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**November 13, 2014**



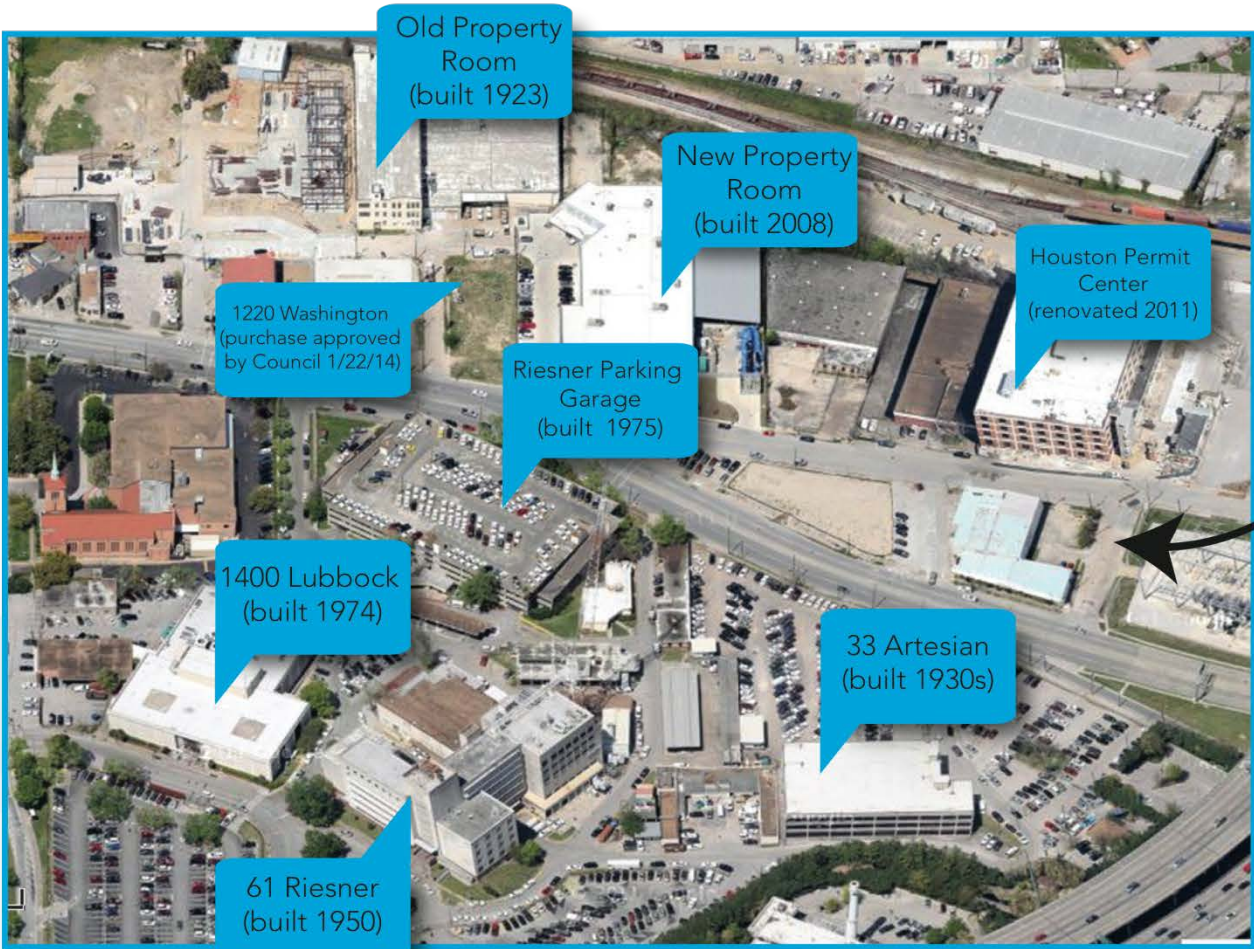
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# PROJECT GOAL

"To construct a new Justice Complex that will streamline police and court operations, meet the needs of the citizens and the departments for a minimum of 30 years, increase efficiency of building maintenance costs, and provide for the latest in energy efficient technologies."

# SITE LAYOUT



1200 TRAVIS  
Headquarters

1.1 miles



# THE PROBLEM

## Old, out-of-date police and court buildings

Old, outmoded, unsecure buildings with safety issues mostly built between 1950 – 1980, some as far back as the 1930s

The current buildings are 34 – 84 years old

The useful life of most buildings from this era is 30 – 35 years

### Parsons 2012 Facility Conditions Assessment(FCA):

**Poor 10 of 13 buildings**

**Fair 2 of 13 buildings**

**Good 1 of 13 buildings**

**\*Parking Garage not included in FCA report**

- FCI Rating = Cost of repairs in relation to the replacement cost of the building
- Best practice for FCI ratings of 60-70% and above is to replace the building.

BUILDING	Built	SF	FCI rating	Condition
61 Riesner - Central Patrol (old HQ)	1950	101,355	72.6%	Poor
51 Riesner - Riesner Gym (old Academy)	1950	29,855	73.8%	Poor
49 Riesner - Transmission Shop	1950	3,450	70.0%	Poor
50 Riesner - Vehicle Repair Shop	1950	7,850	74.3%	Poor
59 Riesner - Tire Shop	1950	6,290	66.8%	Poor
700 Houston Ave - Uniform Supply	1965	6,460	29.7%	Poor
62 Riesner - Communications Bldg.	1974	53,090	77.7%	Poor
52 Riesner - Fleet Administration	1975	4,105	53.3%	Poor
53 Riesner - Parking Garage	1975	230,680	N/A*	N/A*
54 Riesner - Transportation Office	1975	1,748	80.2%	Poor
33 Artesian - Technology Bldg.	1930s	68,500	31.5%	Poor
UPS Building	1980	2,400	10.0%	Fair
1400 Lubbock - Municipal Courts	1974	104,000	5.7%	Good
1200 Travis - HPD HQ	1963	559,925	10.4%	Fair
<b>TOTAL</b>		<b>1,179,708</b>		

# REHAB OPTION

The City of Houston's portfolio of buildings is in need of significant repair.

- Poor conditions and high levels of deferred maintenance for all City facilities total over \$490 million, not including structural and foundation repair.
  - \$72 million slated to be addressed in the FY15-19 CIP
  - As we address the highest priority repairs, facilities not being addressed get older and construction costs increase
  - At the current pace we risk never catching up
- Preliminary estimate to address immediate concerns for existing downtown police and municipal court facilities is \$250 million.
  - Annual payment for debt service and subsequent O&M is almost \$50 million
  - Addresses MEP, structure and roof only
  - Does NOT address site work, additional parking, bullet and blast resistive materials, 100 year floodplain mitigation, additional space needs, or swing space

# ISSUES WILL REMAIN IF A REHAB TO EXISTING FACILITIES ARE SELECTED

Greater efficiencies would result if operations were consolidated to one location

- Inefficient layout
  - Currently, MCD has numerous key operations that are located off site due to the lack of available office space at 1400 Lubbock (In-house collections, mail processing and juvenile case management program)
  - These divisions are integral to court operations and revenue generation. Multiple worksites:
    - Hinder workflow issue
    - Decrease productivity
    - Creates a feeling of disparate departments that do not work hand-in-hand
- Inefficient productivity & workflow
  - Currently, location limits operational capacity to increase- HPD at capacity now
  - PERF Report calls for additional staffing, that will ultimately need office space

# ACCESSIBILITY WILL CONTINUE TO BE A ROADBLOCK IF EXISTING FACILITIES ARE SIMPLY REHABILITATED

- Inadequate Public and Employee Parking
  - MCD routinely receives negative feedback from the public regarding a lack of parking at 1400 Lubbock. The front parking facility is at capacity by 8:00 am daily.
- A Safety Issue
  - Staff walking from Lot C must traverse congested intersections and construction, and jurors walking from Lot H have a long commute through traffic.
  - Because of the age of the facility, 1400 Lubbock has been “grandfathered in” with regards to current ADA requirements. There remains a great need to increase the number of handicap spaces and provide greater accessibility to the court facility

# PROPOSED JUSTICE COMPLEX

- Programming work has identified adjacencies that will be incorporated into the design to streamline police and court operations
- Space to grow into and/or a design that can accommodate future expansion to meet the needs of the departments for a minimum of 30 years
- Ability to adapt to changing technology to deliver public safety best practices
- New Amenities Benefitting the Public:
  - Enhanced security
  - Adequate parking & accessibility to the facilities
  - Food court for jurors
  - Multi-purpose auditorium for public events
  - Green space



# SITE SELECTION & JUSTIFICATION

## Selling and purchasing a new tract would mean

- Relocating to even ten miles outside of downtown Houston would only save 0.03% of project costs
- A decrease in accessibility
- A reduction in workflow
- Lack of centralization
- A missed opportunity to profit from existing utilities and amenities already in place



# DELIVERY METHOD OPTIONS

Design-Bid-Build (DBB)	Construction Manager At Risk (CMAR)	Design Build (DB)	Performance Based Infrastructure (PBI)
<p>Two contracts</p> <p>Design completed before bidding</p> <p>Full owner control</p> <p>Intense construction price competition</p> <p>Legally mandated to avoid favoritism in contractor selection</p> <p>Deep market, prevalent method</p> <p>Well understood, proven over time</p> <p><i>Not qualifications based</i></p> <p><i>Forced marriage of designer, builder</i></p> <p><i>Construction price is only selection factor</i></p> <p><i>Slower delivery</i></p> <p><i>Higher cost</i></p> <p><i>Can be dispute prone</i></p>	<p>Professional selection of construction interface</p> <p>Higher confidence in cost estimates</p> <p>Guaranteed maximum price possible</p> <p>Design phase assistance</p> <p>Complete control of design</p> <p>Less need for contingencies for uncompleted design work</p> <p><i>Designer and builder are teamed by owner, not voluntarily</i></p> <p><i>Multiple points of responsibility</i></p> <p><i>Owner retention of design liability</i></p> <p><i>No design competition</i></p> <p><i>No constructability competition</i></p> <p><i>Limited life cycle cost considerations</i></p> <p><i>Degree of design conservatism</i></p>	<p>Prequalification</p> <p>Shortens project delivery time from DBB</p> <p>Increases collaboration</p> <p>Competition on non-price factors</p> <p>Cuts capital costs</p> <p>Transfers performance risk</p> <p>Promotes innovation</p> <p>One point of responsibility for design + construction</p> <p>Minimization of change orders</p> <p><i>Less control over design details</i></p> <p><i>Less familiarity</i></p> <p><i>Possibility of smaller number of competitors</i></p> <p><i>More complex selection</i></p> <p><i>More involved negotiations</i></p>	<p>Qualifications based selection</p> <p>Expedites project delivery</p> <p>Creates lifecycle focus</p> <p>Cuts design + construction costs</p> <p>Cuts facility management costs</p> <p>Transfers performance risk</p> <p>Promotes innovation</p> <p><i>Higher interest rate debt</i></p> <p><i>Less familiar to owner</i></p> <p><i>Possible, narrower debt market</i></p> <p><i>Greater transactional complexity</i></p>

# FINANCING ALTERNATIVES

## What will the Houston Justice Complex cost?

- **Total Project Net Present Value Cost**
  - Includes construction costs and 30 years of O&M
  - \$750 million - \$1.2 billion
  - Annually \$50 - \$150 million
- **Why is this range so large?**
  - We don't want to bias the Price Discovery phase
  - Construction costs in the Houston region have been volatile
- **Why do we need a Price Discovery phase?**
  - We want to subject profit levels to competition rather than an advisor's best guess
  - Cost estimate values we present publicly have a high potential to bias bidders' pricing models
  - Like getting quotes for a kitchen remodeling project, if the contractors believe our budget is large, they may quote higher than necessary, if our budget is perceived as too low, they may not bid at all.
  - Few, if any market comps available

# FINANCING ALTERNATIVES

## How will we pay for the Justice Complex?

Funding Options	Advantages	Disadvantages	
Expenditure cuts	No additional taxes or fees	Will result in service cuts	Already being explored to close the budget gap. Even combined, unlikely to be enough to do both.
Cut health benefits costs	No additional taxes or fees	Disproportionate impact on lowest paid employees	
Garbage fee	Utilized by other cities	Increases fees paid by citizens	
Lift or modify property tax cap	Would be put to the voters for approval. Limits increases in property taxes to increases in property values.	Increases property taxes paid by citizens	
Control rising pension costs	No additional taxes or fees	Not a short term solution	
Debt refinancing (current market)	No additional taxes or fees	Insufficient amount: NPV \$23 million	
Debt restructuring	No additional taxes or fees	Not truly a funding source. Delaying existing debt service will create capacity now but increase payments later.	
FY20-25 CIP Capacity	No additional taxes or fees. Would be put to the voters for approval of a bond election.	Postpone the project for 5yrs. No other CIP projects for police, fire, library, parks, health, fleet, and IT for 5-6yrs.	
Special Property Tax Assessment for Public Safety	Would be put to the voters for approval. Will leave other options available for closing the budget gap. Could also be used to address larger public safety needs such as additional headcount.	Increases property taxes. Project teams may be hesitant to invest in developing a proposal given the uncertainty of approval of project funding.	

# THE PROCESS

## What has been accomplished so far?

- 2012: City Council approved an expanded scope of work with our financial advisors to explore financing strategies.
- 2013: The City explored private sector interest to construct the Houston Justice Complex through Performance Based Infrastructure
  - Request for Qualifications was issued on June 14, 2013
  - 7 project teams responded positively
  - The City evaluated and selected a shortlist of 3 project teams
    - Hines, Plenary Edgemoor, Skanska AECOM Honeywell
- 2014
  - Preliminary due diligence on site selection conducted in early spring.
  - Robust due diligence on site selection conducted late summer.
  - The City's technical advisors, MOCA, conducted in depth due diligence of the City's preliminary project programming.
    - Developed design guidelines and performance specifications (written requirements that describes the functional performance required)
    - The City now has project programming sufficiently detailed for the 3 shortlisted project teams to provide low, high and most likely project cost ranges

# THE PROCESS

## Moving Forward – Price Discovery

- We are seeking City Council approval to move forward with price discovery.
  - December 3, 2014 RCA to appropriate
    - \$800,000 for First Southwest
    - \$1.25 million for Hawkins, Delafield & Wood, LLP
  - Total additional cost to complete price discovery and conclude the planning & programming phase is \$2.7 million
    - Includes continued spend on the MOCA contract approved May 2014

# THE PROCESS

## Moving Forward – Price Discovery

- Release RFP Phase 1: Price Discovery January 2015
  - Shortlisted firms' submission to include:
    - Low, high, and most likely cost ranges for development of the Justice Complex
    - Ideas to reduce project costs
    - Feedback related to stipends
    - Feedback regarding project schedule.
- Selection of City Council appointee to the P3 Oversight Committee needs to be completed by the end of January 2015 to review submissions to RFP Phase 1: Price Discovery

# THE PROCESS

## The Role of City Council

- Approve Phase 1 and Phase 2 of the RFP process through appropriations for consultants necessary to proceed to each phase:
  - Phase 1: Price Discovery (December 2014)
  - Phase 2: Design Competition (March 2015)
- Approval of City Council appointee to P3 Oversight Committee
  - Will review all responses to each phase of the RFP and present recommendations to City Council regarding affordability, financing strategy, and whether the City should move forward with RFP Phase 2: Design Competition
- Approve financing / procurement strategy
- Approve project agreement (November-December 2015)



# APPENDICES



# JUSTICE COMPLEX HOUSTON TEAM



# OUR TEAM - A MORE DETAILED LOOK

