



Travis County Commissioners Court Agenda Request

Meeting Date: April 17, 2012

Prepared By/Phone Number:

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

Elected/Appointed Official/Dept. Head: Roger Jefferies, County
Executive of Justice and Public Safety (512) 854-4759

A handwritten signature in blue ink, appearing to be "Roger Jefferies", is written over the text of the elected official's name.

Commissioners Court Sponsor: County Judge Samuel T. Biscoe

AGENDA LANGUAGE:

CONSIDER AND TAKE APPROPRIATE ACTION ON A SUMMARY REPORT BY ERNST & YOUNG WHICH INCLUDES A FEASIBILITY ANALYSIS OF DELIVERY OPTIONS, AND A VALUE FOR MONEY ANALYSIS FOR A NEW CIVIL AND FAMILY COURT HOUSE

BACKGROUND/SUMMARY OF REQUEST AND ATTACHMENTS:

On January 3, 2012 the Commissioners Court contracted with Ernst & Young (E&Y) to develop an analysis for options to deliver a new Civil and Family Court House at the site located at 308 Guadalupe.

The attached presentation and summary report developed by the Ernst & Young consulting team includes recommendations on delivery options and a value for money analysis for a new Civil and Family Court House in Travis County. The analysis was completed with input from the public, various civil court stakeholders, elected officials, and the Court House Internal Team.

STAFF RECOMMENDATIONS:

Staff recommends approval and acceptance of the report.

ISSUES AND OPPORTUNITIES:

NA

AGENDA REQUEST DEADLINE: All agenda requests and supporting materials must be submitted as a pdf to Cheryl Aker in the County Judge's office, Cheryl.Aker@co.travis.tx.us by Tuesdays at 5:00 p.m. for the next week's meeting.

FISCAL IMPACT AND SOURCE OF FUNDING:

All funds for the Ernst & Young contract have been encumbered.

REQUIRED AUTHORIZATIONS:

Roger Jefferies, County Executive, Justice and Public Safety
Cyd Grimes, Purchasing Agent,
Belinda Powell, Planning Manager, PBO
John Hille, County Attorney's Office
Steve Manilla, County Executive, TNR
Leslie Browder, County Executive, PBO
Leroy Nellis, Special Projects, PBO
Roger El-Khoury, Director, Facilities Management
Leslie Stricklan, Facilities Management

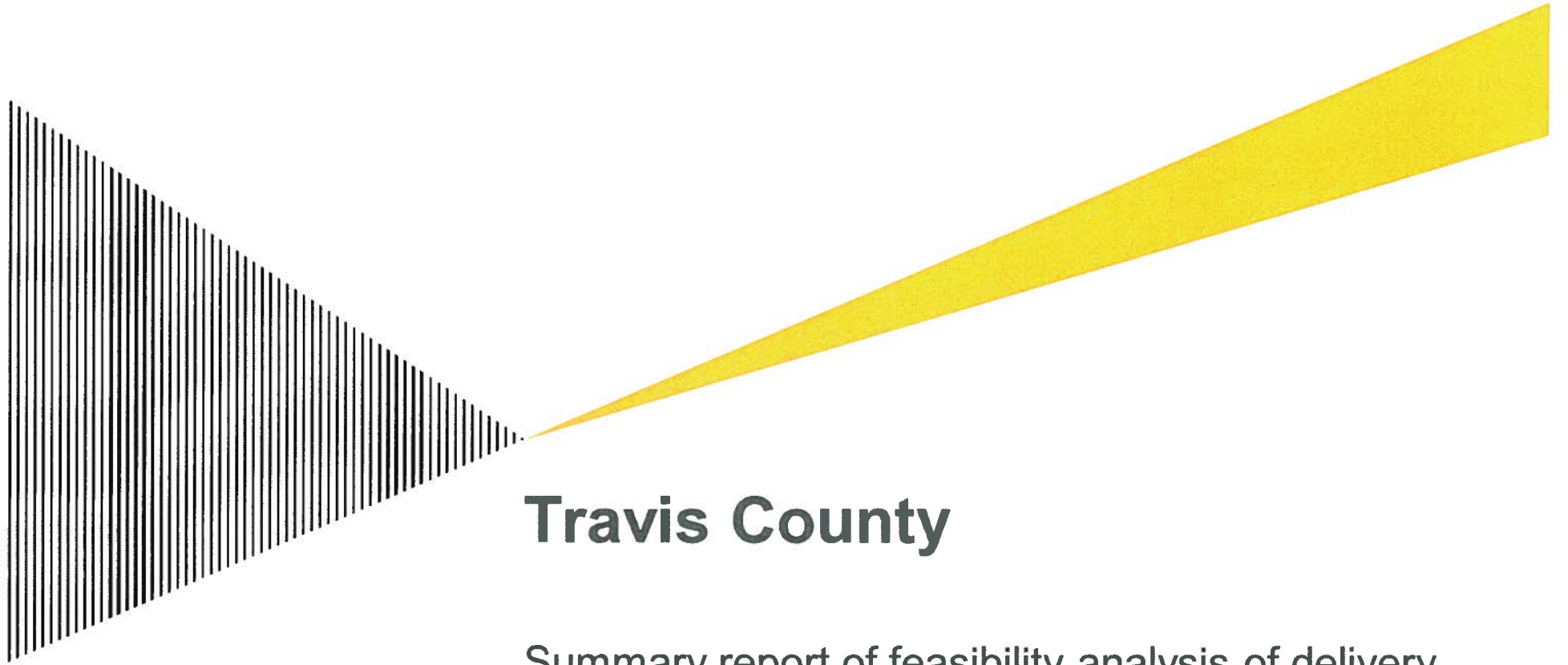
ATTACHEMENTS:

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
David Escamilla, County Attorney
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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Travis County

Summary report of feasibility analysis of delivery options and Value-for-Money (VfM) analysis (B.8.3)

April 3, 2012

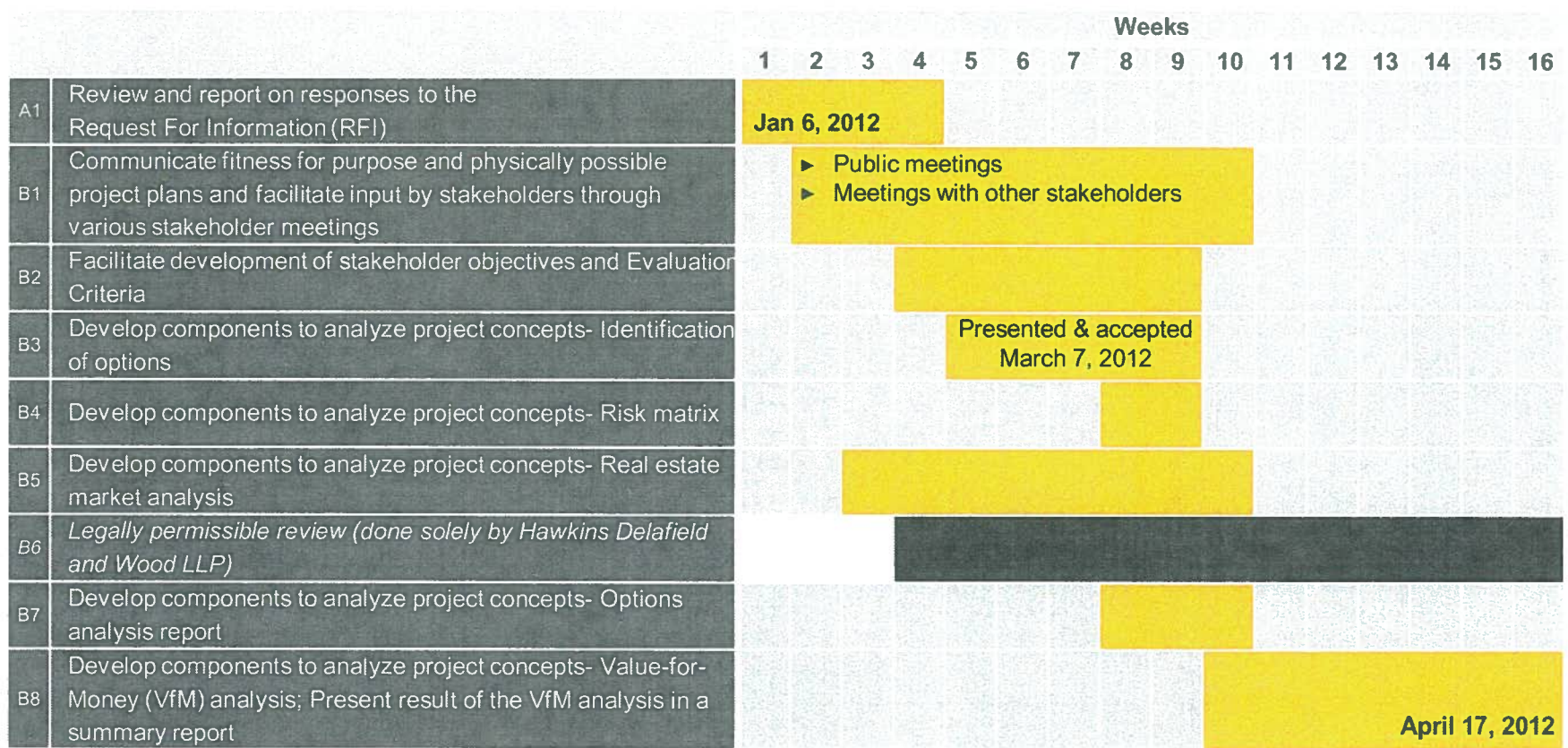
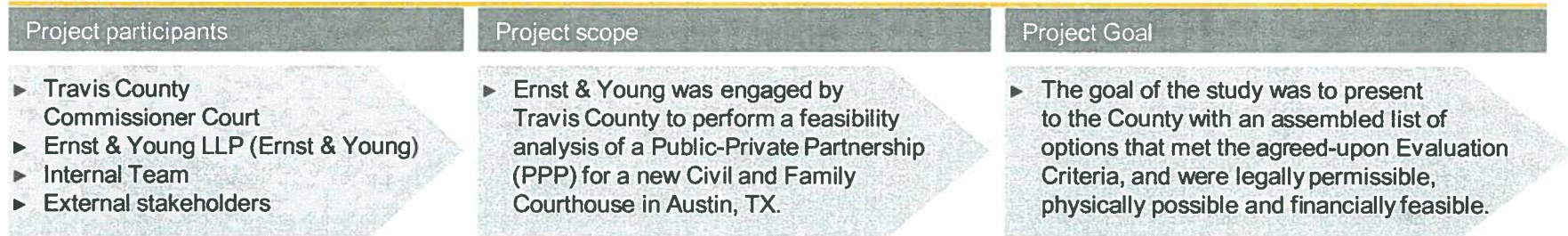
 **ERNST & YOUNG**
Quality In Everything We Do

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Introduction to the feasibility study

Reference to final report:
p. 4



What we found

Reference to final report:
pp. 4-23

1

All procurement options: Design-Bid-Build (DBB), Design-Build (DB), Design-Build-Finance-Maintain-Operate (DBFM(O)) are financially feasible

DB and DBFM(O) both have the ability to provide VfM when compared to DBB

2

Qualitative benefits exist for DB and DBFM(O) including risk transfer, flexibility and accelerated timetables

3

Commercial development was excluded from the base case but offers potential flexibility

Commercial development could offer up to \$23m of value to the County, but could also offer no value

Methodology

Reference to final report:
pp. 28-44

1 Procurement inputs

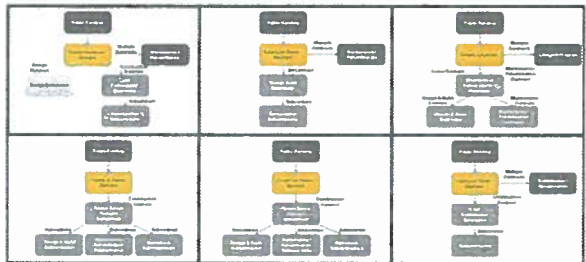
- ▶ Descriptions of all available options
- ▶ Multi-criteria assessment
- ▶ RFI responses

1 Physical inputs

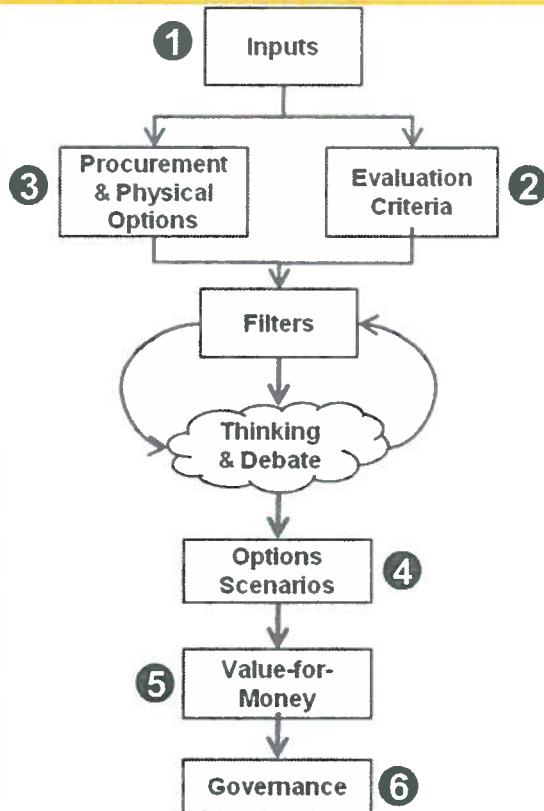
- ▶ Site configuration and orientation to Great Streets and Republic Park
- ▶ Site location
- ▶ Stakeholder & public meetings
- ▶ Objectives and constraints
- ▶ Real estate analysis
- ▶ Parking requirements
- ▶ Travis County Central Campus Master Plan
- ▶ RFI responses

2 Fifteen Evaluation Criteria approved by Commissioners Court on Feb. 28, 2012

3 Procurement methods



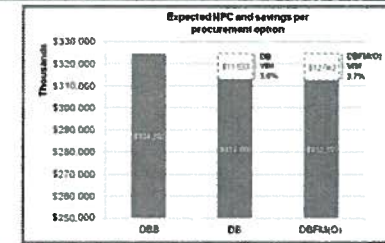
3 Physical delivery*



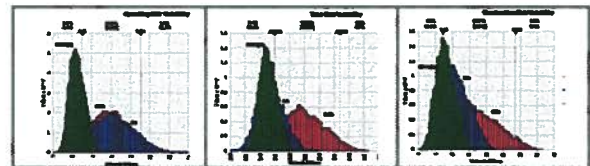
4 Selection of options for analysis

Option 1: Commercial Only	Option 2: Commercial + Commercial	Option 3: Commercial + Office + Retail
Scenario 1: Commercial Only Scenario 2: Commercial + Office + Retail Scenario 3: Commercial + Office + Retail + Retail	Scenario 1: Commercial + Commercial Scenario 2: Commercial + Commercial + Office + Retail Scenario 3: Commercial + Commercial + Office + Retail + Retail	Scenario 1: Commercial + Office + Retail Scenario 2: Commercial + Office + Retail + Retail Scenario 3: Commercial + Office + Retail + Retail + Retail
Design-Build (DBB)	Design-Build (DBB)	Design-Build (DBB)
Cost: \$138,000,000	Cost: \$142,500,000	Cost: \$145,000,000
NPV: \$138,000,000	NPV: \$142,500,000	NPV: \$145,000,000
IRR: 10.00%	IRR: 10.00%	IRR: 10.00%
Payback: 10.00%	Payback: 10.00%	Payback: 10.00%

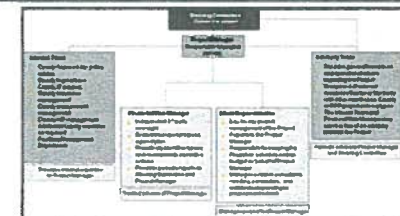
5 Value-for-Money



5 Risk quantification



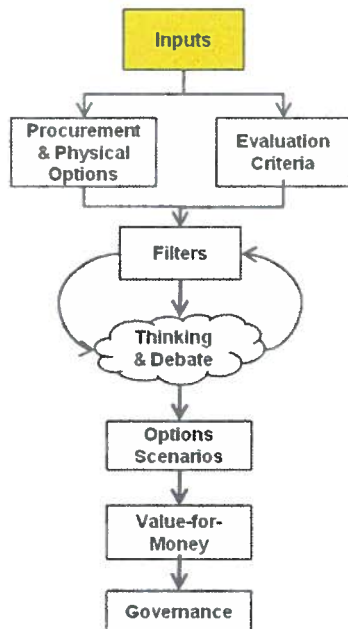
6 Establishing a successful governance



*Central Campus Master Plan concept options report, Broadus and Associate, August 2011

Introduction to the project

Reference to final report:
pp. 45-52



Site description

- ▶ City block at 308 Guadalupe St. in Austin, TX
- ▶ Purchased by Travis County in Dec 2010 for \$21.75m
- ▶ Currently a surface parking lot
- ▶ Zoned CBD¹ and CBD-CURE²
- ▶ Permitted FAR³ is currently 8:1
- ▶ Recently approved Downtown Austin Plan (DAP) proposes increasing FAR to 25:1
 - ▶ Significant uncertainty remains regarding City's requirements in exchange for increased density
- ▶ Not hindered by Capitol view restrictions
- ▶ Maximum buildable at 25:1 FAR³ equates to 1.9m square feet (gross)

Courthouse needs through 2035

- ▶ Anticipated need for 510,500 Square Feet (SF) of gross space through 2035 per Central Campus Master Plan
- ▶ 188,300 SF for secured parking facility with sally port and 538 below-grade parking spaces

RFI was issued in April 2011; there were 21 respondents.

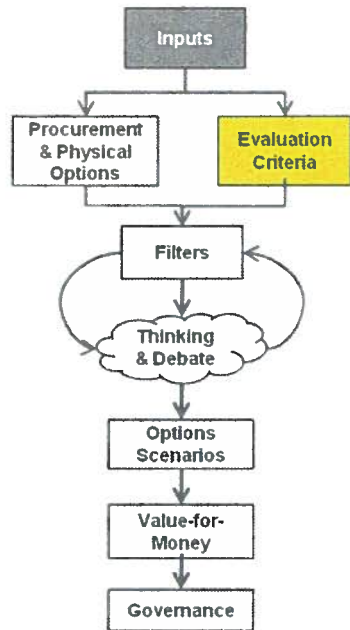
- ▶ RFI responses were used as input

¹ CBD: Central business district
² CBD-CURE: Central urban redevelopment
³ FAR: Floor-area-ratio

Objectives and Evaluation Criteria

**APPROVED BY COURT ON
FEBRUARY 28, 2012**

Reference to final report:
pp. 53-61



Ernst & Young worked with the Internal Team to establish the objectives and Evaluation Criteria for this feasibility study.

Objectives and constraints

- 2. Objectives:**
- ▶ Project objectives
 - ▶ Procurement objectives

- 3. Constraints:**
- ▶ Internal constraints
 - ▶ External constraints

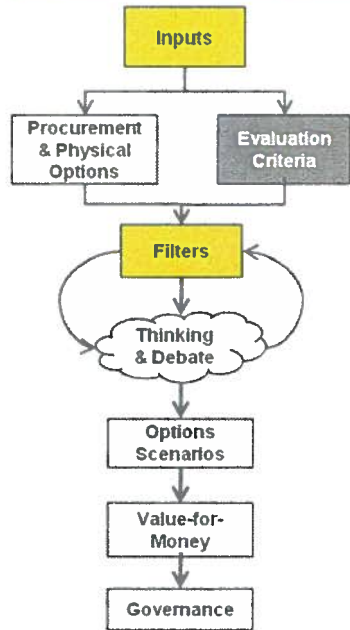


4. Evaluation Criteria to assess merit of each procurement objective

- | | | |
|------------------------------|--------------------------------|-------------------|
| ▶ Timeliness | ▶ Asset quality and longevity | ▶ Risk allocation |
| ▶ Flexibility | ▶ Maximizes competition | ▶ Cost certainty |
| ▶ Design | ▶ Local participation | ▶ Value-for-Money |
| ▶ Integration with community | ▶ Fairness and transparency | ▶ Affordable |
| ▶ Maximizes site development | ▶ Environmental sustainability | ▶ Parking |

Real estate analysis

Reference to final report:
pp. 62-119



To determine the market-supported uses for the Site, Ernst & Young analyzed market data and held discussions with local market participants.

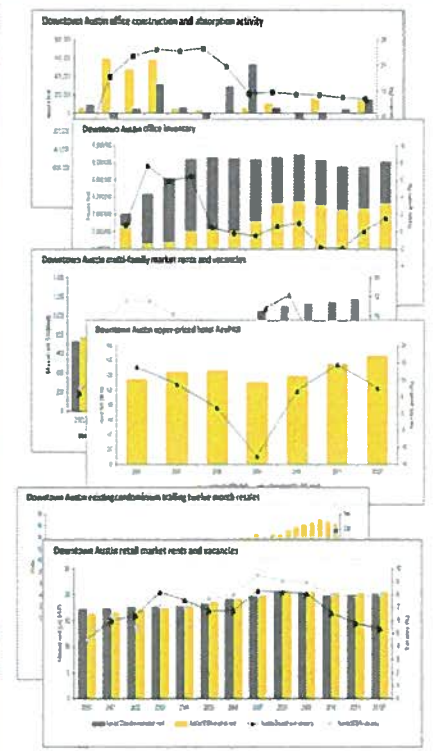
- ▶ Downtown Austin has remained a strong and diverse economic center in recent years despite the recent economic downturn
- ▶ Demand for commercial space (e.g., office, multi-family residential, retail) is anticipated to increase, resulting in continued improvements in the fundamental performance of commercial properties and increases in new construction

Key takeaways

- ▶ Significant uncertainty exists regarding market-supported uses given the development timeline
- ▶ Market supported uses may change depending on a variety of factors, including future supply
- ▶ Timing is a key variable that can have a substantial impact on the success of a project
- ▶ There is a potential for overbuilding in multi-family and hotel uses
- ▶ Site programming is limited by parking needs; therefore, it is unlikely that a 25:1 FAR could be achieved
- ▶ The City of Austin is anticipated to mandate ground floor retail space to continue Great Street “philosophy”
- ▶ Grade A office appears at this time to offer the highest and best use
- ▶ Extensive developments are being pursued in the Downtown Austin area

Suggested market-supported commercial uses

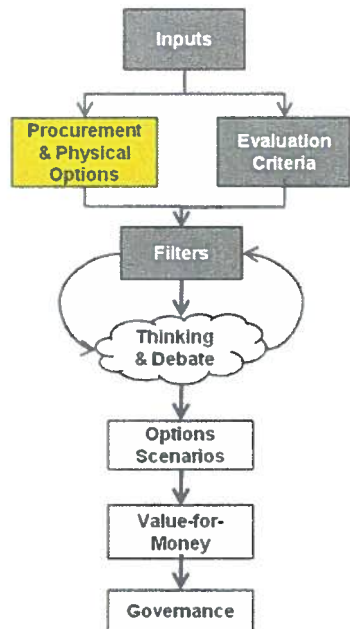
- ▶ **Office: 350,000 NOSF¹ (388,889 GSF²)**
- ▶ **Retail: 70,000 NOSF¹ (92,400 GSF²)**



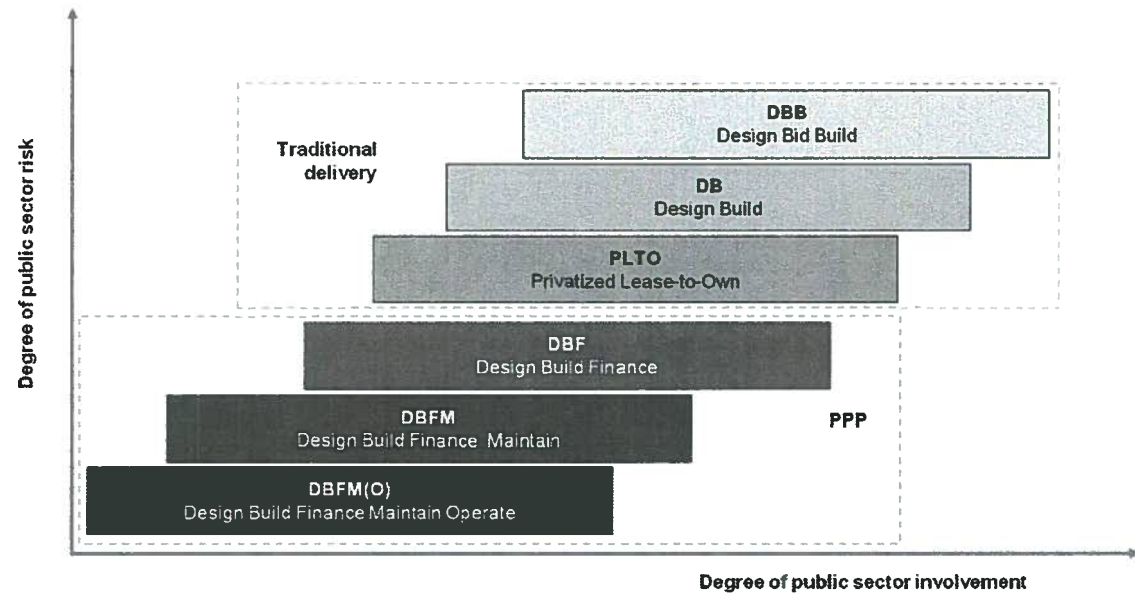
¹ NOSF: Net occupiable square feet, (leasable area)
² GSF: Gross square feet, (constructible area)

Procurement options

Reference to final report:
pp. 120-123



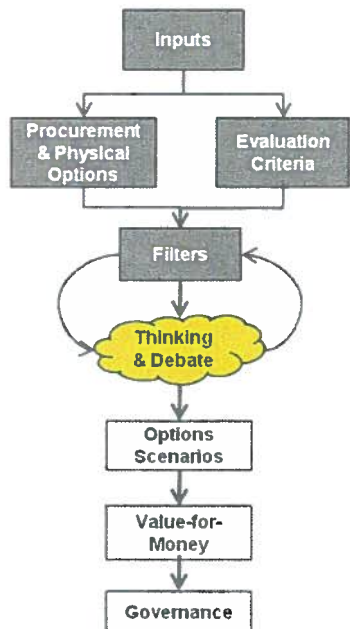
Ernst & Young analyzed the six financial procurement options below:



Procurement Options	Financing Options	Maintenance and Operations
▶ DBB	County	County
▶ DB	County	County
▶ PLTO	Private	County
▶ DBF	Private	County
▶ DBFM	Private	Private/County
▶ DBFM(O)	Private	Private/County

Multi-criteria assessment (Procurement options)

Reference to final report:
pp. 124-142



The Internal Team evaluated each procurement option against the individual Evaluation Criteria on a scale of one to five. The individual procurement option scores were compiled from proposed scores from each of the following sub-teams:

- ▶ Ernst & Young
- ▶ Planning and Budget Office
- ▶ Facilities Management Office
- ▶ Purchasing Office
- ▶ County Attorney's Office

Once compiled, the individual Evaluation Criteria scores were weighted as follows:

Procurement options	Weighted average score
▶ DBB	197.22
▶ DB	210.36
▶ PLTO	196.69
▶ DBFM	200.63
▶ DBFM(O)	228.98



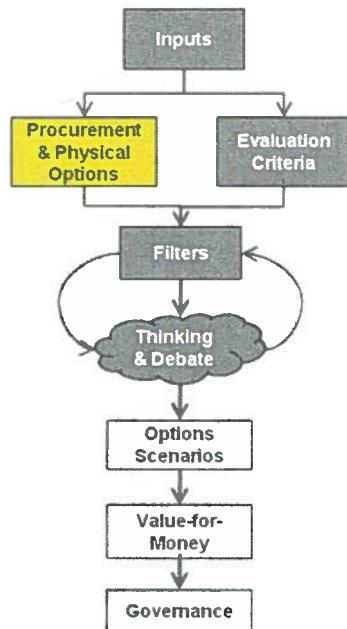
Short-listed procurement options for evaluation:

- ▶ DBB (Baseline option)
 - ▶ DB
 - ▶ DBFM(O)
- B

The screenshots show detailed evaluation criteria and scores for different procurement options across various categories such as Design, Flexibility, and Risk allocation. For example, in the 'Design' section, DBB is evaluated against criteria like 'Under the approach the County's historical form of design of the school is responsible for specifying to meet requirements' and 'The potential for avoiding the County's approach for design and design the County's selection of the school and public the Project and the County's management of the design process'. Scores are provided for each criterion and an overall score is calculated.

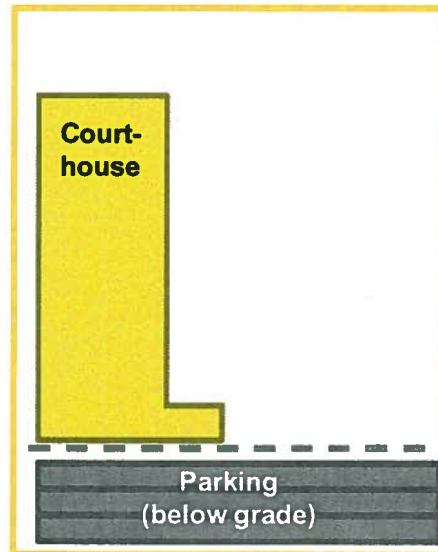
Physical options

Reference to final report:
pp. 143-155



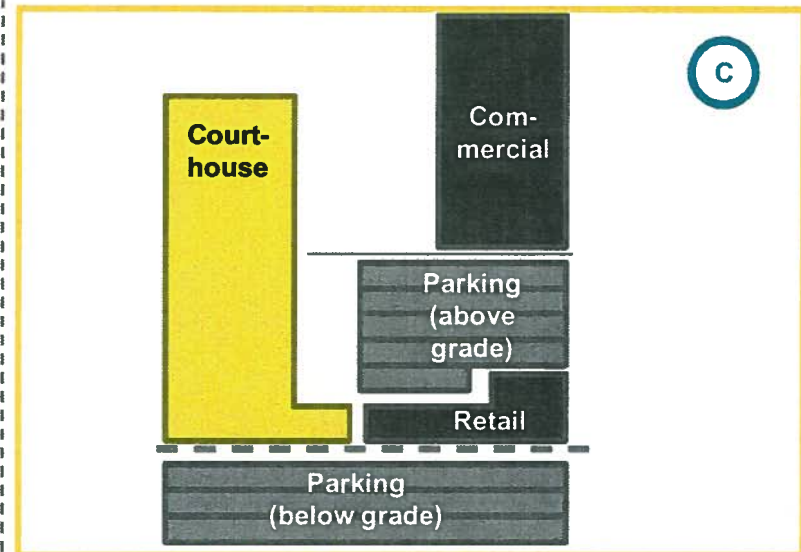
Option 1: Courthouse only

- ▶ Free-standing Courthouse only



Option 2: Courthouse + commercial

- ▶ Single structure
- ▶ Dual tower
- ▶ Dual tower phased
- ▶ Maximum buildable

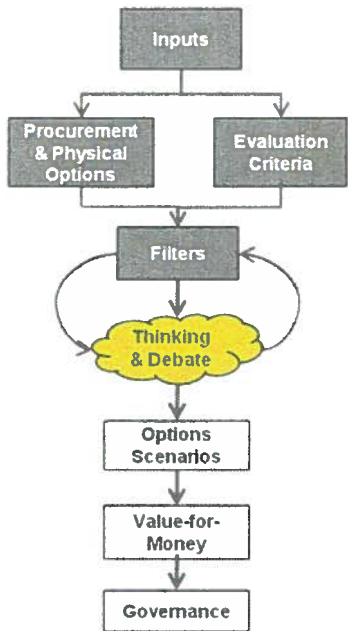


Considerations:

- ▶ Courthouse space requirement
- ▶ Parking requirements
- ▶ Above-ground structure
- ▶ Site layout

Decision drivers for selection of options

Reference to final report:
pp. 156-159

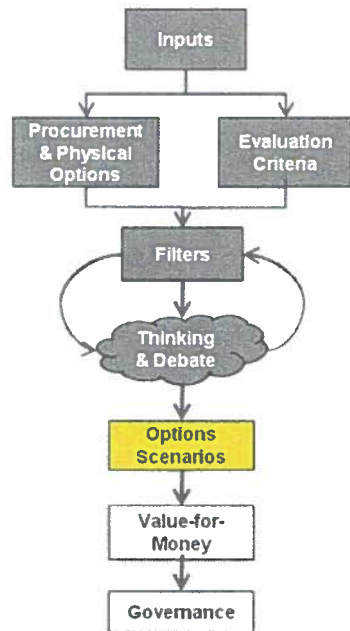


	Decision drivers	Input and filters	Options explored	
A	Commercial component	<ul style="list-style-type: none"> ▶ Real estate analysis 	<ul style="list-style-type: none"> ▶ Office ▶ Multi-family <input type="checkbox"/> For sale ▶ Multi-family <input type="checkbox"/> For rent ▶ Hotel ▶ Retail 	<ul style="list-style-type: none"> ✓ ✓
B	Type of procurement	<ul style="list-style-type: none"> ▶ Procurement description ▶ Multi-criteria assessment 	<ul style="list-style-type: none"> ▶ DBB ▶ DB ▶ PLTO ▶ DBF ▶ DBFM ▶ DBFM(O) 	<ul style="list-style-type: none"> ✓ ✓ ✓ ✓
C	Physical layout	<ul style="list-style-type: none"> ▶ Site configuration ▶ Site location ▶ Stakeholder and public meetings ▶ Objectives and Evaluation Criteria ▶ Real estate review ▶ Parking requirements ▶ Central Campus Master Plan 	<ul style="list-style-type: none"> Courthouse only ▶ Free-standing Courthouse only Courthouse + commercial ▶ Single structure ▶ Dual tower ▶ Dual tower phased ▶ Maximum structure 	<ul style="list-style-type: none"> ✓ ✓

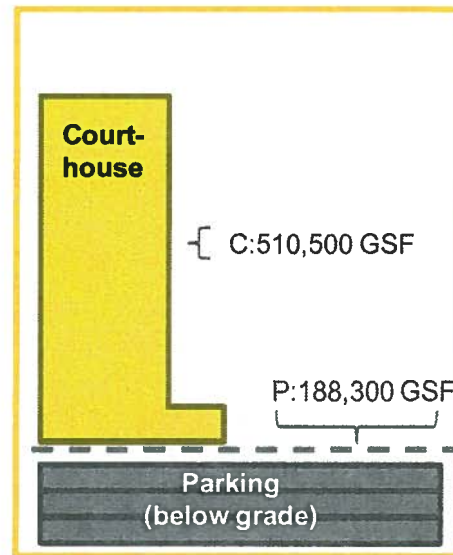


Selection of project delivery options for analysis

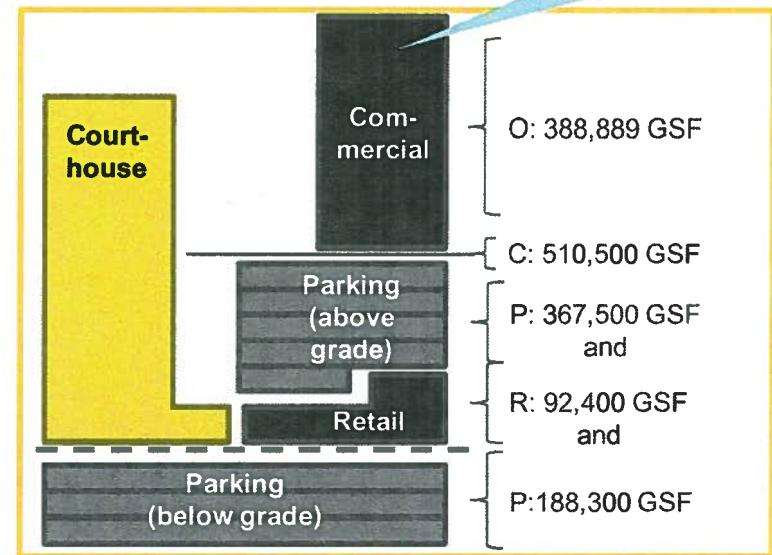
Reference to final report:
pp. 156-159



Option 1: Courthouse only



Option 2: Courthouse + office + retail



Flexible "air rights" preserves optionality

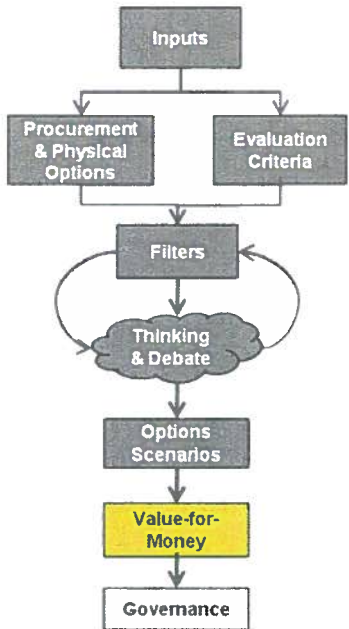


Option/Scenario	Physical	Procurement
Option 1, Scenario 1.1	Courthouse only	DBB
Option 1, Scenario 1.2	Courthouse only	DB
Option 1, Scenario 1.3	Courthouse only	DBFM(O)
Option 2, Scenario 2.1	Courthouse + office + retail	DBFM(O)

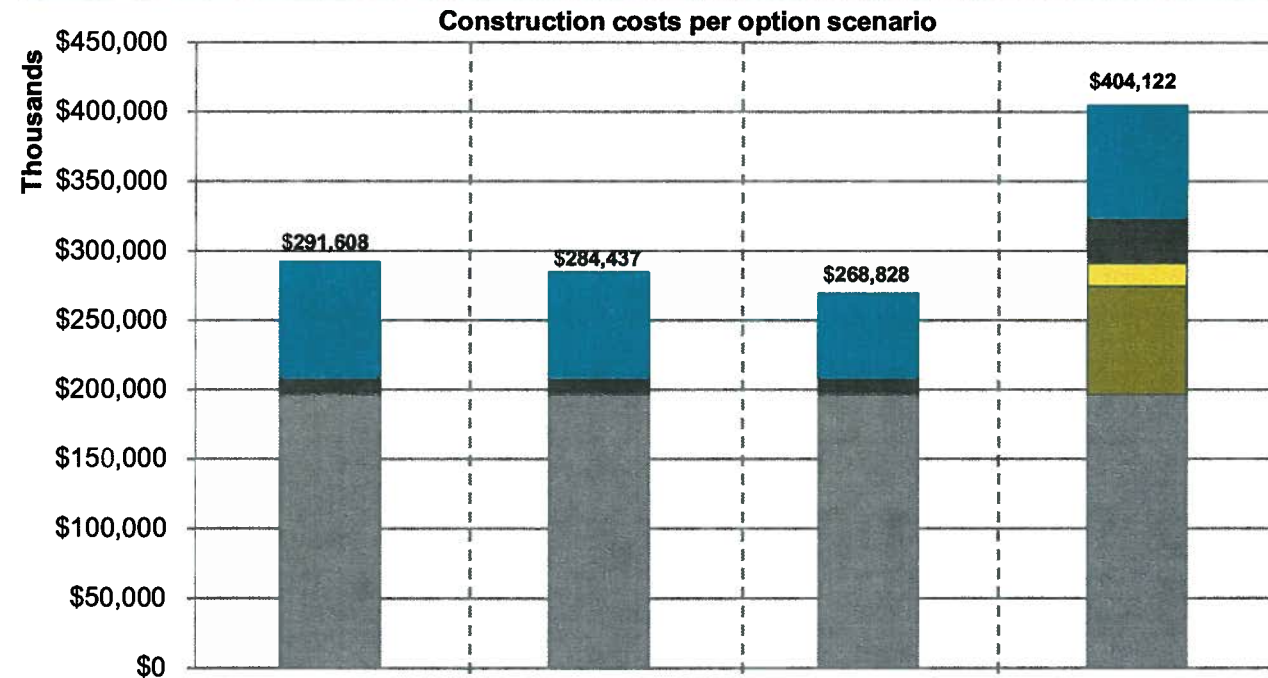
Project costs

Construction costs per option scenario

Reference to final report:
pp. 160-172



Construction costs for the delivery options were modeled from using standard industry modeling resources, RS Means and Marshall & Swift. The modeled values were validated via comparison against documents and input from the County and other comparable projects.



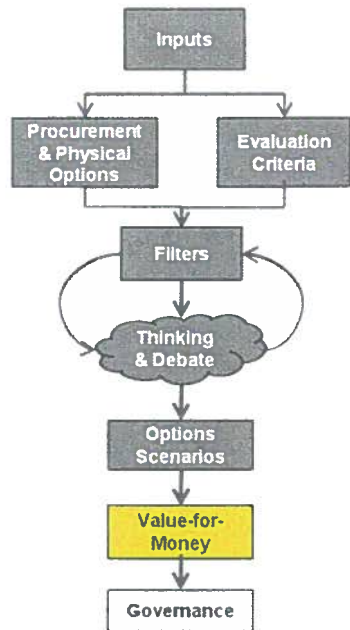
Procurement option	DBB (public finance)	DB (public finance)	DBFM(O) (private finance)	
Physical option	Courthouse only		Courthouse only	Courthouse + office + retail
GSF (incl. parking)	698,800	698,800	698,800	1,547,589
Cost/GSF (incl. parking)	\$417	\$407	\$385	\$261
FAR	9:1	9:1	9:1	20:1

- Soft Costs
- Parking (above + below + excavation)
- Retail (hard cost)
- Office (hard cost)
- Courthouse (hard cost + earthwork)

Project costs (continued)

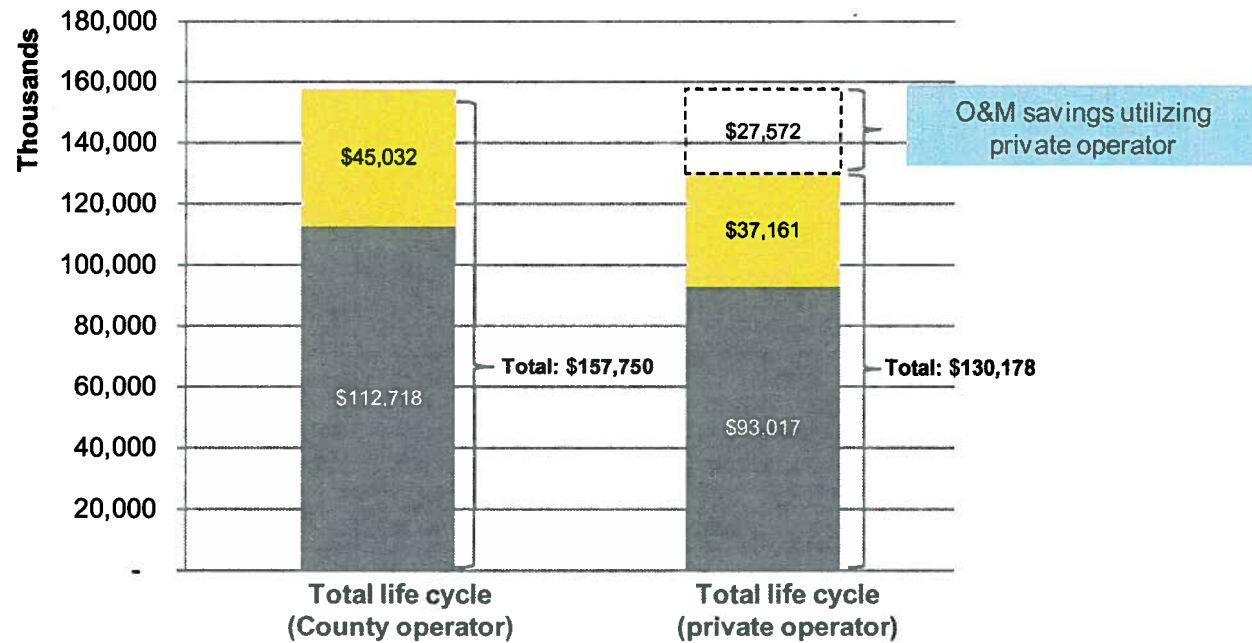
Operations, maintenance and repair costs (Courthouse only)

Reference to final report:
pp. 173-177



O&M costs for the proposed courthouse were modeled using industry standard software, Whitestone Research. The models were approved by the Project Executive, and the estimates were validated via discussion with the Internal Team and by other County operations resources that were involved in the process.

Total life cycle costs over 30 years

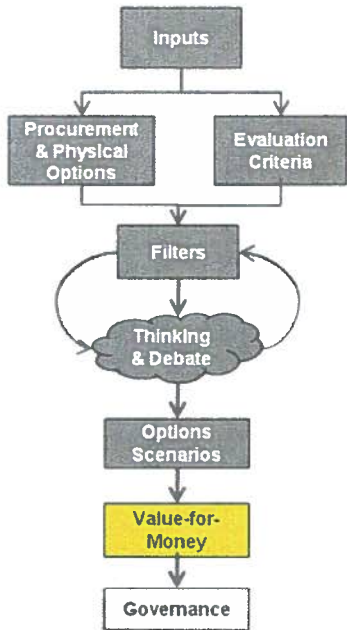


- Maintenance and repair
- Operating costs

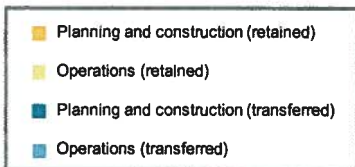
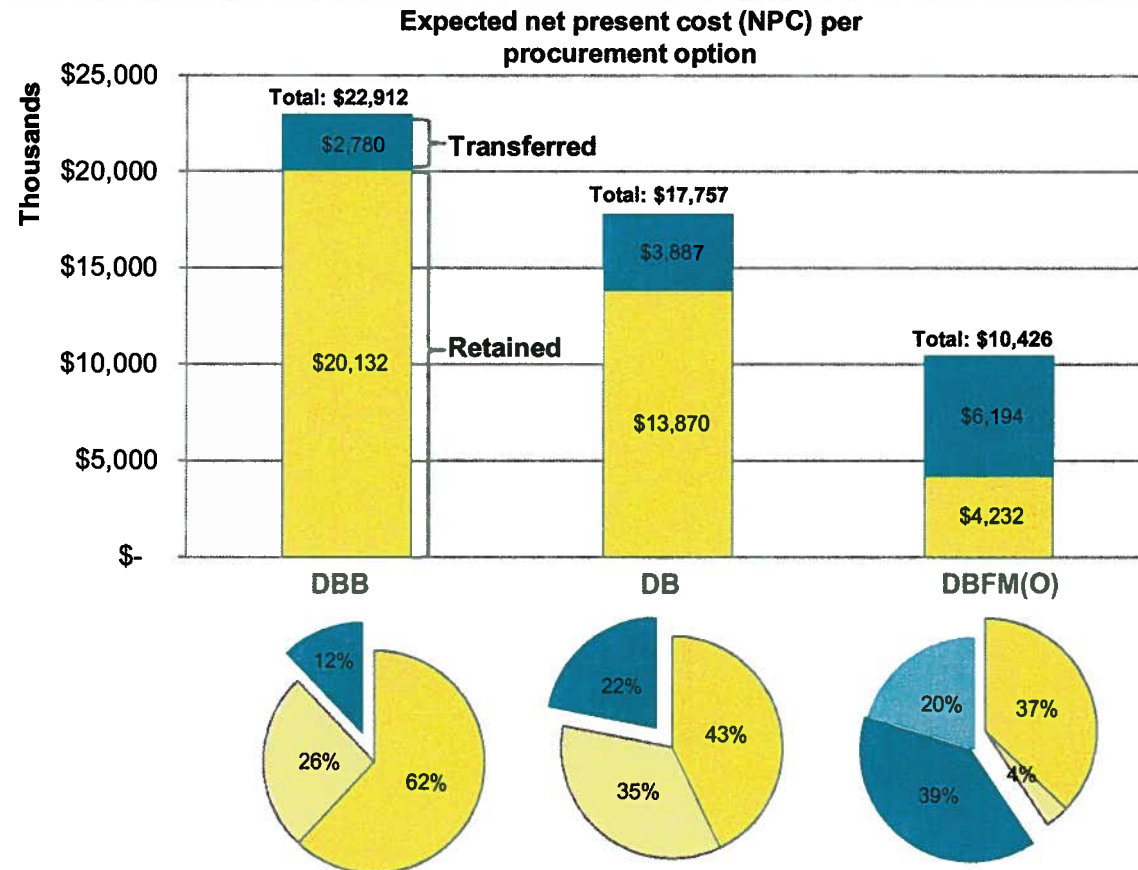
Risk analysis

Risk quantification results

Reference to final report:
pp. 178-188

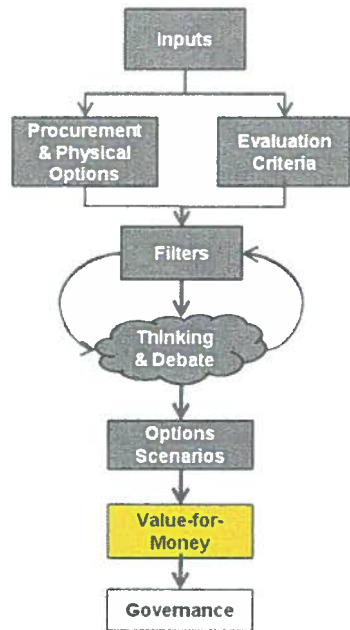


Ernst & Young and the Internal Team held a number of risk workshops to estimate the likely risks, values, allocations and mitigation plans associated with each procurement option. The charts below present the estimated value of risk for each delivery model, the allocation between transferred risk and risk retained by the County, and the estimated value of each risk category within each risk allocation.



VfM analysis

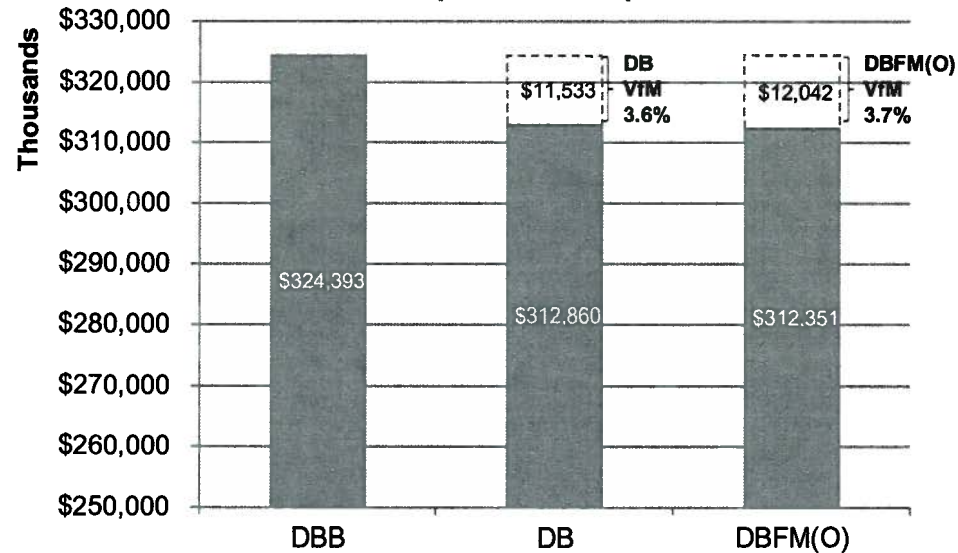
Reference to final report:
pp. 189-216



VfM can be expressed quantitatively as the difference in net present cost (NPC) between the proposed alternative procurement option and the Private Sector Comparator (PSC):

$$\text{VfM} = \text{NPC}_{\text{PSC}} - \text{NPC}_{\text{Alternative}}$$

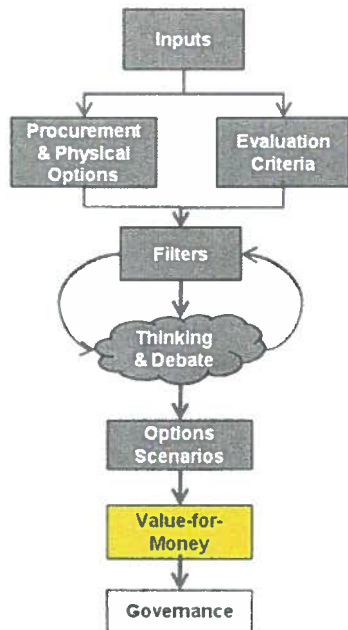
Expected NPC and savings per procurement option



The analysis shows that the NPC of the DBFM(O) is \$12m less than the NPC of the DBB option, a 3.7% savings; the NPC of the DB is \$11.5m less than the NPC of the DBB option, a 3.6% savings.

Value-for-Money analysis (continued)

Reference to final report:
pp. 189-216



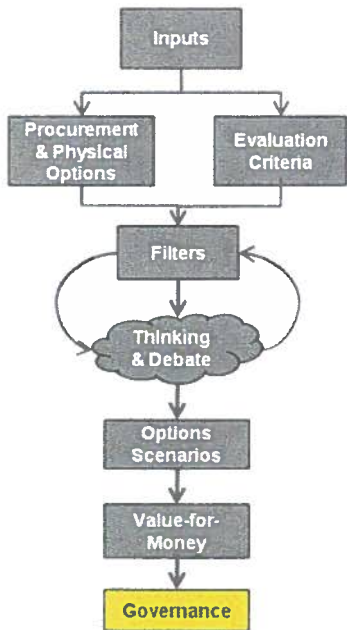
Total Costs to the County	DBB	DB	DBFM(O)
	Total NPC (\$'000s)	Total NPC (\$'000s)	Total NPC (\$'000s)
Construction phase costs			
Design and construction costs	207,822	201,592	0
County funding for DBFM(O)	0	0	115,615
Transferred risks	2,780	3,887	0
Retained risks	14,206	7,610	3,870
Owner's costs	27,765	26,855	26,001
Honorarium	0	763	763
	252,573	240,707	146,249
Operating phase costs			
Operating costs	49,021	49,021	0
Retained operating costs risks	5,925	6,260	362
Maintenance costs	16,873	16,873	0
Total service payments under DBFM(O)	0	0	165,740
	71,819	72,154	166,102
Total NPC of County Costs	324,392	312,861	312,351
Value for Money		11,533	12,042
		3.6%	3.7%

Project Discount Rate: 7.0%

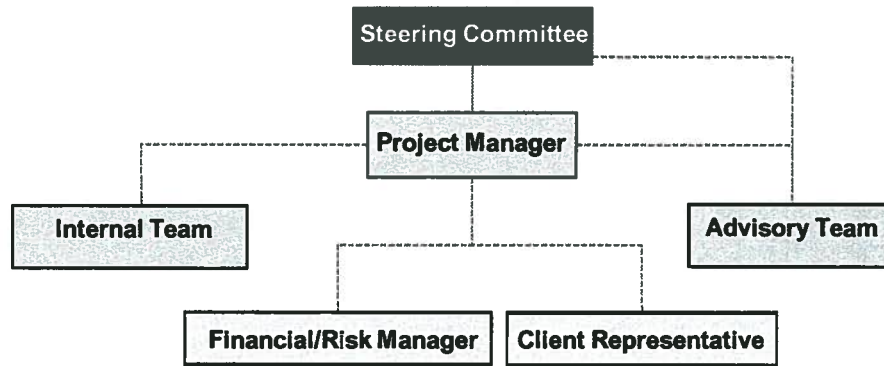
Governance

**VARIES BY
PROCUREMENT METHOD**

Reference to final report:
pp. 217-234



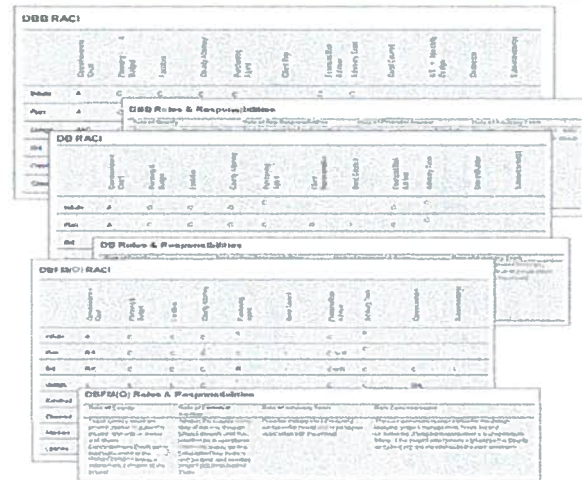
In order to achieve the desired outcome of a well-developed and well-managed Courthouse, the County should put into place a governance model which ensures that the Project is adequately managed.



Lessons learned

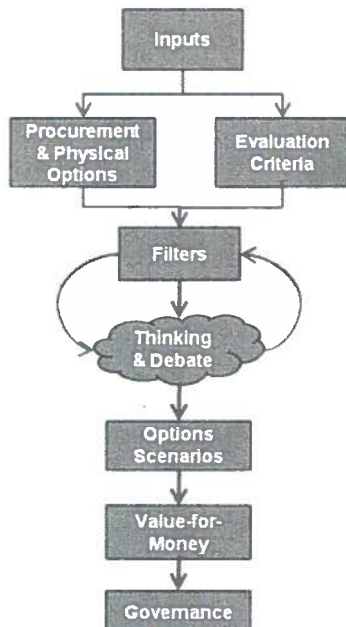
- ▶ Empowerment
- ▶ Report lines
- ▶ Commitment from the Commissioners and/or Steering Committee
- ▶ Experience
- ▶ Timetable
- ▶ Communications plan
- ▶ Stakeholder liaison involvement
- ▶ Resource allocation

Governance tools



Next steps

Reference to final report:
p. 235

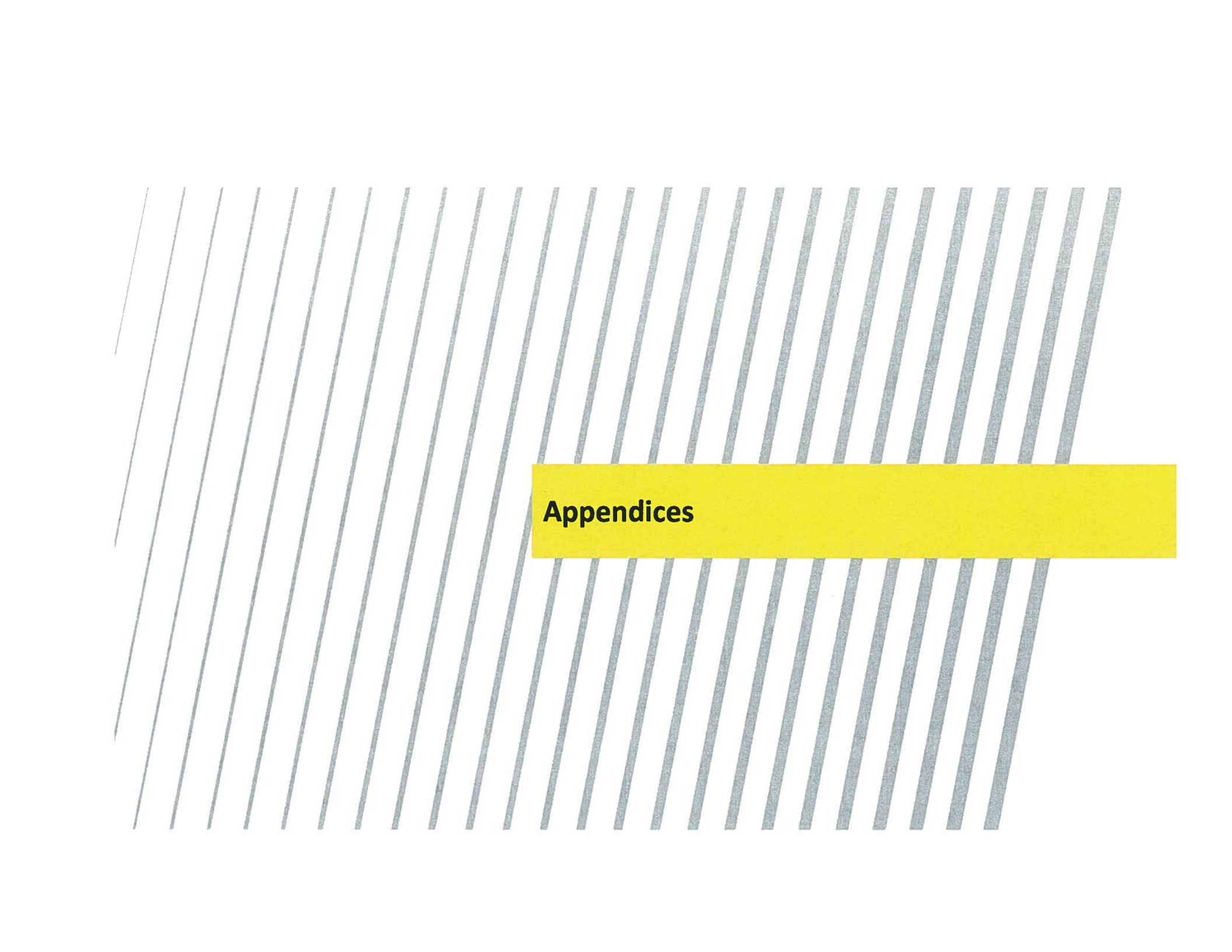


The next logical steps include completion of the following:

- ▶ **Convene a recommendation committee:** Convene a committee comprising members of the Internal Team, Judges and other designated stakeholders to make a go-forward recommendation for the Commissioners Court based upon this feasibility study
- ▶ **Select a procurement method:** Based on this document and further consultation, determine the appropriate procurement method option and the physical option to be procured
- ▶ **Complete a project charter:** Complete a high-level project charter that draws upon this feasibility study and mandates the project manager to execute the Project
- ▶ **Select a project manager:** Select the internal project manager (County project manager) to lead the Project
- ▶ **Hire external support:** Depending on the procurement method, hire the appropriate external support, such as client representative and/or financial/risk manager
- ▶ **Complete the initiation:** Complete all initiation activities and progress to the planning stage

Summary points

- 1 ▶ **All procurement options: DBB, DB, DBFM(O) are financially feasible. DB and DBFM(O) both have the ability to provide more Value for Money when compared to DBB**
- 2 ▶ **Qualitative benefits exist for DB and DBFM(O) including risk transfer, flexibility and accelerated timetables**
- 3 ▶ **Commercial development was excluded from the base case but offers potential flexibility; the commercial development could offer up to \$23m of value to the County, but could also offer no value**



Appendices

Appendix A

Summary of meetings, interviews, and workshops held

Reference to final report:
pp. 39-40,321

Real estate discussion participants

- ▶ John Baird, Vice President, Commercial Texas
- ▶ Will Douglas, Senior Associate, CB Richard Ellis
- ▶ Stephen Drenner, Partner, Winstead Attorneys Real Estate Development and Investments
- ▶ Julie Fitch, Economic Development Director, Downtown Austin Alliance
- ▶ Jerry Frey, Senior VP, CB Richard Ellis
- ▶ Charles Heimsath, President, Capitol Markets Research
- ▶ Troy Holme, Senior VP, CB Richard Ellis
- ▶ Mike Kennedy, President, Commercial Texas
- ▶ Michael Wardlaw, Sales Associate, CB Richard Ellis
- ▶ Other commercial real estate market participants, including appraisers, developers and university faculty from a local university

Stakeholder meetings

- ▶ Judge John K. Dietz, 250th Judicial District Civil Court; Judge Eric Shepperd, County Court at Law #2 Bench; Judge Lora Livingston, 261st Judicial District Civil Court on January 17, 2012
- ▶ Council of Civil Judges on January 18, 2012
- ▶ Civil and Family Courthouse staff on February 3, 2012
- ▶ City of Austin on January 25, 2012
- ▶ Austin Bar Association on January 25, 2012
- ▶ Downtown Austin Alliance on January 26, 2012
- ▶ Hispanic Chamber of Commerce on January 30, 2012
- ▶ Greater Austin Chamber of Commerce on February 8, 2012

Additional information gathering meetings

- ▶ Public information-gathering sessions held on January 18 and February 2, 2012
- ▶ Commissioners Court public voting sessions
 - ▶ Voting session on January 24, 2012 for the presentation of the RFI analysis
 - ▶ Work session on February 23, 2012 on the Stakeholder objectives, constraints and Evaluation Criteria
 - ▶ Voting session on February 28, 2012 on the Stakeholder objectives, constraints and Evaluation Criteria

Internal Team meetings

- ▶ Objectives-setting workshop, January 26, 2012
- ▶ Physical design and construction options workshop, February 16, 2012
- ▶ Procurement Workshop I, February 21, 2012
- ▶ Operations & Maintenance and Construction cost models and analysis review, February 24, 2012
- ▶ Procurement Workshop II, February 28, 2012

Appendix B

Statement of assumptions and limitations

Reference to final report:
p. 334

The analysis and commentary set forth in this report are subject to the assumptions and limiting conditions that follow:

This report (the Report) has been prepared by Ernst & Young from information and material supplied by the County for the sole purpose of assisting the County in its setting of procurement objectives and criteria for the assessment of potential procurement options for the new Civil and Family Courthouse Project.

The nature and scope of our services was determined solely by the Agreement between 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. We assume no duty, obligation or responsibility whatsoever to any other parties that may obtain access to the Report. The services we performed were advisory in nature. Ernst & Young did not render an assurance report or opinion under our contract with Travis County, nor did our services constitute an audit, review, examination, forecast, projection or other form of attestation as those terms are defined by the American Institute of Certified Public Accountants. None of the services we provided constituted any legal opinion or advice.

In the preparation of this Report, Ernst & Young relied on information provided by the County and third parties, and such information is deemed to be complete. Ernst & Young has not conducted an independent review of completeness, accuracy or validity of the information received from any party.