

MULTNOMAH COUNTY HEALTH DEPARTMENT HEADQUARTERS FAC-1 AMENDED PROJECT PLAN

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IN CONJUNCTION WITH: Multnomah County Facilities & Property Management

Multnomah County Health Department

ZGF Architects

J.E. Dunn Construction



FAC-1 AMENDED PROJECT PLAN

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FAC-1 AMENDED PROJECT PLAN

EXECUTIVE SUMMARY

For over a decade, Multnomah County has sought opportunities to vacate the McCoy Building and relocate the Health Department (MCHD) to a facility that can flexibly accommodate a centralized headquarters and specialized services. The County has determined that the McCoy Building inadequately meets its current and future operational needs, as it is in poor condition, was not originally designed to accommodate its current functions, and would require significant investment in upcoming years. The Block “U” project site provides a favorable location and significant financial assistance due to \$36.4 million in River District Tax Increment Funding in addition to the agreement to acquire the land at no cost from the City of Portland’s Housing Bureau.

The development capacity of Block “U” allowed a maximum building height of 75 feet, limiting development of about 96,000 GSF, less than required to fully accommodate the MCHD programs. The County worked with the City Bureau of Planning and Sustainability to explore greater development opportunity for this site. In June 2015, Zoning Map Amendments approved by the City of Portland increased the base height to 105 feet, with a maximum height available through FAR bonuses to 150 feet.

This FAC-1 Amended Project Plan outlines the transition from the former project plan to a newly-defined vision of a facility that provides the full program needs for an efficient and functional Health Department Headquarters.

Over the last few months, the Project Management Team (PMT) has worked to develop a revised building program, test a conceptual facility within the new height and square footage allowances and update the construction and soft costs required to deliver the project. The PMT is now fully prepared to initiate the next design phases of the project, and committed to delivering to the County a new facility guided by the established goals and objectives, at the lowest practical cost, and on schedule.

The conceptual estimate for this project, including hard construction and soft costs, is a range of \$85M to \$95M. The preliminary project schedule targets the start of construction in early 2017, with completion and move-in early in 2019.

A Board Resolution has been prepared to seek approval of this FAC-1 Amended Project Plan and authorize the Schematic Design and Design Development phases of the Health Department Headquarters Project.

FAC-1 AMENDED PROJECT PLAN

PART A - INTRODUCTION

Project Sponsors

Multnomah County Chair, Deborah Kafoury
Multnomah County Health Department (MCHD)

Project Stakeholders

Multnomah County Board of Commissioners
Multnomah County Facilities and Property Management
City of Portland Housing Bureau
Portland Development Commission

Statement of Need

The Multnomah County Health Department (MCHD) works in partnership with the diverse communities it serves to promote and protect the health of the citizens of Multnomah County.



Gladys McCoy Building

Through its critical public health functions, the department serves all 748,000 county residents. It is also the largest safety net provider of health care in Oregon with 33 primary care, school-based, dental and specialty clinics.

With the adoption of the Affordable Care Act, the demand for the Health Department's services have grown significantly. Clinics located in the current Health Department Headquarters facility face the complexity of having to serve more clients in spaces that have limited flexibility. The HIV clinic alone has doubled patient numbers from 700 to 1400. As the largest HIV clinic in the state, this clinic serves individuals who live in 20 of Oregon's 36 counties. Many of these patients are homeless, uninsured, have a mental illness diagnosis, and are dealing with substance abuse. For these individuals, the Health Department has become their final choice for treatment.

Currently, the MCHD administrative and clinical operations occupy the Gladys McCoy Building located at 426 SW Stark Street. The McCoy Building was built in 1923 as a retail and warehouse space. The County has determined that the building inadequately meets its current and future operational needs, as it is in poor condition, was not originally designed to accommodate its current functions, and would require significant investment in upcoming years. Other challenges include the fact that the McCoy building is one of the lowest performing buildings in the County's facilities portfolio. Asset

assessment reveals a performance score of only 44 points out of a possible 80 in the Facility Asset Strategic Plan. In addition, the Condition Ratio of the building is over 150% - meaning the amount of investment required to upgrade current systems over the next 20 years is 1.5 times the value of the existing building. Finally, to renovate McCoy to make it flexible, functional, seismically viable and technologically useful would significantly exceed that cost and does not address the risk and uncertainty of the hidden conditions of the building.

For over a decade, Multnomah County has sought opportunities to vacate the McCoy Building and relocate the Health Department to a facility that can flexibly accommodate a centralized headquarters and its specialized services. Recently, the County analyzed a number of relocation and reconfiguration options before determining that the construction of a new building would be the most practical and cost effective. The new headquarters would be constructed of systems and materials capable of at least 80 years of service. The headquarters will brand the County as a visible and respected leader on health matters in the region.

Purpose of this FAC-1 Amended Project Plan

The recent approval for increased building height allows an approximately 60% increase in building area on the Block U property. This development presents improved opportunities for a complete relocation of the MCHD programs housed at the McCoy Building, and most from the Lincoln Building.

The height and area increases represent a change in Project scope and cost exceeding 20%, which according to County policies, requires Board approval as outlined in County policy.

The Board of County Commissioners is requested to approve the Amended Project Plan. This concludes efforts to re-define the building program and presentation of updated conceptual cost estimates. Also being requested with this FAC-1 is to engage in the schematic and design development phases of the project.

Project Development History

In August of 2010, Multnomah County worked with Home Forward to consider the feasibility of relocating the McCoy Building functions to the vacant, easterly portion of Block U at N.W. 6th & Hoyt. The parcel is directly east of the Bud Clark Commons, and is owned by the City of Portland. Home Forward, formerly the Housing Authority of Portland (HAP) is a municipal corporation specializing in the development and management of low - income housing.

In December 2011 the Board of County Commissioners approved the Preliminary Planning Proposal in resolution 2011-141. In May 2012, the Board of County Commissioners approved the acquisition of the land from the Portland Housing Bureau in resolution 2012-191. Following this Resolution, the County partnered with Home Forward as developer who engaged ZGF Architects to perform building programming and schematic design, and JE Dunn to perform pre-construction cost estimating. In April 2014, a FAC-1 Project Plan was approved by the Board of County Commissioners, authorizing completion of the Design Development phase.

The Design Development phase of the design work was completed in June 2014. At the time, height limitations for the Block U property limited development to six floors, which was insufficient to

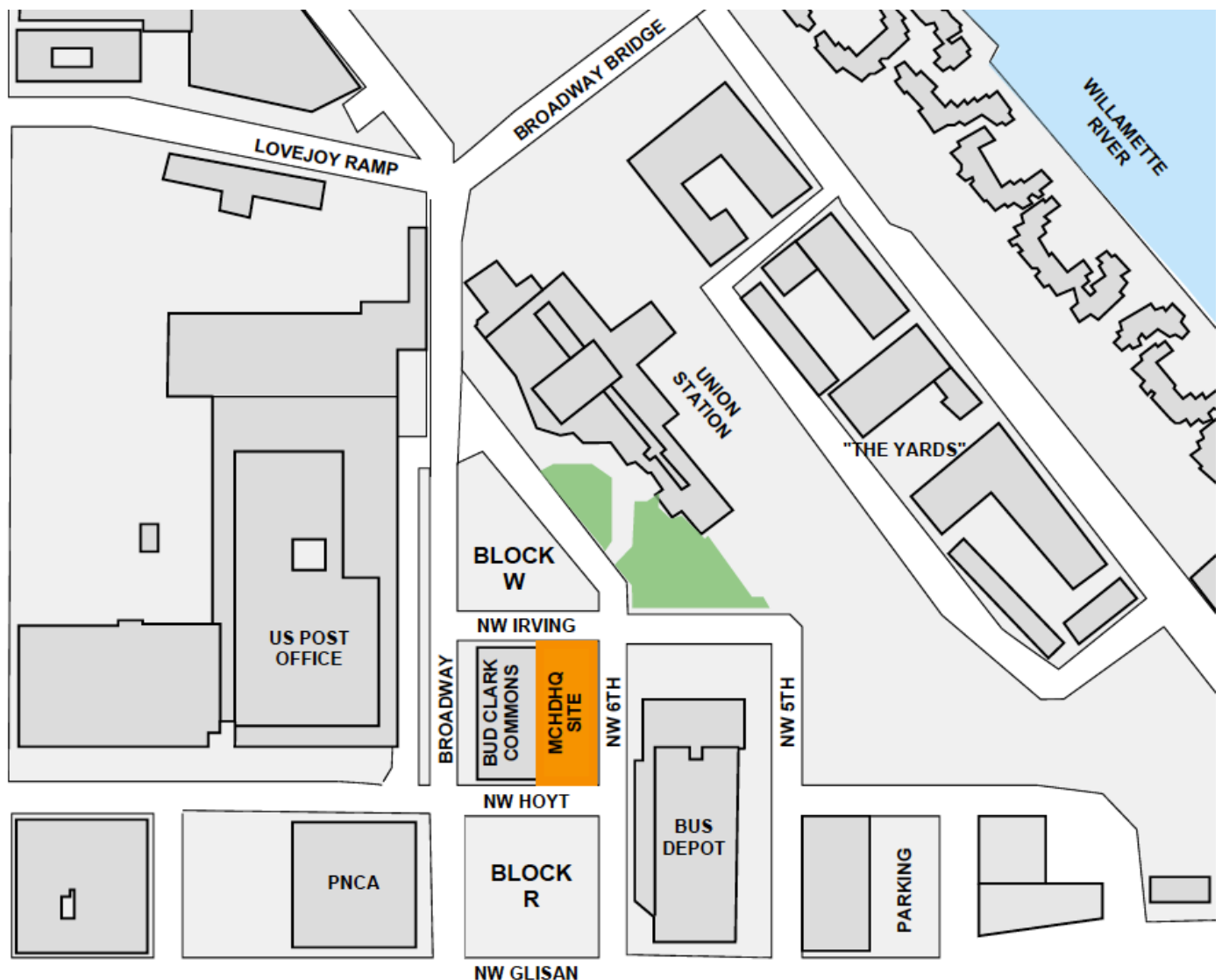
accommodate all programs at the McCoy building. In January 2015, Multnomah County and Home Forward mutually agreed to terminate the IGA for development services for this project.

The County took the opportunity to reevaluate the Project strategy to provide for growth and flexibility. The County also initiated a process to explore development options, including seeking additional height limits on the Block U property, and consideration of other sites.

The County worked with the Bureau of Planning and Sustainability to explore options for greater development opportunity on the existing Block U project site.

In June 2015, the City of Portland approved a Zoning Map Amendment that, together with FAR bonuses, allows a maximum height of 150 feet, while maintaining the Tax Increment Financing funds provided by the City of Portland.

The County, recognizing additional expertise and resources were needed for the delivery of this project, issued a formal solicitation for owner's representative services. In April 2015, Shields Oblatz Johnsen (SOJ) was selected to provide owner's representative and project management services.



Project Status

As owner's representative, SOJ joined with other Project Management Team (PMT) members including the MCHD, Facilities & Property Management, ZGF Architects and JE Dunn Construction, who had all remained in place, though with a few changes in personnel.

The PMT recently engaged in an effort to confirm and re-evaluate the MCHD building program. Based on the additional building area and height limits approved for the site, a conceptual project of 9 floors and 157,000 GSF is capable of accommodating all MCHD programs from the McCoy and Lincoln buildings, as originally intended.

The work to update the program for a larger facility has been performed in concert with a new estimating effort for construction and other project-related elements. The estimates are conceptual in nature, no detailed drawings or specifications for the new project have been initiated. A number of organizational, communication and administrative tasks have been initiated to lay the groundwork for a well-functioning project team. Amended contracts for services with the architect and contractor have been developed and finalized, and the PMT is well positioned to effectively and efficiently engage in a new project design effort.

The scope, costs and schedule of this new project are presented within this Amended Project Plan.

FAC-1 AMENDED PROJECT PLAN

PART B - SUMMARY OF FINDINGS

Project Goals & Objectives

Strategic work sessions held in January 2013 established a “vision” for the project with a description of the qualitative goals, desires, and expectations. The project vision establishes guiding principles for the Multnomah County Health Department Headquarters project that will be used to inform and measure design decisions.

PROJECT MISSION

To provide the Multnomah County Health Department a permanent and sustainable location from which to deliver critical services to Multnomah County residents.

CHARACTER and QUALITY

Identity: Facility will reflect the prominence and importance of providing critical health services to the citizens of Multnomah County while reflecting fiscal responsibility to the taxpayers.

Art: Participation in the Percent for Arts Program at 2% of construction costs per Ordinance No. 1117

PERFORMANCE and SUSTAINABILITY

Operations: Use of durable, sensible materials and systems focused on low long-term operational cost, and a functional, efficient facility that is easy to maintain.

Longevity: The facility is intended to last at least 80 years, and designed with flexibility to accommodate the future needs and requirements of County programs.

Aspirational Sustainability Goals:

- Achieve a Leadership in Energy & Environmental Design (LEED) Gold Rating
- Meet the Architecture 2030 Challenge
- Meet 2009 Climate Action Plan
- 1.5% Solar program

COMMUNITY BENEFITS

M/W/ESB Involvement: The County is seeking high level of participation from M/W/ESB businesses and organizations, and has identified an aspirational goal of 20% involvement of the value of construction, and for 20% of the total design fee.

Apprentice Involvement: The County is seeking a high level of participation from women and minority apprentices with an overall apprentice workforce goal of 20% in alignment with the County’s Workforce Training and Hiring Program requirements.

COMMUNITY INVOLVEMENT

The project will seek the input of and ensure communication with community members throughout the design and construction process.

BOARD OF COMMISSIONERS and HEALTH DEPARTMENT LEADERSHIP QUALITATIVE and VISIONARY GOALS

This project vision provides guiding principles that are used to inform and measure design decisions.

Project Image:

- a. Reflective of Multnomah County credibility
- b. “Brand” Multnomah County well
- c. Not over the top, a wise use of resources
- d. Easily accessible
- e. Inclusiveness as a Hallmark of Multnomah County Health Department
- f. Timeless design, yet innovative
- g. A good neighbor
- h. Sustainably designed, leading by example

Building Character:

- a. Welcoming, inviting
- b. Economical and high quality, a good value
- c. A healthy and healthful building
- d. Inspirational to both staff and clients, making all feel valued
- e. Safe

Building Design:

- a. Attractive
- b. Reflecting simplicity, functional utilitarianism + good aesthetics
- c. A well-functioning building, now and for 80 years
- d. Well lit, cheerful
- e. High indoor air quality
- f. Calming
- g. Flexible
- h. Forward thinking, technology astute
- i. Complementary to Bud Clark Commons
- j. Desirable outdoor terraces

Revised Project Scope

The proposed building is a headquarters for the Multnomah County Health Department. It is an approximately 157,000 gross square foot, nine - story structure located on less than a half block in Portland's Central City.

Design work has not been initiated, but the new building is anticipated to have a public entry sequence fronting on NW 6th Avenue. Major elements of the ground floor are likely to include:

- Lobby area security desk, ATM machine and coffee cart
- Incident Command center
- Bike storage room and Restrooms
- Pharmacy and vaccine depot
- Loading dock and related service functions

The upper eight floors would house the other Health Department functions, including:

- Community Health Services
- Integrated Clinical Services
- Central Laboratory
- Public Health & Community Initiatives
- Health Officer
- Human Resources and Workforce Development
- Department Director
- Director of Nursing Practice
- Conference rooms, building support systems, etc.

Clinics are likely to be located on lower floors to facilitate public access. Administrative space may be located on upper floors. Vertical circulation, restrooms for public use and staff use, break rooms, mechanical rooms, and other ancillary program spaces and modest growth spaces are distributed throughout the building.

Preliminary Milestone Schedule

November 2016	Revised Project Plan presented to Board of County Commissioners
Spring 2016	Complete Schematic Design / Design Development
Winter 2016	Complete Construction Documents, Permitting, and establish GMP
1st Quarter 2017	Begin Construction
4th Quarter 2018	Construction Complete, begin Move - In

Building Programming:

In Summer 2015, ZGF led an effort to confirm and evaluate previously compiled program information for all appropriate MCHD departments. Detailed program data such as area and space needs, spatial relationships and functional requirements were obtained in the following manner:

- Each department in The 2014 Program was consulted with individually by the Design team in June/July of 2015 to confirm the previous information, to capture new growth to departments and any new information. The revised department programs were distributed to the respective groups to review and confirm data. MCHD leadership reviewed the compiled data and made modifications as necessary to ensure the needs and growth projections were accurately recorded. The 2015 program reflects all corrections and comments received after their review.
- Departments that did not fit in the 2013/2014 building design were met with to document their program for inclusion in the 2015 program document and the building design. The 2015 program reflects all of these additions.
- The 2015 revised program continues to utilize industry clinic benchmarking standards and Multnomah County Health Design Guidelines dated May 22, 2006. The information was used to determine clinic exam rooms and support space needs in the 2013/2014 Program.
- The 2015 revised program uses Multnomah County Oregon Administrative Procedure FAC-4 Space Assignment, Design, and Use dated January, 2010 in identifying workplace workstation sizes and conference room quantity for an open workplace environment.
- The ZGF Design Team worked closely with Multnomah County to explore reducing the standard office and workstation sizes from the 2010 Space Assignments to gain additional growth in desks and shared workspaces.
- The design team's mechanical and electrical engineers provided revised mechanical and electrical building support room requirements to reflect the additional height and High-Rise requirements of the building. The draft floor plan backgrounds were updated to reflect these changes.
- Departmental Blocking and Stacking plans were created to illustrate potential locations of each group in the building, their adjacencies to one another and to the public, and to illustrate where un-programmed space occurs.

Comparative Building Program:

The Comparative Building Program below illustrates the departments and program accommodations compare between the March, 2014 FAC-1 approval and the current new building program.

SERVICE AREA / DIVISION	9 Floor 2015 Program Gross Sq. Ft. (DGSF)	6 Floor 2013 Program Gross Sq. Ft. (DGSF)	Comments
STAFF COUNT	497	345	
DEPUTY DIRECTOR			
Emergency Preparedness and Response	2,960	4,529	Decrease - conf. rm. Shifted to shared program
Director / Administrative Offices	1,803	3,076	Decrease - Shifted staff to other programs
Health Department Shared Spaces	12,179	5,841	Increased to support higher total staff count
BUSINESS, FINANCIAL & QUALITY SERVICES			
Business Services	11,101	5,205	Increased Staff & inclds. Mental Health Supp. Team
Vaccine Depot (Immunization Storage)	476	449	
Mental Health and Addictions Contracts	1,053	0	Added Program
COMMUNITY HEALTH SERVICES (CHS)			
CHS/CES/ECS	2,057	1,508	Increased Staff
STD/HIV/Hep C /Adol. Health	12,354	6,524	Added HIV Prevention & Adolescent Health
Communicable Disease Services	11,316	10,198	Increased Staff
Mental Health	1,053	0	Added Program
DIRECTOR OF NURSING PRACTICE			
Director of Nursing	1,322	679	Increased Staff
HEALTH OFFICER			
Health Officer/EMS/HPO	2,705	862	Added EMS Program
HUMAN RESOURCES & WORKFORCE DEVELOPMENT			
Workforce Development (HR & Training)	4,542	3,138	Increase in Staff
INTEGRATED CLINICAL SERVICES (ICS)			
Health Center Business Operation (Call Center)	0	0	
Health Information Services (Medical Records)	1,215	1,136	
Clinical System Information (Elec Health Records)	2,947	2,246	
ICS Administration	7,483	5,286	Increased Staff
Central Laboratory	6,558	0	Not included in 2013
Pharmacy Administration	1,029	913	
Pharmacy	1,775	1,250	Added waiting sq ft
HIV Clinic	12,932	10,893	Added Special needs clinic
PUBLIC HEALTH & COMMUNITY INITIATIVES			
Public Health & Initiative	2,043	627	Added staff moved from Office of Policy & Planning
Health Equity Initiative	2,190	2,436	Added Staff /moved from Dir./Admin office program
PUBLIC HEALTH			
Program Design & Evaluation Services (PDES)	0	0	
FACILITIES			
Lobby	484	264	Includes waiting, reception, security, ATM, coffee
Building Support ²	24,095	17,640	Includes building core support elements, i.e. restrooms, janitor, MEP rooms.
Growth Space	3,581	0	
SUBTOTAL	131,250	84,700	
Grossing Factor (DGSF to BGSF)	23,625	8,314	includes circulation, shell, stairs and elev. shafts
GROSS SQUARE FEET	154,875	93,014	

Concept Design Narrative

The building design will build upon the previous efforts of the project in 2014. As defined in the Project Goals and Objectives, expectations for building design include:

- **Cost efficiency.** The goal is to realize best value and operational efficiency for the citizens of Multnomah County.
- **Durability.** Design decisions will be made with the goal of a minimum 80 years life expectancy for the building. This means that choices about the kinds of exterior materials, hardware, mechanical systems, roofing and other important elements will be made in the context of maximizing longevity.
- **Functionality.** To project's functional goal is to meet Health Department functional needs now and, to the extent possible, in the future. This means designing for maximum flexibility: floor-to-floor heights will be set to help accommodate changes in above-ceiling mechanical and electrical systems; major mechanical and electrical systems will be located to allow for facilities maintenance and change in a way that minimizes disruption to the program functions of the building; structural systems and column placement will be arranged in a way that accommodates changes in interior layouts to the extent possible within the constraints of the project budget and site.
- **Sustainability.** The project seeks to minimize environmental impact within an urban environment and has specifically set significant goals with respect to multiple performance benchmarks including LEED and Architecture 2030.
- **Aesthetic design excellence.** The project will be designed to be a timeless civic building that complements and enhances the district's architecture.

Conceptual Cost Estimate

The estimate for the project is conceptual in these early planning stages of a project, variations of estimate components may be wide, and that there are essentially no design documents available to develop take-off based construction estimates.

A conceptual estimate, when properly assembled, includes contingency factors to reflect that the level of data upon which the estimate is based is limited. Costs are anticipated to increase somewhat as the project design is developed and more detailed estimates are performed. As that occurs, portions of the contingencies are applied to offset the cost increases while estimate reliability also increases. When the Design Development phase is completed in Summer 2016, a comprehensive re-evaluation of project costs will be developed with the first package of preliminary design drawings and specifications. Accordingly, the updated estimate will have an increased level of reliability. Further estimate reliability will occur as drawings and specifications are completed.

For the past several months, the conceptual estimate has been assembled with the following methods and assumptions:

- The construction cost estimate has been compiled by using the 90% Design Development estimate as a base. This was for a 6-story building, and a non high-rise application. Then, scope increase assumptions are added for the high-rise classification extras, mostly for fire life safety requirements. Materials and systems are assumed to remain the same, but are increased based on building square foot increases to arrive at a model for the 9-story base estimate. The 1.5% for Solar Program Costs are added. Contingencies are included to address the stage of the project being conceptual in nature, escalation and other factors.
- Multnomah County Construction costs include 3rd-party performance of site demolition and contaminated soils removal. These costs are established with an allowance.
- Other County-performed or provided elements include Furniture, Fixtures and Equipment, Telecommunications Systems, and Building Network and User Hardware Systems. Recent estimates, also based on simple square footage increases, have been provided by the County and established vendors. Factors for escalation and general contingency are included.
- Project Soft Costs include numerous line items, but essentially cover permits, fees, professional services from consultants and vendors, 2% for Art, an allowance for meeting the FAR Bonus requirements, escalation and a small contingency.
- Other assumptions include the proposed schedule is maintained, there are no significant program changes to the project, and no significant events effecting local economic factors occur.

Based on these factors, the results of the Conceptual Cost Estimate effort provides confidence that the project should be delivered within a range of \$85.0 to \$95.0 million.

Project Budget Sources and Uses:

FUNDING SOURCES & USES, NET GENERAL FUND CONTRIBUTION		
Secured Sources & Uses	Low Est.	High Est.
Conceptual Estimate Range (late 2016 dollars):	\$85,000,000	\$95,000,000
PDC IGA 2012: River District Tax Increment Funds (TIF):	-\$26,948,460	-\$26,948,460
PDC IGA Amendment 2015: River District TIF:	-\$9,449,409	-\$9,449,409
Approved "One Time Only" Funds:	-\$5,400,000	-\$5,400,000
Subtotal including secured sources:	\$43,200,000	\$53,200,000
Anticipated Funding Sources		
Estimated McCoy Building Proceeds:	-\$5,000,000	-\$5,000,000
Estimated HD Departmental Contributions:	-\$7,000,000	-\$7,000,000
Net General Fund Contribution:	\$31,200,000	\$41,200,000

Project Financing Strategy:

Department of County Management Finance & Risk Management Division



MEMORANDUM

To: Board of County Commissioners
From: Mark Campbell, Chief Financial Officer
Date: October 26, 2015
Subject: Health Department Headquarters Project – Financing Strategy

The purpose of this memo is to outline a strategy for financing the project to construct a new Health Department headquarters facility. The project will make use of **approximately \$36.4 million** in tax increment financing (TIF) funds due to its location in the River District urban renewal area. It is assumed that the balance of the project will be financed primarily with long-term debt. Prior, and any future, General Fund cash contributions will limit the amount of long-term debt that will be needed. This memo also provides an overview of the County's debt capacity and how this project will impact it.

Project Funding and Timing of Resources

The project being proposed for construction is a 157,000 gross square foot, nine story building located on the U2 block, adjacent to the Bud Clark Commons, in downtown Portland. It will house all of the functions and staff currently located in the Gladys McCoy Building and many of the Health Department staff currently located in the Lincoln Building.

The cost to construct this project is estimated to be **between \$85 million and \$95 million**. This financial analysis assumes that the project comes in near the mid-point of that range. This also takes expenses that have previously been incurred for project management and preliminary design into account. Construction is expected to begin in the first quarter of 2017. Given that the County has secured, or will secure, sufficient funds to complete the design development work and construction document/permitting phases of the project it is anticipated that debt financing will not be needed until the end of FY 2017. Project financing will consist of:

GF Cash Transfer	\$ 5,400,000
TIF Funds (River District)	36,397,869
Long-Term Debt	<u>49,495,967</u>
Total	\$91,293,836

The amount of long-term debt necessary to support the project could be reduced if the Board commits some one-time-only (OTO) funds to it. As per the County's *Financial & Budget Policies*, half of the OTO revenues identified in the Chair's Proposed Budget ". . . will be allocated to the capitalization, or recapitalization, of major County facilities projects." As a general rule of thumb, each \$1 million committed to the project reduces annual debt payments by \$75,000 – in other words, a \$1 million investment saves the County half a million dollars over the life of the bonds.

Debt Service Analysis

Approximately \$50 million of the total project cost is assumed to come in the form of bond proceeds. There are a number of factors that should be considered when establishing a debt schedule. The table below highlights the estimated cost of debt over 20 years and 30 years assuming a level debt service structure.

Term	Interest Rate	Annual D/S	Total Interest
20 Year	3.75%	\$3,561,834	\$21,740,705
30 Year	4.00%	\$2,862,357	\$36,374,733

Actual annual payments will be tailored to match the County's anticipated cash flow. As has been noted in the past, most of the County's current debt (the debt that is subject to the *Financial & Budget Policies*) will mature in FY 2020. A debt service schedule could be structured in such a way to minimize payments in the first few years and use accumulated savings to make lump-sum payments. For example, when construction of the new headquarters facility is complete the County will be able to dispose of the Gladys McCoy building. A reasonably conservative estimate places the building's value at \$5 million. Sale proceeds could be dedicated to the project.

Likewise, the Health Department could be directed to allocate budgetary savings to the project to pay for things like furniture, fixtures, and specialized medical equipment. Discussions have been held with the Department and, for purposes of this analysis, it is estimated that \$7 million can be accumulated over a five year period based on historical spending patterns. The combination of departmental savings and sale proceeds would reduce the net General Fund contribution to the project by \$12 million. If applied as a lump-sum, or "bullet", payment that amount would **save \$765,000 in annual debt service** payments over the term of the bond issue.

It is assumed that it will not be necessary to issue long-term debt until late in FY 2017 with an initial payment due in FY 2018. It is very likely that interest rates will increase by then and the estimates provided above assume a 50-basis point (.5%) increase over current rates.

Impact on Debt Capacity

Debt capacity is limited by state statute and the County's *Financial & Budget Policies*. The internal policy is more restrictive than the state limits and, thus, is the basis for this analysis. That policy limits annual debt service payments for "full faith and credit" obligations that are directly supported by the General Fund to **no more than 5% of budgeted General Fund revenues**. The FY 2016 debt capacity calculation is attached to this memo as Table 1.

As of July 1, 2015 the General Fund directly supports about \$5.3 million in annual debt service payments. This amount is reduced slightly each year until FY 2020. General Fund revenues could support up to \$20.4 million of annual debt service payments. Based on policy – assuming a 20 year amortization at 4% interest – the General Fund could support **an additional \$206 million** in debt proceeds.

It should be noted that there are other projects, most notably the Downtown Courthouse replacement project, which will require debt financing within the next few years. Based on current cost estimates the County has adequate *capacity* to provide for all of the high priority projects that have been identified. However, capacity is designed more as a limit while ability to pay is ultimately constrained by how the General Fund is currently allocated. In FY 2016 debt service payments represent ***approximately 1.3%*** of General Fund revenues. Issuing debt up to the policy limit would require a reduction in current, ongoing spending or an increase in General Fund revenues – or a combination of both.

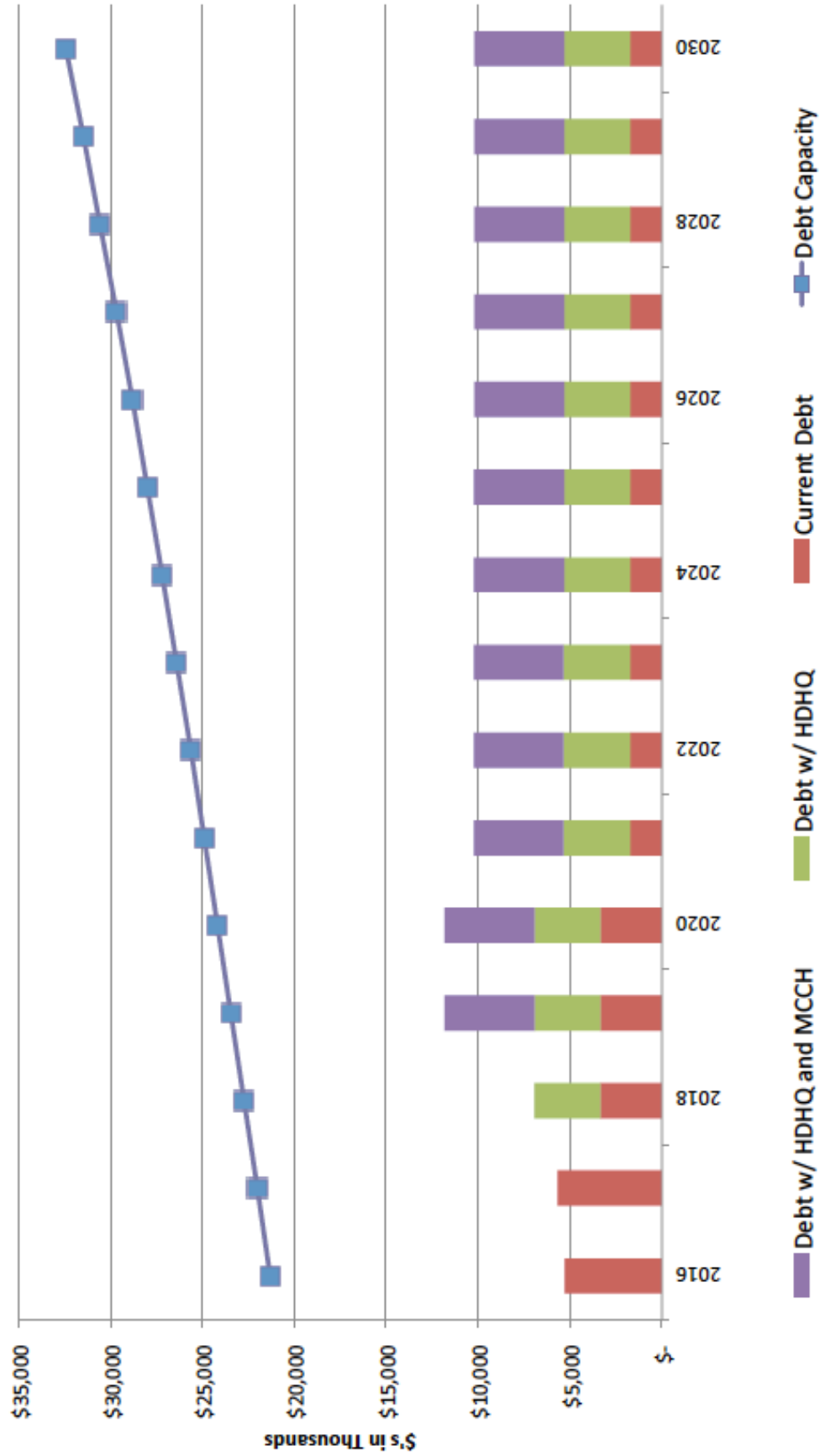
Summary

Based on the results of a collaborative conceptual estimate developed by the project management team the project is estimated to cost \$91.4 million. The project should ultimately be able to be delivered in a cost range of \$85 million to \$95 million if the schedule can be maintained and there are no changes to the project scope.

The County has sufficient capacity, based on the *Financial & Budget Policies*, to accommodate an approximately \$50 million long-term debt issue. A 20-year amortization is favored by policy but a 30-year amortization could be considered in order to lower annual debt service payments. An estimated \$12 million in real estate sale proceeds and departmental savings has been identified to mitigate the impact of the annual debt service on the General Fund. If additional OTO resources are allocated to the project the annual debt service costs would be reduced even further.

It is important to maintain debt capacity for other high priority capital projects. Given what is currently known about those projects there is adequate capacity to support them. The timing, and amount, of future borrowings will dictate how much the additional debt service will be in competition with other General Fund obligations.

Estimated County Debt Capacity w/ Additional Debt for HDHQ and Courthouse



Development Options Analysis

To provide perspective for evaluation of the Amended Project Plan, an alternative development option analysis was conducted for consideration. The purpose of the analysis is to compare, in broad terms, the costs and other factors between the development configuration proposed (Option 1), and an alternative configuration based on a smaller building on the Block “U” site, together with a leased space in a conceptual location within or near the downtown core (Option 2).

For the analysis, Option 2 assumed that the building portion would be 6 stories containing about 96,000 GSF, and the remaining needs would be provided in a conceptual leased space at another nearby location of about 60,000 GSF to roughly match the overall program requirements of Option 1.

The Development Options analysis looked at the 20 – year financing costs for the capital cost for each option over a 20-year period. In the case of Option 2, additional capital costs and associated financing cost was calculated on the probable cost of a major tenant improvement project. Option 2 also requires inclusion of lease payments over a 20-year period.

In summary, the findings of the Development Options analysis showed:

Option 1 capital and financing costs over 20 years:	\$64.7M
Option 2 capital and financing costs, plus lease expense over 20 years:	\$75.2M
Option 1 building asset value at the end of 20 years:	\$126.0M
Option 2 building asset value at the end of 20 years:	\$ 79.0M

Other notable findings include that after 20 years, the Option 2 model continues with monthly lease expense. It must be assumed that additional tenant improvement projects would be performed, as would occasional re-locations of the leased portion. Other considerations, such as efficiency, effectiveness of services and flexibility were considered in the analysis. More detailed information on the Development Options Analysis are contained in the Exhibits section of this FAC-1 Amended Project Plan.

FAC-1 AMENDED PROJECT PLAN

PART C - NEXT STEPS

Following is a brief description of the recommended “Next Steps” to move the project forward.

Finalize and execute ZGF agreement amendment for Design and Construction Document phases

An amendment to the original agreement has been developed to reflect the change in scope of the project. The terms and conditions of the agreement have been negotiated and reviewed on the County’s behalf by the Multnomah County Attorney’s Office, Facilities and Property Management, and Shiels Oblatz Johnsen. FPM and SOJ find that the fee proposed by ZGF Architects LLP is appropriate for the scope of work, and similar to what other equally – qualified firms would secure for a project of this type and magnitude.

Initiate Schematic Design & Design Development phases

These are the primary design phases required to produce a well-defined scope of work for the project, suitable for a significant estimate exercise for construction. Milestone estimates and review of construction materials and systems options will be conducted throughout the process to control costs. ZGF Architect LLP has proposed utilizing past work on the project to perform these design phases in a single effort, enhancing efficiency and accuracy. At the end of these design phases and subsequent re-estimating work, the results will be presented to the Board of Commissioners, and assuming the estimate is within budget expectations, the PMT would request authorization to develop the construction documents.

Finalize and execute the JE Dunn Agreement amendment for Pre – Construction services

An amendment to the original agreement has been developed to reflect the change in scope of the project. The terms and conditions of the agreement have been negotiated and reviewed on the County’s behalf by the Multnomah County Attorney’s Office, Facilities and Property Management, and Shiels Oblatz Johnsen. FPM and SOJ find the fee proposed by JE Dunn Construction Company is appropriate for the scope of work, and similar to what other equally – qualified firms would request for a project of this type and magnitude. If the Guaranteed Maximum Price presented at the end of the bidding process is within budget, Facilities and Property Management will request the Board / Chair to execute the Construction portion of the JE Dunn agreement amendment.

Initiate the City of Portland Design Review process

The Type III review, required by the City of Portland, involves evaluation of architectural style, structure placement, building mass, lot coverage, materials, colors and site issues. Approval requires that the Design Commission agree that the applicant's proposal complies with River District design guidelines. Neighborhood involvement is required, and the PMT will continue previously established communication with neighborhood associations and other parties.

Establish the Community Advisory Committee

The County will establish a Community Advisory Committee. In recognition that the facility will draw hundreds of employees and visitors on a daily basis, the County has invited a Community Advisory Committee to meet regularly with Multnomah County throughout the design and construction phases to maintain communications, resolve problems that may arise, and work together to improve the livability and safety of the neighborhood.

Participants may include but is not limited to representatives from the following:

- Old/Town Chinatown Neighborhood Association
- Bud Clark Commons
- Transition Projects, Inc.
- Pacific Northwest College of Art
- Portland Development Commission
- Portland Housing Bureau
- Portland Clean & Safe Program

Multnomah County will work with the Committee to develop a Good Neighbor Agreement, establishing a dialogue that can help stakeholders in the community and the Health Department understand each other's point of view and missions, identify concerns, and work to resolve issues quickly.

Determine viability of an early foundation package to occur in Summer 2016

The PMT has identified the potential for a method to shorten the project delivery schedule and mitigate potential risks to the County, by construction of an "Early Foundation Package" in Summer 2016. Many challenges must be addressed, but if the approach appears viable, the PMT would engage in planning for excavation and deep foundation systems to be performed when the weather is favorable for such activities. Some advantages available by performing this work early include:

- Excavation could be performed more efficiently
- The site would be less difficult to work for subsequent construction phases in winter months
- Risks to the County could be mitigated. Delays encountered due to hidden conditions will not affect the critical path of other construction activities
- The final project delivery schedule could be reduced by approximately 12 - 16 weeks.

Estimate of Next Steps Activities

Activities required to complete design, construction documents, building permit submittal and prepare the Guaranteed Maximum Price contract for construction prior to construction start:

Architecture and Consultant Fees	\$1,550,000
Pre-Construction & Design / Build Services	\$ 750,000
Multnomah County, Consultants, Initial Permit Fees	\$ 750,000
Contingencies	<u>\$ 150,000</u>
Total	\$3,200,000*

* Estimate does not include costs for early foundation package

Schedule for Next Steps Activities

Execute ZGF Agreement Amendment:	Nov. 2015
Execute JE Dunn Agreement Amendment:	Nov. 2015
Schematic Design Phase:	Nov. 2015 – Feb. 2016
Design Review Process:	Nov. 2015 – June 2016
Re-Initiate Community Involvement Committee:	Feb. 2016
Design Development Phase:	Feb. – May 2016
Complete Design Development Est., Brief Board:	June 2016
Present Project Plan for Construction:	January 2017

FAC-1 AMENDED PROJECT PLAN

PART D – PROJECT MANAGEMENT

The Project Management Team (PMT)

Since June of this year, a new Project Management Team has been formed and has been working closely together to re-evaluate the project and to present the recommendations contained within this FAC-1 Amended Project Plan. The current PMT includes representation from:

- Multnomah County Facilities and Property Management
- Multnomah County Health Department
- Shiels Obletz Johnsen, Owner Representative
- ZGF Architects, Architect
- JE Dunn Construction Company, CM/GC Contractor

The Project Management Team is responsible for the day-to-day detailed activities associated with the project, but is a part of a larger group of entities engaged in the common efforts to deliver a successful project to Multnomah County. The full organizational relationships are illustrated in the Org Chart on the next page.

Project Communication and Reporting

PROJECT MANAGEMENT TEAM (PMT)

The Project Management Team is responsible for the day-to-day detailed activities associated with the project. These activities will be guided by a Project Management Plan that is founded on SOJ's principles of developing and engaging a management Process that is inclusive, transparent and protective of the County's best interests.

The Project Management Team's activities will be carefully monitored by the Owner Representative, regular meetings will be held with minutes to follow recording activities, progress, resolution of issues, identification of new issues, decisions required and status of the schedule and budget.

TECHNICAL WORKING GROUPS (TWGs)

The County will form specialized TWGs composed of technical experts in specialized fields that will advise the PMT and the County on recommendations for specific issues. This may include County staff from the Multnomah County Health Department, Facilities Division, IT, Finance Department, and County Attorney. TWGs will meet as needed.

PROJECT EXECUTIVE TEAM (PET)

This team consists of Executive Leadership representatives from the agencies and companies directly involved in the project. Its purpose is to provide executive level communication and guidance, and to monitor the overall progress and performance of the PMT and other partners as needed. It will also undertake and resolve issues that may arise related to public and business practice. The PET will meet approximately quarterly.

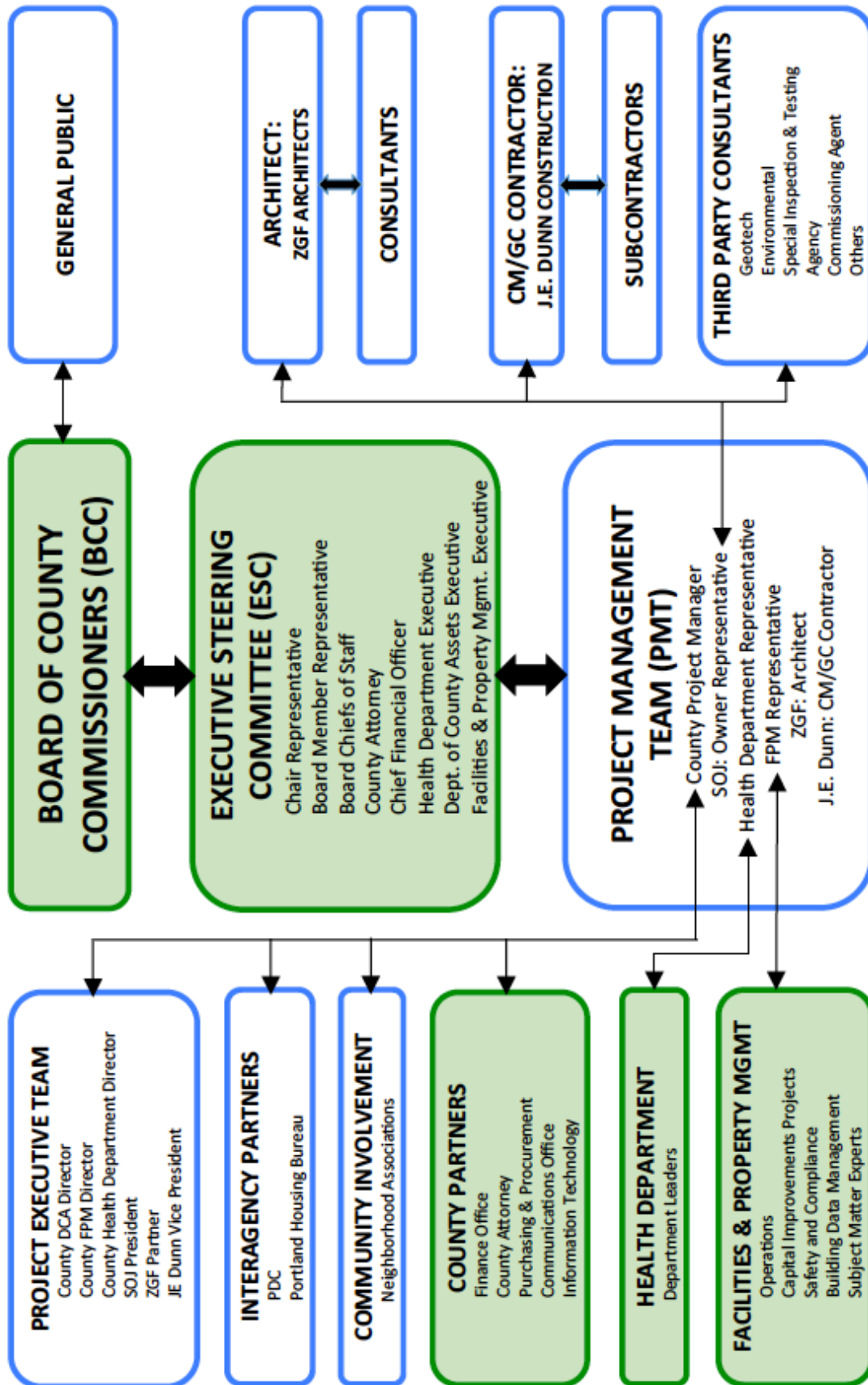
EXECUTIVE STEERING COMMITTEE (ESC)

The Executive Steering Committee is composed of Project Sponsors and Department Leadership. This team meets with PMT Representatives to review the status of the project and provide guidance on project issues and goals. It is expected that the Executive Steering Committee, with the Owner's Representative, will meet regularly throughout project design and construction to completion.

BOARD OF COUNTY COMMISSIONERS (BCC)

The BCC is composed of the elected chair and four elected commissioners of Multnomah County. The BCC is the Project owner. The PMT will provide Board Briefings approximately every 60 days throughout the course of the project.

HDHQ PROJECT ORG CHART



MW/ESB and Subcontracting Plan

JE Dunn will work in conjunction with Multnomah County and SOJ to develop and implement a project specific subcontracting plan. The plan will define a prescriptive bidding approach that ensures that the diversity goals for both JE Dunn and Multnomah County are met. The plan will be specific to MW/ESB participation and Work Force Training Goals associated with apprenticeship programs.

The Subcontracting Plan will define multiple approaches to subcontractor procurement which includes Open/Competitive Bidding, Targeted/Select Bidder Lists, and RFP Best Value Selection. Each scope of work will be assigned to one of these procurement approaches to maximize diversity in the project. These scopes of work/bid packages will be clearly communicated to the subcontractor community to ensure participation.

MULTNOMAH COUNTY HEALTH DEPARTMENT HEADQUARTERS
PRELIMINARY
PROPOSED PROJECT SCHEDULE 10.17.2015

