



Travis County Commissioners Court Agenda Request

Meeting Date: January 24, 2012

Prepared By/Phone Number:

Belinda Powell, Strategic Planning Manager, Planning & Budget Office *BP*
(512) 854-9506

Elected/Appointed Official/Dept. Head: Roger Jefferies, County Executive of Justice and Public Safety (512) 854-4415 *RJ*

Commissioners Court Sponsor: County Judge *Samuel T. Biscoe*

AGENDA LANGUAGE:

Receive and take appropriate action on presentation from Ernst & Young on their analysis of Request for Information Responses for the development of a New Civil and Family Courthouse and project overview related to various proposed delivery approaches.

BACKGROUND/SUMMARY OF REQUEST AND ATTACHMENTS:

The Commissioners Court issued a Request for Information (RFI) in June of 2011 concerning the feasibility of using a public private partnership (P3) to develop a new civil and family courthouse. On January 3, 2012 the Commissioners Court contracted with Ernst & Young (E&Y) to evaluate the information received in the RFI responses and to develop an analysis for options to deliver a new civil and family courthouse at the site located at 308 Guadalupe.

This is the first presentation of information from E&Y to the Commissioners Court. Ernst & Young (E&Y) has reviewed the 21 RFI responses for the proposed development of the Travis County Civil & Family Courthouse. The attached presentation will provide both a high level review of these responses as well as a primer on the broad spectrum of development options including traditional delivery models as well as public private partnership (P3) delivery methods. Respondents to the RFI have indicated a willingness to deliver the courthouse project using methods ranging from standard Design Bid Build (DBB), in which the county maintains total control and risk, to a fully integrated Design Build Finance Maintain and Operate (DBFM/O), in which a majority of risks are transferred to the developer including the long term maintenance and operations. E&Y will

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provide an overview of these options for the benefit of the Commissioners Court.

As a part of this presentation, E&Y will also provide an overview of a typical P3 model to explain to the Commissioners Court how respondents typically structure public private partnerships.

Key findings from the review of the RFI responses include the following:

Timeline for the project

- The duration of Ernst & Young's feasibility study is approximately 12 weeks.
- The proposed total duration for the proposed Civil and Family Courthouse varies significantly based on the vendor and/or approach.

RFI Respondents common themes

- RFI responses show significant local and international interest in the project.
- Respondents frequently recommended incorporating commercial uses into the overall project.
- Respondents were sensitive to Republic Square park's proximity to the site, the overall walk-ability of downtown Austin, and potential uses of the site after 5 pm.

RFI Respondents proposed delivery methods

- Respondents presented a wide variety of delivery options, ranging from traditional Design Bid Build to tax exempt financing models to public private partnerships.
- Respondents' delivery preferences tend to be consistent with the types of projects they have completed in the past.
- Many of the respondents demonstrated flexibility in being able to work within the delivery parameters set by the County.

Lessons Learned

- Respondents identified separate risk profiles for the commercial and courthouse aspects of the project.
- Respondents recommended receiving input from other municipalities who have undertaken similar feasibility analysis.

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- Stakeholder engagement was viewed as important to obtaining input/feedback and managing expectations.

The information gleaned from the analysis of the RFI responses, the public input, and other contract deliverables will be used to help develop the various delivery options for the Commissioners Court to consider.

STAFF RECOMMENDATIONS:

NA

ISSUES AND OPPORTUNITIES:

NA

FISCAL IMPACT AND SOURCE OF FUNDING:

All funds for the Ernst & Young contract are encumbered.

REQUIRED AUTHORIZATIONS:

Leroy Nellis, Budget Director, Planning & Budget Office, interim County Executive, Planning & Budget
Cheryl Aker, County Judge's Office

ATTACHEMENTS:

Ernst & Young presentation

Copies to:

The Honorable John Dietz, 250th District Court
The Honorable Lora Livingston, 261st District Court
The Honorable Rosemary Lehmborg, District Attorney
The Honorable Eric Shepperd, County Court at Law #2
The Honorable David Escamilla, County Attorney
The Honorable Amalia Rodriguez-Mendoza, District Clerk
The Honorable Dana DeBeauvoir, County Clerk
Peg Liedtke, Civil Court Administrator
Cyd Grimes, Purchasing Agent
Susan Spataro, County Auditor
James Collins, First Assistant County Attorney
Roger Jefferies, County Executive Justice and Public Safety
Steven Manilla, County Executive of TNR and FMD
Roger El Khoury, Director Facilities Management
John Hille, Assistant County Attorney
Tom Nuckols, Assistant County Attorney
Leslie Stricklan, Senior Project Manager, FMD

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Task A.1

RFI Evaluation Summary:
Presentation to Commissioner's Court

24 January 2012

RFI Evaluation Summary & Public Private Partnership (P3) Primer

Introduction to the Project:

- ▶ Timeline for Success – Ernst & Young’s Feasibility Analysis
- ▶ Spectrum of Delivery Methods
- ▶ Overview of Public Private Partnership (P3) Model

Analysis of RFI Responses:

- ▶ RFI Respondents & Delivery Methods
- ▶ General Overview of Responses – Sample of Common Themes
- ▶ Lessons Learned by Respondents from Similar Projects

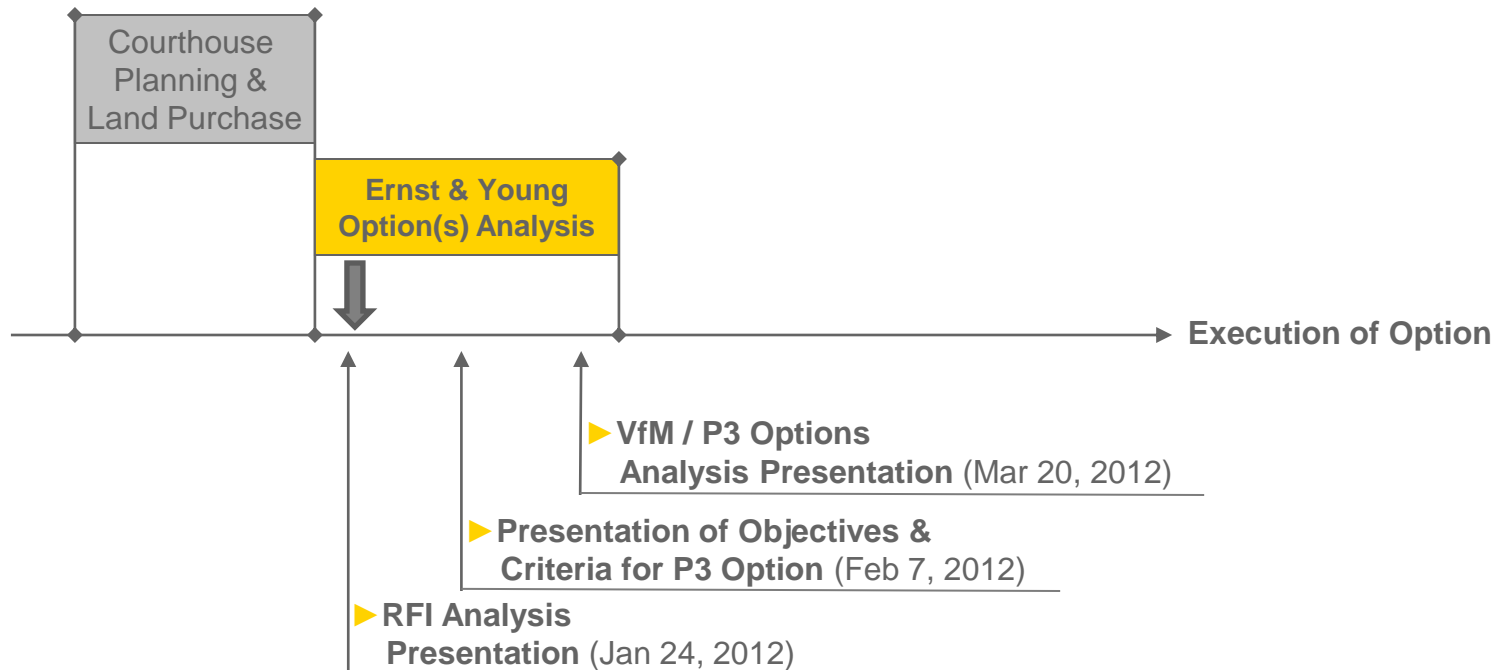


Introduction to the Project & Public Private Partnership (P3) Primer

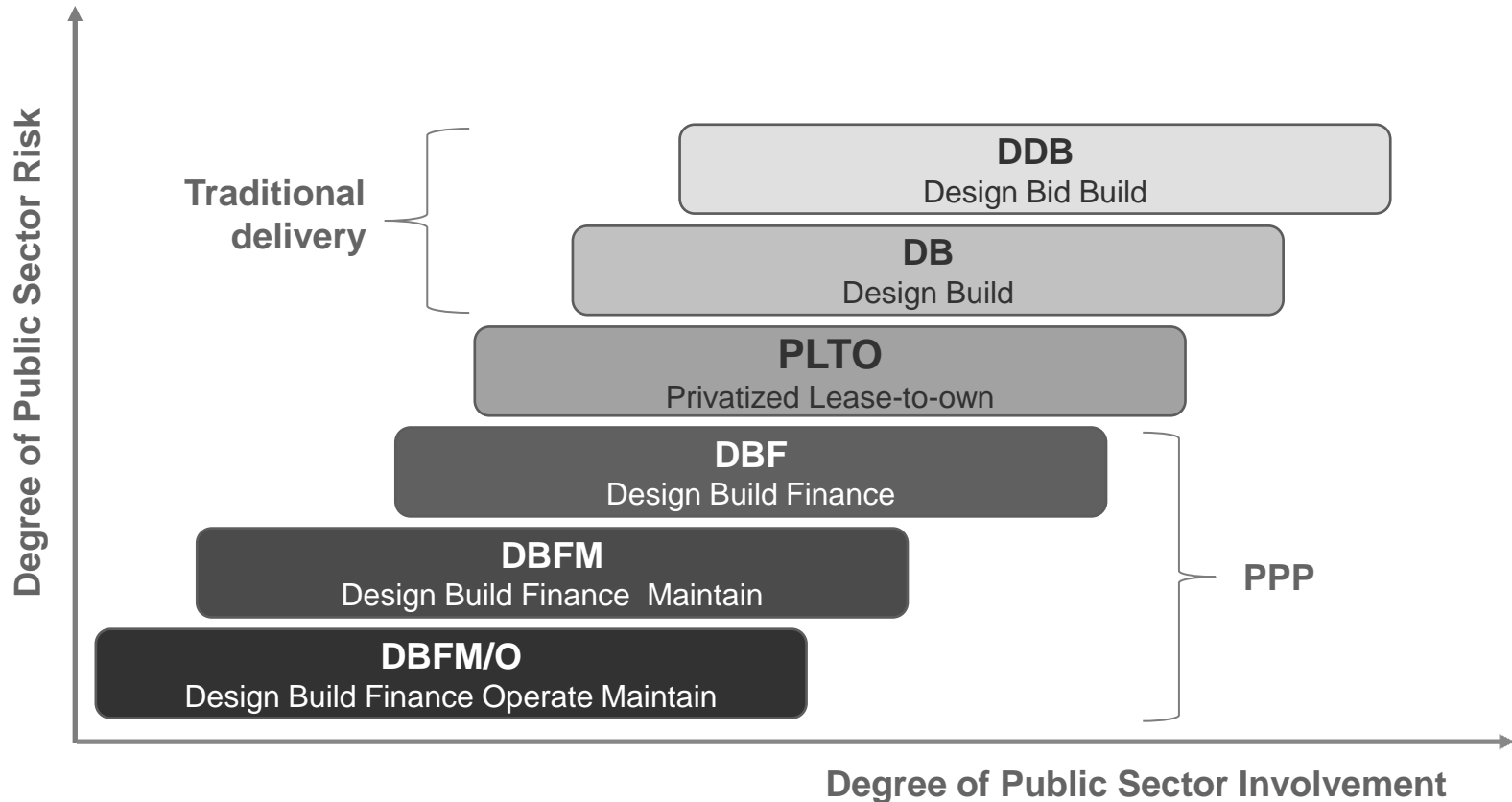


Timeline for Success

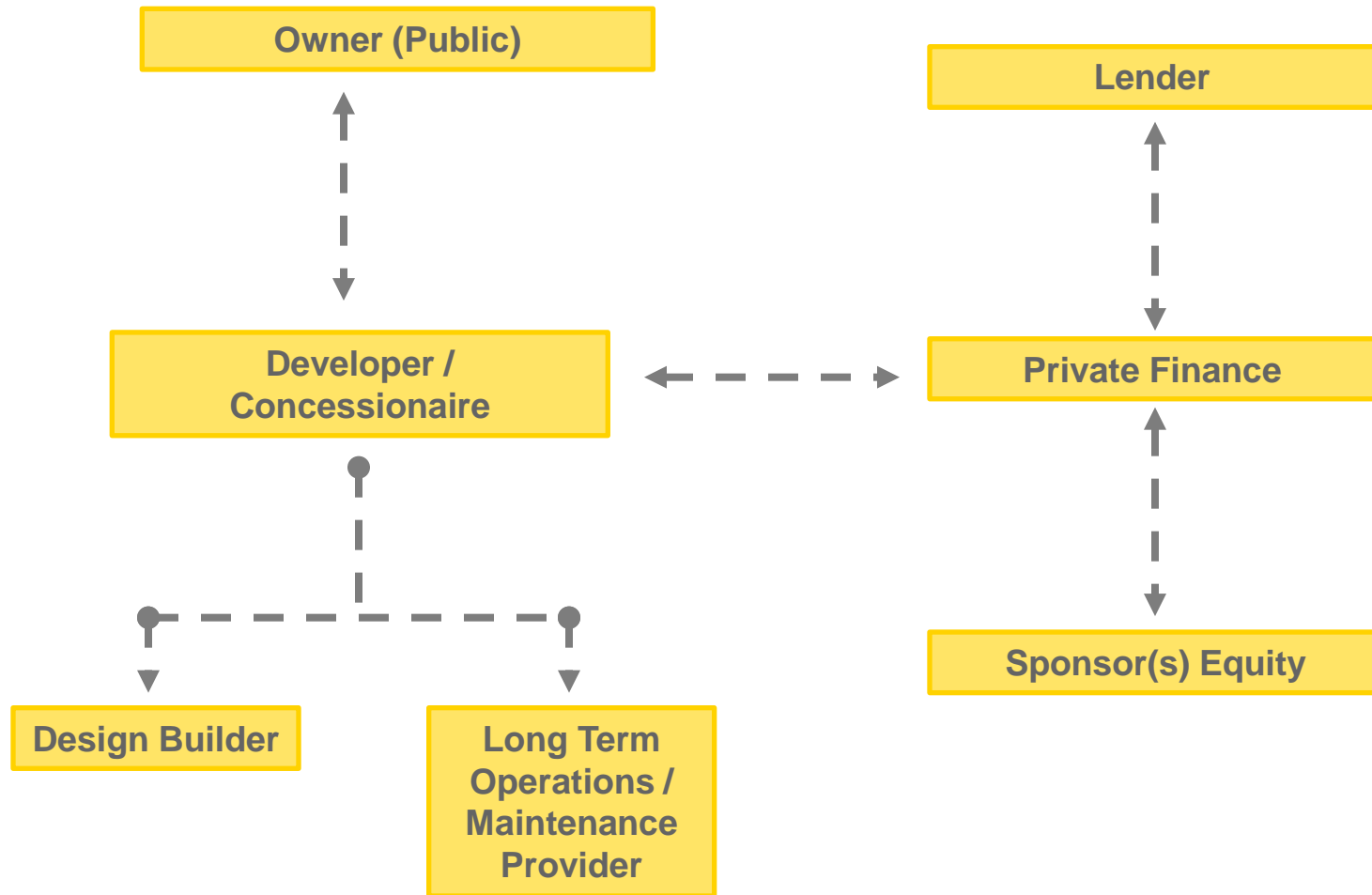
Ernst & Young Feasibility Analysis



Spectrum of Delivery Methods



Overview of Public Private Partnership (P3) Model



Analysis of RFI Responses

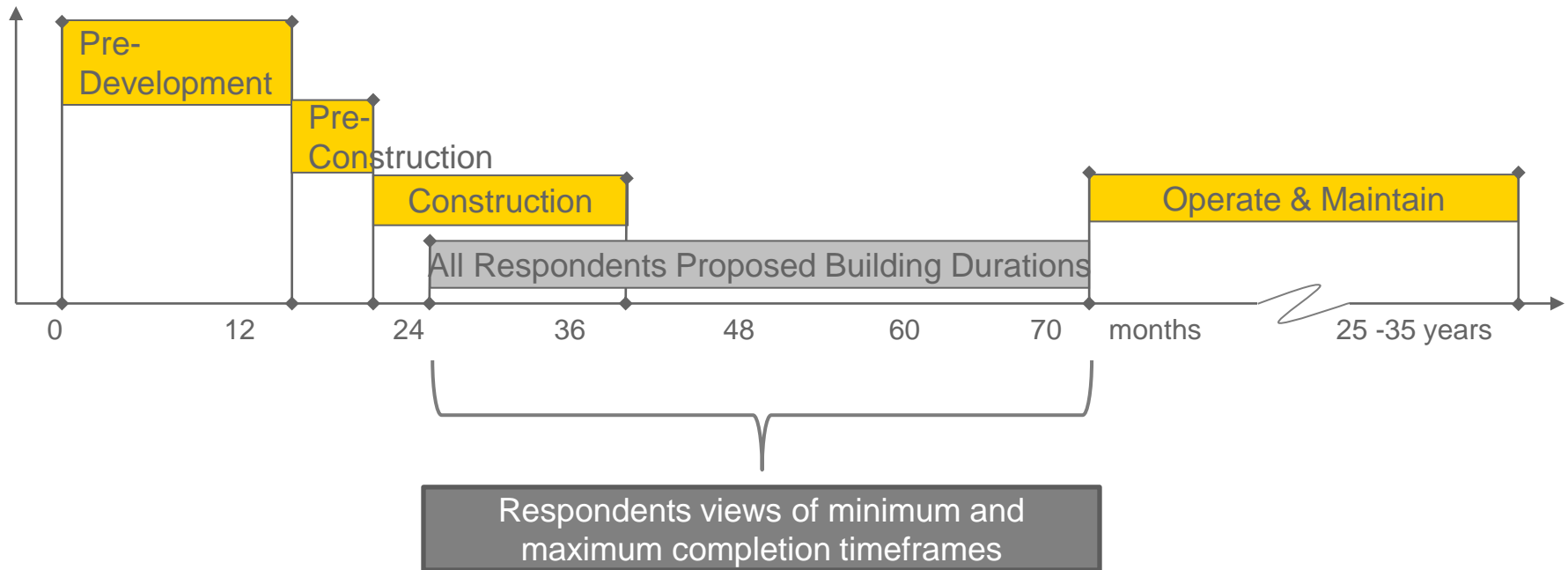


Respondents View of Timeline

RFI respondents suggested a wide range of timelines for the project, including the following stages:

- ▶ Pre-Development (RFQ/RFP process)
- ▶ Pre-Construction (design/permitting)
- ▶ Construction (dependent on delivery model)
- ▶ Operate & Maintain

Bellow is a breakdown of the minimum thru median proposed ranges for critical stages in the timeline as suggested by the RFI responses



RFI Respondents & Delivery Models

Respondents		Delivery Models		
Global P3 Led Consortia	▶ 6 Respondents	DBFO/M <i>(Design Build Finance Operate / & Maintain)</i>	<ul style="list-style-type: none"> ▶ Responsibility of private partner to maintain & operate over 25-35 year operating period ▶ Availability payments from county ▶ Commercial component is viewed as upside option ▶ Significant risk transfer 	
Global P3 Developer	▶ 3 Respondents		PLTO <i>(Privatized Lease to Own)</i>	<ul style="list-style-type: none"> ▶ This option leverages 501 (c)(3) tax exempt & non profit ownership structures via IRS Section 103 tax subsidies. ▶ Preferred by local entities without significant PPP experience. ▶ Limited opportunity for risk transfer to private partner ▶ Medium term operations and maintenance only
US Based Developer	▶ 5 Respondents	DB <i>(Design Build)</i>		<ul style="list-style-type: none"> ▶ Some respondents, usually those with a construction focus, included this in the options list ▶ The DB option left building operations and maintenance to either the County or a third party facilities management provider
Local RE Developer	▶ 4 Respondents			DBT <i>(Design Build Transfer)</i>
Other	▶ 3 Respondents			

General Overview of Responses

Common Themes

A variety of development methods were proposed, the financing methods and ranges of risk transfer depended primarily upon deal structure

RFI's validated that there is significant local and international interest in the project from a variety of developers

21 RFI Respondents

Suggested site orientations capitalized on Republic Square Park and Austin's walkability as a City

Respondents typically suggested the following commercial aspects be integrated within or adjacent to the courthouse

- ▶ Retail ground floor
- ▶ Office
- ▶ Multifamily (infrequent suggestion)
- ▶ Hotel (infrequent suggestion)

Lessons Learned by Respondents from Similar Projects

- ▶ There are **distinctive risks** associate with **Courthouse** and **Commercial Real Estate components**
- ▶ Suggested **project objectives** and risk transfer components should be **developed prior** to **bidding** process
- ▶ Clearly **define** the long term facilities **management and operations requirements** for the project
- ▶ **Designing for flexibility** within and around a courthouse is manageable given a knowledgeable and specialized designer
- ▶ **Stakeholder engagement** is necessary to manage expectations and **public awareness**
- ▶ Understand and **plan** for the **potential legislative** and **political approvals** necessary for public social and civil infrastructure

Next Steps

- ▶ **1.** ■ Individual **consultation** with **remaining commissioners** not yet interviewed

- ▶ **2.** ■ **Tuesday 7 Feb 2012: Presentation of Objectives & Evaluation Criteria** for Options

Statement of Assumptions and Limiting Language

- ▶ The analysis and commentary set forth in this report are subject to the assumptions and limiting conditions that follow:
- ▶ The nature and scope of our services was determined solely by the agreement between the Ernst & Young and the County. Our work was performed only for the use and benefit of the County and others who read this report that were not a party to our agreement with respect to the nature and scope of such services do so at their own risk. Our report is intended for Travis County's internal purposes only as outlined in our terms of our Contract.
- ▶ The services we performed were advisory in nature. EY did not render an assurance report or opinion under our contract with the County, nor did our services constitute an audit, review, examination, or other form of attestation as those terms are defined by the American Institute of Certified Public Accountants.. We did not conduct a review to detect fraud or illegal acts.
- ▶ Our report is based upon facts, as we know them, estimates, assumptions, and other information developed from our research of the market, knowledge of the industry and meetings with Travis County personnel, during which we were provided with certain information. The sources of information and basis of the analysis and commentary are stated herein. Information contained in this report has been gathered from sources that are believed to be reliable. No responsibility is assumed for the accuracy of information supplied by others.
- ▶ None of the services we provided constituted any legal opinion or advice. No responsibility is assumed by Ernst & Young LLP for matters that are legal in nature.
- ▶ No responsibility for economic or physical factors which may affect the estimates herein stated and which may occur at some date after this report's issue date is assumed.
- ▶ Notwithstanding anything to the contrary in the contract, we do not assume any responsibility for any third-party products, programs or services, their performance or compliance with the specifications of the County or otherwise.