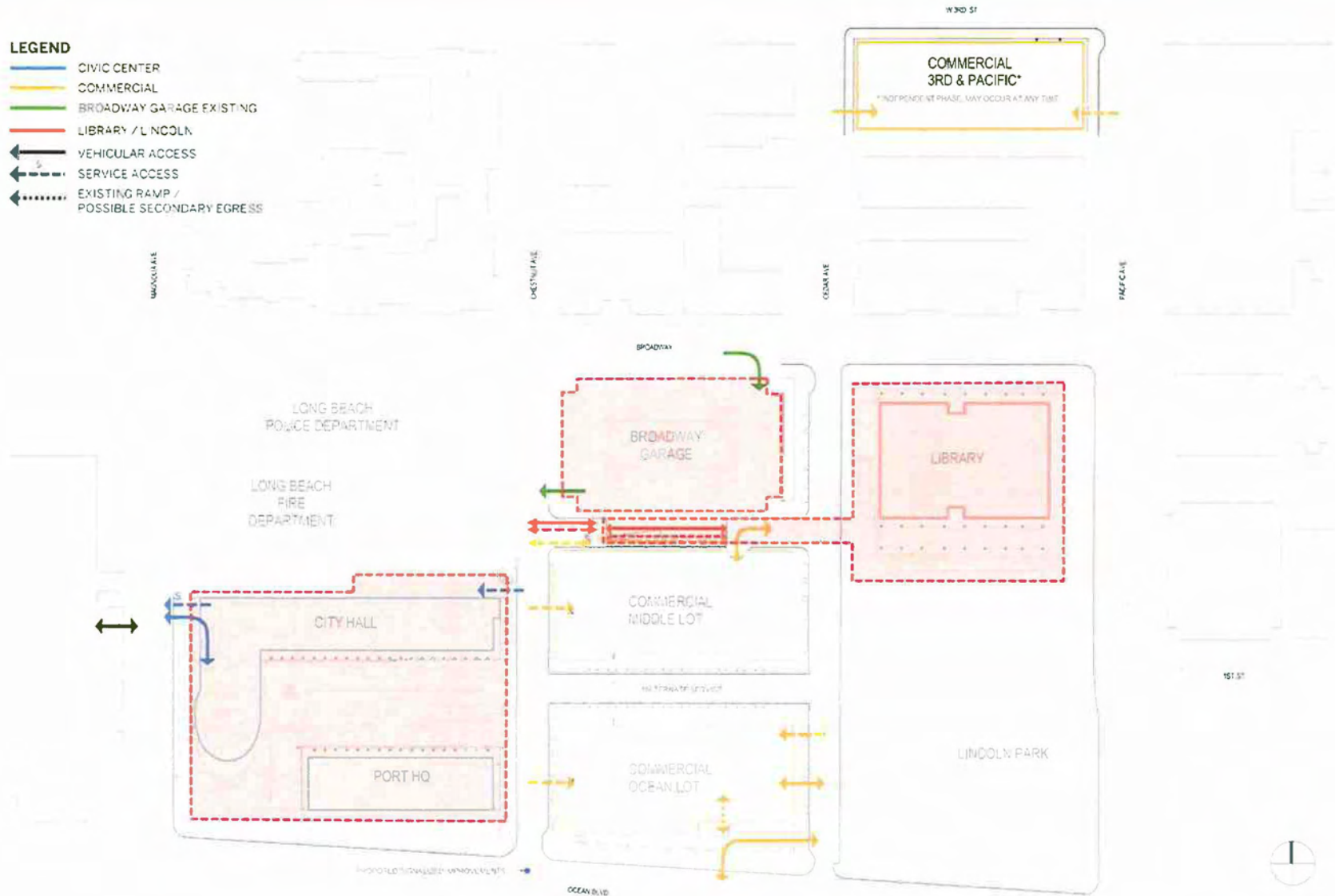
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# Parking and Access

**LEGEND**

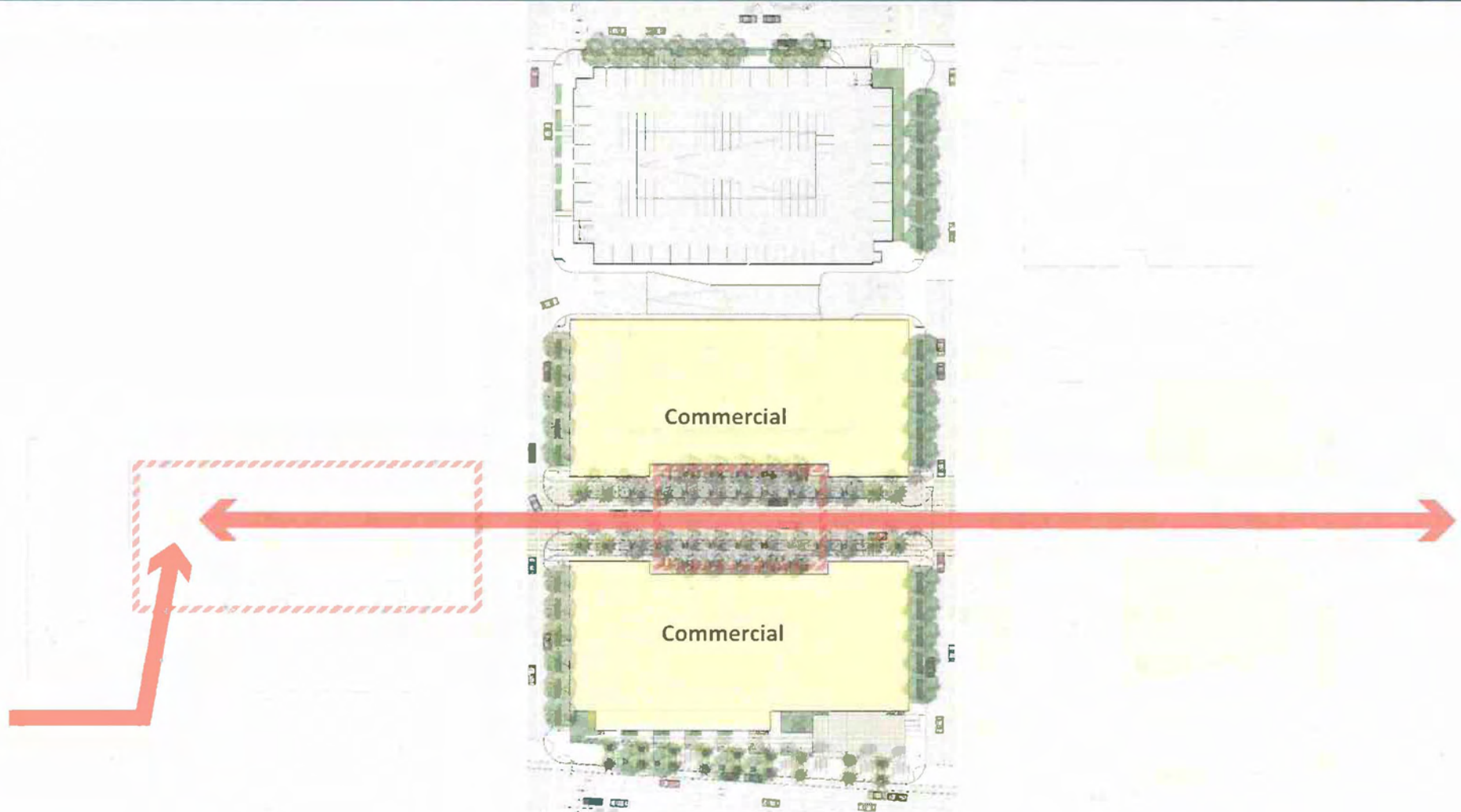
- CIVIC CENTER
- COMMERCIAL
- BROADWAY GARAGE EXISTING
- LIBRARY / LINCOLN
- ← VEHICULAR ACCESS
- ← SERVICE ACCESS
- ← EXISTING RAMP / POSSIBLE SECONDARY EGRESS





# Center Block Commercial Development

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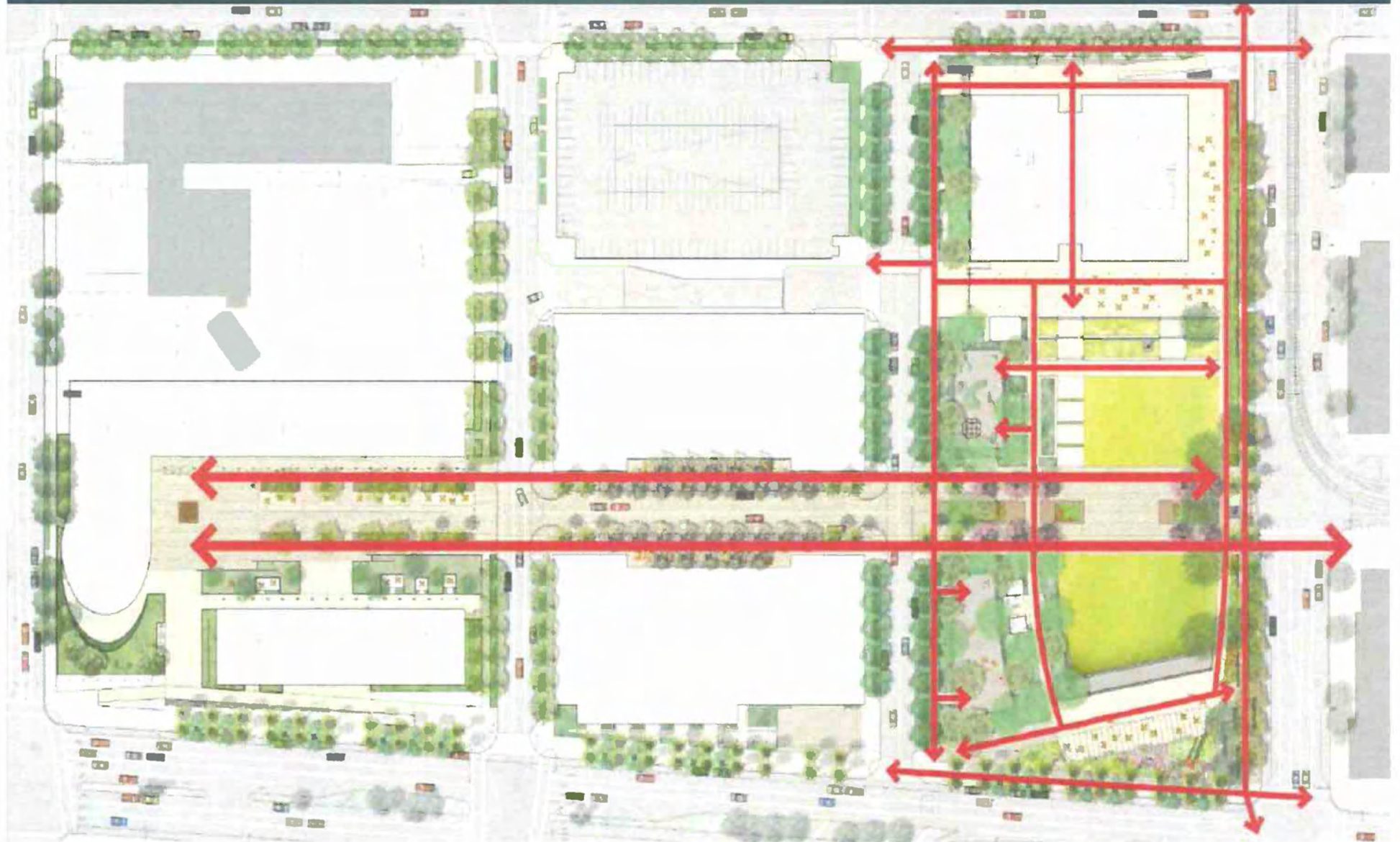
# View of Lincoln Park and Center Block

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# Lincoln Park Connectivity

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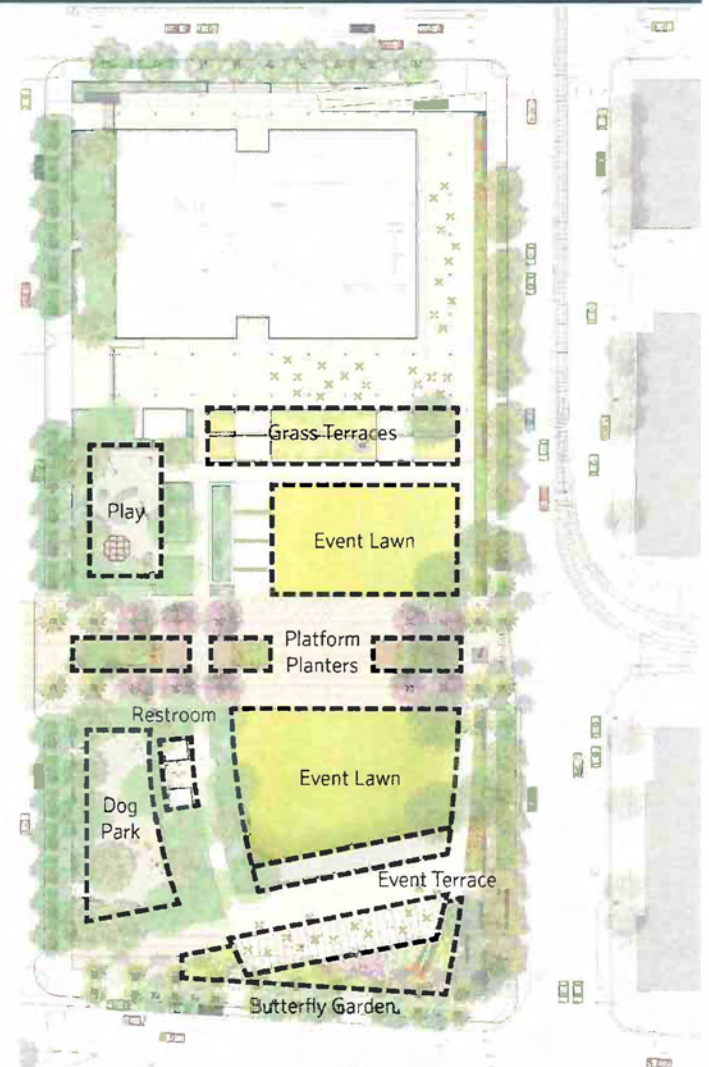


# Lincoln Park Programming

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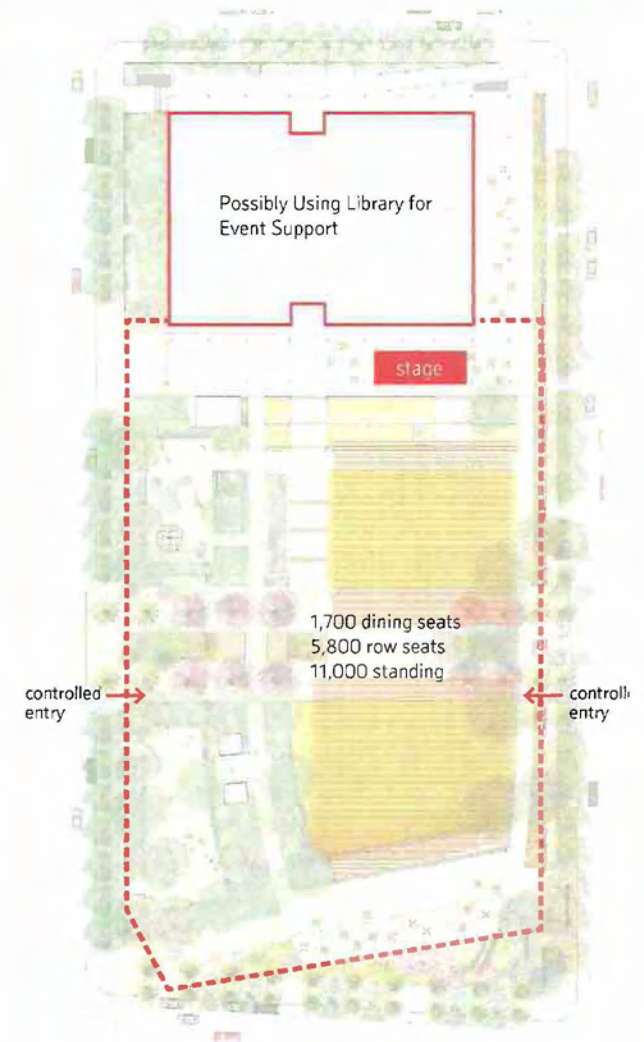
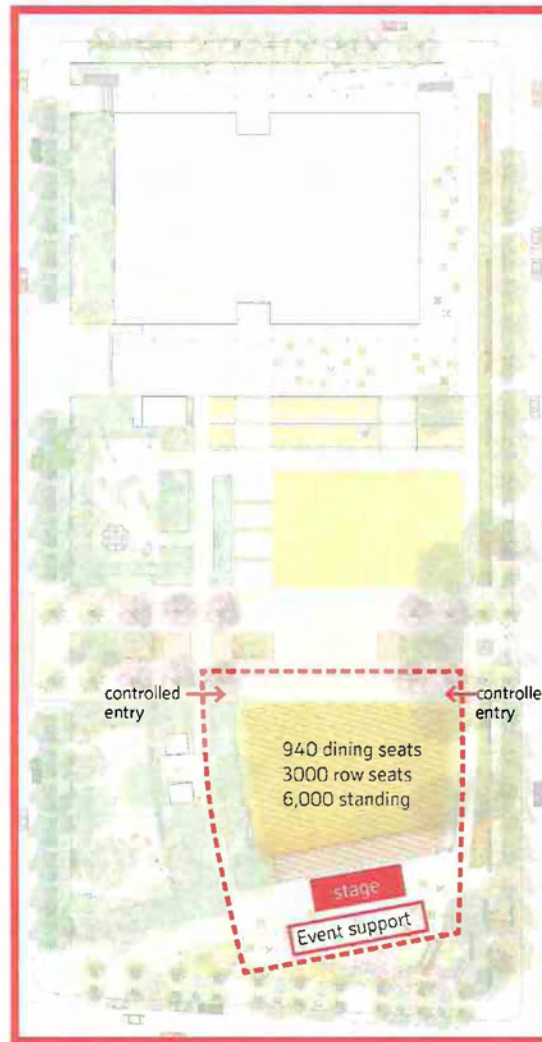
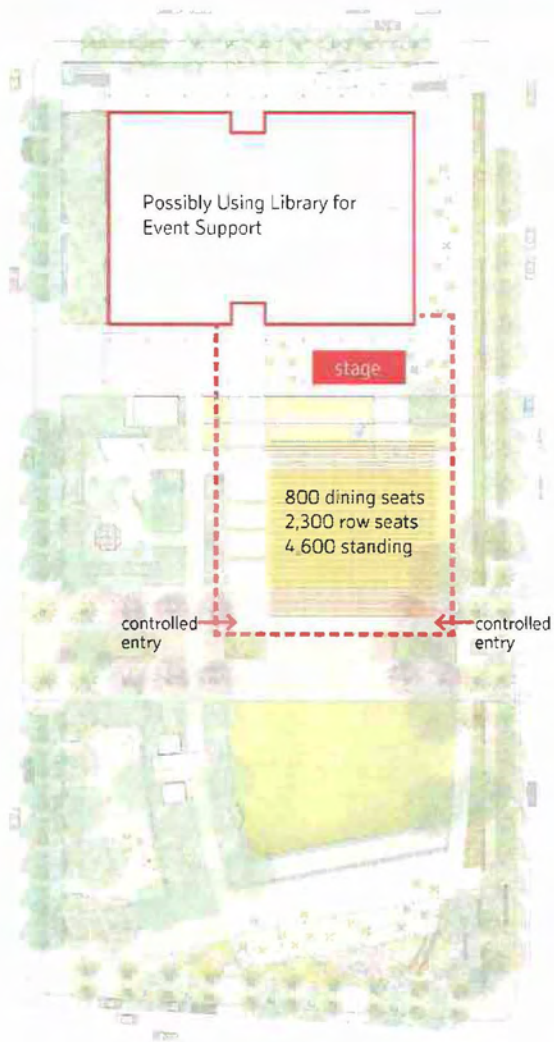
## Open Space Information

Event Lawns  
Lincoln Park  
30,000 sf  
4.9 Acres



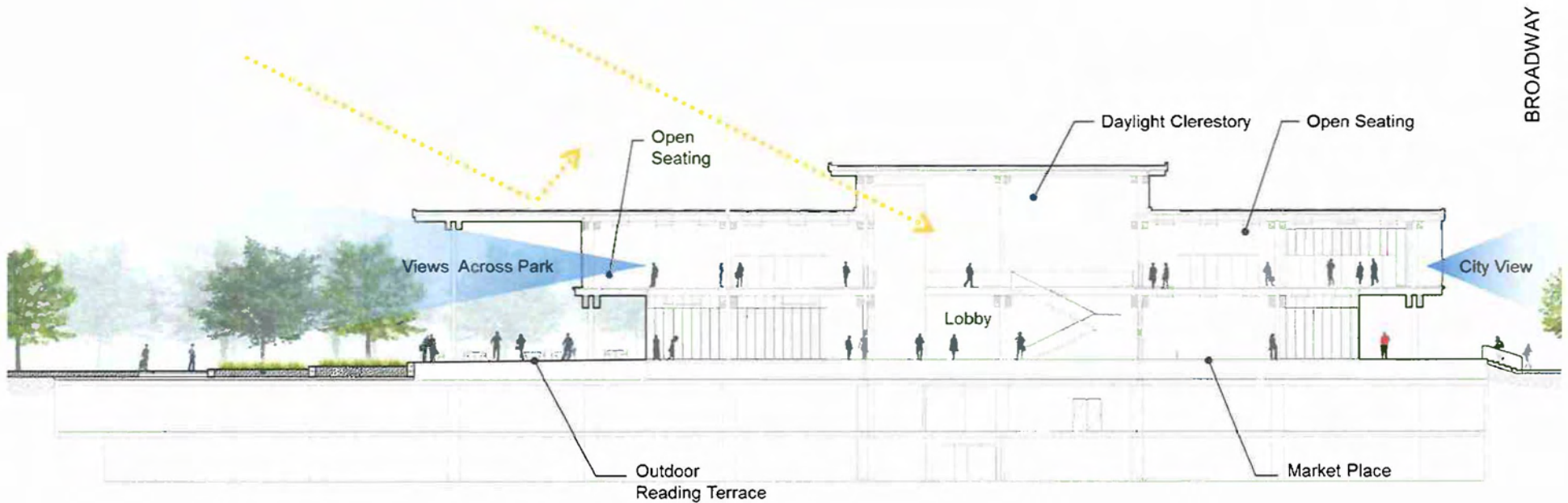
# Lincoln Park Event Space

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# Main Library Orientation

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# Main Library from Broadway

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# Main Library from Lincoln Park

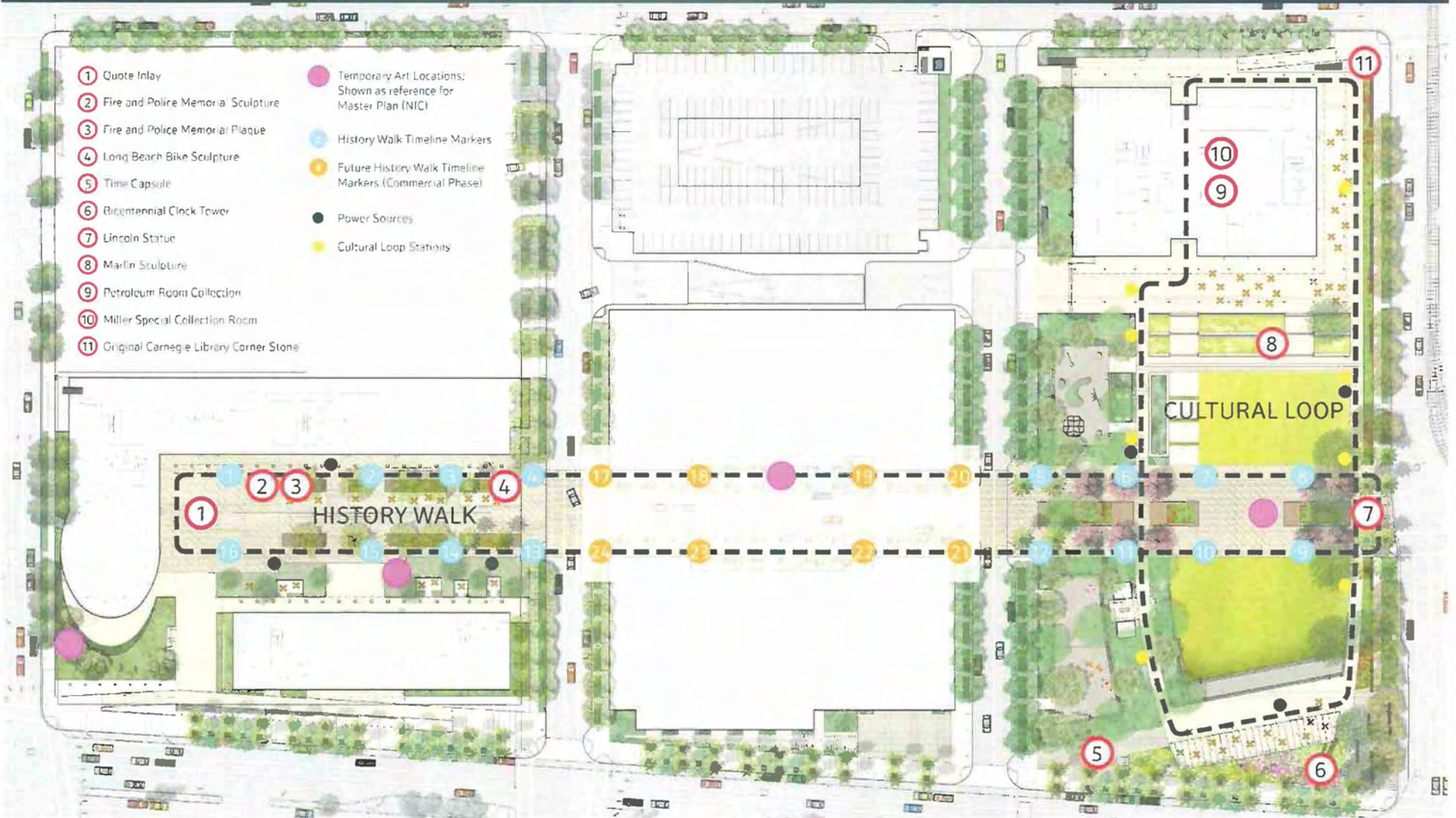
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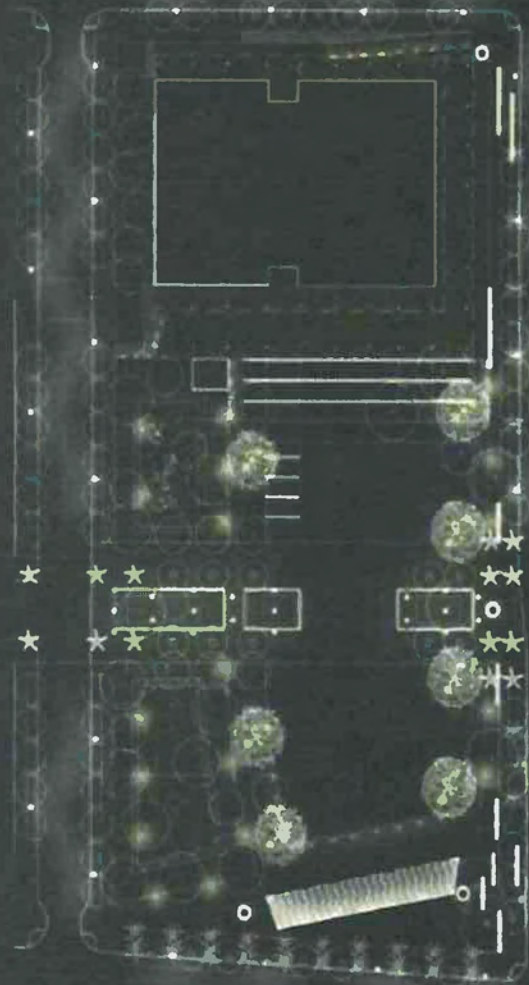


# History and Cultural Loop

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# Lincoln Park Lighting Scheme



Street Lighting



Pedestrian Pole Lighting



Underbench / Step Lighting



Catenary Lighting



Sculpture Accent

Tree Lighting



Trellis Lighting

# Overall Project at Full Development

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# California Environmental Quality Act (CEQA)

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- ▶ Disclose the significant environmental effects of proposed actions
- ▶ Identify ways to avoid or reduce environmental impacts
- ▶ Consider feasible alternatives to proposed actions
- ▶ Enhance public participation in the planning process

# CEQA Process

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# Supplemental EIR

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## Supplements Downtown Plan Program EIR

- ▶ Addresses project-specific impacts
- ▶ Implements studies required in Program EIR
- ▶ Provides additional mitigation for new significant impacts

## Focuses on impacts not specified in Program EIR

- ▶ Class I = significant unavoidable impact beyond that identified in Program EIR
- ▶ Class II = significant impact not identified in Program EIR that can be mitigated
- ▶ Class III = no significant impact beyond that identified in Program EIR

# Class I Impacts (Significant and Unavoidable)

## Air Quality

- ▶ Long-term operational emissions
- ▶ Exposure of new residents to toxic air contaminants

## Cultural Resources

- ▶ Historical resources: Courthouse and City Hall-Library Complex

## Noise and Vibration

- ▶ Temporary construction-related disturbance

# Class II Impacts (Significant but Mitigatable)

## Aesthetics

- ▶ Temporary construction impacts

## Air Quality

- ▶ Demolition emissions from implosion

## Noise and Vibration

- ▶ Operational noise from loading areas and commercial uses
- ▶ Exposure of new residents to excessive noise

## Other CEQA

- ▶ Vermin from demolition



# Class III Impacts (Less than Significant)

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## Aesthetics

- ▶ Scenic resources
- ▶ Shadows

## Air Quality

- ▶ Air Quality Management Plan consistency
- ▶ Carbon Monoxide Hotspots

## Greenhouse Gas Emissions

- ▶ Construction and Operational emissions

## GHG plans and policies consistency

## Noise and Vibration

- ▶ Operational vibration
- ▶ Traffic-generated noise increases

## Transportation and Traffic

- ▶ Circulation system performance
- ▶ Design feature hazards

# Project Alternatives

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## 4 Alternatives Studied

- ▶ No Project (Alt. 1)
- ▶ Downtown Plan Buildout of Civic Center Area (Alt. 2)
- ▶ Adaptive Reuse (Alt. 3)
- ▶ Reduced Density/Intensity (Alt. 4)

Other than Alt. 4, all reduce one or more impacts, but none avoid any Class I impacts

Other than Alt. 1, all meet some, but not all project objectives

# Opportunities for Public Comment

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Notice of Preparation Public Review 4/16/15-5/15/15

- ▶ Scoping Meeting 4/30/15
- ▶ Draft SEIR Public Comment Period 8/4/15-9/17/15
- ▶ Planning Commission Study Session 8/20/15
- ▶ Parks & Rec Commission Study Session 9/17/15
- ▶ Parks & Rec Commission Hearing 10/15/15
- ▶ Planning Commission Hearing 11/9/15
- ▶ City Council Hearing 12/15/15

# Comments on Draft SEIR

36

9 comment letters + oral comments at 8/20/15 study session

Key issues included historic resources & alternatives

- ▶ Some disagreement with SEIR conclusions
- ▶ New alternatives/mitigation measures suggested

No comments identified new significant impacts or other information that warrants SEIR recirculation

# Overview of Project Negotiations

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1. Current Efforts
2. Affordability
3. The Project Agreement
4. Financial Structure and Fiscal Impacts
5. Schedule

# Current Efforts

## Since December 9, 2014

- ▶ Staff have updated City Council in closed session on June 23, 2015 and November 17, 2015
- ▶ Since December 9, 2014 , the City has accomplished the following:
  - ▶ Parks & Rec Commission approval of Lincoln Park design
  - ▶ Planning Commission approval of Civic Center project
  - ▶ Started hazardous materials abatement of old Courthouse
  - ▶ Finalized space programming and Basis of Design
  - ▶ Completed Prop L analysis
  - ▶ SB 562 signed by the Governor
  - ▶ Completed Transaction Terms Sheet
  - ▶ Substantially completed Project Agreement and appendices
  - ▶ Substantially completed Conveyance documents
  - ▶ Received Updated Fixed Price Proposal
  - ▶ Renegotiated scope and price

# Current Efforts Community Outreach

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- ▶ 106 outreach meetings
  - ▶ 26 community meetings
  - ▶ 9 Council District meetings
  - ▶ 3 Special Purpose meetings
    - ▶ Spanish presentation
    - ▶ Lincoln Park workshop
    - ▶ Main Library workshop
  - ▶ 68 individual stakeholder meetings
- ▶ CEQA scoping meeting
- ▶ Parks & Recreation Commission study session
- ▶ Parks & Recreation Commission meeting
- ▶ Planning Commission study session
- ▶ Planning Commission meeting

# Affordability

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- ▶ The cost for the Civic Center has increased since June 2014 primarily due to construction cost escalation, due diligence discoveries and community requested design changes
- ▶ Staff have spent considerable time and effort to identify and analyze areas to reduce cost



# Affordability

## Cost Increases

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- ▶ Sources of cost increases:
  - ▶ Construction cost escalation since June 2014
  - ▶ Due Diligence discoveries
  - ▶ Design changes resulting from community outreach
  - ▶ Re-allocated and enhanced Operations and Maintenance service
  - ▶ Financial market fluctuations

# Affordability

## Solutions to Cost Increases

- ▶ Staff have identified a number of strategies and funding sources to reduce the City's annual Service Fee payment
  - ▶ One time funding for capital costs
  - ▶ Reduce equity gearing and return on equity
  - ▶ Elimination of fixed payments in the early years
  - ▶ O&M efficiencies and scope reductions
  - ▶ Reduction of construction costs
  - ▶ Value engineering cost reductions
  - ▶ Reduction of developer and design/build fees
  - ▶ Modifications to the annual payment mechanism
  - ▶ Point of sale for tax collection for construction material
  - ▶ Long term property, sales and transient occupancy tax

# Affordability Solutions

## Revised Service Payment in FY 13 Dollars

Total Increases in Annual Payment	\$ 5,586,000
Total Decreases in Annual Payment	<u>\$ (3,706,000)</u>
Net Increase in Annual Payment	\$ 1,880,000
Base Service Payment (2013)	<u>\$ 12,600,000</u>
Revised Service Payment (2013)	\$ 14,480,000
Requested Contingency	<u>\$ 230,000</u>
Total Service Payment (2013)	\$ 14,710,000
Long Term Tax Revenues	<u>\$ (940,000)</u>
Net Long Term Service Payment	\$ 13,770,000

# Affordability

## Other Annual Costs

- ▶ At the November 2014 Study Session, staff indicated there could be up to \$3.4 million in other annual costs
- ▶ Certain offsite leases were determined to best serve the community in more central locations, were more expensive to move to City Hall, or created too great of a parking demand

Other Annual Costs	Hypothetical FY 13	
Offsite Leases	\$	1.32
Service Costs	\$	0.40
Parking Costs	\$	0.06
Allocated Costs	\$	1.49
Total Other Costs	\$	3.27

# Affordability

## Maintenance of Existing Civic Center

- ▶ In 2013, City secured a Facilities Condition Assessment Report from Parsons for the Civic Center including City Hall, Main Library and Broadway Parking Structure
- ▶ Bringing the existing facilities up to like-new physical condition would require an investment of \$234 million over 35 years
- ▶ This amount equates to an average annual cost of \$6.7 million over 35 years
- ▶ Added to \$12.6 million in 2013 occupancy costs results in a suitable annual funding of \$19.3 million
- ▶ This amount does not include code required improvements
- ▶ This amount includes only those seismic improvements identified in the 2005 FEMA study

# Proposition L Analysis

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- ▶ Since 2013, the City has been pursuing a Public-Private Partnership to design, build, finance, operate and maintain a new Civic Center (P3 DBFOM)
- ▶ To achieve the best value for the City, and to receive buildings in a Good or better condition at Handback, Operations and Maintenance of the Civic Center must be completed by the Project Company
- ▶ A Proposition L analysis has been completed as required by Charter, which indicates that Operations and Maintenance services can be provided by the Project Company at a cost less than what could be provided by City staff, if provided at the same levels
- ▶ The City Manager has long stated that employees identified in the Proposition L analysis shall not be reduced in hours, duties or compensation.
- ▶ City staff have, and will continue, the "meet and confer" process with the involved union

# Project Agreement

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- ▶ General Background
  - ▶ The Project Agreement sets forth the terms and conditions of a P3 DBFOM that provides the best value to the City and achieves the City Council's objectives
  - ▶ The Project Agreement controls this P3 partnership for the 4-year construction schedule and 40-year operation, maintenance and life-cycle replacement period
  - ▶ The Project Agreement controls the allocation of risk, the financing mechanism, payment obligations, terms, termination rights, termination payments, releases, indemnities and defaults of each party

# Project Agreement

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## ▶ Risk Allocation

- ▶ One of the benefits of a P3 project is the ability to allocate risk to the party best able to manage the risk
- ▶ The Project Company is accepting risks related to design-build cost, project schedule, financing, long term operations and maintenance, performance deductions and Force Majeure events
- ▶ The City accepts certain risks related to authorizing legislation, Regulated Site Conditions, Differing Site Conditions, Latent Structural Defects, Possessory Interest Tax, Force Majeure Events



# Project Agreement

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- ▶ Risk Allocation, continued
  - ▶ Regulated Site Conditions
    - ▶ Regulated Site Conditions are those conditions that include discovery of unknown conditions that require the oversight of a regulatory agency
    - ▶ This could include things like an underground storage tank, or Native American artifacts
    - ▶ As the Old Courthouse Site has been fully developed since the 1940's, has been thoroughly investigated by the Project Company and is owned by the City, staff recommends that the City accept this risk rather than finance a significant contingency over the 40-year term

# Project Agreement

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- ▶ Risk Allocation, continued
  - ▶ Differing Site Conditions, Old Courthouse Site
    - ▶ Differing Site Conditions are those conditions that differ from that identified in the site investigations conducted by the Project Company
    - ▶ Due to existing improvements, the Project Company was unable to investigate below the old Courthouse building and below Lincoln Park Garage
    - ▶ Staff recommends that the City Council accept the risk of Differing Site Conditions rather than finance a significant contingency over the 40-year term
    - ▶ To limit exposure, the Project Company shall bear the first \$1 million in costs and the City and Port share the second \$1million in cost
    - ▶ Above that amount, the City and Port can determine a proper allocation, or terminate the Project Agreement and pay a Termination Fee

# Project Agreement

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- ▶ Risk Allocation, continued
  - ▶ Differing Site Conditions Lincoln Park Garage
    - ▶ Differing Site Conditions also affect the soils beneath the Lincoln Park Garage
    - ▶ The Project Company was unable to investigate the soil beneath the Lincoln Park Garage and seeks a similar risk sharing protocol as the Old Courthouse Site
    - ▶ Staff has negotiated a similar allocation of risk such that:
      - ▶ The Differing Site Conditions risk related to the Old Courthouse Site shall have been identified, addressed and resolved prior to the start of required structural modifications to the Lincoln Park Garage to support the New Main Library
      - ▶ Any remaining funds from the Project Company's \$1 million contingency shall then be applied to costs related to Differing Site Conditions in the soils under the Lincoln Park Garage and structural support for the New Main Library
      - ▶ Costs above this amount, if any, to be borne by the City, or the City may terminate the Project Agreement and pay a Termination Fee
  - ▶ Staff believe that the City should accept this risk rather than finance a significant contingency over the 40-year term

# Project Agreement

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- ▶ Risk Allocation, continued
  - ▶ Latent Structural Defects in the Lincoln Park Garage below the New Main Library
    - ▶ Latent Structural Defects are those defects in design, workmanship or materials that are not readily discoverable even with appropriate investigation
    - ▶ Project Company's investigation into Lincoln Park Garage reveals it is likely that the Lincoln Park Garage was constructed according to plans, reducing exposure to Latent Structural Defects
    - ▶ The Project Company could not investigate the entirety of Lincoln Park Garage and have, therefore, requested that the City accept the risk of Latent Structural Defects
    - ▶ The Project Company has established a \$500,000 contingency to address Latent Structural Defects
    - ▶ Staff recommends that the City accept the risk of Latent Structural Defects in the Lincoln Park Garage below the New Main Library in excess of the Project Company's contingency, rather than finance a significant contingency over the 40- year term

# Project Agreement

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- ▶ Risk Allocation, continued
  - ▶ Possessory Interest Tax
    - ▶ Possessory Interest occurs when there is a private, beneficial use of publicly-owned, non-taxable property, such as a lease
    - ▶ Such a possessory interest in the Civic Center could have a significant value and generate significant taxes, which would then become a Project Cost
    - ▶ Outside legal counsel has thoroughly reviewed this matter and is of the opinion that the likelihood of a possessory interest being assessed against the Project Company is low
    - ▶ Staff recommends that the City accept the risk of Possessory Interest Tax payments rather than finance a significant contingency over the 40-year term

# Project Agreement

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- ▶ Financing

- ▶ The Project Company shall be responsible for financing the cost of the City facilities, including City Hall, the New Main Library, Lincoln Park and the City's portion of the Shared Rooms and Shared Facilities

- ▶ Contingency

- ▶ Staff proposes that the City fund a contingency totaling \$4.5 million in order to quickly approve change orders that may be required to complete or improve the Project, in order to not delay the Project and be required to pay delay charges

- ▶ Independent Building Expert

- ▶ The parties will contract with an Independent Building Expert to ensure that the facilities are constructed consistent with approved plans, and completed subject only to the punch list

# Project Agreement

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- ▶ Project Labor Agreement
  - ▶ The Project Company and its successors, will be required to execute a Project Labor Agreement with the General Contractor, who will require all sub-contractors to execute a similar agreement affecting all aspects of the civic elements of the Project
  - ▶ The Private Development Sites will not be required to include a Project Labor Agreement
- ▶ Labor Peace Agreement
  - ▶ Hotel development on the Private Development Sites shall require the execution of a labor peace agreement between the Project Company and its successors, and a union in Long Beach representing hotel/hospitality employees

# Project Agreement

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## ▶ Seismic Resiliency

- ▶ Using the Resilience-based Earthquake Design Initiative to guide the design
- ▶ In a design-level seismic event (10% probability of occurring in 50 years, or approximately reflective of a 7.2 to 7.5 earthquake on the Richter Scale), the City Hall, Main Library and Port Headquarters will experience the following:
  - ▶ Very low probability of injuries
  - ▶ 50% confidence level of re-occupancy within two weeks
  - ▶ 50% confidence level full functionality within one month
  - ▶ 90% confidence level of full functionality within 3 months
  - ▶ Less than a 5% financial loss as compared to the building's replacement value



# Project Agreement

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- ▶ Leadership in Energy and Environmental Design (LEED)
  - ▶ The Civic Center Project is required to achieved LEED Gold and is being designed to complete the points necessary to achieve LEED Platinum
  - ▶ The Project Agreement sets forth a number of steps required to be taken by the Project Company to demonstrate appropriate efforts by the Project Company to achieve LEED Gold
  - ▶ If the Project Company takes all appropriate steps and has completed the points necessary to achieve LEED Gold, but is unable to secure a certificate for reasons beyond the Project Company's control, the Project Company shall pay liquidated damages
  - ▶ Liquidated damages shall be \$1 million for City Hall and \$500,000 for the New Main Library

# Project Agreement

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- ▶ Leadership in Energy and Environmental Design, continued
  - ▶ Solar Photo-voltaic renewable energy system (Solar PV System)
    - ▶ The Civic Center Project includes a campus-wide Solar PV System on the roofs of the City Hall, New Main Library and Port Headquarters
    - ▶ The Solar PV System is intended to produce up to 25% of the energy required for the Civic Center
    - ▶ This may or may not be achievable depending on weather conditions
    - ▶ The Solar PV System will be jointly owned by the City and the Port and its cost and generated energy will be allocated 56% to the City and 44% to the Port

# Project Agreement

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- ▶ Operations and Maintenance
  - ▶ The Project Agreement includes a 40-year Operations and Maintenance obligation which ensures that the Civic Center is maintained at a “Good” or better condition
  - ▶ The Project Agreement requires compliance with Key Performance Indicators to ensure optimal operations, life-cycle replacements of all building systems and Service Payment reductions for any non-functioning systems, which is integrated into this overall Operations & Maintenance Model
  - ▶ The Project Agreement contract is a fully cohesive model and alteration to any of its elements will undermine the entire model. All Operations and Maintenance elements need to be included in order to achieve the efficiencies and maintenance levels required under the contract

# Project Agreement

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- ▶ Operations and Maintenance, continued
  - ▶ The Project Company shall contract with Johnson Controls, Inc. (JCI) for all maintenance and repairs of all equipment, structures, improvements and grounds, keeping all in good working order, condition and repair, except for movable furniture, fixtures, equipment and shared chambers Audio-Visual systems
  - ▶ JCI shall operate 24-hours per day, 7-days per week.
  - ▶ JCI shall be responsible for all capital investment, and lifecycle replacement over the entire 40-year maintenance period
  - ▶ JCI shall implement a lifecycle replacement program adequate to achieve an FCI of 0.15 or less at Handback, but shall guarantee an FCI .20 or less at Handback
  - ▶ This FCI indicates that the building will be in a condition that is at least 80% - 85% of like-new condition at Handback

# Project Agreement

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- ▶ Operations and Maintenance, continued
  - ▶ Service Work Orders
    - ▶ JCI shall respond to and complete all Service Work Orders within the time indicated below or pay a daily penalty as set forth in the Project Agreement, consistent with the Severity and Priority of the Service Work Order

Severity	Emergency	Urgent	Routine
Priority	1	2	3
<b>During Operating Hours</b>			
Response Time	10 minutes	2 hours	24 hours
Completion Time	2 hours	8 hours	5 Business Days
<b>Outside Operating Hours</b>			
Response Time	1 hour	Within 2 hours of start of next period of Operating Hours	Next Business Day
Completion Time	2 hours	End of next Business Day	5 Business Days

# Project Agreement

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- ▶ Operations and Maintenance, continued
  - ▶ Service Work Orders, continued
    - ▶ JCI shall respond to and complete Service Work Orders relative to elevators within the time indicated below, or pay the indicated daily penalty

	During Operating Hours	After 12:00pm on days City Council or Board of Harbor Commissioner meet
One elevator	\$1,000	\$2,000
Two elevators	\$3,000	\$3,500
Three or four elevators	\$10,000	\$15,000
All elevators	75% of Total Unavailability for every room made inaccessible until such time service comes back for two or more elevators.	

# Project Agreement

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## ▶ Relocation Plan

- ▶ The Project Company shall pay for and provide organizational oversight to relocate the occupants of City Hall, Main Library and Port Headquarters staff
  - ▶ 6 months in advance of the expected occupancy date, the Project Company shall deliver a draft Relocation Plan
  - ▶ Project Company shall provide evidence of a binding contract with a moving contractor within
    - ▶ 30 days prior to the expected occupancy of a facility
    - ▶ 30 days after approval of the Relocation Plan by the City or the Port
    - ▶ Failure to comply results in an aggregate payment of \$500,000 to the City and the Port
  - ▶ Project Company failure to comply with any other requirement relative to Relocation shall result in an aggregate payment of \$250,000 to City and Port

# Project Agreement

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- Termination Payments in Events of Default
  - Termination due to Project Company Event of Default
    - Project Company loses its equity and City pays 80% of the debt outstanding
    - City can choose to pay off the debt, or assume the debt and pay over time
  - Termination due to City Event of Default
    - City pays Project Company Contractor breakage costs, 100% of outstanding debt, and the net present value of the nominal return on Project Company equity
    - City cannot assume the debt in a City Event of Default
- No Fault Termination
  - City pays Project Company all outstanding costs owed by City, Contractor breakage costs, 100% of the outstanding debt, and original equity amount (less any dividends), less account balances and insurance proceeds
- If the Project Agreement is not executed, City will pay a Termination Fee under the Exclusive Negotiation Agreement of \$4 million to the Project Company



# Memorandum of Understanding with the Port

- ▶ The City and Port will execute a Memorandum of Understanding (MOU) that sets forth the allocation of costs of Shared Rooms and Shared Facilities, ongoing costs of operations and maintenance of Shared Rooms and Shared Facilities, and cost of City occupancy of Port facilities and Port occupancy of City facilities
- ▶ The MOU, while agreed to as to scope and terms, is not yet in executable form, but will be prior to Financial Close
- ▶ Generally the MOU will ensure that Tidelands Funds will not subsidize City facilities and City general funds will not subsidize Port facilities

# Project Agreement

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## ▶ Private Development Sites

### ▶ 3<sup>rd</sup> & Pacific Site

- ▶ Likely conveyed to 3<sup>rd</sup> party developer at Financial Close
- ▶ Project Company, successors and assigns, shall release the City from all liability related to the condition of the Site
- ▶ \$8 million in proceeds shall be used for Project Costs
- ▶ Entitlements up to 200 residential units are part of tonight's recommended actions
  - ▶ A minimum of 10% of the units shall be moderate income restricted

### ▶ Center Block Site

- ▶ Conveyed after occupancy of New City Hall and New Main Library
  - ▶ Project Company shall post a bond for cost to demolish old City Hall
- ▶ Project Company, its successors and assigns, shall release the City from all liability related to the condition of the Site
- ▶ \$13.7 million in proceeds shall be used to complete Lincoln Park
- ▶ Entitlements for up to 580 residential units, 32,000 SF of retail, 8,000 SF of restaurant, and 200 hotel units are part of tonight's recommended actions
  - ▶ A minimum of 10% of the units shall be moderate income restricted
  - ▶ The Project Company shall execute a Labor Peace Agreement with a local union representing hotel/hospitality employees

# Project Agreement

67

## ► Project Schedule

- Courthouse abatement start date\*: November 23, 2015
- Financial Close: January 28, 2016
- Courthouse demolition start date\*: March 1, 2016
- Courthouse demolition completion date\*: June 1, 2016
- Construction start date: July 1, 2016
- Lincoln Park Demo start date: Mid-July, 2016
- Demo of Amphitheater start date: Mid-September, 2016
- Start Civic Center Foundations start date: May 2017
- Below-Grade Structures Complete: End of 2017
- Structures Complete: Early Summer, 2018
- Building Envelopes Completed: Early Fall 2018
- City Hall Scheduled Occupancy Date: June 30, 2019
- Library Scheduled Occupancy Date: June 30, 2019
- Port Building Scheduled Occupancy Date: June 30, 2019
- Start Demolition of Existing Library: July 29, 2019
- Lincoln Park Scheduled Occupancy Date: November 27, 2020
- Project Scheduled Occupancy Date: November 27, 2020
- Finish Demolition of Old City Hall: 9 months after relocation

\* Not a part of the Project, but important to timely progress of the Project

# Project Agreement

68

## ► Job Generation

Civic Center:	
Direct Temporary (construction)	2,428
Direct Permanent	162
Indirect	917
Induced	<u>1,256</u>
Total Civic Center	4,764

Private Development:	
Direct Temporary (construction)	1,042
Direct Permanent	803
Indirect	721
Induced	<u>701</u>
Total Private Development	3,268

# Financial Structure and Fiscal Impact

- ▶ Overall Financial Structure
- ▶ Source and Uses of Funds
- ▶ The Service Fee and Other Annual Costs
- ▶ Budget Impacts
- ▶ Risks and Uncertainties

# Overall Financial Structure

70

- ▶ Public-Private Partnership (P3)
- ▶ Design-Build-Finance-Operate-Maintain (DBFOM)
- ▶ Based on a Project Agreement with the City, the Port, and PECP
- ▶ Significant real estate component
- ▶ City acquires a new Civic Center; PECP operates and maintains it for 40 years
- ▶ City sells land to Port, sells land for development, provides upfront cash funding, and a monthly Service Fee
- ▶ Port pays for its Headquarters building, after construction is complete, using cash, a bond issue, selling assets, or some combination
- ▶ City and Port will agree to a Memorandum of Understanding (MOU) for the various shared facilities and their operation

# Project Agreement Construction Costs

71

In FY 16 \$ millions

## Uses

Design, Construction, Contingency	218.09
Prepayment of Existing Debt	17.60
Transaction Costs and Fees	18.73
Financing Costs and Fees	37.72
Pre-Occupancy Costs	6.04

## Total Uses

298.17

# Sources of Funding – For Construction Costs

72

In FY 16 \$ millions

## Sources

Private Placement Debt Borrowed By PECP	(236.66)
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Equity Funding by PECP Investors	(21.02)
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City Cash/Other borrowing	(10.78)
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Land Sales by the City	(29.70)
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<b>Total Sources</b>	<b>(298.17)</b>
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# Sources of Funding – For Construction Costs From Cash & Borrowing

In FY 16 \$ millions	All Funds
Building Permit Fees paid by PECP and Used for Building Permit Center	(3.00)
Park Impact fees for Lincoln Park Improvements	(0.89)
Partial Proceeds from a Ten-Year Bond Issue	(2.39)
FY 15 Expenditure Savings from Departments	(2.00)
Use of SAP funds Available for Outward Promotion/Civic Engagement	(2.00)
Use of PEG Funds Available for Installation of Technical Improvements	(0.50)
<b>Total - One-Time City Funding for Construction</b>	<b>(10.78)</b>

# Sources of Funding – For Construction Costs From Land Sales

In FY 16 \$ millions

## Detail of Land Sales by the City

Sale of Land to Port for Port Building	(8.00)
Sale of Land at 3rd and Pacific	(8.00)
Sale of Center Block (old City Hall site)	(13.70)
<b>Total City Proceeds from Land Sales</b>	<b>(29.70)</b>

# Non-Project Agreement One-Time Costs

75

In FY 16 \$ millions	All Funds
<b>One-Time Costs</b>	
Transition Costs Between Old and New Facilities	1.70
Technology and A/V Equipment, Temp Parking, Misc.	3.69
Advisor/Consultant Costs to Financial Close	0.79
Project Oversight During Construction	3.53
<b>Total - One-Time Costs</b>	<b>9.71</b>

# Non-Project Agreement Sources of Funding - For One-Time Costs

76

In FY 16 \$ millions

**All  
Funds**

## **Funding for One-Time Costs**

Civic Center Fund Funds Available

(3.00)

Sales/Use Tax from Civic Center Construction Materials

(1.10)

Partial Proceeds from a Ten-Year Bond Issue

(5.61)

## **Total - Funding for One-Time Costs**

(9.71)

# Service Fee – By Year

77

\$ in millions	Service Fee	Future Net Service Fee
FY 13 hypothetical	14.71	13.77
FY 16 (Project Agreement base)	15.76	14.75
FY 20	17.28	16.17
FY 21	17.69	16.55
FY 22	18.10	16.93

Hypothetical Net Service Fee of \$14.71 million in FY 13 will be about \$1 million a year less if tax revenue from development was available

# Other Annual Costs – Components

78

In \$ millions	Hypothetical FY 13
Lease Costs That Continue	1.32
Allocated Costs That Continue	1.49
Services & Parking Costs	0.46
<b>Total - Other Annual Costs</b>	<b>3.27</b>

Other Annual Costs were estimated at a maximum of \$3.4 million at the November 2014 Study Session

# Base Line Budget – Assumes No Maintenance

79

	\$ in millions	Base Line Budget
FY 13 (actual adjusted budget)		12.44
FY 20		13.92
FY 21		14.31
FY 22		14.71

The base line budget is the minimal spending level to keep the existing City Hall and Library operational; no regular maintenance

# Budget Impact – Service Fee Only

80

<b>\$ in millions</b>	<b>Service Fee</b>	<b>Anticipated All Funds Base Line Budget</b>	<b>Variance Between Service Fee and All Funds Budget</b>
FY 13 (actual adjusted budget)	14.71	12.44	2.27
FY 19 - Partial Occupancy Year - (Approx 3 months)	4.32	3.48	0.84
FY 20	17.28	13.92	3.36
FY 21	17.69	14.31	3.37
FY 22	18.10	14.71	3.38

The budget impact would be reduced to \$1.33 million in FY 13 and \$2.21 million in FY 22 if tax revenue from development was available



# Budget Impact – All Costs

81

\$ in millions	Variance Between Service Fee and All Funds Budget	Other Annual Costs	All Funds Anticipated Budget Impact Total	General Fund Anticipated Budget Impact Total
FY 13 (actual adjusted budget)	2.27	3.27	5.53	4.09
FY 19 - Partial Occupancy Year - (Approx 3 months)	0.84	0.93	1.77	1.29
FY 20	3.36	3.70	7.06	5.22
FY 21	3.37	3.79	7.17	5.29
FY 22	3.38	3.88	7.27	5.37

The General Fund budget impact would be reduced to \$3.15 million in FY 13 and \$4.20 million in FY 22 if tax revenue from development was available. Also, the actual impact on the budget process is only the annual incremental impact as shown on the next slide

# Budget Impact – Required Annual Funding

82

\$ in millions	Required New Annual Funding	
	All Funds	General Fund
FY 19 - Partial Occupancy Year - (Approx 3 months)	1.77	1.29
FY 20	5.30	3.93
FY 21	0.10	0.07
FY 22	0.10	0.07

After FY 22, there is little increase in the required annual funding above the base budget needs. Once tax revenue from development is received, there will be a reduction in the budget impact of about \$1 million a year (in FY 16 dollars). This funding requirement will be incorporated into the normal budget projections and process

# Risks & Uncertainties (1)

83

- ▶ Lincoln Park construction and old City Hall demolition are predicated on the future sale of the Center Block land
- ▶ Center Block development timing, and what it will consist of are uncertain
- ▶ Interest rate increases could increase the Service Fee up to the limit set by City Council
- ▶ Other Annual Costs and One-Time Costs may change
- ▶ The necessary contingency funding could be more than what is set aside

# Risks and Uncertainties (2)

84

- ▶ The City is responsible for any major improvements to existing garages
- ▶ The City is responsible for costs associated with earthquake damage
- ▶ The City may be responsible for unusual losses and costs
- ▶ Termination payment of \$4 million if Financial Close does not Occur
- ▶ Termination of the Project Agreement after Financial Close may not be financially feasible

# Summary

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- ▶ Staff strongly recommends proceeding with the project
- ▶ We have negotiated an agreement that achieves the lowest cost for this P3 Project
- ▶ The costs are manageable, appropriate and fiscally prudent, especially when compared to the alternative
- ▶ Hypothetically, if there were continued occupancy in the current City Hall, the cost exceeds that provided in the P3 model
- ▶ This project will result in a new City Hall, new Port headquarters, new library, new park, residential and retail development and an activated corridor with private partners motivated to develop and manage those investments
- ▶ While every deal has associated risks, the potential risks have been weighted and disclosed and the benefits outweigh the costs.



# The Civic Center Project

December 15, 2015