

Multnomah County Downtown Courthouse Options Analysis Report

Final Report June 2012



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Executive Summary

Objective

Multnomah County has the responsibility to provide a court facility that is safe, efficient and results in access to due process for its citizens. The existing courthouse was built between 1909 and 1914 and after nearly a century of continual operation, the county is pursuing a crucial modernization of the downtown courthouse facilities in Portland, with either the option of renovation and/or construction of a new courthouse.

Following a competitive contracting process, the county selected inici group to perform a step by step approach to provide the county with the necessary data on cost, construction, feasibility, and a subjective review of perceptions by users to assist the county in answering the question, should the county embark on a path of renovating the current downtown Multnomah County Courthouse to the SERA Study completed April 2011 (herein referred as 2011 Renovation Study) as presented to the Board of County Commissioners April 19, 2011, or decide on a new location and construct a new courthouse?

For the benefit of the county, the question must be combined with the significance of a solution for the remodel of the current courthouse into an alternative use. The decision for the county is one that best meets the economic realities for the community, factors facing court operations, and support for a courthouse solution.

Mission Statement

To provide the Board of County Commissioners a comparison analysis of various delivery options regarding the renovation / replacement of the downtown courthouse and assist in identifying next steps to determine the most suitable option for the county.

Purpose

To provide the Multnomah Board of County Commissioners a quantitative and qualitative analysis of the renovation alternative to developing a new courthouse at alternative localities in the Portland city core. In addition, this study is to evaluate Private-Public-Partnership's (PPP) project delivery solution to provide a new courthouse as an alternative method to fund and complete the remodel or new construction of the courthouse.

Scope of Work

Conduct an analysis and assessment of development opportunities and finance options to either replace the courthouse with a new building at a new site in the City of Portland, or renovate, or any combination thereof, the historic Multnomah County Courthouse located at SW 4th and Main in downtown Portland, Oregon.

Analysis and assessment shall address relevant factors based objectively on research and industry data and subjectively with feedback from user interviews and the analysis of multiple factors explored by the inici group for either a renovation or new construction method, or any viable combination thereof.

Assumptions

inici group, Inc used the following assumptions to provide the county an objective report to move forward. The base model for a new building type compared in different localities throughout the county would comprise the following:

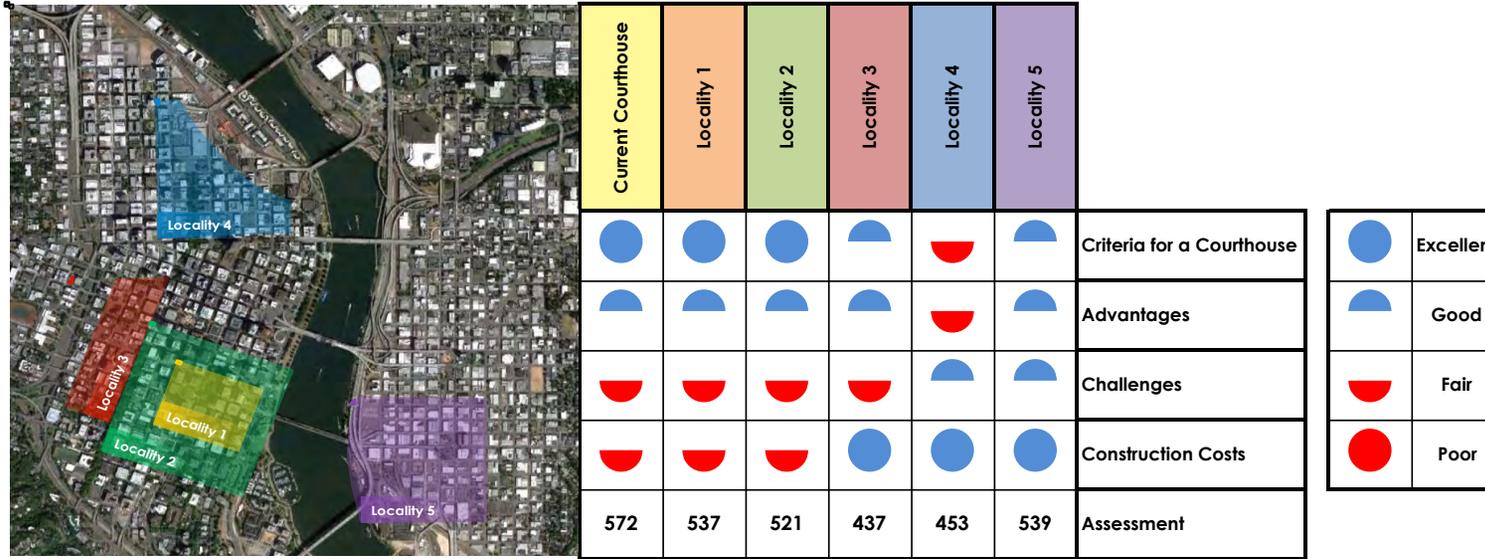
- Typical Portland city block size of 200' x 200' as the ideal size for comparison
- Square footage based on the expanded addition of "Flex Space" as defined in the 2011 Renovation Study for a total of 398,893 gross square feet; inici group, Inc has rounded to 400,000 square feet for comparison convenience
- Modern features for the operation of the courts
- Similar functions and infrastructure

Locality Analysis and Site Evaluation Criteria Matrix¹

In order to prepare cost estimates to compare the renovation to a new courthouse, land value costs were required. For a new courthouse, the selection of a parcel of land is based on the county purchasing land, or it would become the requirement for the Public-Private-Partnership (PPP) developer to purchase the land. In order to provide land costs, which are different for each parcel in Portland, the siting of the courthouse had to be refined to areas referenced in this report as localities. For the purpose of this report five (5) localities in the Portland city core were identified for exploration. Each locality 1 – 5 was scored and ranked based on a Site Evaluation Criteria Matrix¹ developed for, and defined in detail later in this report. The Site Evaluation Criteria Matrix is a more objective comparison process by completing a weighted calculation of important criteria needed to construct a new courthouse in the different localities. Some of the criteria include market land price and availability, infrastructure support, regulatory overlay, transportation and access, design and construction, livability and public expectation.

¹ See Appendix A – Site Evaluation Criteria Matrix

Synopsis of Localities



The following is the summarized comparison between each locality explored for this report.

Locality 1

Location of the current courthouse in the downtown government core, bound by SW Yamhill Street to the North, SW 2nd Avenue to the East, SW Columbia Street to the South and SW Broadway to the West.

This locality is preferred, providing public transportation and adjacency to services. However due to limited parcel availability, it potentially has increased land value. Most parcels are fully developed. Costs, such as demolition make this locality very difficult to be considered by the county or developers.

Locality 1 scored the second highest with a score of 537 compared to the other four (4) localities. This is slightly less than locality 5. Based on the scoring margin of error, locality 1 and 5 will be considered equal.

Locality 2

The expanded area where the current courthouse resides in the downtown core bound by SW Washington Street to the North, SW Naito Parkway to the East, SW Market Street to the South and SW 10th Avenue to the West.

The advantage of this locality compared to locality 1 is that it has the potential to provide a number of parcels for a new courthouse. As with locality 1, proximity to public transportation and similar services make this locality desirable. If a parcel is available at market costs, this locality may be considered favorable. The selection and negotiation of a parcel in this locality has the potential for a solution for either the county or developer to build a new courthouse. Locality 2 is ranked third highest behind 1 and 5 with a score of 521, defining this locality for the siting of a new proposed courthouse below locality 1 and 5. Based on the similarity of scoring with locality 1 and 5, this locality could also be considered since a majority of the siting attributes for a courthouse have been met.

Locality 3

The area west of the downtown core, bound by W. Burnside to the North, SW 10th Avenue to the East, SW Columbia Street to the South and I-405 to the West.

This locality provides a number of parcel purchase opportunities for a new courthouse. Costs averages are lower than Locality 1 & 2. Proximity to the downtown core provides an alternative option regarding the perceived need to have the courthouse near the current location. Current Floor Area Ratio (FAR) provides challenges to this locality, but they have the potential to be adjusted. This location would be a good compromise since it provides many, although not all the features desired for a courthouse, and there are potentially many options for parcels to site the proposed courthouse.

Locality 3 scored the lowest of all of the localities studied with a score of 437. This locality did not have many outstanding features for a courthouse and therefore the lowest score.

Locality 4

The area known as the Pearl District, bound by NW Overton Street to the North, NW 2nd Avenue to the East, NW Everett Street to the South and NW 10th Avenue to the West.

This locality has more options of diverse parcels for development of the courthouse and the estimates of parcel costs for this locality will have the greatest range. With the opportunity to find parcels below market value, this locality may have a number of developer options. Also, this locality is near housing and offices for some who work at the courthouse. This could be an alternative locality that is supported by users.

Of all of the localities, Locality 4 has the second lowest score with 453.

Locality 5

The Central Eastside of Portland, bound by SE Morrison Street to the North, SE 7th Avenue to the East, SE Mill Street to the South and the I-5 freeway to the West. Locality 5 is ranked the highest of all localities with a score of 539. As defined above, the difference in total points is close and Locality 1 and 5 should be considered equal. Based on the high score, this locality could be considered for location of a new courthouse.

Concentrating on land and construction costs, this locality has the ability to be the lowest cost to develop a courthouse with many options of negotiable land parcels and provides the ability to construct a lower cost, low-rise design solution. Since construction costs will be lower, it is anticipated that there would be more developer proposals using parcels in this locality than any other localities explored. The difficulty for this locality is a major shift for court staff and users to the east

side and the public transportation system (light rail) is not as accessible. Therefore, this is the most difficult locality to present and reach an agreement with the courthouse users,

If the costs for locality 2 can be negotiated aggressively, the savings could offset the disparity of land cost between locality 2 and 5. If this can be achieved, locality 2 would have the highest level of support. Localities 2 and 5 are the priority localities to be selected for land acquisitions and locality 3 is an alternative. The basis of this decision is to meet the needs of a current courthouse.

If the Public-Private-Partnership (PPP) delivery solution is determined to be the direction for this project, the county may allow the developer to make a proposal on parcels in any of the localities and score the proposals with a preference given in the following order: Locality 2, 5, 1, 3, and 4.

Design and Construction

The renovation of the existing courthouse will provide much needed improvements to the existing courthouse. The courts, once courthouse renovation is complete, would be able to operate more effectively. For this report, the 2011 Renovation Study programming recommendations have not been verified by the inici group to confirm the proposed program meets the needs of the courts and staff.

Opportunity to expand the existing building for future growth may be challenging. Due to the building's historic nature, the cost of the renovation work will be higher per dollar expended than new construction of a similar size new building. In addition, a major renovation project for a building built almost 100 years ago and with a schedule of 4 – 6 years to remodel based on complex phasing to reduce impact to the courts, has a high risk for cost overruns based on similar projects.

A new courthouse would be able to provide, for each dollar spent, a more secure, energy efficient building, with potential design features that would exceed features of the renovated courthouse, providing lower operational costs. The new design would be able to incorporate modern features for courts including conference rooms and security in the building with a secure vehicle sallyport, this could provide the county with more efficient management of the facility. The new courthouse would provide the solutions to the current demands for court operation and could provide capacity for future expansion and flexibility to operate into the future.

Projects Costs

A detailed study of construction, land, and project costs was completed for the multiple solutions proposed for the courthouse. The following defines the costs estimate findings for this report.

Current Renovation and Construction Costs²

	Current Courthouse SERA Renovation** 2012 \$		Locality 1		Locality 2		Locality 3		Locality 4		Locality 5	
	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High
Estimated Total New Construction & Land Cost	181,649,659	227,208,471	172,693,980	187,235,880	170,109,120	189,530,880	162,683,370	176,256,000	159,282,450	175,582,800	151,435,500	168,045,000
Land, Direct Construction & Soft Cost/SF	454	568	432	468	425	474	407	441	398	439	379	420
Remodel Costs of Current Courthouse to Class B Office Space	-	-	71,400,000	75,327,000	71,400,000	75,327,000	71,400,000	75,327,000	71,400,000	75,327,000	71,400,000	75,327,000
TOTAL (Land, Design, Construction & Remodel Class A Office Space)	181,649,659	227,208,471	244,093,980	262,562,880	241,509,120	264,857,880	234,083,370	251,583,000	230,682,450	250,909,800	222,835,500	243,372,000
Other Desired Features for Court House												
ADDITIVE OPTIONS	0	0	6,275,000	7,700,000	6,275,000	7,700,000	6,275,000	7,700,000	6,275,000	7,700,000	5,555,000	6,300,000

Courthouse Based on a 400,000 SF Building/Class B Office Space based on 300,000 SF

*Multnomah County Assessor's Office. Average price per FAR SF/Based on a 200' X 200' typical Portland City Block

**SERA Downtown Courthouse Renovation Report Costs have not been validated

² See Section 7 for a full fold out cost matrix

Based on programing demands for a 21st century courthouse, the decision path that would deliver the most flexibility, cost effectiveness and value for the county would be a new courthouse. However, to also fund the remodel of the existing courthouse for an alternative use, the lowest initial cost is the renovation of the existing courthouse based on the 2011 Renovation Study.

Financing

This research gathered for this report, recommends the county explore financial capabilities and strategies for funding renovation or building a new courthouse by pursuing a study to provide Full Faith and Credit Obligation to build a new courthouse, and utilize this information to compare the costs of a Private-Public-Partnership (PPP). Cost of money will be less if the county can complete the securing and management of bonding. However, the county is working with less money in a slow economy and may not have the funding capacity for a renovation or new courthouse facility.

The county could utilize the project costs and schedule information referenced in this report, to prepare a study on the finance capabilities, to determine the county financing amounts and if the new courthouse can be funded. Until a detailed study is complete with the office of county finance on actual building estimates and cash flow projections for the determined project delivery solution, the ability for the county to afford a funding solution is difficult to determine. Therefore this report does not lean to any delivery model until more work is completed on the capacity to fund either development solution.

Current Courthouse

If a new courthouse is in the best interest of the county, the county must find a solution for the existing courthouse. The existing courthouse is registered as historic on the National Register of Historic Places. Several of the qualifying elements include four 2-story courtrooms, the main stairwell, corridors, and the building facade. The current courthouse provides extreme challenges for the county. This report explored the following options for the county courthouse to assist the county

with their decision for the next steps for the current courthouse, if a decision is made to build a new courthouse:

- Land/building trade with other government or private industry partner
- Remodeling the courthouse into Class B office space
- Dismantling and salvage of as many historic attributes of the courthouse as possible to be reconstructed into the new courthouse
- Selling the building as-is with a benefit of adding tax revenue to the county
- Demolition of the courthouse

The county should be prepared to look at non-conventional solutions to resolve the final resolution of the existing courthouse.

Public-Private-Partnerships (PPP)

inici group outlines different Public-Private-Partnerships (PPP) development delivery models and provides a comprehensive explanation of the most widely used models with benefits and disadvantages, including comparison to Full Faith and Credit Obligations and/or a Public-Private-Partnership (PPP) to renovate and/or build a new courthouse.

If the next step of determining the financial capabilities of the county verifies that conventional county funding does not have the capacity to fund the total project, further research and case studies are required to determine which contracting and management features of a Public-Private-Partnership (PPP) would be in the best interest of the county. This solution can provide an alternative funding source for the capital costs for either the renovation and/or new construction projects.

The decision to proceed with a Public-Private-Partnership (PPP) may be determined once financial recommendations are presented to the Board of County Commissioners.

Background

For nearly a half century, Multnomah County has explored how to revitalize the functionality and infrastructure of the Multnomah County Courthouse. The county has authorized numerous studies over a period of 44 years addressing the conditions and potential solutions to improve the function and purpose of the downtown courthouse. (See Past Studies Historical Inventory)³

County Commissioners Kafoury and Shiprack are working with county staff, user groups, court staff and a committee of current stakeholders to facilitate solutions to deliver a 21st century courthouse for Multnomah County. The Commissioners have explored the possibility of renovating the courthouse while maintaining a significant portion of operations so court functions could continue during the remodel. SERA Architects provided a 2011 renovation study for proposed construction phasing and planning solutions for the renovation of the current courthouse. The study was completed in 2011.

This study prompted the next question: Is renovation the right option or should the county build a new courthouse? The mission of this report is to compare the complex remodel of the existing courthouse to a new courthouse in potential localities comparing time, options and cost with the renovation.

The report also would address the funding solution for the delivery of a new and/or renovated courthouse. inici group was requested to explore if there is a conventional governmental solution or if the county should examine potential Public-Private-Partnerships (PPP) to achieve either renovation and/or new construction for project funding and delivery. The baseline for this report is the documentation provided by the 2011 Renovation Study for the remodel of the existing courthouse. A synopsis of the Executive Summary from 2011 Renovation Study provides the following information:

³ Appendix B Past Studies Historical Inventory

Determine the economic, logistic and redevelopment viability of renovating the downtown courthouse while simultaneously maintaining a substantial portion of operations in the building. The team reconfirmed space needs, evaluated existing building conditions, recommended major building system strategies and seismic upgrades, phasing and sequencing the renovation with a construction schedule and developed estimated costs. The study provided an approach that construction activity would take place from 4:00PM to 1:00AM to optimize safety and minimize disruptions. Some occupants will be required to move out of the building into temporary leased space in close proximity to the courthouse during the renovation. The renovation proposed achieves LEED Gold certification. Utilizing this approach for the 2011 Renovation Study would have an estimated cost range of:

	2011*		2012**	
	Low	High	Low	High
Construction Costs	110,953,454	132,838,130	113,727,291	136,159,083
Construction Soft Costs	36,797,688	49,503,378	38,637,572	51,978,547
Contingency 10%	14,775,114	18,234,151	15,513,870	19,145,859
Sub Total Construction Costs	162,526,256	200,575,659	167,878,733	207,283,488
Move Soft Costs	11,922,880	17,251,067	12,519,024	18,113,620
Contingency 10%	1,192,288	1,725,107	1,251,902	1,811,362
Sub Total Move Costs	13,115,168	18,976,174	13,770,926	19,924,983
Estimated Total Project Cost	\$ 175,641,424	\$ 219,551,833	\$ 181,649,659	\$ 227,208,471
Building Area GSF (Excluded Lightwell GSF)	398,893 GSF	398,893 GSF	398,893 GSF	398,893 GSF

SERA Architects Multnomah County Courthouse Renovation Study April 13, 2011

*Construction Renovation Costs from the SERA Report provided by Hoffman Construction

**2012 Escalation Costs provided by inici group, Inc.

Multnomah County was awarded a State Justice Institute Grant by the National Center for State Courts for a Courtroom Requirement Analysis, which is being completed concurrently to this report. The Courtroom Requirement Analysis will provide long-term projections for the adjudication space needs of the courts. With both courthouse solutions requiring the same program spaces, this information will not impact the comparison between a remodeled or new courthouse for Multnomah County.

Acknowledgements

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Special Thank You

Multnomah County Assessment & Taxation

Multnomah County Finance & Risk Management

Methodology and Approach

inici group was contracted to study alternatives of renovation for the existing courthouse at an elevated level, assessing if an alternative solution to the renovation would be more cost effective and efficiently meet the long-term interest of the county. In addition, there will be further study if there are alternative financing solutions to fund either renovations or a new courthouse.

The county assigned staff and created a county team to manage the process. inici group met for a kick off meeting with the Multnomah County project team in September 2011. The team established the mission statement and goals for this report.

Each week, the team reviewed the work completed and verified the goals of the process were met. The following week's agenda was set in advance allowing for the team to plan and respond each week.

During the report-gathering period, it was agreed that using the 2011 Renovation Study for the baseline design and programming would provide the clearest method of comparison. This solution would provide the ability for apples to apples comparison of the current courthouse's proposed renovation program scope, costs, and schedule to a new courthouse using the same program. Costs and schedule to deliver the new courthouse would be provided in the report.

The base model for a new building type compared in different localities throughout the county would comprise the following:

- Typical Portland city block size of 200' x 200' as the ideal size for comparison
- Square footage based on the expanded addition of "Flex Space" as defined in the 2011 Renovation Study for a total of 398,893 gross square feet; inici group has rounded to 400,000 square feet for comparison convenience

- Modern features for the operation of the courts
- Similar functions and infrastructure
- LEED Gold

For the construction of a new courthouse, a new site would have to be determined since it is nearly impossible to move the court functions out of the existing building without a new courthouse. In addition, the cost of land must be considered since the county did not have preselected sites for a new facility. The study would have to determine potential sites for a new courthouse and an estimate on purchasing land for the construction. inici group determined localities to be considered instead of preselecting specific sites. This would provide the freedom to negotiate in the future on the most cost effective siting for the new courthouse without limitations.

The determination of the localities was based on interviews of court staff and users. It was discovered; matters such as public transportation, connection to roadways for transportation, and adjacencies to support services is critical. Criteria were developed to determine which areas should be considered.

inici group evaluated geographic localities expanded from the current courthouse location for a new courthouse. Since there are limited properties in the core area for a new courthouse, five (5) localities were proposed in the City of Portland.

inici group met with the following stakeholders:

- The Presiding Judge and other judges
- District Attorney's Office
- Multnomah County Sheriff's Office

These meetings provided the understanding of needs to fully develop a Site Evaluation Criteria Matrix as a tool for the county with a weighted value of alternative locations to build a new courthouse, compared to the current courthouse location. Based on inici group's complex construction experience and the stakeholder information, the Site Evaluation Criteria Matrix breaks down each locality and the current courthouse location into the following categories:

- Current Market Land Purchase Cost and Availability
- Infrastructure Support
- Regulatory Overlay
- Regional Access and Transportation Staff and Public
- Livability Features for Locality
- Public Expectation
- Sheriff's Transportation and Support Facilities/Security
- Design and Construction Issues
- Sustainability
- Stakeholder and Employee Input & Concerns/Economic Development
- Developer Opportunities
- Financing & Funding Options

In order to provide the county with measured qualifications in each locality, inici group identified and confirmed with the county team categories and the important criteria each locality should include.

inici group fine-tuned this Site Evaluation Criteria Matrix throughout the months of October through December, breaking down each category into subcategories and rating them in each locality from least beneficial to most beneficial. The county project team provided the weighting scale for each category and inici group provided the rating scale for each subcategory. The team continued to finalize the matrix in each weekly project meeting.

This process allowed for an objective review of potential sites with a wide range of benefits and disadvantages, including costs, access, and impacts to the users and community. With this scaling system, the future selection process of a new courthouse may streamline approval of the locality for a site in the locality and focus selection of actual parcels of available land in a predetermined locality.

It was determined that project-funding options should be considered based on the county's current financial status. The goal of this step was to determine if the county had minimal or potentially creative options for financing the renovation or new construction solutions.

In December 2011 inici group provided the Downtown Courthouse Committee a presentation of the approach considered for this report. Generally, the presentation was an elevated view to validate the team's approach for the study was on the correct path. The committee confirmed the work completed to date and the goals defined met their expectations.

The next step in the process of this report was to provide average land purchase pricing in each locality. In order to relieve the county from developer imposition and not drive up certain parcels of land in each locality, inici group determined the most comprehensive way to determine current pricing was meeting with the county's Assessment and Taxation Office and request they provide the average Floor Area Ratio (FAR) price per square foot for this report.

Pricing for average land costs for each locality were calculated based on a typical 200' X 200' City of Portland block. This provided a standard square footage of land to be used for each building model at each locality. For the comparison, the land costs have been estimated with a low to high range based on the current market conditions.

Costs factors incorporated for land included the potential number of sites for competitive negotiation, density of the construction, infrastructure availability and soil conditions. These factors were determined to assist in identifying real costs that would impact the cost to develop in each locality.

Providing the land cost and construction cost for a new courthouse was only a portion of the dollars needed. If a new courthouse is the solution, an alternative use for current courthouse should be explored. Therefore inici group provided the costs to remodel the current courthouse, based on an unoccupied building, seismic upgrades, life safety improvements,

new systems, utilizing existing walls, elevators, and historic attributes. The project team determined providing remodel costs to modify the courthouse to office space be included in the total costs.

The estimates of the project costs for a new courthouse and comparison to the renovation estimates of the existing courthouse allows the county to determine the best value. However, the question on how to fund a major investment by the county needs to be considered. inici group explored funding options for the county to consider for the courthouse based on project estimates calculated for this study.

The team met with the Multnomah County Finance Office and identified funding options based on current county finance planning. The team discussed what options could be considered beyond a conventional bond election process. One alternative for funds would be Full Faith Credit Obligation. There is funding capacity based on the sunset of current obligations⁴. The actual amounts available would be dependent on the timing of the project, demand for funds, and the timing of the reduction of county commitments. Until a project time line is approved, the actual amount of available funds would be a very rough estimate.

inici group researched different Public-Private-Partnerships (PPP) and provided a comprehensive explanation of the most widely used models with benefits and disadvantages, it also provides the report with a comparison to Full Faith Credit Obligation and/or a Public-Private-Partnership (PPP) to build and/or renovate the downtown courthouse. Further research and case studies are required to determine which features of a Public-Private-Partnership (PPP) would be in the best interest of the county to provide an alternative funding source for the capital costs for either the renovation and/or new construction projects.

⁴ Multnomah County Oregon, Finance and Risk Management Division Memo May 20, 2011

inici group has compiled the information gained in this report for consideration by the county and will present the findings to the Board of County Commissioners.

Locality Analysis

Since 1908, the Multnomah County Courthouse has been located adjacent to Chapman and Lownsdale Square over time other government buildings have been constructed including The Multnomah County Justice Center, Mark O. Hatfield United States Courthouse, Edith Green Federal Building, and the Portland Building providing the City of Portland with a civic core.

The Multnomah Courthouse central location has been the catalyst for the development of leasable office spaces for law firms, restaurants, and retail. Public transportation has been designed to support the current location of the courthouse. With nearly 100 years of development supporting the current location, it is challenging to move.

However, if built now, the construction of a new courthouse must be completed while the existing courthouse remains in operation. Unlike an office function, which can easily be moved to a new location, the unique aspects of a courthouse with courtrooms and secured corridors for isolation between public and detainees, cannot be cost effectively relocated. The cost to build temporary courtrooms, and secured spaces would be very expensive and there are limited places where this could take place. Any solution to replace the existing courthouse with a new building based on cost, demands that a new property location is selected.

If the county determines a new courthouse is to be built, a new site will be required. The typical downtown core City of Portland block is 200 feet by 200 feet and limits the ability to create an efficient floor design for a typical courthouse. In most cases, the design of a new courthouse for the county would have to be a taller structure with more square footage to accommodate the current programming needs for the courthouse. This assumption is based on a number of modern courthouse issues including, secured vehicle sallyports, services and other features found in a 21st century courthouse. With a very dense downtown core and a fundamental planning direction by the City of Portland, the options are limited for

available parcels to build a new courthouse beyond the typical block area referenced above.

A new building will require certain set backs and access issues that limit the size of the floor plates per floor demanding a taller building. The allowable Floor Area Ratio (FAR), and the total square feet of a building divided by the total square feet for parcels in the each locality may limit parcels for a new courthouse. Each parcel will have to be studied to see if the localities allows for higher Floor Area Ratios (FAR) of the lot the building is located.

Floor Area Ratio (FAR) is used by local governments in zoning codes. Higher FARs tends to indicate more urban (dense) construction. The localities that have a lower Floor Area Ratio (FAR), will be best suited for a low-density design. If it is agreed to build a new courthouse, the location of the courthouse will be limited based on sites that have the approved Floor Area Ratio (FAR) for a large building.

A new location for the courthouse has an extensive number of issues that will impact the regional planning, impacts to the adjacent community, costs to construct based on local conditions, and supporting features such has public transportation and services. These issues provide both value for a new courthouse or added expense to complete a new courthouse.

The first step in selecting a site for the courthouse is to determine options on areas in the city that would support a courthouse. In order to fully appreciate the value of different areas of the city for a courthouse, localities were established to provide the county with alternatives to the current site. Moreover, building in different parts of the city provides different opportunities and challenges.

inici group, Inc completed a review of city planning history and selected localities based on the following:

- Centralized proximity location in City of Portland government core
- Relationship to other government facilities

- Public transportation and traffic access
- Availability of sites and capacity for a courthouse project
- Stakeholder/staff/public perception of localities
- Support services for operations for the Courthouse

Each locality has parcels to be considered for a courthouse which would have to address design issues including height of construction, massing of the constructible area available, and the cost to prepare the site, including potential demolition of historical structures either on the property or adjacent to the project. These issues may limit the number of sites to be studied further in the next phase of specific site selection. However, generalities can be assumed to define the probability of there being acceptable sites for a new courthouse.

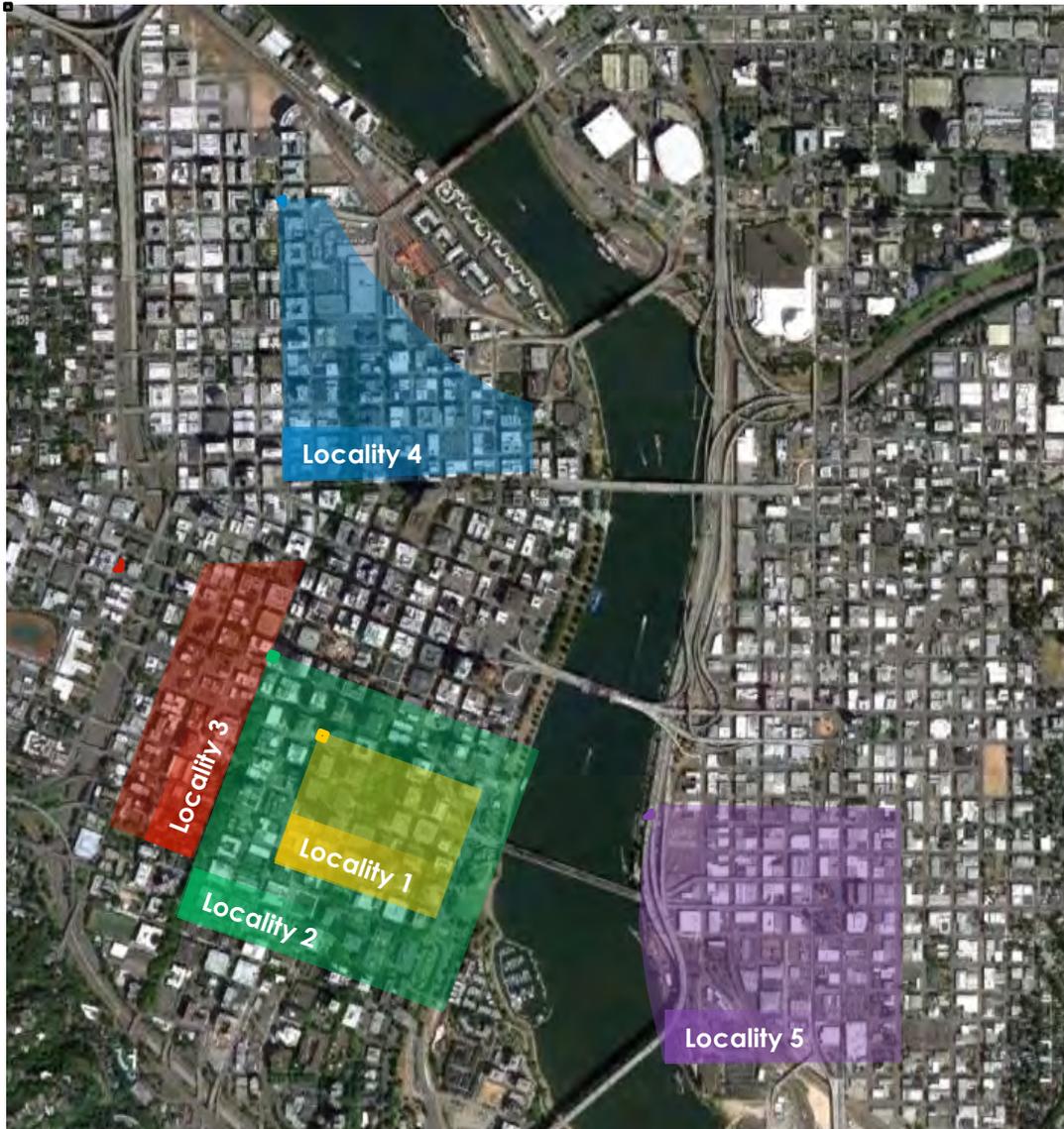
For the depth of this study, the report makes assumptions for siting costs based on the amount of detail that can be provided under the limits of this report. Also, until a specific property is chosen, the actual cost for the property will not be confirmed. In addition, the negotiations regarding the land purchase will impact the value of the land purchase.

If a property is determined to have the best benefit to the county, the county also may consider condemnation of the property for benefit of the public. However, this process can actually raise the cost of the property and the fallout of this process may block moving the project forward.

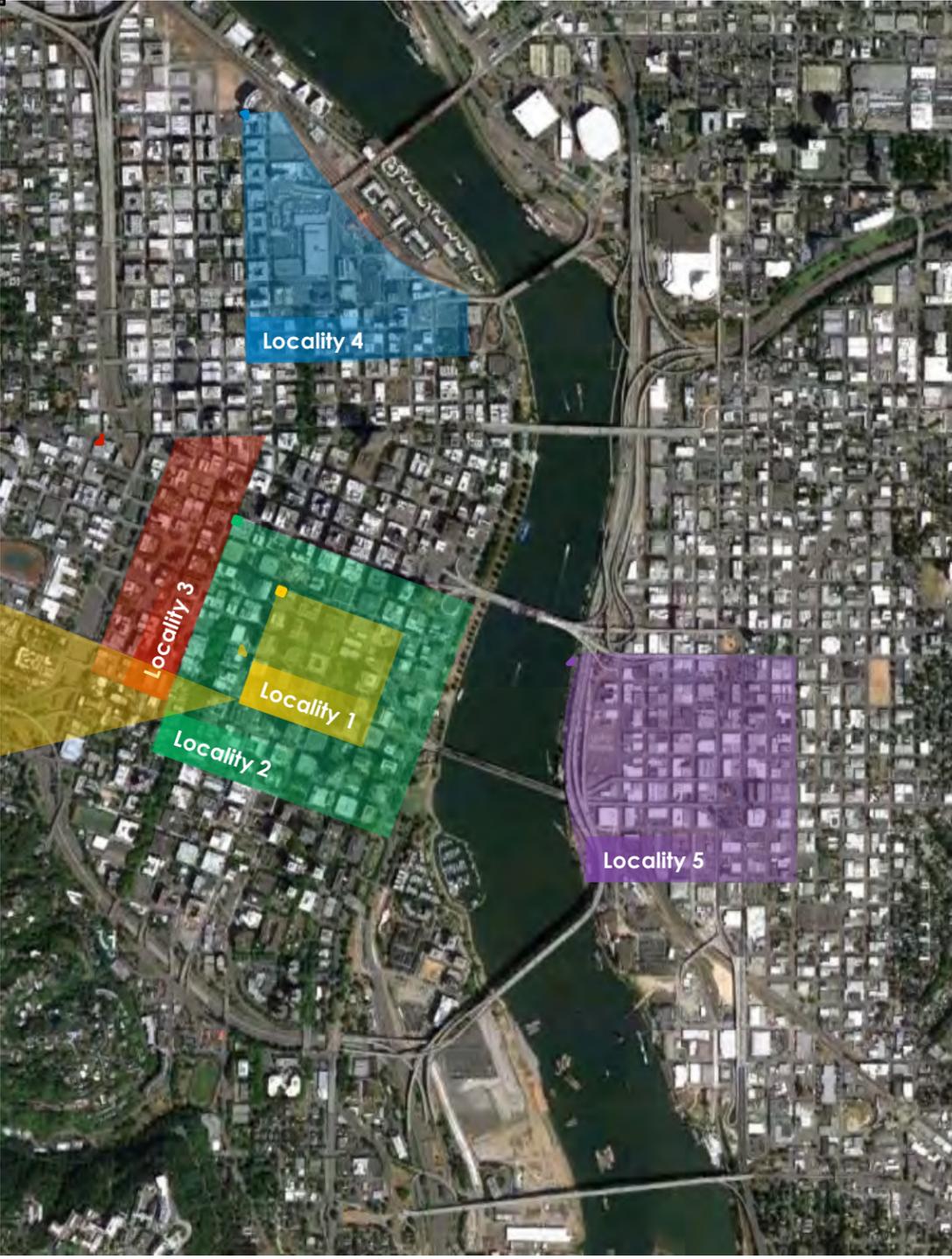
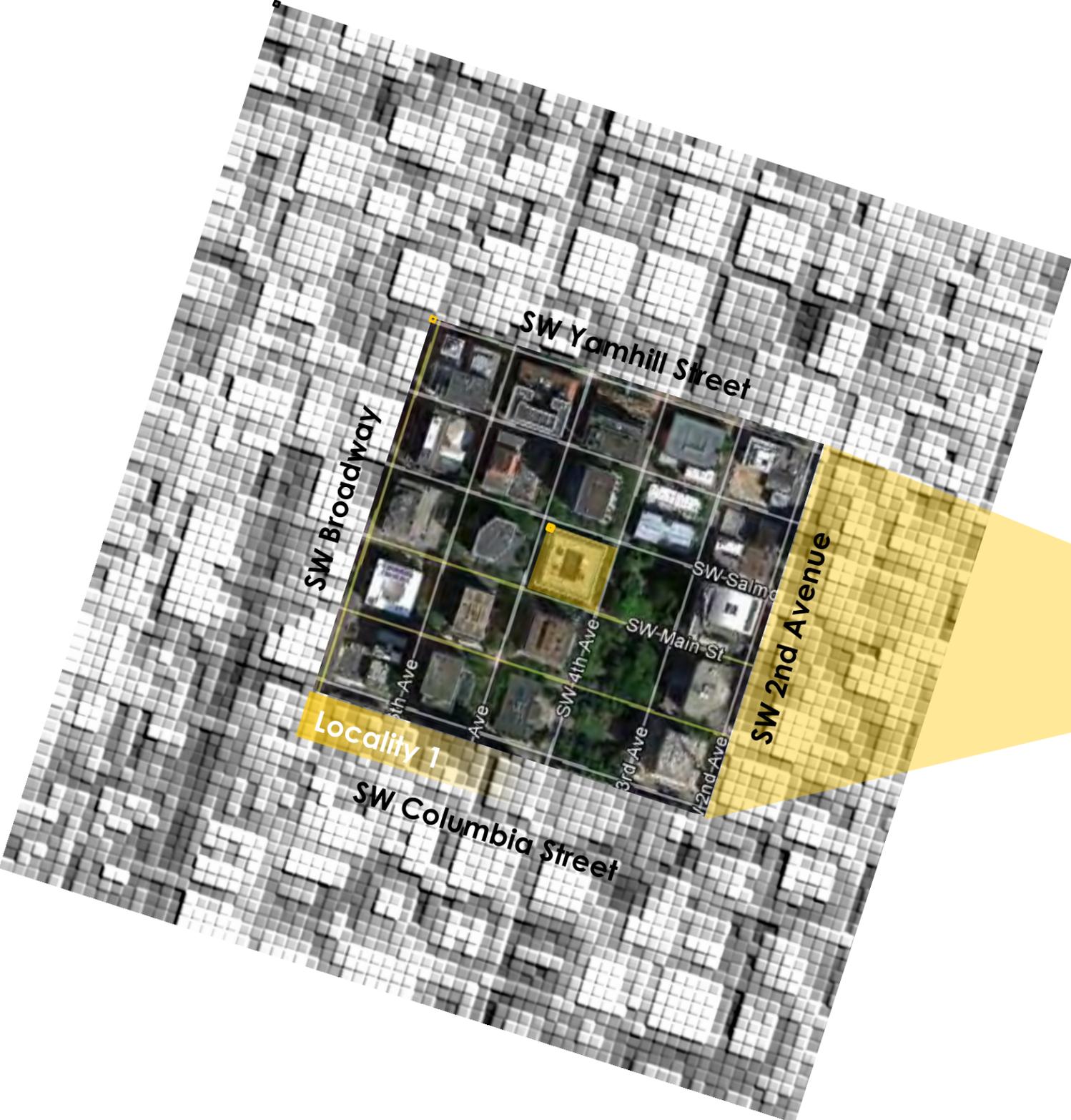
The following sections Locality 1 through Locality 5 describe the individual localities explored in this report.



Locality Overview



Locality 1



Locality 1

Vicinity: The area where the current Courthouse resides and in the downtown core bound by SW Yamhill Street to the North, SW 2nd Avenue to the East, SW Columbia Street to the South and SW Broadway to the West.

Current Business and Building Types: This area comprises mostly office, commercial and government properties. The building types in this area are mixed and the locality provides a high Floor Area Ratio (FAR) of 12:1. A majority of the buildings in this locality are high-rise structures. The demand for commercial lease space in this locality has remained high and limits the opportunities for purchase of parcels. Therefore this locality has very few parcels available due to size of the locality and density of development on a majority of the parcels.

Public Building Concentration: Public buildings in this locality include City Hall, the Portland Building, Edith Green Building, and Multnomah County Justice Center. This locality has been the government center for City of Portland and will remain. This makes the area most desirable for the courthouse to remain in this locality. A new courthouse in this locality would benefit from the continued adjacencies currently enjoyed for the existing courthouse. Due to the density of the existing government buildings, there are a limited number of available parcels.

Public Transportation Capacity: The bus mall is within one block, streetcar within six (6) blocks to the southwest, and light rail approximately two blocks to the West. The public transportation service for this locality and locality 2 provides the most concentration of services for the public. In addition, users and staff are already accustomed with the transportation system to this locality and would not be impacted by relocation to a new parcel in this locality.

Open Spaces: This locality provides adjacent open space with Chapman, Lownsdale Squares and Terry Schrunck Plaza. Also, the closer proximity to Water Front Park makes this locality a preferred location for staff.

Historic Buildings: The locality has a relatively low ratio of historic buildings. However, this is because the majority of the parcels in this locality have a dominance of newer buildings that are not eligible for historic designation.

Expansion Potential: This locality provides a fairly low availability for expansion due to the current density of buildings. Based on the type of development and location of the parcels, there will be limited parcels that can be developed and they are not adjacent.

Trade Opportunities: Because of the high amount of government buildings the locality could lend itself to a government partner trade. However, this would require extensive negotiations and benefit for the government partners. The City of Portland would be the most probable partner to complete a trade. The one advantage is that the land available is adjacent to similar governmental needs and provides the best opportunity of a land trade than any other localities. For the remaining commercial properties, there would be a very low probability of a commercial trade with a developer due to the high value of the land in this locality.

Value and Floor Area Ratio (FAR): This area with a high Floor Area Ratio (FAR) and in the downtown core commands higher rents and land prices. This would be the easiest locality to construct a tower to provide all of the functions desired for a new courthouse. This locality would have the least number of regulatory restrictions for a new courthouse.

Land Costs: This locality will have the highest cost for both land purchasing and construction. It has been the center for government facilities and demanded commercial support functions in adjacent lease properties. Therefore, the ability to negotiate competitive purchases on any remaining available parcels will be driven by limited availability and thus high prices than any of other the localities. For this reason, the opportunity for a developer to control a parcel for development is extremely challenging.

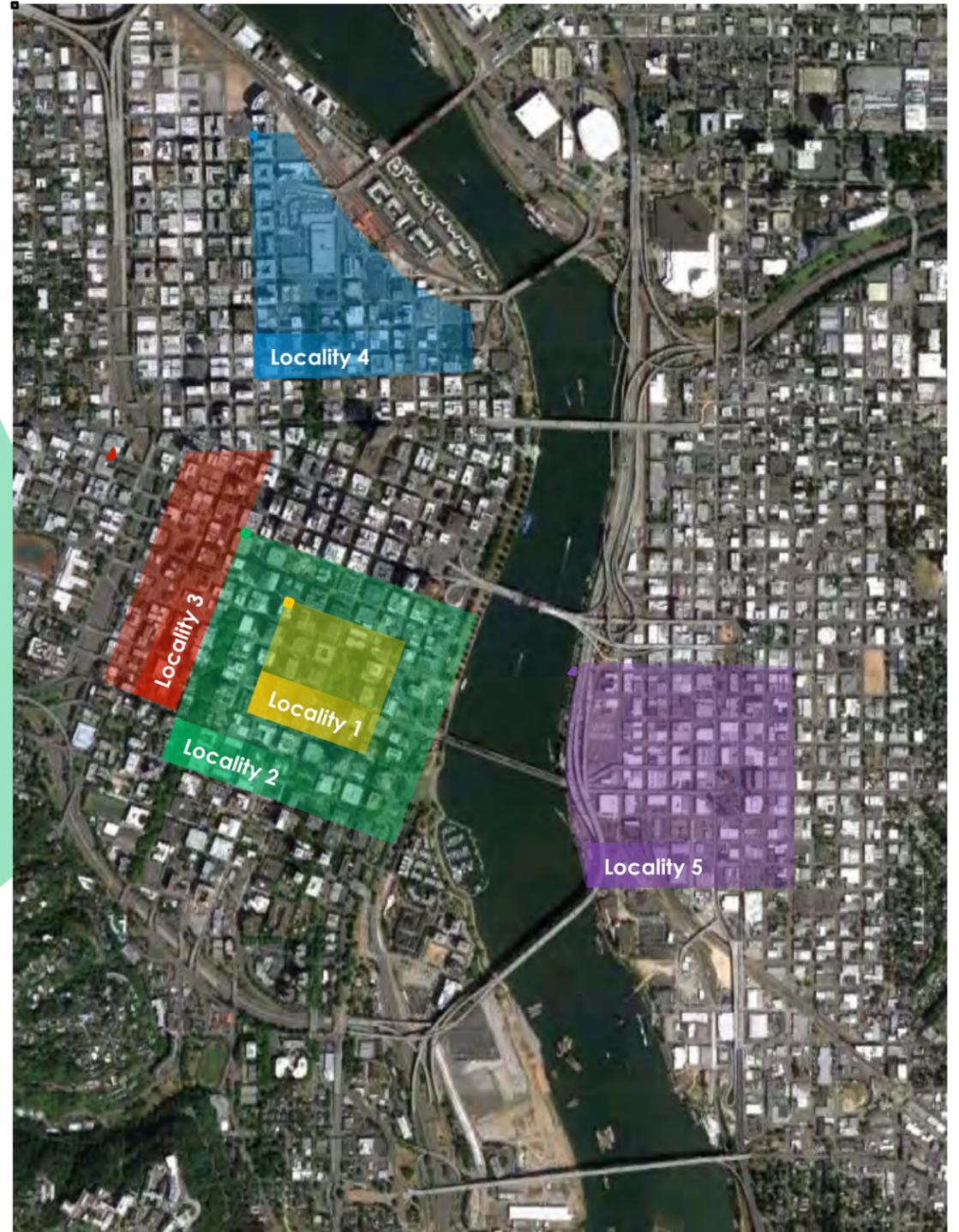
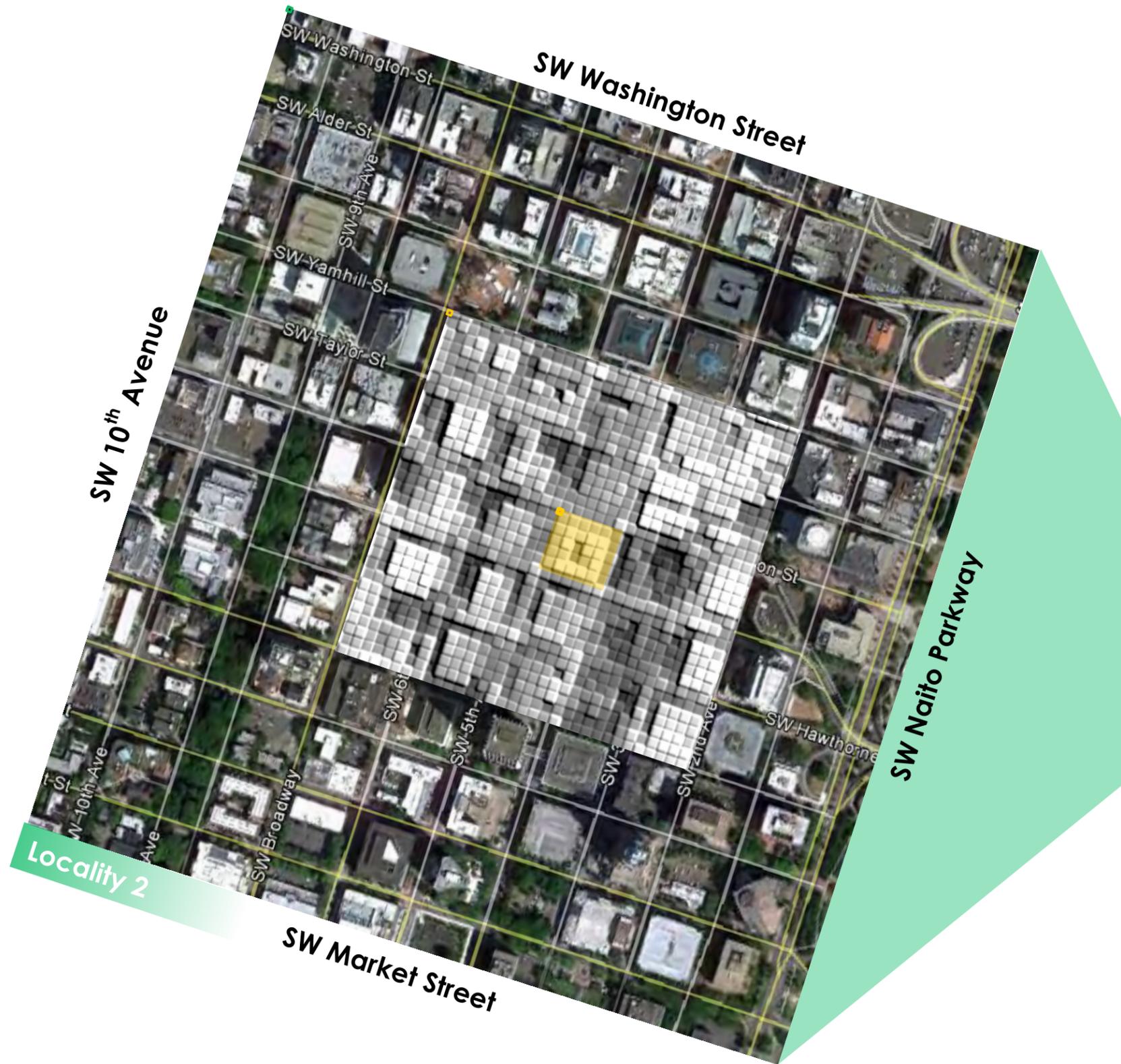
The other opportunity is for the limited parcels to be condemned for use by the county. However, this would be a major political issue. In addition, the limited sites that could be demolished without a high cost would limit the use of condemnation. Therefore this solution is not recommended.

The remodel of an existing building is an option, but there is limited number of existing buildings that could be remodeled and meet the needs of the courthouse function in lieu of demolition. Therefore, this locality has very few options for construction of a new courthouse.

Construction Costs: The area is very dense and there are very limited opportunities to logistically build an efficient new building. Logistical issues, such as street closures, utility improvement, staging area will be difficult to complete. The construction costs will be higher than any other localities based on the limits of flexibility of the locality. In addition, with the limited number of parcels and the majority of them being fully developed with buildings, the demolition costs will likely be the highest of any localities. This is the highest cost for construction of all of the localities.

Summary of Findings: This locality is preferred because it provides the least amount of change for the users, with access and adjacencies to support functions. Proximity to the current courthouse and high level of public transportation would make it the preferred locality. However parcel availability and development costs make this locality very difficult to be considered by developers and the county for delivery of a new courthouse.

Locality 2



Locality 2

Vicinity: The expanded area where the current Courthouse resides and is in the downtown core bound by SW Washington Street to the North, SW Naito Parkway to the East, SW Market Street to the South and SW 10th Avenue to the West.

Current Business and Building Types: This locality as with locality 1 has a majority of commercial, office, government buildings along with retail stores and restaurants. As with locality 1, the development is dense with limited undeveloped parcels. The leasing demand remains high as part of the downtown core. This locality had a number of building types including low, mid, and high-rise. There are more opportunities of low rise or land not developed into buildings.

Public Building Concentration: A majority of the government buildings are incorporated in locality 1. The locality surrounds locality 1, thus providing adjacency to the numerous government building in locality 1. In locality 2, there are public buildings for performing arts and support facilities. Also, there is some public land that has been considered for government development in this locality.

Public Transportation Capacity: Available public transportation including light rail, the bus mal, and streetcar are located in this locality. This locality would provide a high level of options for public transportation in the majority of the locality. The public transportation impact to staff and public, if the courthouse was construction in this locality, would be minimal compared to the current courthouse. In addition, there are parcels that would be adjacent to other county functions and highway system reducing county operations costs.

Open Spaces: The park blocks are a great feature of this locality. This provides more open area in one locality than in the others. There are limited parcels that are adjacent to the park blocks, however, due to the length of the park blocks, there is adjacency to more parcels. Also, this locality is adjacent to Waterfront Park. There are all of the parks in locality 1 that

also can be accessed. Of all of the localities, this one provides the most opportunity to site a new courthouse next to an open space.

Historic Buildings: This locality provides the highest concentration of historic buildings. The number of historical designated buildings will influence the opportunity for selection of a low-rise parcel. Therefore there is a reduction of parcels available based on the complexity of the historical designation. There still remain some parcels that a developer delivery may be able to secure for a courthouse. This locality has more options than locality 1, but less than the remaining localities.

Expansion Purposes: Like locality 1, this locality does not provide availability for expansion due to current density of buildings and available adjacent parcels. However, if there could be an opportunity to purchase adjacent parcels as a remodel or historical preservation building to support expansion opportunities in the future if needed for the courthouse.

Trade Opportunities: There may be an opportunity to complete a land trade. But this would be a low probability based on land value and leasing opportunities. A developer would have to be able to find a very creative land trade solution for this locality. The county may consider governmental land trade on limited parcels but these parcels might require extensive improvements to make ready for courthouse construction.

Value and Floor Area Ratio (FAR): The locality provides a higher Floor Area Ratio (FAR) from 8:1 to 15:1. The available land parcels are limited, and therefore the values are high in this locality. As with locality 1, the building solution would be a high rise that should be able to be constructed within the allowable Floor Area Ratio (FAR). Like other localities, an adjustment may be available if needed to provide the square footage for the desired courthouse.

Land Costs: This locality will have higher costs for both land purchasing and construction very similar to locality 1. There are more sites available that are not extensively developed compared to locality 1. Therefore, the ability to negotiate

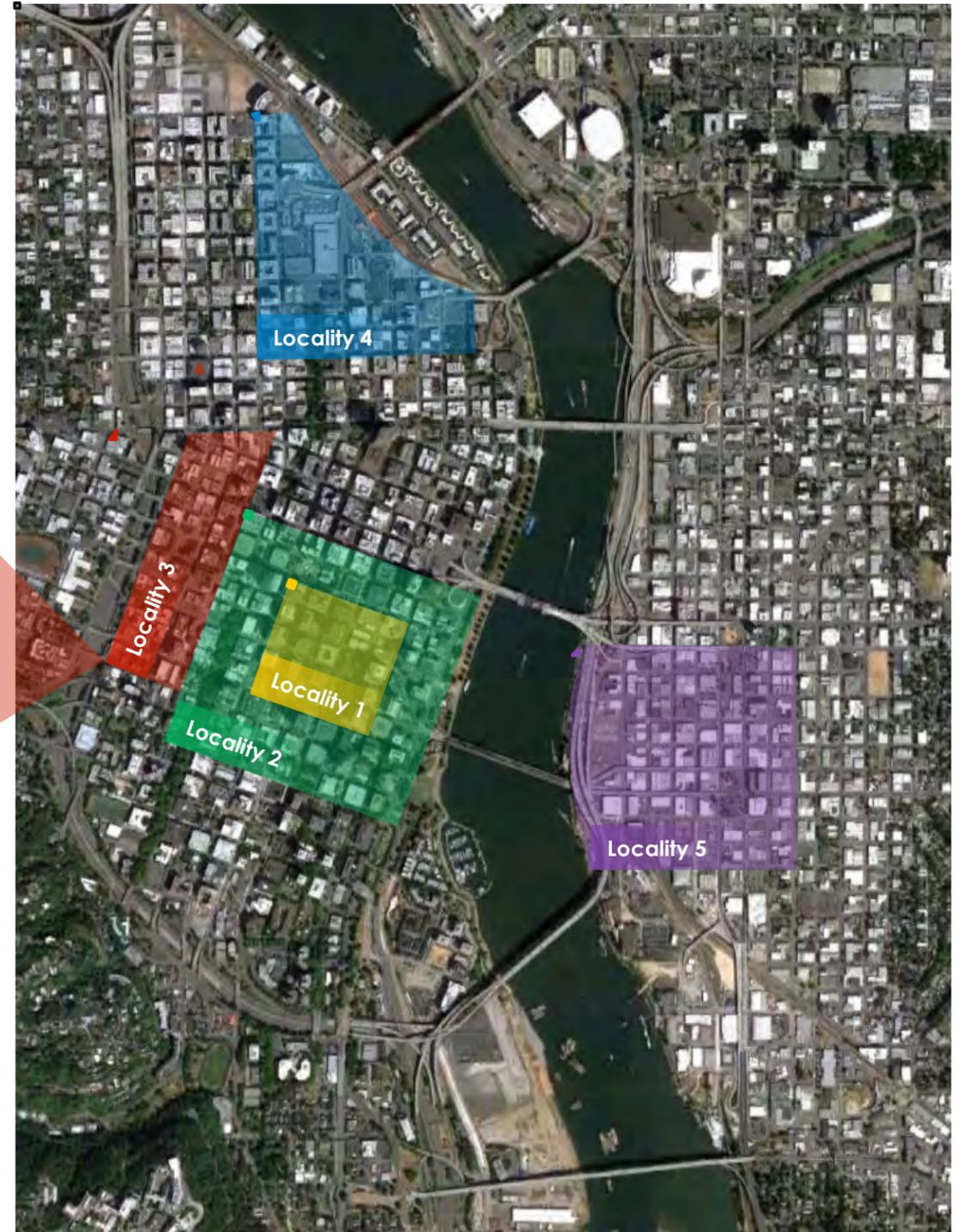
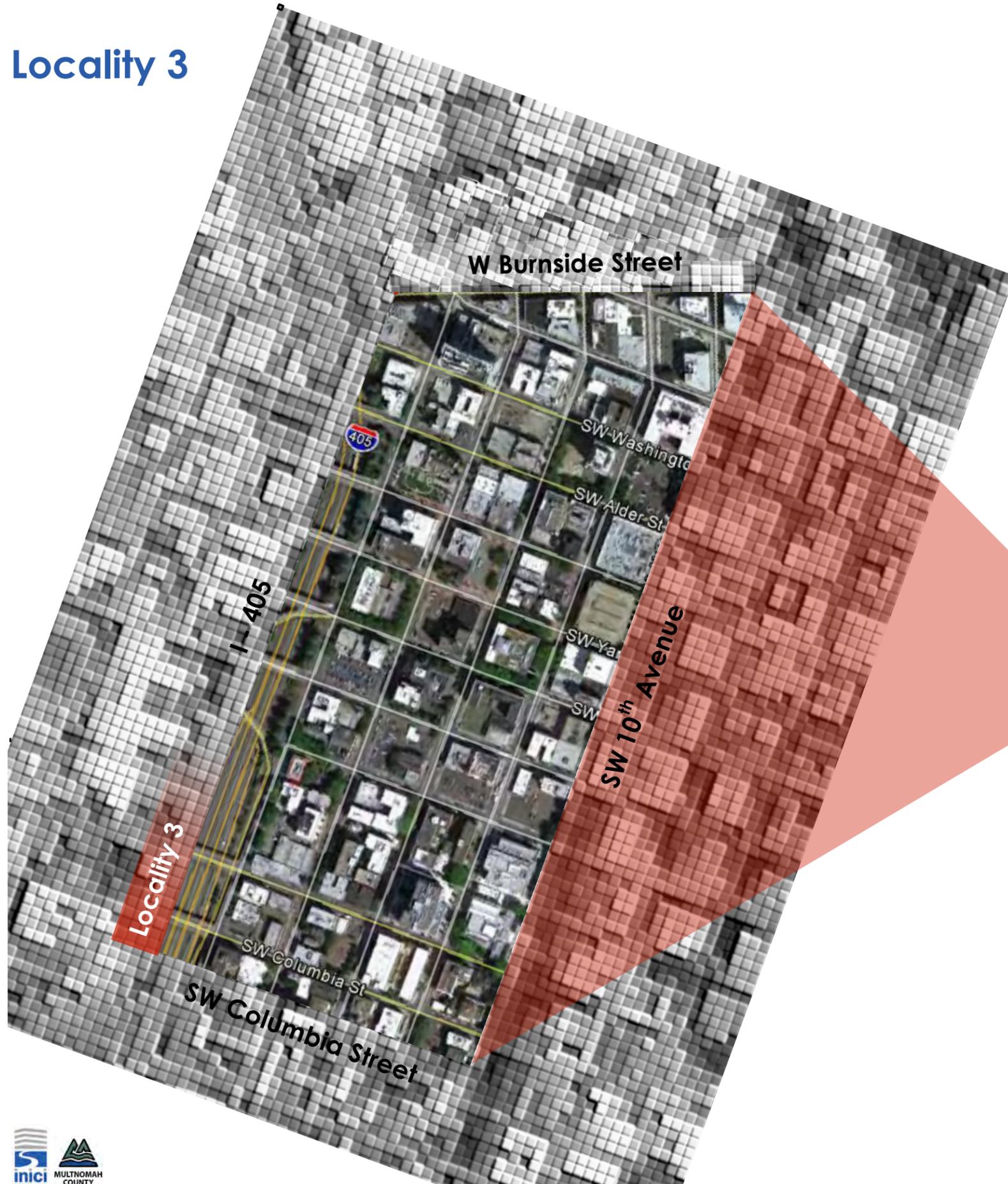
competitive purchases on the available parcels will be driven by how many meet the criteria and do not have a large demolition cost to prepare for construction of the courthouse. A developer may have opportunities to reduce land costs based on the ability to negotiate between multiple parcel owners.

For this locality, there are options of parcels to select. Like locality 1, there might be a need to condemn land if it is in the best interest for the courthouse.

Construction Costs: The area is denser than locality 3, 4, and 5. Logistically such as street closures, utility improvement, staging area will be slightly easier for certain parcels than locality 1. However a majority of the parcels would have similar logistics and construction issues as locality 1 making this locality expensive to develop. The construction costs will be higher than the other three localities based on the limits of flexibility of the locality.

Summary of Findings: This locality has the potential to provide a number of parcels for a new courthouse. As with locality 1, proximity to the current courthouse and a high level of public transportation make this locality desirable. However, the cost of land and the ability to find a parcel that can accommodate the high-rise courthouse will drive the land costs up. A developer has more opportunities to secure a site in this locality than locality 1, thus providing solutions that would be more appealing to current users of the existing courthouse. If a parcel can be made available at market costs, this locality may be considered politically favorable to the users.

Locality 3



Locality 3

Vicinity: The area west of the downtown core and is bound by W. Burnside to the North, SW 10th Avenue to the East, SW Columbia Street to the South, and I-405 to the West.

Current Business and Building Types: This locality has diverse property uses, building types and sizes, a mix use of commercial and residential and a number of public buildings. Buildings in this locality have been constructed over 100 years with diverse building types including low, mid, and high-rise construction. The variety of building types and some underdeveloped parcels provide opportunity for new developments in this locality.

Public Building Concentration: There are a number of public buildings already located in the locality including Multnomah County Library, museums, Portland State University facilities to the south, and multiple diverse churches. This locality is the second most dense with public buildings compared to the other localities.

Public Transportation Capacity: This locality is well served by public transportation, as the Portland Street Car runs north/south through the locality. In addition, light rail traverses the locality at the north end providing access from much of Multnomah County. Bus transportation and highway access provides this locality opportunity for easy access for use of public transportation, private vehicles and county vehicles from other locations in Multnomah County. Compared to other localities, there is very good access to many parcels using either public or private transportation.

Open Spaces: There are limited designated parks and open spaces in the locality. There are spaces that have been created by development or are associated with Portland State. However, overall, this locality does not provide opportunities to open spaces like the other localities.

Historic Buildings: This locality is rated on a higher scale of historic building density. This will limit some availability, however, based on the number of parcels in the locality. There remain a great number of parcels compared to Locality 1 that should be available for consideration for the location of a new courthouse. For this locality, the Historic Building density should not greatly impact options in the selection of a parcel unless there is a specific parcel that is deemed acceptable based on perception that is within acceptable distance of the existing courthouse or has a very good public transportation link.

Expansion Potential: There is more availability of less densely developed property. This provides more flexibility in negotiations for property expansion in the future to adjacent properties. Secondly, this locality has the potential to be granted additional Floor Area Ratio (FAR) dependent on the location of the building. Other high-rise projects have been completed in the locality that would be equal to the size of the new courthouse.

Trade Opportunities: For this locality, there is the possibility of private land trade. The majority of parcels is privately owned and may be under performing. A landowner may be interested in alternative parcels in other locations in the city. This would provide an opportunity for a developer delivery to be completed using a land trade or relocation of current lessees for more desirable parcels in this locality. There are limited available public institutions in this locality that may be willing to trade parcels. Portland State is currently expanding and it is assumed they would not have available parcels. The remaining public parcels are dedicated to long-term functions like the Library.

Due to current demand for larger churches, there may be an opportunity to trade with reconstruction of a parcel that currently has a church. This is a very limited opportunity both emotionally and based on historic facilities. However, like the commercial parcels, there may be an opportunity for the developer delivery method to complete a creative solution similar to City Corp building in New York City where a church and office building share the same parcel.

Value and Floor Area Ratio (FAR): The Floor Area Ratio (FAR) is 6:1 therefore the locality would lend itself well for a lower density footprint spread over multiple blocks. With the lower cost of parcels, a low or a mid rise may be affordable with the development on two adjacent parcels.

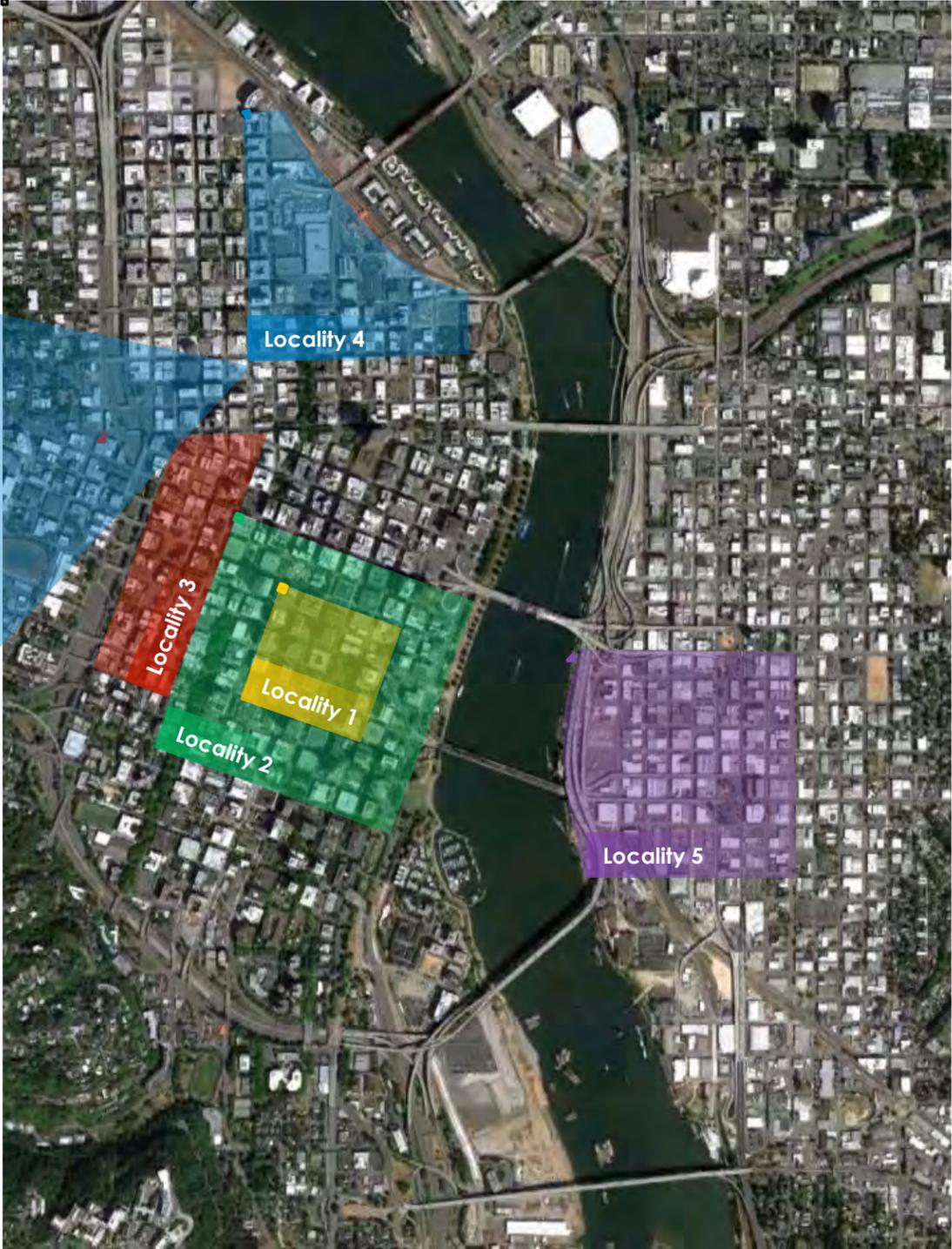
In addition, other projects in the locality have been able to raise the Floor Area Ratio (FAR) to construct high-rise buildings. This signals an opportunity for a developer to complete a change in Floor Area Ratio (FAR) in this locality and construct a courthouse solution on one parcel instead of two. The Floor Area Ratio (FAR) limits could be considered a restriction for this locality.

Land Costs: This locality provides anticipated cost savings based on lower average cost for purchase of land than the government blocks. In addition, there is more availability of property to lower costs being offered. This provides more flexibility in negotiations on which sites would have the most advantage compared to other blocks in the locality.

Construction Costs: This locality provides lower construction costs than the downtown government blocks. There will be easier access to a majority of parcels. Also, there would be areas for laydown and easier to close certain streets for construction. Utilities in the locality would also be easier to construction and improve. All these factors point to lower construction costs than locality 1 & 2. The construction costs in this locality would be similar to locality 4 based on land and construction access. It is believed that this locality would be higher than locality 5.

Summary of Findings: This locality provides a number of opportunities for a new courthouse. Proximity to the current courthouse, high level of public transportation, and possibility of parcel costs are lower than Locality 1 & 2. The proximity to the downtown core provides an alternative option regarding the perceived need to have the courthouse near the current location for access by all users. Current Floor Area Ratio (FAR) provides challenges to this locality.

Locality 4



Locality 4

Vicinity: Located in the Pearl District and bound by NW Overton Street to the North, NW 2nd Avenue to the East, NW Everett Street to the South and NW 10th Avenue to the West.

Current Building and Business Types: The locality has evolved in the last 20 years from an industrial district with low rise and warehouse-building types to multi family mid-rise and high-rise residential buildings, restaurants, galleries, office and retail buildings and businesses. The locality has every type of building from single story, low, mid, and high-rise structures. As a transitional locality, many parcels have been recently developed while others are pending development opportunities. This locality continues to evolve with focus on housing and associated support businesses.

Public Building Concentration: The public buildings in this locality include the previous United States General Services Administration location, United States Post Office and Union Station. The public buildings in this region are currently being reconsidered based on operational usages. There is discussion on the long-term use of the Post Office. Recently the Custom House was sold at auction.

Public Transportation Capacity: The locality is well served by public transportation including the extension of light rail to Union Station. This provides connection to the Portland Street car, which loops through the locality on the Northwest side, incorporating other public transportation options. Bus routes provide connections to transportation hubs at the Rose Quarter. The vehicle access is bridge accessible on the East and the West is accessed by I-405 that allows for vehicle access to other county facilities.

Open Spaces: The locality has one major open space at the north end of the park blocks. This park takes up multiple blocks providing open space for residents in the locality. There are parcel options that would allow the courthouse to be built adjacent to the park. Also, the locality is in close proximity to Waterfront Park providing additional open space.

Historic Buildings: The locality has a higher amount of historic buildings which creates limits to some existing buildings in the locality. Part of this locality incorporates Old Town, which has the highest density of historic buildings. But with this locality, there are multiple parcels that are available without historical requirements to provide options in parcel selection and negotiation.

Expansion Potential: This locality has a number of larger parcels that can be purchased for the Courthouse. In addition, there are still brown field sites that could be developed in this locality. There is also potential to land bank additional parcels for future expansion. The actual ability to find land to expand will depend on the actual parcels that can be purchased and the size since some parcels in the locality are larger than the standard block size for City of Portland.

Trade Opportunities: With the downturn of the housing market, the economic climate provides a catalyst to land/building trade partners for the county or developers. There is the opportunity to find parcel holders who need to move property out of their holdings or find alternative parcels. Based on the present market, there is also opportunity to trade land with other government agencies such as the United States Postal Service. This locality has a higher probability to complete a land trade deal.

Value and Floor Area Ratio (FAR): The Floor Area Ratio (FAR) is low at 2:1 to 6:1, therefore low density siting will need to be considered for a new courthouse footprint. The locality has experienced an increased value in the last decade with higher end condominiums, restaurants, galleries and business offices. This locality provides anticipated cost savings based on lower average cost for purchase of land than the downtown government blocks. In addition, there is more availability

of less densely developed property. However, the Floor Area Ratio (FAR) could be raised if the project was supported by the city to stimulate growth, based on other housing projects completed in this or adjacent to this locality.

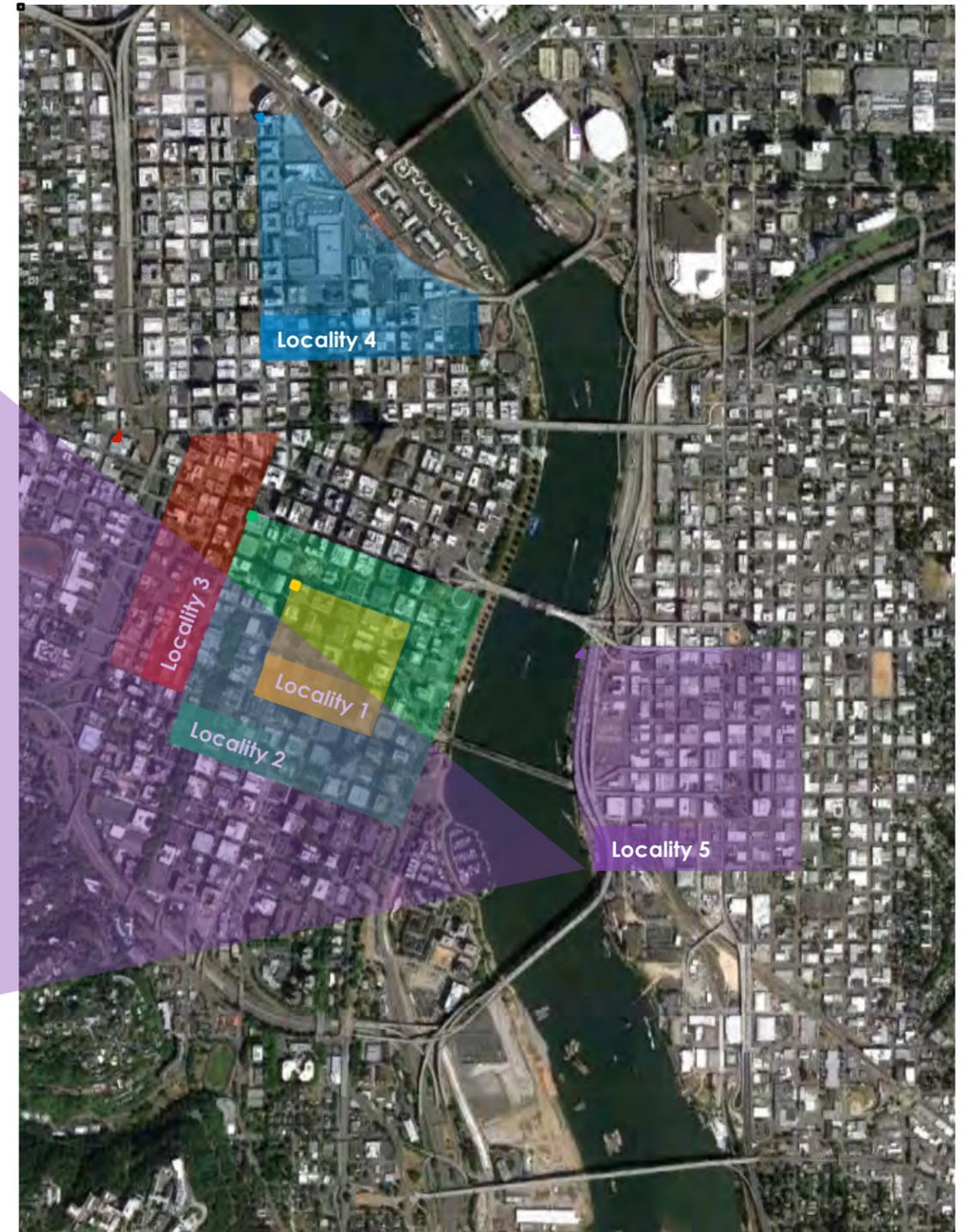
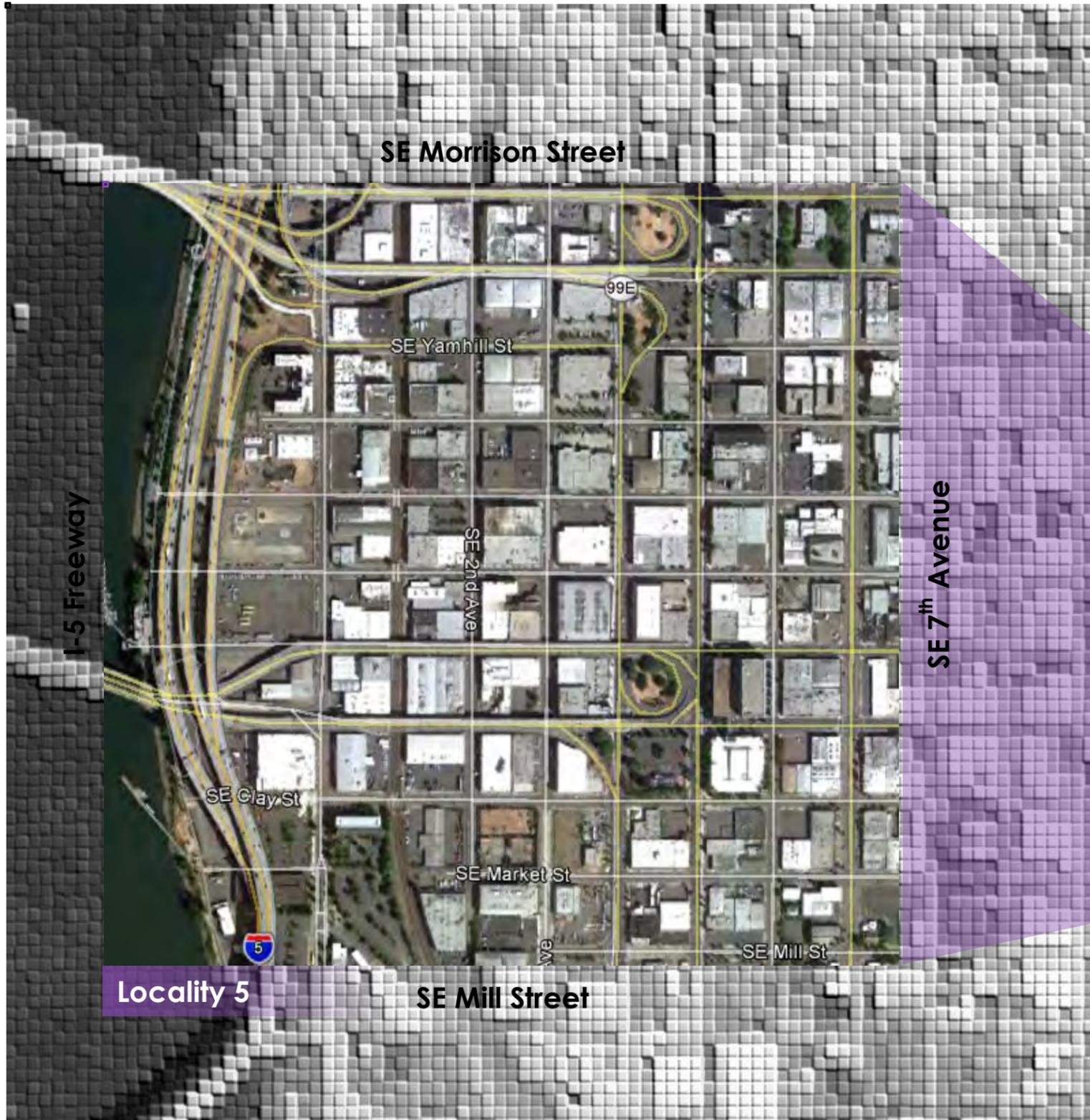
Land Costs: Land costs in this locality have been higher than other localities based on demand from developers to construct housing. With the downturn in the housing market, there is an opportunity to find parcels that need to be turned into alternative developments. There are a number of landowners that need to move the property off their books. This could allow for some creative negotiation for purchasing land for this project. Therefore this locality has the highest probability in obtaining land purchases that are lower than costs are currently forecasted.

Construction Costs: Since this locality has potential for both high-rise and mid-rise construction, there is more flexibility on the type of building to be constructed. This locality provides lower construction costs than locality 1 & 2. There will be easier access to a majority of parcels. Also, there would be areas for laydown and it is easier to close certain streets for construction. The construction in the area has utilized underground continuous connection that could provide a benefit to this locality, however this could increase construction costs. There is currently a fair amount of green field parcels available, potentially lowering costs due to decreased demolition.

Utilities in the locality would also be easier to construct and improve. The construction costs in this locality would be similar to locality 3 based on land and construction access. It is believed that this locality would have higher cost to build than locality 5.

Summary of Findings: Of all of the localities, this one has a variety of options for development of the courthouse. Thus the projection of the estimated cost for this locality will have the greatest range. With the opportunity to find parcels below market value, this locality may have a number of developer options. Also, this locality is near housing and offices for many who work at or near the courthouse. This could be an alternative locality that is supported by court staff and the public.

Locality 5



Locality 5

Vicinity: Located in the Central Eastside of Portland and bound by SE Morrison Street to the North, SE 7th Avenue to the East, SE Mill Street to the South and the I-5 Freeway to the West.

Current Business and Building Types: This locality has historically been used for industrial purposes, however, it is in an Urban Renewal District, which could provide potential for economic growth. The City of Portland has recognized the Central Eastside as a focal point of economic development strategy for the area. The majority of buildings in this locality are low-rise with a few mid-rise buildings. The value of many buildings and parcels are the lowest of all of the localities. There is limited demand for leasing spaces in this locality. Thus there are a number of opportunities for creative parcel procurement.

Public Building Concentration: The locality provides close proximity to the Multnomah Building. Also the county has a parcel which is used by elections. OMSI is also located close to this locality. However, overall in this locality, there are limited numbers of public parcels that can be considered for siting the new courthouse or trade option.

Public Transportation Capacity: This locality does not currently have services from light rail. The streetcar will be available in the near future serving a section of locality 5. Based on the minimal rail coverage, a majority of the area has bus service on the arterial road system traversing the locality. The advantage of this locality is that it is well served with a road and bike system that allows for access using private vehicles. The locality is in close vicinity to the downtown core with ample bridge access to the West side. The combination of streetcar, buses and road systems provides for cars and bikes, meet the needs of a courthouse, but are not as desirable for those localities served by light rail.

Open Spaces: This locality provides very few developed open spaces or parks to be considered for siting a courthouse. Most likely the design of a courthouse in this locality would demand a public space to be created for the staff and public to access when using the courthouse. The locality is near the east bank promenade which is a great public space. However it is a good distance away from a majority of the parcels to be considered for the courthouse and does not meet the intent of adjacent open space criteria.

Historic Buildings: This locality has very limited historic building designations. This greatly reduces the opportunity of a parcel being rejected because of the historical designation thus providing more completion for negotiation of parcel purchase in this locality.

Expansion Potential: Based on size of locality and availability of parcels at lower costs than the other localities, more than a one-block parcel may be considered for the development of the courthouse. Also based on the number of parcels that are available, it would be the easiest locality to find two or more adjacent block parcels to be purchased for this project. This would allow for some land banking under this project to allow for future expansion. Due to the land costs and lightest density, this locality would provide the best opportunity to control parcels of land and plan on future expansion. The future parcel could be used for open space or other functions until the county needs to expand in the future.

Trade Opportunities: This locality would provide maximum opportunity to trade parcels for either the county or a development team. Lower property costs and a limited demand for parcels provide an opportunity to be creative with land trade for a current parcel in the locality for other parcels in the locality or other locations. Based on land costs and uses, this locality should provide the best value for the development of a new courthouse.

Value and Floor Area Ratio (FAR): This locality provides the lowest land costs and more availability than any other locality with several green field sites available for development. The area is zoned employment and industrial with a low Floor Area

Ratio (FAR), however availability is ample for a low density multiple block footprint. A mid-rise courthouse design solution would be best for this locality based on the low Floor Area Ratio (FAR). If a tower solution is desired based on parcel costs, there is a possibility to increase the Floor Area Ratio (FAR). However, based on current requirements the increase of the Floor Area Ratio (FAR) would be a difficult process without the support of the city.

Land Costs: This locality has the lowest land costs compared to other localities. In addition, there is more availability of property at lower costs being offered. This provides more flexibility in negotiations for property and options on which sites would have the most advantage compared to other blocks in the locality. It also has the opportunity to purchase more than a one-block parcel to construct the courthouse. With the multiple block development, the county or developer can construct the lower cost mid-rise project and provide open space and land banking for future development. A developer may consider a two-phase development package that includes building the courthouse and planning for future expansion or building to lease to other government agencies or private companies who would like to be adjacent to the courthouse.

Construction Costs: Since the land costs would be less in this locality, the opportunity is provided to build a design that is horizontal and not a tower. A low to mid-rise courthouse would be easier and less expensive to build than a tower. In addition, a high rise requires more complex systems which increase costs. The construction of a low-rise also reduces elevator costs, stairs, and other construction features that are more extensive in a high rise. Also, the staging and logistic of the construction in this locality will be easier, reducing cost of construction. This and low-rise construction would allow for the project to be built in a shorter duration with a reduction in cost. It is anticipated that a developer would look at this locality based on lower land costs and lower construction costs per square foot compared to other localities. All these factors would define that the construction costs in this locality would be less than locality 1 & 2.

The one impact to the project costs would be the higher probability of hazardous materials buried at the site based on its industrial history. This issue would have to be carefully addressed before the site was selected.

Summary of Findings: Based on land and construction costs, this locality has the ability to be the lowest cost locality to develop a courthouse. There are many options of land parcels to negotiate land costs and ease of construction reduces construction costs. It is anticipated that there would be more developer proposals using parcels in this development than any other locality. If construction costs were the priority, this would be the best locality based on average land costs before negotiations. The difficulty for this locality is a major shift for court staff and users to the east side. Therefore this is politically the most difficult locality to present and reach agreement on by the users.

Synopsis of Locality Features

	Locality 1	Locality 2	Locality 3	Locality 4	Locality 5		
Current Businesses & Building Types							Excellent
Public Building Concentration							Good
Public Transportation Capacity							Fair
Open Spaces							Poor
Historic Buildings							
Expansion Potential							
Trade Opportunities							
Value/FAR							
Land Costs							
Construction Costs							

Site Evaluation Criteria Matrix

Once the localities were selected, inici group, Inc developed a Site Evaluation Criteria Matrix⁵ for county use to provide the county with a more objective comparison process by completing a weighted calculation of the different localities. Providing criteria with a weighted value for each proposed locality for new courthouse construction, the matrix compared each locality to each other and the current courthouse .

The weighting process was to provide a score/benefit comparison to define the requirements of all aspects of the courthouse. The subcategories were scored most beneficial to least beneficial in each locality. Each of the following categories were analyzed and broken down into subcategories to weigh the benefit of each category and subcategory in each locality proposed.

Current Market Land Purchase Cost and Availability

The analysis is focused on how the different proposed localities relate to the average costs value and availability for the locality.

Infrastructure Support

This compares the localities based on the availability and capacity to serve a proposed courthouse with approximately 400,000 square feet and over 3000 daily occupants. The higher values would be assigned to the lowest cost or easiest to construct infrastructure features that support the proposed courthouse.

⁵ See Appendix A – Site Evaluation Criteria Matrix

Regulatory Overlay

Each locality may have a variety of land use conditions that influence the value of the land and the costs to develop. This section compares the average regulatory impacts to the locality and provides the highest score for property in the locality that has the maximum allowable building area and the least amount of added requirements to restrict the full development of the locality property.

Regional Access and Transportation Staff and Public

It is critical for the courthouse to be served by mass transit for the population who will use the building daily. The locality that has the highest number of opportunities or is adjacent to mass transit systems along with bicycle routes serving the locality will have the highest score. In addition, localities that are easily reached using vehicles shall also be scored higher due to reduction of transport time for defendants.

Sheriff's Transportation and Supporting Facilities/Security

This section reviews the distances from current county holding locations for defendants to be transported to court. The shortest duration for transportation from two geographical locations will demand less staff and equipment time each day. This issue has a great influence on the costs to operate the courts and Sheriff's office for its operations budget. The locality with the lowest impact to operational cost will receive the highest score.

Design and Construction Issues

This section weighs the costs of construction, site preparation, move and relocation costs for each locality, and addresses the current courthouse liability.

Sustainability

Analyzes the locality support of sustainable construction and features to continue the county's sustainability goals. Each locality may have features that enhance the sustainability of the courthouse or may be part of a proposed eco district in the future.

Stakeholder and Employee Input and Concerns/Economic Development

Each locality carries a perception from the stakeholders and employees that the area will support their daily needs or impact their abilities to be comfortable in accessing and working in the locality. This section determines if there are major differences in localities based on their perceptions of the courthouse.

The process provides the county with a total rating score for each category in each locality and the current courthouse.

We anticipate the current courthouse will provide the highest value for the following reasons:

- Currently land owned by the County
- Cost to remodel the existing courthouse is in addition to costs of constructing a new courthouse
- The county will have to operate two facilities with increased operating costs if there is not a purchase solution for the existing courthouse.
- Staff and users are used to the environment of the existing courthouse and adjacencies
- The public transportation system is designed to support the courthouse

The matrix value provides the county with information about alternative localities. The proposed localities should be considered if the county decides it is in their best interest to embark on building a new courthouse. In addition, the locality value provides the county with a gauge to utilize for a preference if they are to engage in a Public-Private-Partnership (PPP) with a developer.

Findings

Based on the scoring and weighting system, the preferred localities are 1 and 2, centered on providing the features of the existing courthouse. Adjacencies support features like transportation, parking, services, and reduced impacts caused by change. The second locality that rates high is locality 5. The basis of this high scoring is the lower cost to purchase parcels for the project, lower cost for construction, and accessibility to a majority of available parcels.

Synopsis of Site Evaluation Criteria Matrix

	Current Courthouse	Locality 1	Locality 2	Locality 3	Locality 4	Locality 5
Current Market Land Purchase Cost & Availability						
Infrastructure Support						
Regulatory Overlay						
Regional Access & Transportation Staff & Public						
Sheriff's Transportation & Supporting Facilities/Security						
Sustainability						
Stakeholder & employee input and concerns/Economic Development						
Livability Features for Locality						
Public Expectation						
Developer Opportunities						
Financing & Funding options and costs						
Final Matrix Value	572	537	521	437	453	539

	Excellent
	Good
	Fair
	Poor

Design and Construction Costs

The county is accountable to provide fiscal responsibility in determining direction on policies for the taxpayers of Multnomah County. An upgrade of the courthouse function is a major economic responsibility. Therefore, the costs to complete the improvements for a modern courthouse need to be fully vetted to confirm the county has determined the best value for the delivery of a courthouse solution.

inici group is providing a range of costs for comparison in the delivery of a modern courthouse. This is a complex issue. There are many different factors to consider without the benefit of completing detailed programming on the needs of the courts staff and public or having a confirmed location for the courthouse. In addition, if a new courthouse is determined to be in the best interest, the actual location and the cost to complete will be dependent on the actual cost of the land and infrastructure.

One of the major factors to consider is the cost to remodel the existing courthouse into an alternative use if a new courthouse is to be built. The cost comparison provides the estimated cost to remodel the existing courthouse into an alternative use. The cost includes the seismic upgrade of the building to meet current code requirements. And also the upgrade of building systems to meet both energy and life safety requirements. Since the development of a new courthouse will leave the liability of the existing courthouse for the county, the cost for renovation of the existing courthouse must be factored in when completing the comparison of courthouse delivery solutions.

Other factors include programming features that can be provided with a new courthouse are not cost effective to provide in the renovation of the existing courthouse. One example would be a secured vehicle sallyport which is nearly impossible to provide for the existing courthouse renovation. The cost estimates vary substantially based on proposed enhancements

and requirements and does skew fiscal comparison within a margin of error for the detail level of this report. Actual costs cannot be determined until a full design is completed for either option.

One goal of this report is to determine which solution is the best value for the county whether to renovate the existing courthouse and modernize in the current building systems, or construct a new building. To complete a fair evaluation, equalization of the program and scope need to be prepared for options, existing renovation and new construction.

The solution presented in this report was the development of a baseline program area and building model that could be used to calculate the cost to complete the renovation of the existing courthouse and the construction of a new courthouse. By using the same program area, the comparison could be made which solution would be of the best value to the county.

The baseline program area for cost comparison was developed in the 2011 Renovation Study which defined the cost to renovate the existing courthouse. The report defined nearly 400,000 square feet of modern spaces that could be provided in the existing courthouse. The cost included the seismic upgrade of the existing courthouse and minor expansion of areas. Estimates from SERA to complete the renovation have been captured in the Executive Summary of this report.

The 2011 Renovation Study provides costs for the renovation of the existing courthouse. This report has used SERA estimates and has escalated those costs to current construction market rates. This allows for equal comparison to new construction numbers for a new courthouse. Also, the comparison provides costs for construction phasing, moving, and soft costs for a range of comparison to new construction.

The second major issue to estimate was the cost of land and the impact to the cost of constructing a new courthouse at a selected location in the City of Portland. Costs to develop sites in the city vary and will impact the final costs of a new

courthouse solution. For this reason, the comparison defines the costs for the different localities and provides adjustments in value based on the locality. Please refer to Locality Analysis Section 5.

In this report the new courthouse solution is proposed constructed in five (5) different localities. As defined in the comparison, the costs for each locality vary and confirm a broad range for the development of a courthouse and are dependent on the actual parcel selected for a new courthouse.

The estimated cost per square foot is based on multiple modern courthouse projects in the northwest. The average dollar per square foot cost has been adjusted to 2012. For most of the localities, the average cost is based on a high-rise structure with standard finishes found in current courthouses. The uniqueness of a courthouse is that the costs per square foot can vary greatly based on the investment of high-end materials and durability to provide a judicial dignity for the users. Therefore the cost for the new courthouse solution will be dependent on the land costs and level of finishes and features.

For this report an average level of finishes would provide the best comparison model to the renovation of the existing courthouse since some features in the existing courthouse are assumed to remain, lowering costs per square foot.

In addition, the soft cost and contingency have been provided in all of the estimates to provide the total estimate project costs to develop a new or remodel the existing courthouse. This provides the direct costs comparison for an apple-to-apple comparison for total project costs for consideration by the county.

Currently the economic climate is advantageous to engage in the construction of a new courthouse and/or renovating the current courthouse. The current construction market is very favorable with the economic slowdown. There are a limited number of major projects being completed in the region.

Contractor's pricing has fallen substantially compared with double digit increases seen a few years ago. The contractor community is seeking projects to retain a workforce allowing them to still have cash flow. Profit margins are being waived in order to be competitive and secure new work.

The reduced margins contractors are providing now are not sustainable. The market is showing signs of increases in potential projects. When the market begins to heat up, the contractor industry will seek to recover costs and there will be cost escalation for construction projects. Based on recent trends, the costs of construction are predicted to increase in the future, possibly 12 – 24 months from the time of this report. It is impossible to determine what the escalation will be for the Portland region, and adjustments to the project budget will have to allow for potential increases.

Existing Downtown Courthouse

The existing courthouse will have limits on what features can be provided in a modern courthouse. A review of these needs should be considered. An example of one such dilemma is the following security feature: Construction requirements for federal, state and counties have been changed forever to address safety measures against armed and blast attacks. Currently the federal government mandates blast protection for all of its facilities. The current courthouse was designed without these security features.

Attacks on government buildings have required management of proximity of vehicles to the building. This has been the focus of most new construction as the most important issue to address for safety. Features include security vestibules to complete security checks of visitors to the building, a security vestibule for transportation vehicles with detainees, secured parking for judges and court staff, security glazing, updated door security and setback distances of the building from vehicles in the right away.

For the existing Multnomah County Courthouse, the renovation design can provide, based on approved funding, improvements to the security of windows, doorways and possible isolation of public for security checks. The same features would be provided in a new project so there is not a major comparable difference for these safety issues.



Low-Rise Design Solution Example

The siting and the actual land selected for a proposed new courthouse should consider the size of the land in relationship to the ability to provide set backs for the proposed design. The construction costs to provide blast protection features would be lowered for larger sites. For this reason, the location, which provides either larger developable blocks or interconnection of multiple blocks for a continuous structure, would provide less cost to build.

For localities 1, 2, and 3, there are very few sites that are not the typical City of Portland block. Sites in these localities will not provide many options for safety solutions that are lower cost. With locality 4 and 5, there are opportunities that may

provide larger blocks or sites that might be combined to create a large site for the design of building with cost savings setbacks.

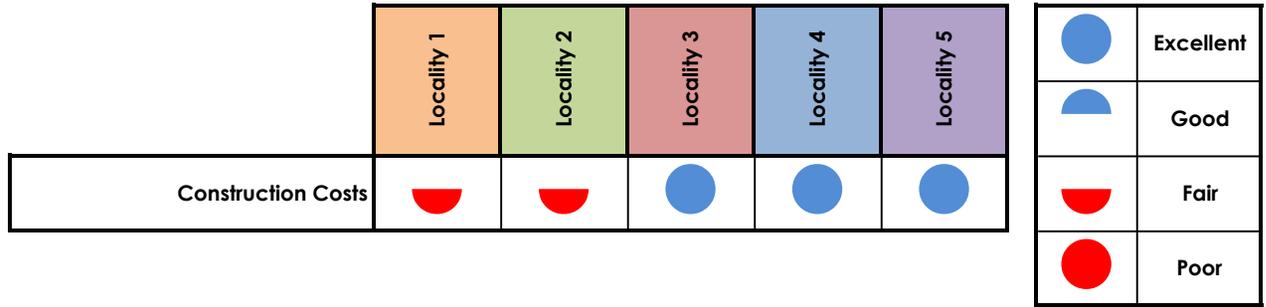
The benefit to the county cannot be factored and quantified. However, this issue along with other courthouse improvements needs to be considered when considering the best value solution for the county.

Based on our interviews with court staff and users, it is clear that the constraints caused by the limited amount of expandable area at the existing courthouse limits the success of the renovation solution. There are program spaces that are needed to provide a modern and secure courthouse. These features have been identified in the cost comparison worksheet. The additional features recommended in a new courthouse have been identified and estimated costs have been documented for future consideration. The additional features and their costs should not be considered for comparison since the current courthouse would not be able to provide them in the renovation proposed by the 2011 Renovation Study report.



High-Rise Design Solution Example

Synopsis of Construction Costs in Locality



Summary of Findings

Based on the research time allowed in preparing this report, the renovation of the existing courthouse will provide much needed improvements to the existing courthouse. The courts, once renovation is complete, will be able to operate more effectively for a period of time. However, depending on the final renovation design, not all features will be provided in the renovated building as needed by the courts. Secondly, there will not be any opportunity to expand the building for future growth and if there are modifications, the cost will be higher than new construction because of the buildings historic nature.

The other factor to consider regarding the renovation design solution is operational costs required for the future. Although determining operational costs is outside the scope of work for this report, we have concluded operational savings may be realized by constructing a new courthouse. Also, with the incorporation of energy systems and some blast protection features in the renovation design, the effectiveness would not be as great for similar dollars spent constructing a new courthouse.

	Current Courthouse SERA Renovation** 2012 \$		Locality 1		Locality 2		Locality 3		Locality 4		Locality 5	
	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High
Land Costs*	0	0	7,600,000	9,600,000	5,200,000	12,000,000	3,800,000	4,800,000	1,400,000	5,200,000	1,200,000	3,000,000
Second Block for Low Rise											1,200,000	3,000,000
Market Availability Factor			380,000	480,000	208,000	480,000	76,000	120,000	0	0	0	0
Estimated Direct Construction	113,727,291	136,159,083	118,000,000	124,000,000	118,000,000	124,000,000	118,000,000	124,000,000	118,000,000	124,000,000	118,000,000	124,000,000
Estimated Soft Costs	38,637,572	51,978,547	See Below									
Architectural Fees	See Above	See Above	8,260,000	8,680,000	8,260,000	8,680,000	8,260,000	8,680,000	8,260,000	8,680,000	8,260,000	8,680,000
Permitting	See Above	See Above	3,600,000	4,000,000	3,600,000	4,000,000	3,600,000	4,000,000	3,600,000	4,000,000	3,600,000	4,000,000
Miscellaneous and F & E, 2% Art	See Above	See Above	14,160,000	14,880,000	14,160,000	14,880,000	14,160,000	14,880,000	14,160,000	14,880,000	14,160,000	14,880,000
Sustainable Features (Gold/Platinum)	Gold	Gold	835,980	3,590,880	823,120	3,635,880	809,370	3,456,000	792,450	3,442,800	735,500	3,295,000
1.5% Solar	Not Programed	Not Programed	1,770,000	1,860,000	1,770,000	1,860,000	1,770,000	1,860,000	1,770,000	1,860,000	1,650,000	1,770,000
Contingency	15,513,870	19,145,859	14,662,000	15,701,000	14,662,000	15,701,000	10,000,000	11,600,000	10,000,000	11,600,000	10,000,000	11,600,000
Move Soft Costs	12,519,024	18,113,620	See Misc.									
Contingency	1,251,902	1,811,362	See Misc.									
Constructability Factors												
Average Demolition Cost			600,000	900,000	600,000	750,000	500,000	600,000	500,000	600,000	500,000	600,000
Average Site Logistic Upcharge			2,000,000	2,400,000	2,000,000	2,400,000	800,000	1,200,000	400,000	800,000	200,000	400,000
Soils Condition Factor			118,000	124,000	118,000	124,000	200,000	240,000	200,000	240,000	320,000	360,000
Hazardous Material Impact			118,000	400,000	118,000	400,000	118,000	200,000	200,000	280,000	200,000	280,000
Low Rise Factor			0	0	0	0	0	0	0	0	(8,000,000)	(7,200,000)
Design Flexibility			590,000	620,000	590,000	620,000	590,000	620,000	0	0	(590,000)	(620,000)
Estimated Total New Construction & Land Cost	181,649,659	227,208,471	172,693,980	187,235,880	170,109,120	189,530,880	162,683,370	176,256,000	159,282,450	175,582,800	151,435,500	168,045,000
Land, Direct Construction & Soft Cost/SF	454	568	432	468	425	474	407	441	398	439	379	420
Remodel Costs of Current Courthouse to Class B Office Space	-	-	71,400,000	75,327,000								
TOTAL (Land, Design, Construction & Renovation)	181,649,659	227,208,471	244,093,980	262,562,880	241,509,120	264,857,880	234,083,370	251,583,000	230,682,450	250,909,800	222,835,500	243,372,000
Other Desired Features for Court House												
Secured Security Sallyport	Not Available	Not Available	600,000	750,000	600,000	750,000	600,000	750,000	600,000	750,000	480,000	550,000
Large Public Security Inspection	Not Available	Not Available	included									
Secured Parking for Court Staff 150 sp.	Not Available	Not Available	5,100,000	6,200,000	5,100,000	6,200,000	5,100,000	6,200,000	5,100,000	6,200,000	4,500,000	5,000,000
Parking for Public	Not Available	Not Available	Potentially									
Blast Projection Intergration	Distance Factor	Distance Factor	included									
Future Expansion Opportunities	Not Available	Not Available	included									
Exercise Yards	Included	Included	included	included	included	included	included	included	included	included	included	included
Long Term building	Low Probability	Low Probability	included									
Meeting Space	Not Programed	Not Programed	275,000	350,000	275,000	350,000	275,000	350,000	275,000	350,000	275,000	350,000
Cafeteria	Not Programed	Not Programed	300,000	400,000	300,000	400,000	300,000	400,000	300,000	400,000	300,000	400,000
Secure Circulation less operational costs	Not Programed	Not Programed	included									
ADDITIVE OPTIONS	0	0	6,275,000	7,700,000	6,275,000	7,700,000	6,275,000	7,700,000	6,275,000	7,700,000	5,555,000	6,300,000

New Courthouse Based on a 400,000 SF Building/Class B Office Space based on 300,000 SF

*Multnomah County Assessor's Office. Average price per FAR SF/Based on a 200' X 200' typical Portland City Block

**SERA Downtown Courthouse Renovation Report Costs have not been validated



Current Downtown Courthouse

The county must address the current courthouse functionality if a decision of building a new courthouse and vacating court activities in the existing courthouse is approved. The current courthouse must be maintained, it will continue to burden the county to operate the facility.

Based on this cost liability to the county, inici group provided, in addition to the cost to build a new courthouse, the approximate cost to renovate the current courthouse into another function. Based on existing constraints of the building, the alternative function was determined to be office space.

The renovation of the existing courthouse would be required to adhere to all standards of seismic and life safety code upgrades. In addition, improvements would have to address energy modernizations for envelope, mechanical and electrical systems. The historic nature of the courthouse provides challenges. The historical designation for the exterior and interior aspects of the building would have to be maintained. All of these factors add to the costs to remodel the existing courthouse to a new function.

Creative Ideas for the current Courthouse

Throughout the report research process inici group developed some resourceful uses for the current courthouse.

1. Land trade possibilities with the city, higher educational partners, or other government or private industry strategic partner
2. Provide office space for use or for lease by the county or other governmental groups
3. Selling the courthouse to a developer to remodel and lease back to government agencies or private companies

Costs to remodel courthouse

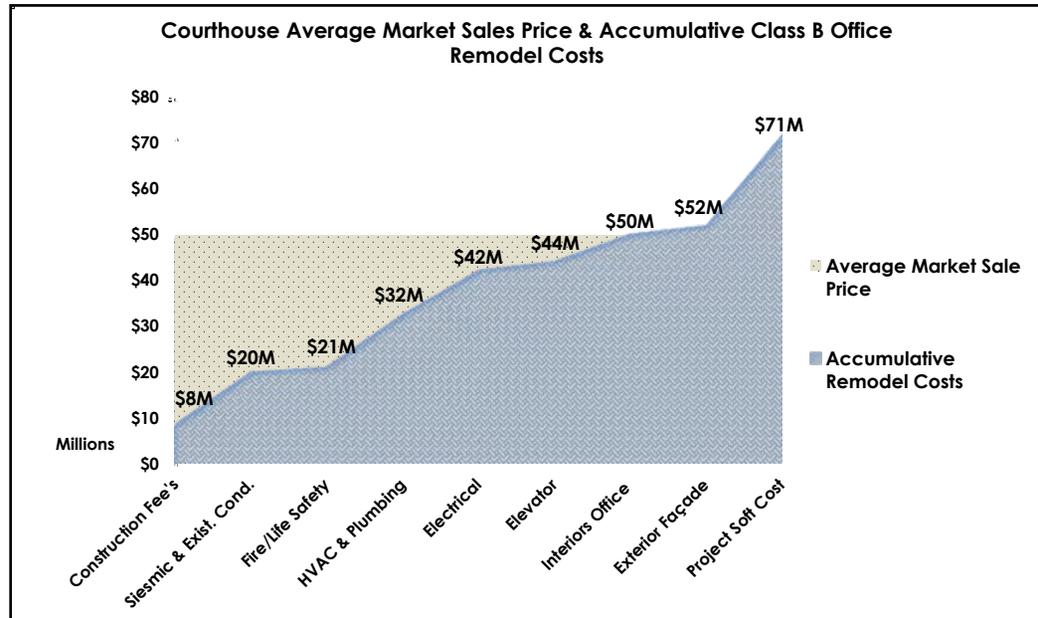
For the purpose of this report, inici group has provided the accumulative costs to upgrade the current courthouse with seismic, structural, life/safety and other upgrades. The costs for basic upgrades are of average quality and provide the county with a cost comparison of remodel costs to the market value of a 300,000 SF Class B Office Building in the downtown core, taking in consideration the current real estate market.

Remodel Costs

Multnomah County Courthouse Accumulative Upgrade Class B Office Remodel																		
Square Feet 300,000	Construction Fee's		Siesmic & Exist. Cond.		Fire/Life Safety		HVAC & Plumbing		Electrical		Elevator		Interiors Office		Exterior Façade		Project Soft Cost	
	Cost/SF	Subtotal	Cost/SF	Subtotal	Cost/SF	Subtotal	Cost/SF	Subtotal	Cost/SF	Subtotal	Cost SF	Subtotal	Cost/SF	Subtotal	Cost/SF	Subtotal	Cost/SF	Subtotal
	\$ 28	\$ 8,400,000	\$ 38	\$ 11,400,000	\$ 4	\$ 1,200,000	\$ 38	\$ 11,400,000	\$ 32	\$ 9,600,000	\$ 6	\$ 1,800,000	\$ 20	\$ 6,000,000	\$ 6	\$ 1,800,000	\$ 66	\$ 19,800,000
Accumulative Remodel Total		\$8,400,000		\$19,800,000		\$21,000,000		\$32,400,000		\$42,000,000		\$43,800,000		\$49,800,000		\$51,600,000		\$71,400,000

Based on 300,000SF Class B Office Space

Remodel Costs Versus Current Market Value



Selling the current courthouse as-is

Selling a historic obsolete building would be an challenging. Although the current courthouse resides in prime downtown real estate, the condition and the historic nature provides challenges that include time and cost to the seller, as well as considerable costs to upgrade to a different use for the potential buyer.

Property Taxes

Depending on the decisions for the current courthouse and/or building a new courthouse with a developer option there is an opportunity for the county to create revenue from property taxes by selling the current courthouse to a developer. Moreover, if a Public-Private-Partnership (PPP) is selected, depending on ownership of the property, there may be potential for the county to create revenue from property taxes. No property tax revenue will be assessed if the county retains ownership of the current courthouse and/or a new courthouse.

Condition of downtown courthouse

The numerous studies provided to the county over the last 20 years provide the condition of the courthouse. The latest report that documented a condition was the HOK Consulting June 7, 2002, Multnomah County Courthouse Renovation Study. The report contained the following statement: "The current courthouse has reached its useful life, and is now both functionally and operationally obsolete."⁶

Demolition and Historic Features

In order to consider all potential options of the current courthouse for this report, a potential option of demolition is assessed. Due to the historic nature of the current courthouse the likelihood of demolition is very limited based on political and legal challenges. However, the county could dismantle the historic features such as the courtrooms and stair

⁶ Multnomah County Courthouse Renovation Study June 7, 2002, HOK Consulting

components to be incorporated into the proposed new courthouse to retain their historic integrity.

Based on discussions with Portland area developers, the location of the existing courthouse is prime real estate in the downtown core of Portland. The land would be desirable for the development of a number of uses based on its location, adjacency to mass transit, and available Floor to Area Ratio (FAR). The limiting factor is the existing historical and political connection of the current courthouse. How this issue is overcome would require intensive planning and strategies to provide a solution.

inici group has provided the approximate demolition costs of the courthouse including salvaging some of the historic features in 2012 dollars. This estimate is for direct construction work and does not account for planning services.

Historic Courthouse Demolition & Salvage Costs*		
Main Structure Demolition		\$1,200,000
Historic Courtroom & Architectural Finish Salvage		\$300,000
Main Staircase/rails/architectural Finish Salvage		\$100,000
Exterior Façade Salvage		\$150,000
GC - Street/Sidewalk Closure/Logistics		\$250,000
Abatement		\$1,000,000
Abatement Contingency	15%	\$435,000
General Contractor Overhead/Profit	10%	\$333,500
Contingency	10%	\$366,850
Total		\$2,935,350

*Approximate 2012 Costs
Based on 300,000SF

Financing Strategies and Alternatives

The county has earned a high bond rating because of low debt burden and prudent management of long-term debt. This enables the county to borrow at more favorable rates than other jurisdictions. In the current market place, private investment is seeking steady and low risk investments. Currently, Multnomah County would receive a high level of interest from companies providing investment funding for projects.

Bond interest rates are low and the county may be well positioned financially to carry out Full Faith Credit Obligation to renovate and/or build a new courthouse, however the annual debt service is a challenge for the county.

Developers are very interested in Public-Private-Partnerships (PPP) due to finding safe investments. They know municipalities have to continually operate and maintain their facilities and will provide contracted payments. Therefore these partnerships are able to provide necessary financial capital for justice facilities based on safe returns on investment.

Inici group has confirmed with the county the following funds may be available to the county to offset the costs of renovation and/or construction of the courthouse:

- Revenue Bonds
- General Obligation Bonds
- Full Faith and Credit Obligations
- Urban Renewal Funding
- Preservation Funding
- Grants - Historical
- User Fees
- Filing Fees
- Facility Fee – State Fund
- Taxes
- Program Savings
- Seismic Funding
- Capital Improvement Funding
- Special Public Works Fund
- Sales Proceeds

Public-Private-Partnerships (PPP)

Like many other government agencies in the United States support for major capital projects is dwindling because of the perceived first time cost and long-term economic impact to the taxpayers who have to approve the assessment. It is very difficult for a government agency to gain support to assess more taxes on the public who are having difficulty during the current recession.

Since governmental agencies are unable to receive approval for conventional assessments to funding bonding debt, alternative methods to raise funds to complete major capital projects are being considered. Agencies such as the Federal Government and other counties are seeking partnerships with private developers to develop alternative funding and project delivery processes.

The renovation or new construction of the Multnomah County Courthouse should look for alternative options for comparison and study with the utilization of a Public-Private-Partnership (PPP), which is an approach for developing and operating public infrastructure by the private sector. Generally a Public-Private-Partnership (PPP) is a long-term, contractual partnership between the public and private sector, specifically targeted towards financing, designing, implementing, and operating facilities and services that were traditionally provided solely by the public sector.

Under a Public-Private-Partnership (PPP) agreement, Multnomah County (Lessee) still remains accountable for service quality and cost-effectiveness of the partnership, while the private partner (Lessor) plays the role of financier, builder, and operator of the facility. The Lessee is responsible for defining their space and functional needs for the space they will use in the leased building. The Lessor's success is based on providing space needs and operational functions at the lowest capital cost and with the lowest cost to maintain and operate.

In order for the Public-Private-Partnership (PPP) to be successful, the county as the Lessee must invest in the preparation of a number of contracting agreement details which at a minimum is a detailed space program, functional requirements for all of the spaces, and a narrative of how the spaces and building must operate for the county, including the standards and goals the county maintains. This is a complex process to confirm the needs of the county and the courts to provide the program space, operational requirements and quality level desired by the county. Since there are tens of thousands decisions to be made in the delivery of a major project, the investment in providing a contract to define all of the requirements would be intense and require extensive county resources, but it has been completed for previous projects in the United States. The delivery model of a Public-Private-Partnership (PPP) can potentially provide a shorter procurement process allowing construction to start sooner and shorten the total construction duration, which in turn would reduce project costs.

For a number of their projects the United States General Services Administration has completed versions of a PPP for delivery of their projects. As one of the users of a Private-Public-Partnership (PPP) agreement, the Federal Bureau of Investigation has developed a standard for their needs defined as the Program of Record (POR). This document provides detailed requirements for each space and operation. An example of room requirements is:

- Room Name
- Room Function
- Room relationship to others
- Room size
- Room finishes
- Number of doors
- Acoustic Requirements and separation
- Mechanical range for comfort
- Water demand

- Electrical needs
- Technology needs
- Equipment
- Furniture

The detailed Program of Record (POR) is the information needed to design a space for the space demands and provides the detailed information for providing the operational functions that would allow the building to deliver efficient working and comfortable conditions for the Lessee.

The Program of Record (POR) would also define other features that could be installed in the project to meet the Lessee needs. Examples would be food services to be provided and managed by the Lessor, parking, and artwork program, amenities like locker room and showers, and landscaping or open areas.

In the selection of a Developer Team, the county should prioritize companies that have completed this process before and have a proven track record of delivering the requirements of the Lessee. The satisfaction of the Lessee from other projects would be the true test of who can complete the project using the delivery program.

The second test on the selection of the development team is to determine if the Lessor will maintain the project and be responsible for the quality of the operational management of the building. If the Lessor is the operator, there is more focus on long term investment into the quality of materials, the efficient operation of the equipment, reduced cost for utility operation, and a long term investment in the success of the agreement between the Lessor and Lessee.

When the investment of money, energy and time is provided for the Public-Private-Partnership (PPP) model, the success for the Lessee is they have been provided a long-term facility that was acquired without substantial upfront out of pocket costs.

Public-Private-Partnership (PPP) Selection Process: Abbreviated Selection

With any type of contracting method, there are alternatives to be considered by the contracting agency to expedite the collaborative process in the planning and development of a project. The abbreviated process or early selection process for a Public-Private-Partnership (PPP) could provide the opportunity for the selection of a private partner or developer very early in the planning process. This solution has been used when public agencies want to reduce the amount of time to develop their project. The following defines the process, advantages and disadvantages for an early selection process for a Public-Private-Partnership (PPP).

The main step for saving time in the project planning is the preplanning or programming process. With the early selection of a developer, the public agency can begin detailed project planning, programming, and scoping with the developer team much earlier in the project schedule, and in turn, shorten the duration to complete the total project.

This abbreviated process provides the selection of the private group based on experience, team members, developments fees, and/or lease back cost ratios for the delivery of a project. This process would provide a general description of the project goals and objectives. Rough budget numbers would be established with desired timelines for completion. All aspects of the project would be completed with the developer, including establishing all deliverables for the project.

Once a selection process is complete, the developer will manage all aspects of the project from funding, site selection, programming, functionality of design, quality, and management of the project budget. The developer would work with the county team to determine the building design solutions. They would then present a preliminary budget and features to the county so the county can determine if it is what they require for their project and can be afforded.

Throughout this planning, design and decision process, the developer would be responsible to continually update and revise the project costs. The estimated costs, fees, and lease rates the county pays to the developer result in reimbursing the developer for the project costs. This process would require a continuous review of design features and expenses to verify that all of the costs the county pays would be in line with current market conditions.

To complete this process, decisions must be provided by the county with the developer with each step of the project. The developer controls the steps and decisions for the project and will drive them to completion, sometimes faster than the conventional process for a public agency.

The risk is the program needs, quality of construction, and functions of the building may not completely meet the county's needs or desires. Without a detailed program, functionality description, quality, and operational standards established, as proposed in this report, the county would have to depend on the developer to provide all of the features they have requested. In addition, it would be difficult to determine which developer team would provide a better value for the investment. An example would be, one developer might have control of a preferred site for the courthouse. In order to save time, the abbreviated selection process is completed without this factor for consideration, and the preferred site would not be negotiable in the selection process. Using a longer and more extensive selection process, by incorporating a project program, detailed requirements, design solutions, functionality and building locations could be reviewed and compared to other proposals to verify the best value for the county.

If the county requires the delivery of a new courthouse in the shortest duration, an abbreviated selection process could be considered. A very careful selection process is critical for the project to be successful. An extensive amount of due diligence from the county is needed to make sure the selected developer has the financial resources, experience, successful projects, and satisfied partners to confirm they can provide the project as promised. This abbreviated process will provide the county with the shortest duration coupled with a higher risk to the county.

There are countless ways developers can package a partnership and new partnerships are developed everyday with mitigating circumstances based on the project. Under a Public-Private-Partnership (PPP) agreement the Lease costs to the county are what finances the construction of the facility.

Below is a listing and explanation of three types of PPP models Multnomah County could consider.

Model: Lease Renovate Operate Transfer (LROT)

Explanation:

This partnership method would be used if the county decides to renovate the existing courthouse. The private sector partner pays a rental to the county and agrees to renovate the courthouse to a pre-agreed standard. In exchange, the private sector partner is granted a concession to operate the courthouse for a fixed period of time and charge a fee for the service. Conditions may be agreed to with the county for recovering the costs with an agreed return, and thereafter transferring the facility back to the government. The county could define the actual transfer date for a traditional period such as 20 years or it can be based on a monthly payment cap negotiated at the time of contracting. In either case, the county can decide which criteria are most beneficial to the county and set up the contract accordingly.

Pros/Cons for county:

The private sector partner is responsible for financing and carrying out any renovation work in addition to regular maintenance during the concession period. This reduces county debt and reduces demand on county staff to operate and maintain.

The cost effectiveness for the county is debatable with a private operator. It is presented that the private operator has reduced costs to maintain based on lower labor costs, more efficient design, thus less cost to complete upgrades, and

repairs. The cons for is the private operator would be seeking profits for costs to pay back the financing (usually at a higher rate than government bonds), management and operation costs, and cost to prepare the contract for the delivery of the project. Depending on the contract and size of the project, the costs recovery by the private operator may be more than the conventional government bonding process.

Mitigating Circumstances:

The county must ensure the developer meets the specific standards set for construction and operation of the courthouse. In addition, the County should ensure that the courthouse is renovated and operated with minimal possible impact on the environment. The County should provide for a suitable legal framework and policies within which the specific concerns relating to the development of the project through private participation and bankability of the project can be addressed.

Model: Build Operate Transfer (BOT)

Explanation:

In this model of Public-Private-Partnership (PPP), a developer designs and builds the courthouse, operates the courthouse, and then transfers it to the county when the operating contract ends, or at some other pre-specified time. This integrated approach requires the private operator to take into account the cost of operating the asset during the design and operation phase and therefore stimulates better planning and management of the service itself. The private party's revenue comes from managing the courthouse and renting commercial offices and retail spaces within the courthouse.

As with the other agreements defined above, the county could define the actual transfer date either for a traditional period such as 20 years, or it can be based on a monthly payment cap negotiated at the time of contracting. In either case, the county can decide which criteria are most beneficial and set up the contract accordingly.

Pros/Cons for county:

Advantages for this type of partnership include the private sector investing directly in the development of county infrastructure which reduces county debt. This type of public-private project also creates business opportunities for the local private sector. However, this partnership structure is complex and is comprised of multiple, inter-dependent agreements among various participants. The success of the project depends on raising necessary finances. These types of projects are only successful when substantial revenues are generated during the operation phase.

Mitigating Circumstances:

There are possible risks for the project due to a poor feasibility study or incorrect financial assumptions by the private party. In addition, the private entity could exit the project leaving the project incomplete with loss of funds. Also, there is construction risk due to mismanagement involved in a prolonged construction schedule or providing poor design solutions, impacting the lessor's cost effective use of the building.

Mitigating risk factors for the county includes strong political, regulatory, and fiscal support for the project. The county should ensure the courthouse is constructed and operated at the lowest operational costs with sustainably features to reduce the impact to the environment. The county should provide for a suitable legal framework and policies with legal recovery of damages within which the specific concerns relating to the development of the project to address and reduce risk exposure for the county.

Model: Design Build Finance Operate Maintain (DBFOM)

Explanation:

A private partner designs a new courthouse according to the requirements set by the county, ensures and finances the construction/implementation of the courthouse following the design phase, and finally operates the facility. At the end of the PPP contract, the courthouse can be granted back to the county under the terms of the original PPP agreement. This is the partnership currently used for the construction of the City of Long Beach, California's court building that began construction in mid 2011. The Long Beach court building is comparable to the Multnomah County Courthouse and replaced an existing courthouse that was overcrowded and in a state of disrepair. The old courthouse was turned over to the developer for private development of the property.

Pros/Cons for county:

No rights of ownership are conferred onto the developer of the courthouse. Private financing allows risks to be spread among government and other project sponsors, constructors, suppliers, and financiers. The public sector pays only when measurable services/ performance is delivered, and payment may be varied according to service quantity and quality. Disadvantages include the private sector is putting up its own capital with little equity and a lot of debt. If costs escalate or if revenue projections are gravely overestimated, the private sector risks default. Also, the private sector has higher interest rates than the public sector.

Mitigating Circumstances:

The County must be willing to enter into a long-term agreement to receive the courthouse operation and maintenance responsibilities once the terms of the agreement are met. The operations and maintenance agreement must have benefits to the private entity to avoid operation and maintenance risk. Additionally, there must be absolute agreement on project performance requirements by the partners. Finally, this model also needs strong political support if there is opposition from various interest groups who see the PPP as an infringement on their normal rights and responsibilities.

Public Private Partnership (PPP) Benefits and Disadvantages

Benefits

The benefits of a Public-Private-Partnership (PPP) in the development of the courthouse are numerous but would primarily provide for the efficient construction, financing and leasing (with an option to purchase) the completed facility. Additionally, the Public-Private-Partnership (PPP) approach would provide up to two (2) additional years from the commencement of construction of the facility for the county to budget and appropriate funds for the project as no county funds are required until the facility has been substantially completed and ready for county occupancy. This approach would permit this much-needed facility to commence construction early next year (2013), taking advantage of a favorable bidding/subcontracting environment in terms of pricing and still relatively lower bond interest rates.

Most importantly, additional benefits of the Public-Private-Partnership (PPP) approach are that the project is still competitively bid, the private sector handles financing and all project costs during the approximately two year construction duration as well as funds all potential re-design, value engineering and development program modifications prior to and/or after commencement of construction. Moreover, the county would adhere to all relevant ORS sections as it pertains to the development or expansion of in-state facilities, multi-term contracts, contracts for the construction of facilities by private entities and the requirements of community partnering and maximizing competition.

Disadvantages

Although there are significant benefits to a Public-Private-Partnership (PPP), there are disadvantages as well. If the process is not well managed or if the investment of time is not provided in defining all of details of contracting this delivery model, there is a result potential that the delivered building will not function to the expectation of the Lessee. In addition, the Lessee may have to spend additional funds to correct or improve the spaces they are to use at their costs. Also, other

factors may impact the success of the Public-Private-Partnership (PPP) delivery model. A classic example is if the Lessee determines to have the building operate 24/7 days a week instead of normal business hours. The cost for the additional energy and wear and tear on equipment needs to be allocated and an agreed to rate and the costs would have to be determined.

The Public-Private-Partnership (PPP) requires a return on the investment from the user that is as close to being guaranteed as allowed by the industry. In addition, because of the methodology of reimbursement for financing, construction, and potentially operational costs, the payment to the private entity will be higher than conventional funding options. The public agency lessor must prove that it will be able to meet the contract obligation without interruption until final payment in order for the contract to be executed. The developer will prepare costs for the contracting and must be carefully studied to make sure the Lessee plans for these costs. There is not any hidden cost to be recessed to the Lessee in the years of operations that places a burden on the Lessee.

Other disadvantages include the private sector putting up its own capital with little equity and a lot of debt. If costs escalate or if revenue projections are gravely overestimated, the private sector risks default. This would leave the Lessee to deal with a new way to retain the building for their use. A contract that protects the county would have to enforce the ability to protect the county's interest in the building and not be burdened with unplanned costs to continue to operate in the building.

With a developer, the private sector must work with higher interest rates than the public sector. This higher cost is passed on to the Lessee and thus the county for the project. The higher costs may be offset by more efficient development process. However, that is not always the case and difficult to prove which method of delivery is less cost in the end. But it is clear that the cost of the financing and the pass-through of costs are higher for the Public-Private-Partnership (PPP) delivery, compared to a government finance solution.

Conclusions

As stated earlier, the county would require extensive resources to provide the necessary Program of Record (POR) and contracting standards for a Public-Private-Partnership (PPP). The county would have to establish a budget to complete due diligence of the contracting and program to create the necessary documents to seek a Request For Proposals from developers. The deliverables for the county would be based on the project cost estimates provided in this report, and the approximate amount annually a Public-Private-Partnership (PPP) would cost the county for the renovation and/or purchase of land to construct a new courthouse. This would confirm the ability for the county to repay for the public entity.

Secondly, if it is determined to pursue the Public-Private-Partnership (PPP), there should be a complete feasibility study of other examples of Public-Private-Partnerships (PPP) to determine features in the best interest of the county. In addition, steps should be taken to complete a comprehensive Program of Record (POR) for the requirements of the new or renovated courthouse. This would be a requirement for the Request For Information or Request For Proposals to seek comparable proposals from developers. These steps will required the county to be committed to spending an extensive number of dollars to complete the deliverable at the detail level required to complete a quality project.

Conclusions and Recommendations

The goal of this report is to provide the county with a comparison of options and analyze the information to help the county to make a decision regarding the existing downtown courthouse, based on information established from the current research and previous studies. The outcome of a courthouse building solution and delivery methodology is based on multiple factors. The objective in the development of a building is to find solutions that meet most of these factors. The owner must base their decision on cost, quality, and time to complete a project. To take in account the multitude of factors for this decision, this section of the report breaks down the main elements, both objective and subjective and provides recommendations the county may use to determine a direction for the downtown courthouse.

Function

The goal for a successful project is to provide a design that will function efficiently by providing space meeting the demands of the users, enhancing productivity, and is safe for the occupants. No single building functions to the expectations of all of users and occupants. The goal in the development of a building is to find solutions that meet most of the functional needs. A comparison of functional solutions between the 2011 Renovation Study and a new courthouse may be considered.

It is less challenging to develop a new building based on program and functional requirements. It is a larger undertaking to provide a functional solution and expand the program to fit within the existing building boundary. The 2011 Renovation Study provides the utmost programming functions available to fit into the current courthouse. Conclusions from interviews with court officers for this report determined not all desired functional space would be provided when renovation is complete. For example, a secured vehicle sallyport, in addition, if the need arises in the future, there is little opportunity for future expansion. In order to meet the functional needs of the courts for the future, it is recommended the county to build a new courthouse.

Function of Court Facility Factor: New Courthouse

Quality

Quality is defined as construction features in a building providing judicial atmosphere and historic presence, along with long lasting, maintainable materials and features.

The renovation of the existing courthouse can be completed at a level that provides a quality facility for the courthouse users. The features provided in a new building should be similar. The cost invested by the county will dictate the level of design and finishes that could be incorporated in either solution. It is critical if a Public-Private-Partnership (PPP) delivery process is pursued, the requirements for quality are defined in detail to maintain the level deserved for the project. There are limited differences between solutions regarding quality.

Quality Factor: Minimal Difference

Operational Costs

The scope and objective of this report was not to provide an operational cost analysis comparing the courthouse upon completion of the 2011 Renovation Study to a new courthouse. A preliminary design defining the proportions and features of the building is needed to further study and outline energy consumption. A preliminary design would also provide the information needed to allow for a staffing plan study to determine the number of Full Time Employees needed to operate the facility.

However there are some major features for a courthouse that provide the ability to compare operational costs exposures between the existing courthouse with a new construction solution. The following features would affect the operational costs for the courthouse and the county would have to budget for these costs annually.

The major operational cost for a building is energy usage. The more efficient the building's mechanical systems and envelope, the less cost the building is to operate. The reduction of thermal energy escaping the building envelope, the more savings. For new buildings, the technology of the industry focuses on efficient envelope. However for existing buildings, it is more labor intensive to remodel the envelope to achieve the same efficiency. As stated in the 2011 Renovation Study, the "Historical Building Envelope often limits energy improvements". Thus the limited funding of the remodel solution would potentially have less opportunity to afford efficiency features.

An existing building can be remodeled to be just as efficient as a new building with similar energy savings. However, for each dollar spent for construction, the energy savings obtained in new construction would be greater per dollar than the remodel of an older, historic building.

The number of staff to provide security for a courthouse is greatly influenced by the design and security features provided. The incorporation of security features such as vehicle sally ports, security elevators, corridor systems, centralization of security areas, and electronic monitoring could produce more efficiency of current procedures.

The existing courthouse does not have a vehicle sally port and one is not planned in the proposed remodel. This requires additional staff to escort detainees from vehicles to holding and courtrooms. A new courthouse would have a vehicle sallyport, provide centralized court holding and more efficient control of detainees to give the county more resourceful coordination.

Based on the examples stated above, the construction of a new courthouse would provide per dollar invested in construction, a higher rate of payback on energy and staffing efficiencies. In addition, based on experience, it is inici group's opinion that the operational costs for a new courthouse would be significantly lower than the proposed remodel of the existing courthouse based on the 2011 Renovation Study.

Operational Cost Factor Estimated: New Courthouse

Time/Schedule

The renovation of the courthouse based on the 2011 Renovation Study requires a long duration to renovate in order for a majority of the court function to remain in operation. For this study, alternative construction phasing solutions were not investigated and it remains a 4 - 6 year process based on the 2011 Renovation Study.

In reviewing the needs of the county, it is recommended choosing the delivery model that provides a facility in the shortest period of time. This not only reduces construction costs based on less labor for a shorter period, but also reduces the cost of money to fund the development.

The construction of a new courthouse would have a similar design period duration to the 2011 Renovation Study design programming, a longer duration for land acquisition, but a much shorter duration for construction.

Supporters of a Public-Private-Partnership (PPP) process can justify reduction of design and construction duration based on confidence they can make decisions faster than the public sector. However, in order to complete a fair and competitive Request for Proposal process for a developer delivery, the county should invest extensive time to make program

This report has estimated the cost to renovate the existing courthouse after vacation to an alternative function. The estimation for this is very challenging since the use of the building has not been determined. For the purpose of this report, the following assumptions are made; the building would not be expanded, a full seismic upgrade would be completed, all new mechanical and electrical systems installed, elevators upgraded, façade restoration, and minor architectural and tenant improvements included, to provide an operational building. Additional features, including but not limited to, changes in finishes, circulation and vertical transportation, will change how the building functions, and most likely increase over all project costs.

The use of a Public-Private-Partnership (PPP) delivery model is proposed to save direct construction costs for the delivery of the courthouse. However, the Public-Private-Partnership (PPP) costs to finance, usually higher than the public sector can obtain, and the developer fees, can offset the savings. This is one area of cost projection where there will not be agreement among members of the industry.

Cost Factor: This renovation of the existing courthouse is the most cost effective solution for the county today when the construction of a new courthouse is coupled with the renovation of the existing for an alternative use.

Locality

If it is determined a new courthouse is desired, the selection of the locality will be based on if the county purchases the land, or if this becomes the requirement for the Public-Private-Partnership (PPP) developer.

Based on the county purchasing the land and the desire to reduce costs, it is recommended that locality 5 be pursued to reduce the costs of the project and provide the most flexible design solution.

If the costs for locality 2 can be negotiated aggressively, the savings could offset the disparity of land cost between locality 2 and 5. If this can be achieved, locality 2 may have the highest level of support.

It is recommended Localities 2 and 5 are the priority localities to be selected for land acquisitions and locality 3 is an alternative.

If the Public-Private-Partnership (PPP) delivery solution is determined to be the direction for this project, the county may want to allow the developer to propose on parcels in any localities and score the proposals with a preference given in the following order: Locality 2, 5, 1, 3 and 4.

Locality: To be determined by project delivery solution

Financing

inici group recommends that the county pursue a study on the debt service and financing strategies for the courthouse solution and to provide Full Faith and Credit Obligations to build a new courthouse, and to compare to the costs of a Private-Public-Partnership (PPP). Cost of money will be less if the county can complete the securing and management of bonding. However, the county may not have funding capacity.

A county Task Force could be authorized to utilize the project costs and schedule information from this report to prepare a report on the finance capabilities. This information could be used to determine the county financing amounts and if the new courthouse could be funded.

If the county does not have the capacity, the use of Public-Private-Partnership (PPP) delivery may be selected. The

information gained from the aforementioned study would alternate into information required to complete a Public-Private-Partnership (PPP) program.

Financing: Use county bonding capacity if capacity allows

Next Steps

Financial

1. Authorize the Project Team to study finance capabilities to fund the renovation and/or land acquisition and construction of the new courthouse with renovation of the existing courthouse for an alternative use.
2. Prepare a preliminary project budget and schedule for the proposed projects and prepare an estimated cash flow for the approved solution.
3. Confirm capacity with county finance, using cash flow schedule and estimates to determine fund availability from the county for the next 8 years.
4. Perform a study of opportunities to receive annual revenue fees from courthouse filing and or other user fee revenue that can be allocated to offset the costs of the project.
5. Prepare a review of Public-Private-Partnership (PPP) options and potential costs of using a Public-Private-Partnership (PPP) financing solutions, with impacts to the county project capacity.
6. Perform an internal review of funds available to initiate the first phase of a study to determine the impacts of using county funding or Public-Private-Partnership (PPP) option for the funding of the courthouse solution.
7. Present finance plan to the Board of County Commissioners for a decision of next steps.

Programming

1. Determine if there is interest by developers to develop the existing courthouse into an alternative use.
2. Approve the first step in determining the actual program scope of project to be provided for either the renovation or construction of a new courthouse.
3. Facilitate the programming; systems features and quality standards document defining the detail needs for the courthouse and staff. The program would be provided and prepared as the first step or baseline for a conventional design-bid-build delivery or to be used in an agreement with a developer delivery model. A more detailed Program

Of Record (POR) would be required in order to complete the Public-Private-Partnership (PPP) process.

4. Seek interest or proposals from developers to partner for the costs of the renovation and/or land acquisition and new construction.

Operational

1. Authorize a study on the operational cost savings potential of the renovation of the current courthouse compared to building a new courthouse for both energy savings and staffing efficiencies.