Finance Department

Presentation to the City of Houston
Budget and Fiscal Affairs Committee

Justice Complex Project

April 29, 2014

Presented By:
Kelly Dowe, Chief Business Officer
Lourdes Coss, Chief Procurement Officer
Jennifer Olenick, CFA, Assistant Director
Agenda

- Project History
- Current Status
- Site Analysis
- Results of RFQ Submittal Evaluations
- Technical Advisor
- Timeline
- Next Steps
Project History

• June 2012 Mayor’s report to City Council made by Executive Assistant Chief Munden and Director Dowe summarizing the high levels of deferred maintenance at police and municipal court facilities

• June 20, 2012 Council action to expand scope of services with financial advisors, First Southwest, to include advisory services for a Justice Complex

• June 14, 2013 Request for Qualifications issued
Project History

- Aug. 21, 2013 memo to Council Members providing the 7 respondents to the RFQ
- Dec. 10, 2013 Budget and Fiscal Affairs Presentation update of progress and next steps
- Jan. 15, 2014 Council action to retain Hawkins Delafield & Wood LLP as external legal counsel
- Feb. 11, 2014 Public Safety Committee reviewing project history and condition of existing facilities
Current Status

• An evaluation committee has completed a thorough review of the 7 responses to the RFQ
  – Results to be discussed later in this presentation

• An RFQ was issued to engage a technical advisor to assist the City with execution of the Justice Complex RFP and subsequent project agreement
  – Results to be discussed later in this presentation

• City Legal is drafting guidelines for procuring P3s that will be brought to City Council for adoption prior to release of a Justice Complex RFP
Site Analysis

• Characteristics of Sites Evaluated
  – Accessibility from various parts of the City. Proximity to METRORail is ideal.
  – Access to other relevant and related City services and facilities, including jail and related processing facilities. Proximity to downtown is ideal.
  – Traffic ingress and egress (considering both police use and civilian access to the Police and Municipal Courts facilities).
Site Analysis

- Sites identified in real estate scan as meeting the criteria and at least possibly available for acquisition

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Riesner Site</th>
<th>401 Franklin</th>
<th>Buffalo Bayou Site</th>
<th>Old KBR Site</th>
<th>South of Old KBR Site</th>
<th>Harrisburg Site</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acres</td>
<td>18</td>
<td>16.6</td>
<td>15</td>
<td>136</td>
<td>19</td>
<td>15</td>
</tr>
<tr>
<td>Accessibility from the various parts of the City</td>
<td>Bordered on the east by I45, close proximity to I10</td>
<td>Bordered on the west by I45 and the north by I10</td>
<td>Bordered on the north by 59, close proximity to I10</td>
<td>Close proximity to 59 and I10</td>
<td>Just over a mile from 59</td>
<td>Just over a mile north of I45; Just over 2 miles east of 59</td>
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<tr>
<td>MetroRail access (including proposed new lines)</td>
<td>Y</td>
<td>Y</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>Y</td>
</tr>
<tr>
<td>Access to other relevant and related City services and facilities</td>
<td>Y</td>
<td>Y</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>N</td>
</tr>
<tr>
<td>Proximity to downtown (distance from City Hall)</td>
<td>0.8mi</td>
<td>0.7mi</td>
<td>2.3mi</td>
<td>2.6mi</td>
<td>2.4mi</td>
<td>2.9mi</td>
</tr>
<tr>
<td>Traffic ingress and egress</td>
<td>Good</td>
<td>Good</td>
<td>Inadequate</td>
<td>Inadequate</td>
<td>Inadequate</td>
<td>Unclear</td>
</tr>
</tbody>
</table>
PHASING CONSTRUCTION AT RIESNER

- Existing operations at Riesner
  - Municipal Courts
  - HPD Information Technology services, Patrol functions, HPD Fleet operations (~1,000 HPD personnel on site)
- To maintain operations of Municipal Courts, construction will need to be phased, resulting in additional costs of construction and a risk premium for additional legal, procurement, security, safety, and operational impacts
- Estimated impact on cost of Justice Complex: at least 3%, or $18 - $24mm (assuming project is $600-800mm)
Site Analysis Results

• While it is still our intention to build at the Riesner site, due to the estimated impact of phasing costs, we do want to keep all options open

• 16.6 acres at 401 Franklin has gone up for sale. Due to expected savings and the suitability of the site, the City has submitted a bid on the property
  – First bid submitted 2/26/14; Second round bid submitted 4/11/14
  – Best and final bid was requested on April 22, 2014 and submitted on April 25, 2014

• Public notices of the City’s bids were not made in an effort to not impact the competitive bidding
  – Arrangements were made to brief BFA immediately following submission of best and final bids.
Site Analysis Results

• If selected as the preferred bidder, City Council approval to purchase will be required.
  – TIMELINE FROM NOTIFICATION AS PREFERRED BIDDER:
    • 30 days for Council to approve Purchase & Sale Agreement, then
    • 90 day due diligence period – soft earnest money, then
    • 30 days to complete financial close.
  – Sale of Riesner would help offset cost of purchase
  – Fund 4039 Misc. Cap. Projects/Acquisitions (commercial paper) would be issued to pay for 401 Franklin
Results of RFQ Submittal Evaluations

Presenting: Lourdes Coss – Chief Procurement Officer

• August 2013, seven project teams responded to an RFQ for the Justice Complex

• An evaluation committee has completed a thorough review of all submittals
On next week’s agenda will be a request to award a contract for a technical advisor. The scope of services includes:

- Complete drafting of and issue an RFP for the Justice Complex; including detailing performance specifications for construction and operations and maintenance, and specifying criteria for proposal evaluations
- Project cost estimating
- Risk analysis and management
- Management of RFP process with potential respondents
- Assistance with evaluation of proposals; technical components in particular
- Assistance with Project Agreement negotiations
Technical Advisor

- **Summary of Consultants**
  - Costs to date to progress project to complete schematic design and early stages of design development: ~0.8% of project cost
  - Industry standard = ~2%

<table>
<thead>
<tr>
<th>PURPOSE</th>
<th>VENDOR</th>
<th>COST</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial advisory services</td>
<td>First Southwest</td>
<td>$170,000 / $192,200 still to be approved</td>
</tr>
<tr>
<td>Interim technical advisory services</td>
<td>CBRE/ Brinkley Sargent</td>
<td></td>
</tr>
<tr>
<td>Legal Counsel</td>
<td>Hawkins Delafield</td>
<td>$300,000</td>
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<tr>
<td>Planning &amp; Programming for MCD</td>
<td>National Center for State Courts</td>
<td>$50,000</td>
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<tr>
<td>Technical Advisory Services</td>
<td>MOCA</td>
<td>$4,328,880 still to be approved</td>
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<tr>
<td>TOTAL</td>
<td></td>
<td>$5,041,080</td>
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## Timeline

<table>
<thead>
<tr>
<th>Tentative Timeline</th>
<th>Action</th>
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<tbody>
<tr>
<td>May 7, 2014</td>
<td>Council action to engage a technical advisor</td>
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<td>May/June 2014</td>
<td>Council action to adopt guidelines for procuring P3</td>
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<tr>
<td>June/July 2014</td>
<td>City to issue RFP for Justice Complex</td>
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<tr>
<td>December 2014</td>
<td>Justice Complex proposals due</td>
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<tr>
<td>Jan. – Mar. 2015</td>
<td>City team, with assistance from the technical advisor, evaluates proposals</td>
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<tr>
<td>Apr. – Jun. 2015</td>
<td>Project Agreement negotiations</td>
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<tr>
<td>Summer/Fall 2015</td>
<td>Proposed Project Agreement brought to City Council for consideration</td>
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Next Steps

• Increase scope of services of the City’s financial advisors as they continue to develop the Value for Money analysis and provide assistance with structuring of financing

• Presentation to the Public Safety Committee on May 15th discussing procurement methods

• Adopt guidelines for procuring a P3

• Issue Justice Complex RFP
QUESTIONS?
Site Map of “Riesner Complex”

Old Property Room

New Property Room

Riesner Parking Garage

1220 Washington (purchase approved by Council 1/22/14)

Central Permit Office

1400 Lubbock

33 Artesian

61 Riesner