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

Old Property Room (built 1923)

New Property Room (built 2008)

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

Riesner Parking Garage (built 1975)

Houston Permit Center (renovated 2011)

1400 Lubbock (built 1974)

33 Artesian (built 1930s)

61 Riesner (built 1950)

1200 TRAVIS Headquarters

1.1 miles
Old, out-of-date police and court buildings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.

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

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

<table>
<thead>
<tr>
<th>Funding Options</th>
<th>Advantages</th>
<th>Disadvantages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expenditure cuts</td>
<td>No additional taxes or fees</td>
<td>Will result in service cuts</td>
</tr>
<tr>
<td>Cut health benefits costs</td>
<td>No additional taxes or fees</td>
<td>Disproportionate impact on lowest paid employees</td>
</tr>
<tr>
<td>Garbage fee</td>
<td>Utilized by other cities</td>
<td>Increases fees paid by citizens</td>
</tr>
<tr>
<td>Lift or modify property tax cap</td>
<td>Would be put to the voters for approval. Limits increases in property taxes to increases in property values.</td>
<td>Increases property taxes paid by citizens</td>
</tr>
<tr>
<td>Control rising pension costs</td>
<td>No additional taxes or fees</td>
<td>Not a short term solution</td>
</tr>
<tr>
<td>Debt refinancing (current market)</td>
<td>No additional taxes or fees</td>
<td>Insufficient amount: NPV $23 million</td>
</tr>
<tr>
<td>Debt restructuring</td>
<td>No additional taxes or fees</td>
<td>Not truly a funding source. Delaying existing debt service will create capacity now but increase payments later.</td>
</tr>
<tr>
<td>FY20-25 CIP Capacity</td>
<td>No additional taxes or fees. Would be put to the voters for approval of a bond election.</td>
<td>Postpone the project for 5yrs. No other CIP projects for police, fire, library, parks, health, fleet, and IT for 5-6yrs.</td>
</tr>
<tr>
<td>Special Property Tax Assessment for Public Safety</td>
<td>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.</td>
<td>Increases property taxes. Project teams may be hesitant to invest in developing a proposal given the uncertainty of approval of project funding.</td>
</tr>
</tbody>
</table>

Already being explored to close the budget gap. Even combined, unlikely to be enough to do both.
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

First Southwest
- MOCA Systems & One World Strategy Group
- Hawkins Delafield & Wood

Hines
- Skanska AECOM
- Honeywell
- PEJP
- Plenary Edgemoor Justice Complex

Municipal Courts
- Police/HPD Technical Services
- Finance/Procurement

HITS
- Legal

GSD
- EAC Slinkard - HPD
- Judge Hartle - MCD
- Jennifer Olenick, CFA - FIN
- Lourdes Coss - CPO
- Humberto Bautista - GSD
- Tom Allen - LGL

HOUSTON POLICE MUNICIPAL COURTS
ENHANCING SERVICE TO THE COMMUNITY
OUR TEAM - A MORE DETAILED LOOK

First Southwest

MOCA Systems

Hawkins Delafield & Wood

Financial advice + analysis

RFP drafting + construction of design guidelines and performance specifications, risk analysis and mitigation

Communications & government affairs

Legal advice + legal document drafting

Commercial terms