CITY OF BEND

City Hall – P3 Discussion

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ECONOMIC PROSPERITY

Develop and implement strategies that increase community prosperity through job growth, workforce development and livable wages.

Lead an effort to strengthen economic prosperity by enhancing strategic partnerships

- Leverage public-private partnerships that catalyze investment in the Bend Central District, including the development of a new City Hall and investments in the Drake to Juniper Park connection

Agenda

Purpose of tonight's discussion is to review the financial impact scenarios related to the development of a future City Hall / Administrative facility; and identify next steps for staff and the consultant team.

- History / Background
- Long-term Space Needs
- What is a P3?
- Full Build-out Scenario
- Alternative Build-out Scenario
- Near-term Space Need Options
- Next Steps / Recommendations
- Discussion & Questions

History / Background

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History

- Existing City Hall
  - Constructed in 1990
  - 25,700 square feet (SF)
  - Population: <30,000 people
- Acquired Surrounding Buildings
  - Middle Sister, South Sister, Bond Annex, Franklin
  - 18,300 square feet (SF)
- Leased Wall St. Annex
  - Beginning in 2014
  - 15,600 square feet (SF)
- Total: ~59,600 square feet (SF)
- Usable: ~50,000 square feet (SF)

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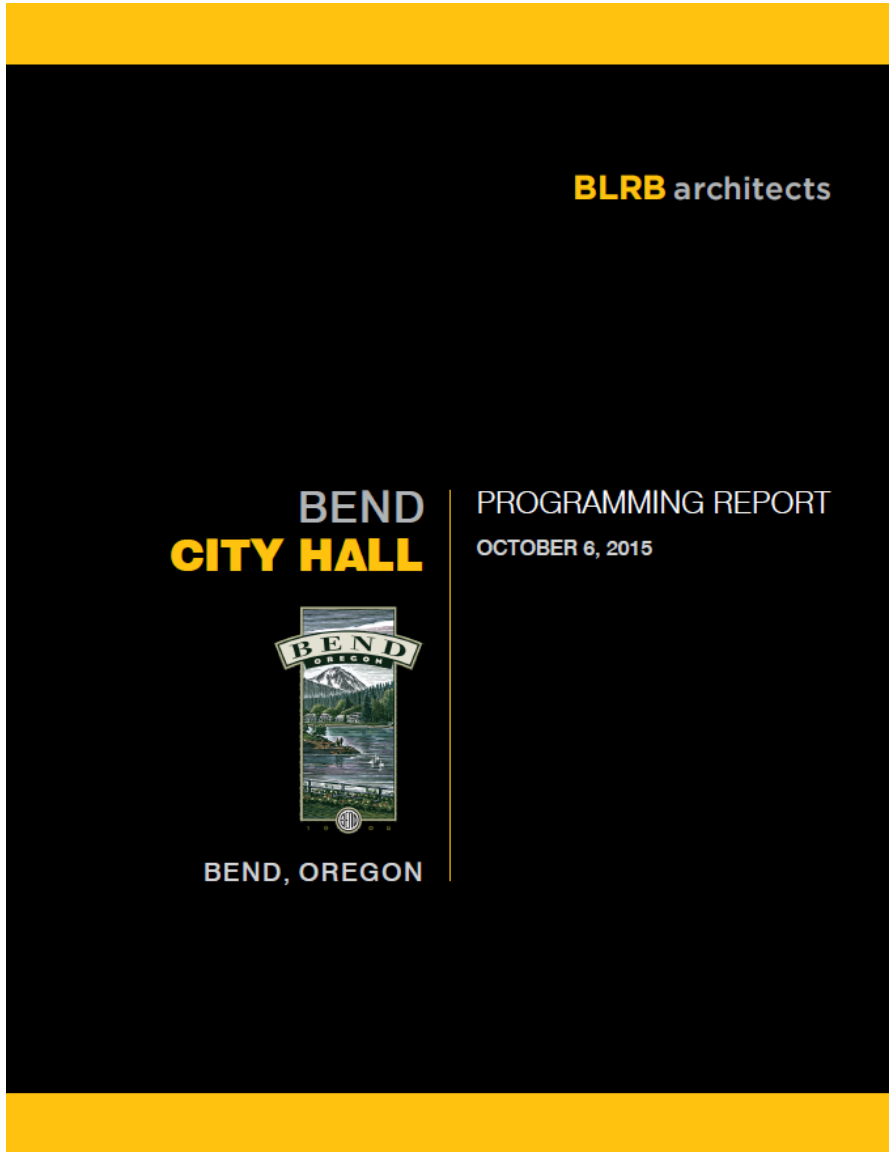
2015 / 2016

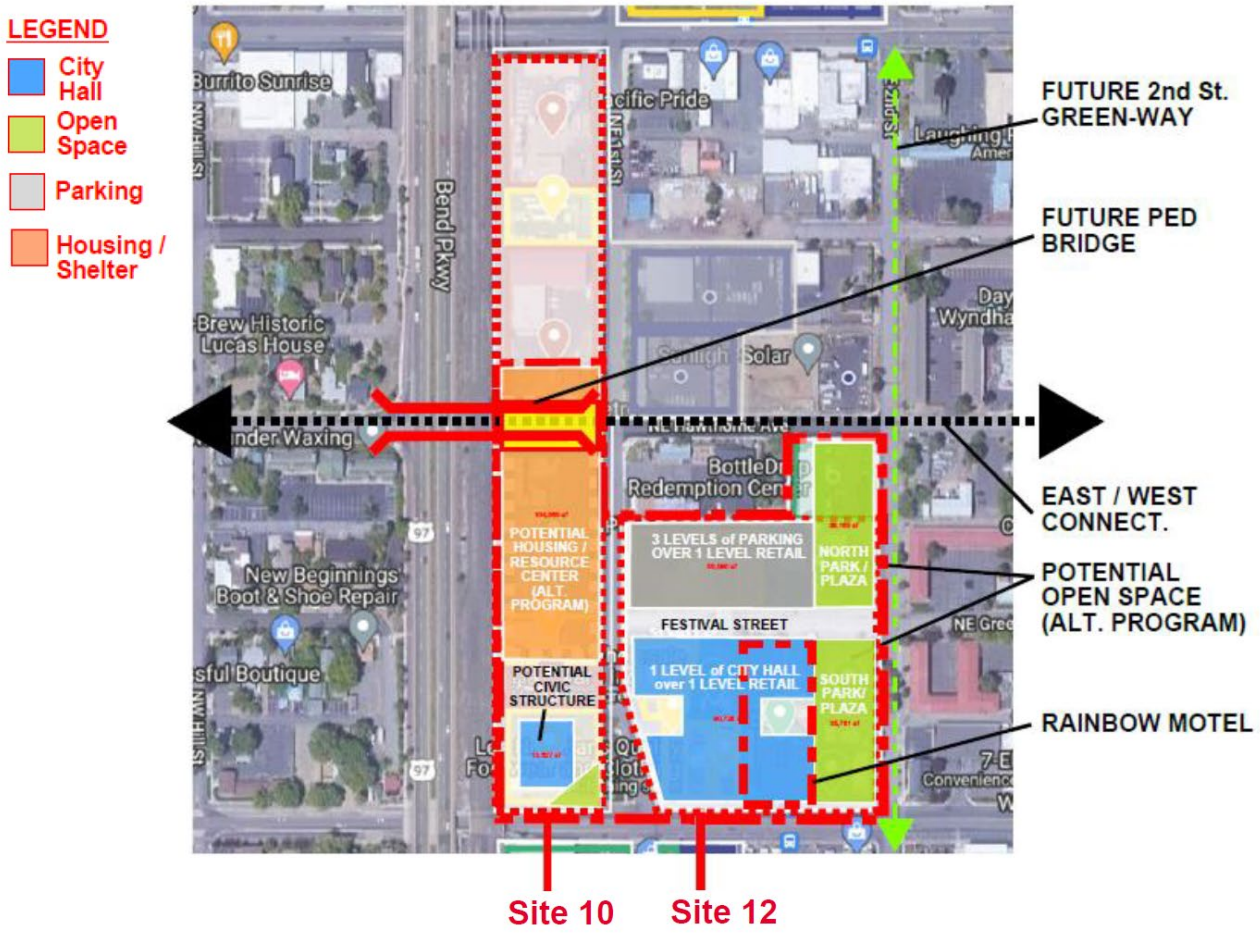
- City Hall Programming Report
  - ~185 Employees at the time
  - Looked at buildout to 2050
  - Recommended ~83,000 – 90,000 square feet (SF)

- Oregon expands applicability of the use of P3's beyond just transportation (2016)



2020 / 2021

- City Hall Site Search Process
  - RFP for Real Estate Advisory Services
    - Cushman & Wakefield were retained
  - Evaluated potential sites/properties for a new City Hall
    - Based on 2015 Programming Report
    - Limited to Core Area/BCD
  - Identified 28 Sites to evaluate
    - Community Benefit, Site Characteristics, Employee Experience, Accessibility
  - Narrowed down to 4 Sites
    - Rainbow Motel & Adj. Property
    - West side of 1st Street
  - Explored idea of Joint Venture/P3 Partnerships



**CONCEPTUAL*

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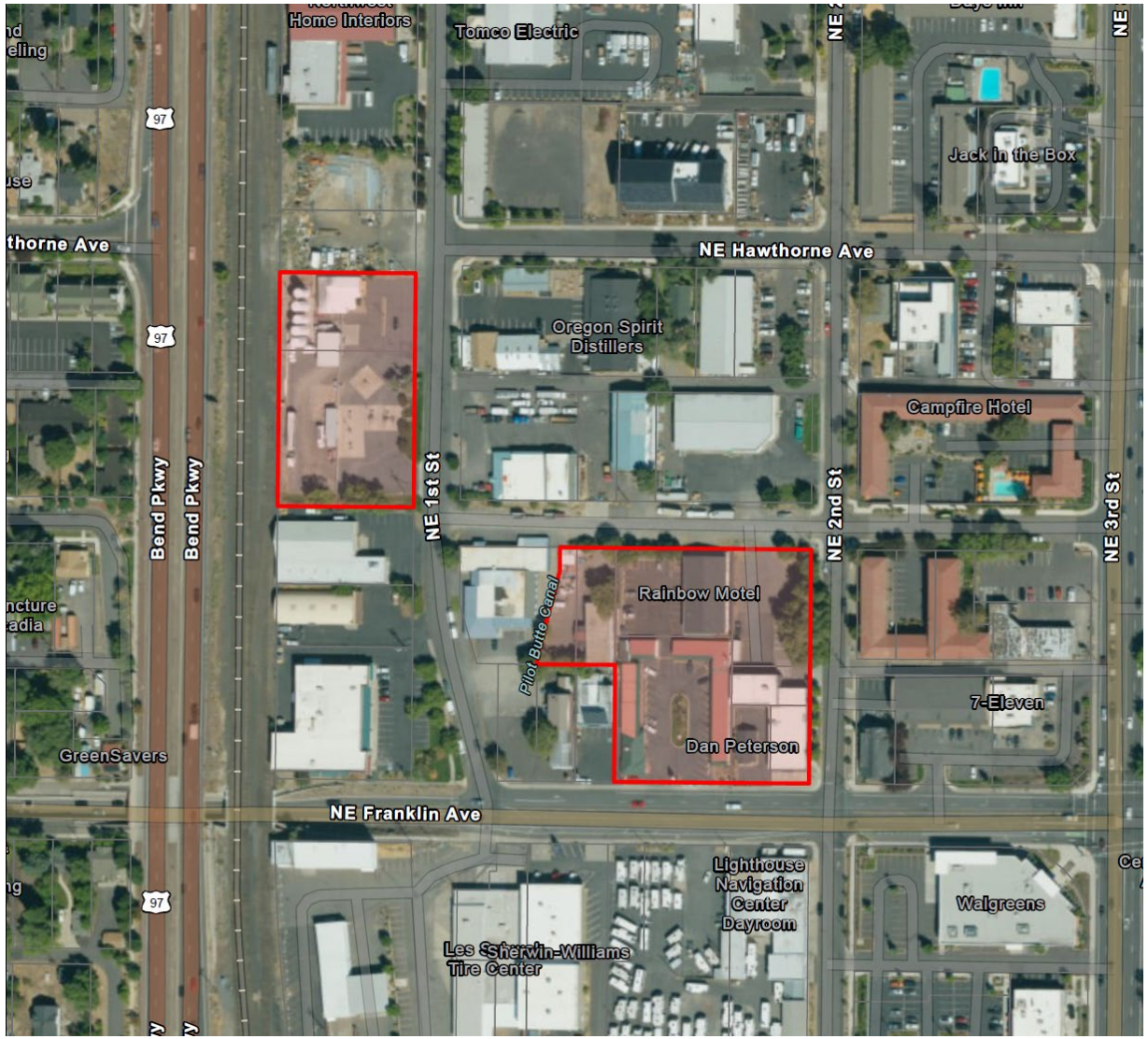
2024 / 2025

- Completed Acquisition of Properties
- City Hall Programming Report – Update (GBD Architects)
  - ~251 Employees at the time (Downtown)
  - Looked at buildout to 2060+
  - Recommended ~134,000 square feet (SF)
- Initiated Technical & Financial Advisor RFP's
  - Evaluate business & financial case services for a new City Hall based on 2024 Programming Report
  - Accenture & CohnReznick were retained



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Long-term Space Needs

2060+ Projection

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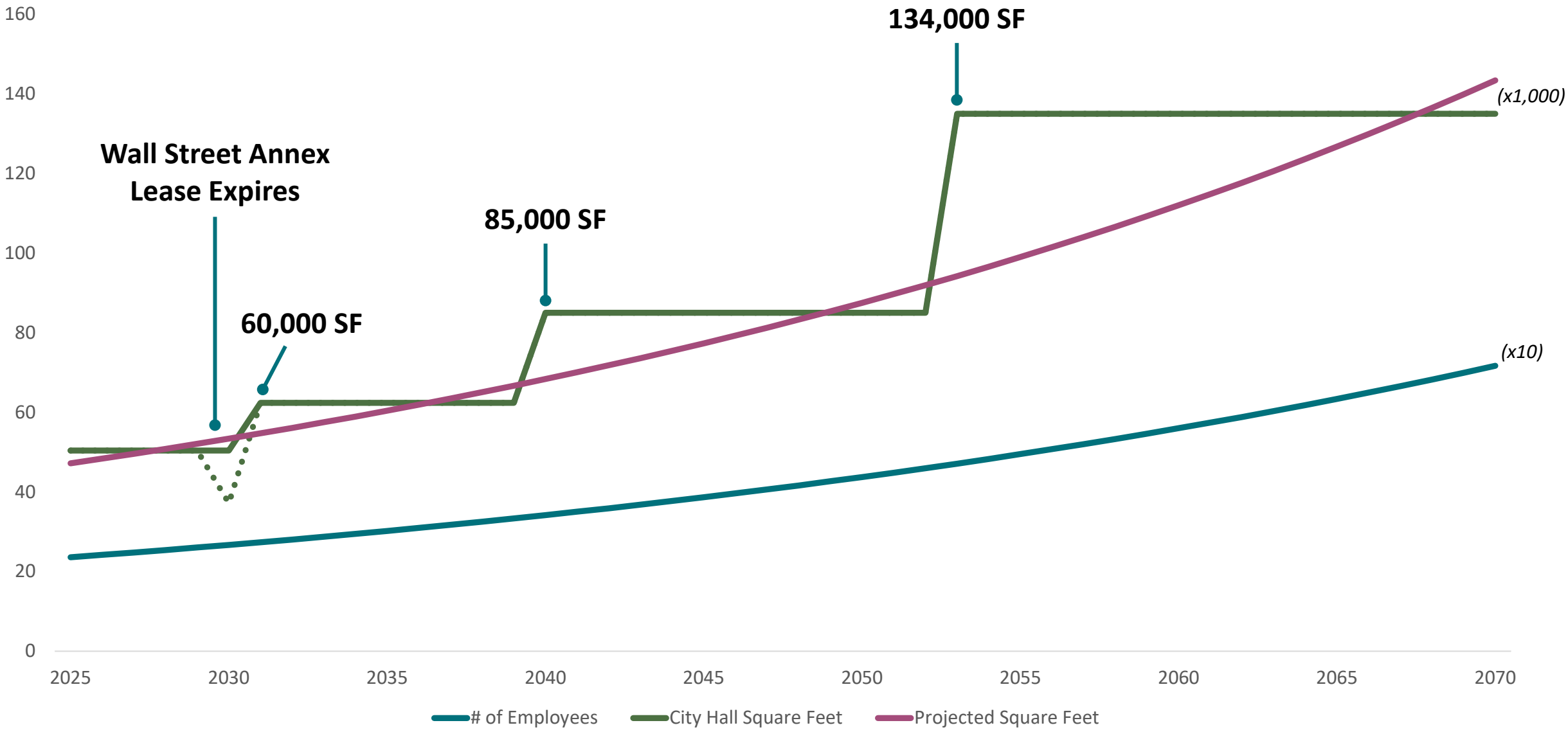
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Wall Street Annex Lease Expires
60,000 SF
85,000 SF
134,000 SF
(x1,000)
(x10)
# of Employees
City Hall Square Feet
Projected Square Feet

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Public Private Partnership (P3)

Overview

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Exploring P3 Options

What is a Public Private Partnership (P3)?

- A P3 is when a public agency & private entity collaborate to **deliver**, **finance**, **operate**, and/or **maintain** public infrastructure
  - Both entities will share project risks and rewards
- P3s are an alternative method for delivering public infrastructure projects
  - A P3 is not a funding approach – private financing and equity must be repaid
- A P3 is not privatization, the public sector retains the ownership
- Private sector investment & expertise is leveraged to optimize value and infrastructure performance over a long-term contract

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Project Delivery Options

Entirely Public *[Traditional Delivery]*

- Design-Bid-Build (DBB)
- Design-Build (DB)

Public-Private Partnership *[Alternative Delivery]*

- Design-Build-Finance (DBF)
- Design-Build-Finance-Maintain (DBFM)
- Design-Build-Finance-Operate-Maintain (DBFOM)

Entirely Private

- *Private sector assumes full responsibility and associated risks*

Full City Hall Build-Out Evaluation

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Process Summary

- Calculated using cost inputs on:
  - Construction
  - Operations & Maintenance
  - Lifecycle
  - City Revenue Streams
- Indicative financing terms based upon a “vanilla” financing structure
- Assumed an Availability Payment (annual payment) structure with 30 years of operations

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Project Construction

- ~134,000 square foot (SF) City Hall/Administrative Facility
- Assume Move-in by 2032
- Costs in 2025 Dollars:
  - **Hard Costs:** $122.9M
  - **Soft Costs:** $47.6M
  - **Total Capex:** $170.5M
- We escalated these costs to Year of Expenditure Dollars:
  - **Total Capex: $196.9M**

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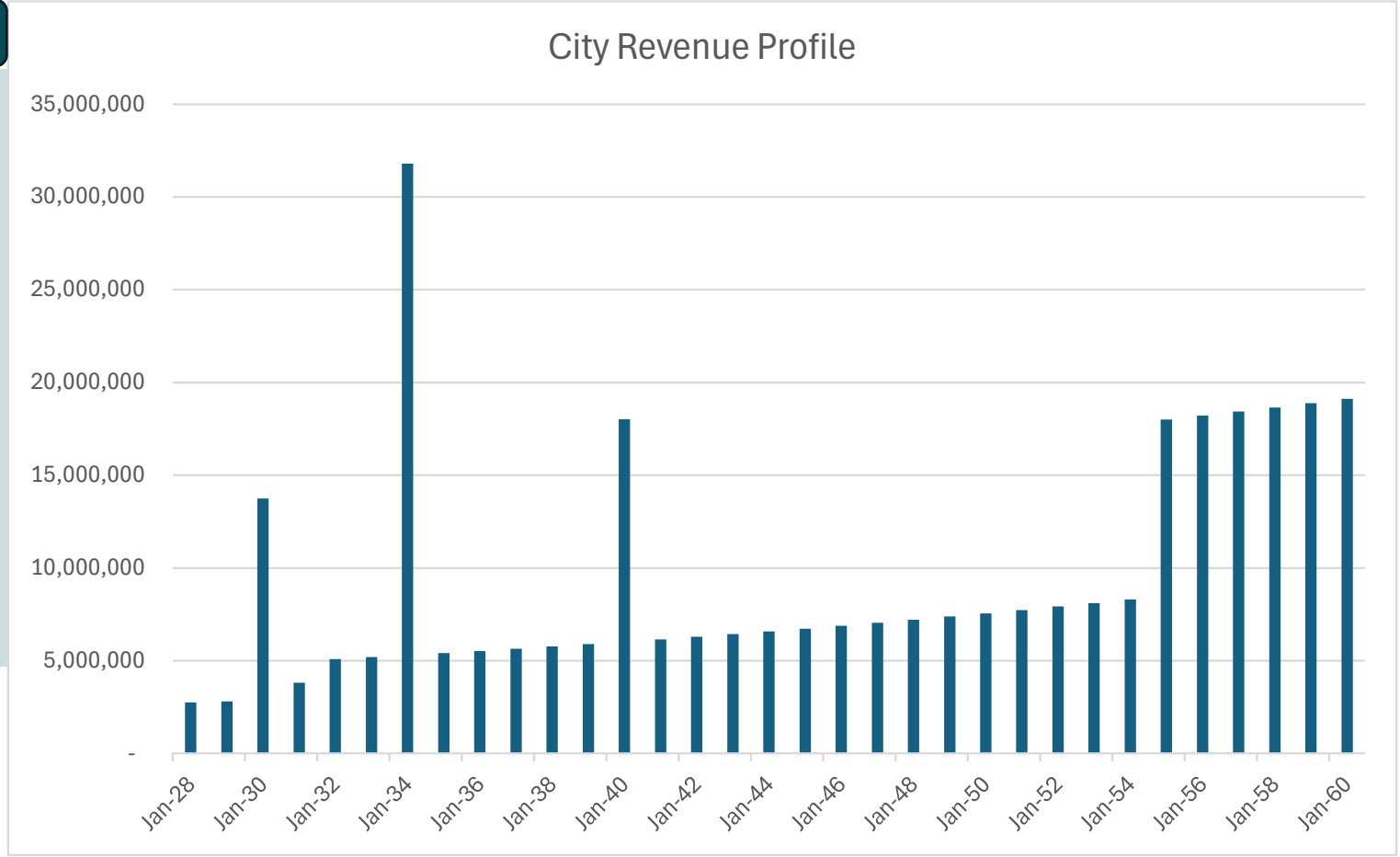
City Revenues (est. available each year)

City Revenue Streams

- Future Land Sales
  - Juniper Ridge, Downtown, BCD
- Debt Maturity & Closure
  - Public Works Campus
- Non-Tax Revenue Reserves
  - Previous Land Sales
- Facility Consolidation Savings
  - Operation & Maintenance
  - Lease Payments



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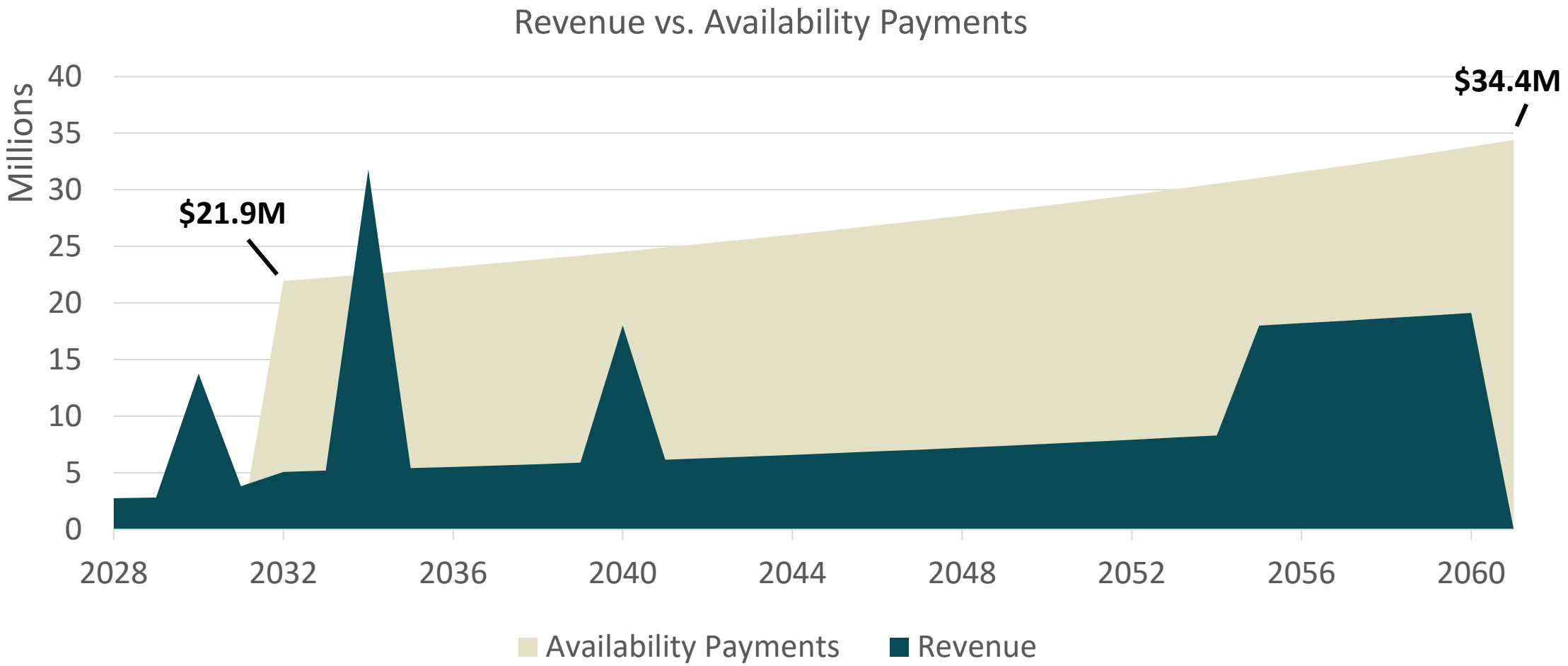
Project Feasibility



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Alternative Scenarios

Phased/Partial Build-out

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Scaled-Down Scenario

- ~58,000 square foot (SF) City Hall/Administrative Facility
- Costs in 2025 Dollars: **Total Capex: $78M**
- Annual Operations & Maintenance: **$1.4M**
- City Revenue Streams: Remained the same, except removed some future land sales and use of existing reserves.
  - Assuming need to maintain existing facility to meet space needs

- Indicative financing terms based upon a ‘vanilla’ financing structure (90/10 gearing)
- Availability Payment (annual payment) structure with 30 years of operations

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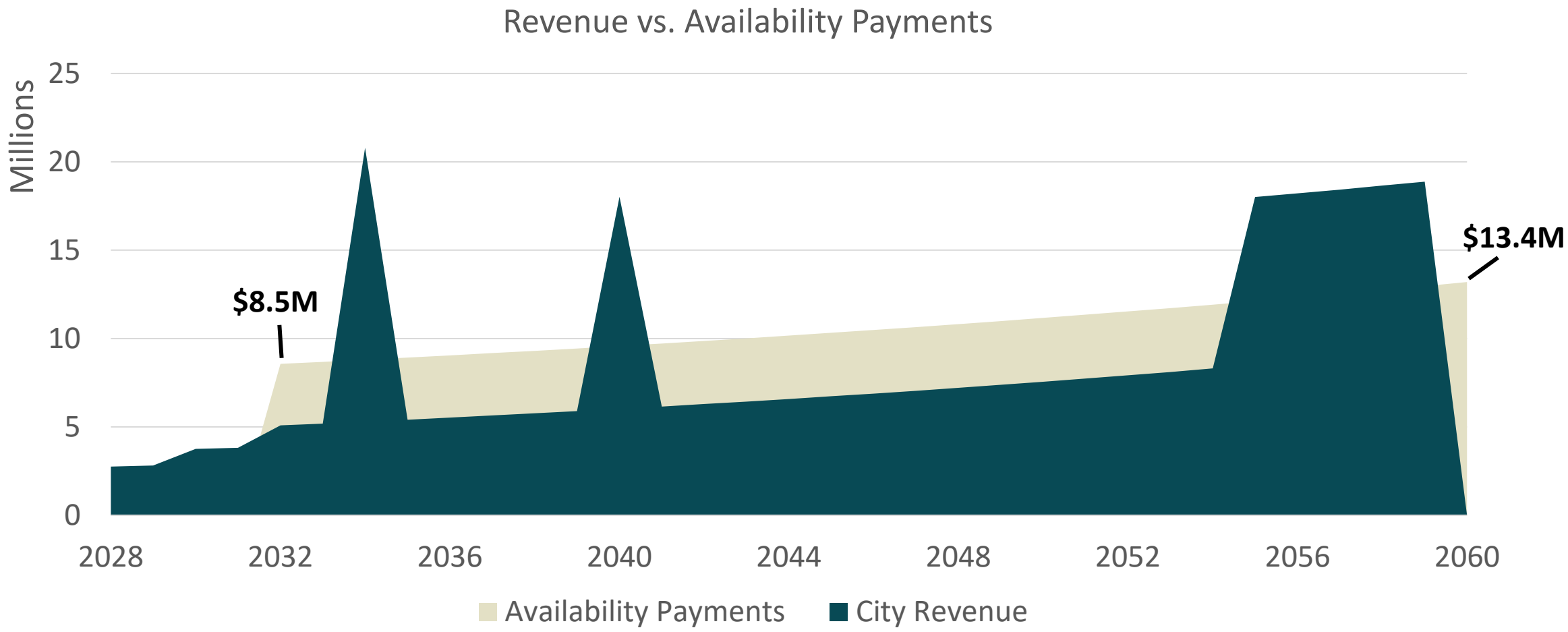
Scaled Down Availability Payments



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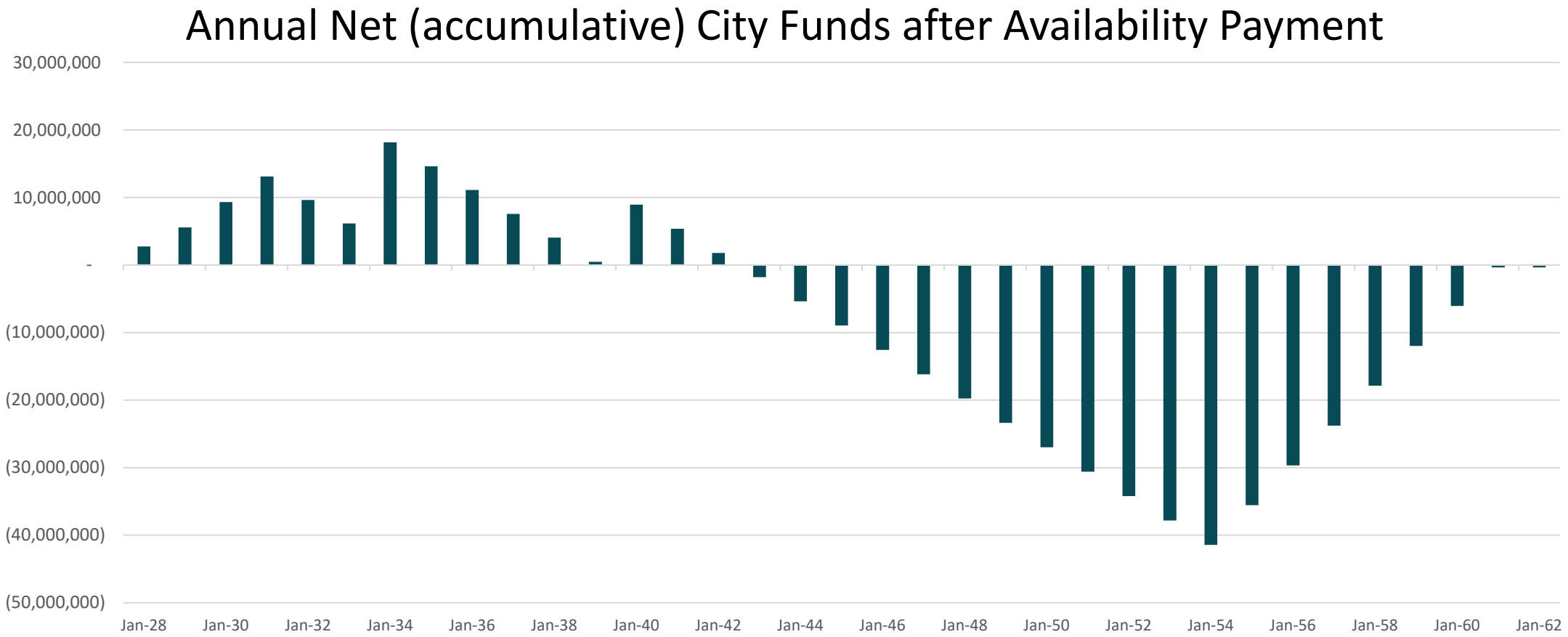
City Cash Flows



**Under this scenario the City would need to determine how it can fund the negative periods of cashflow (2043-2060) before it breaks even in 2061.*

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Scaled-Down Development Scenarios

A scaled-down scenario that integrates with a private real estate development component, could bring additional revenue to support funding for the City Hall/Administration portion of the project

Development Scenarios

1. **Vertically Integrated (City Hall + Private Real Estate)**
2. **Horizontally Integrated (City Hall + Private Real Estate)**
3. **Stand-Alone City Hall**
   - The stand-alone City Hall could be constructed in downtown or off-downtown
   - The site not selected would be made available by Bend through either a ground lease or a fee simple sale

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Delivery / Procurement Components

Each development scenario will involve multiple options for City Hall delivery & public land disposition

Delivery Components

1. **City Hall Delivery:** Public infrastructure delivery options (traditional vs. P3)
2. **Public Property Transaction:** Public property disposition and joint development options
3. **Bundling Components (1 + 2):** Partnering with one entity across both components

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Public Property Transaction Options

1. Fee Simple

Selling the site relieves the landowner of ownership, project risk, and development oversight while receiving a single upfront payment.

2. Ground Lease

A ground lease preserves control and future value, however lease payments can create some risk in timing and revenue certainty.

3. Joint Venture

Project revenues are dependent on the project's success, with most profits captured through a sale of the developed project.

4. Fee Developer

By assuming all the project's risks, the landowner also captures its full share of potential profits

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Near-term Space Need Options

Administrative Buildings

- City Hall
- South & Middle Sister
- Franklin Building
- Bond Annex
  - Storage
- Wall St. Annex
  - Leased
- 15th Street
  - Former Transportation & Mobility Department (TMD) Building

- Usable: ~60,000 square feet (SF)

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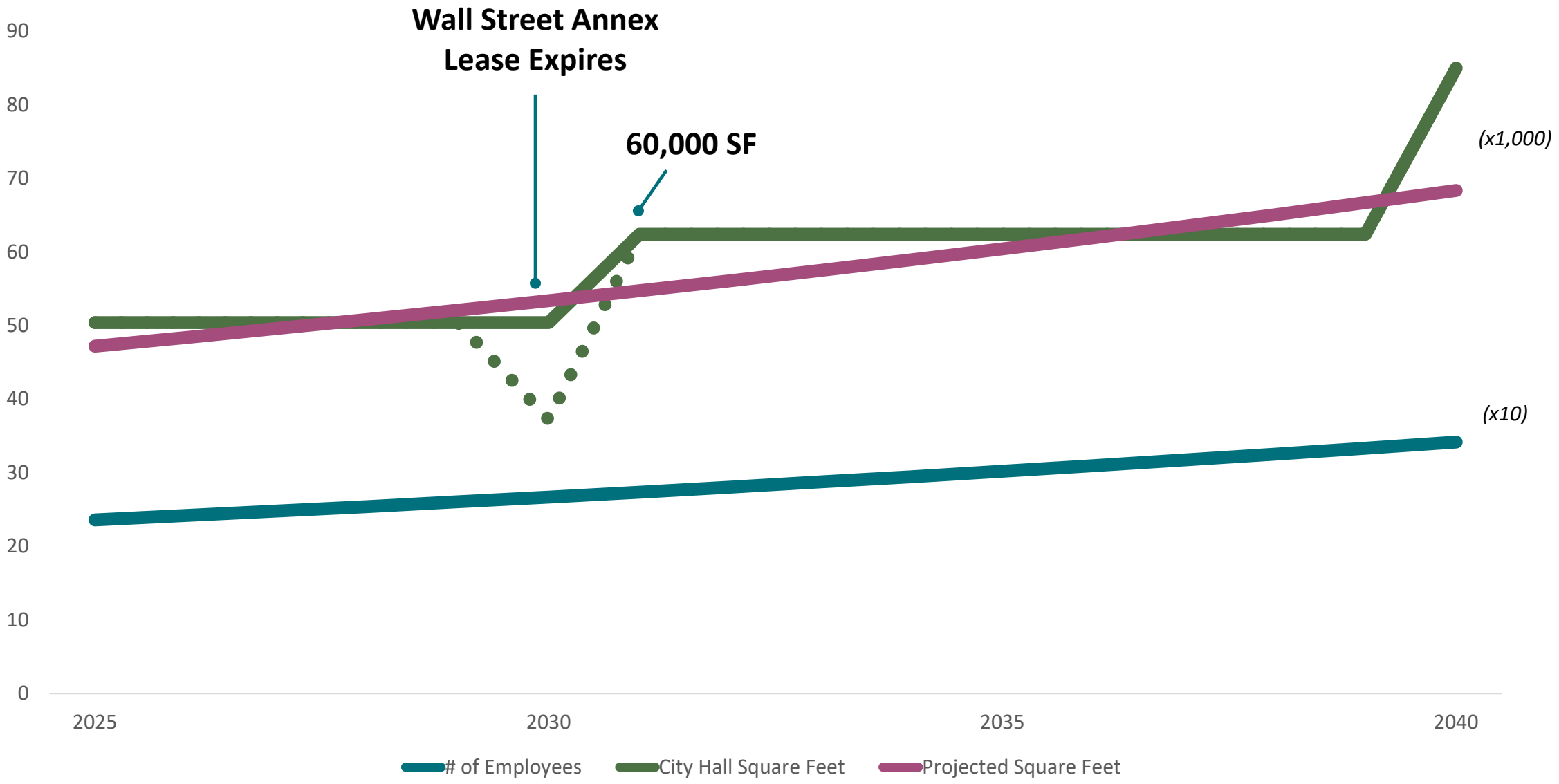
Wall Street Annex
Lease Expires
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Projected Square Feet

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Space Investments – 2035

- For Consideration:
  - Extend Lease or Evaluate Purchase of Wall St. Annex
  - Utilize existing 15th St. (TMD) Building
    - ~12,000 square feet (SF)
  - Total (Usable): ~60,000 square feet (SF)
  - Evaluate Council Chamber remodel/expansion

  - Improvements would address anticipated growth until 2037
  - Cost:
    - ~$2-3M in Renovations/Remodels (Council Chambers, 15th St)
    - ~$2.5M in additional Rent (Wall St. Annex)

Next Steps / Recommendations

Next Steps / Recommendations

Assess Short-term Space Needs

- Evaluate Lease Extension and/or Purchase – Wall St. Annex
- Utilize 15th Street building for central services staff
- Council Chamber Remodel/Expansion

Perform Alt. Scenario Development Comparison & Analysis

- Further identify potential partnership, finance, & delivery models
- Identify potential revenue streams and risks
- Identify potential reserve funding strategy needs

Perform “Highest & Best Use” Analysis: Downtown & BCD Properties

- Evaluate from an Economic Development perspective
- Focus on Community Benefit
- Focus on Land Activation

Return to Council in 4-6 months with an update

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Highest & Best Use Criteria

- Core Administrative Needs for the City (business case)
- Financial & Social Value
  - Job Creation
  - Increased Tax Base
  - Quality of Life
  - Commercial Amenities
- Community Needs
- Property/Area Activation & Anticipation
- Land Use Priorities

Downtown

Bend Central District

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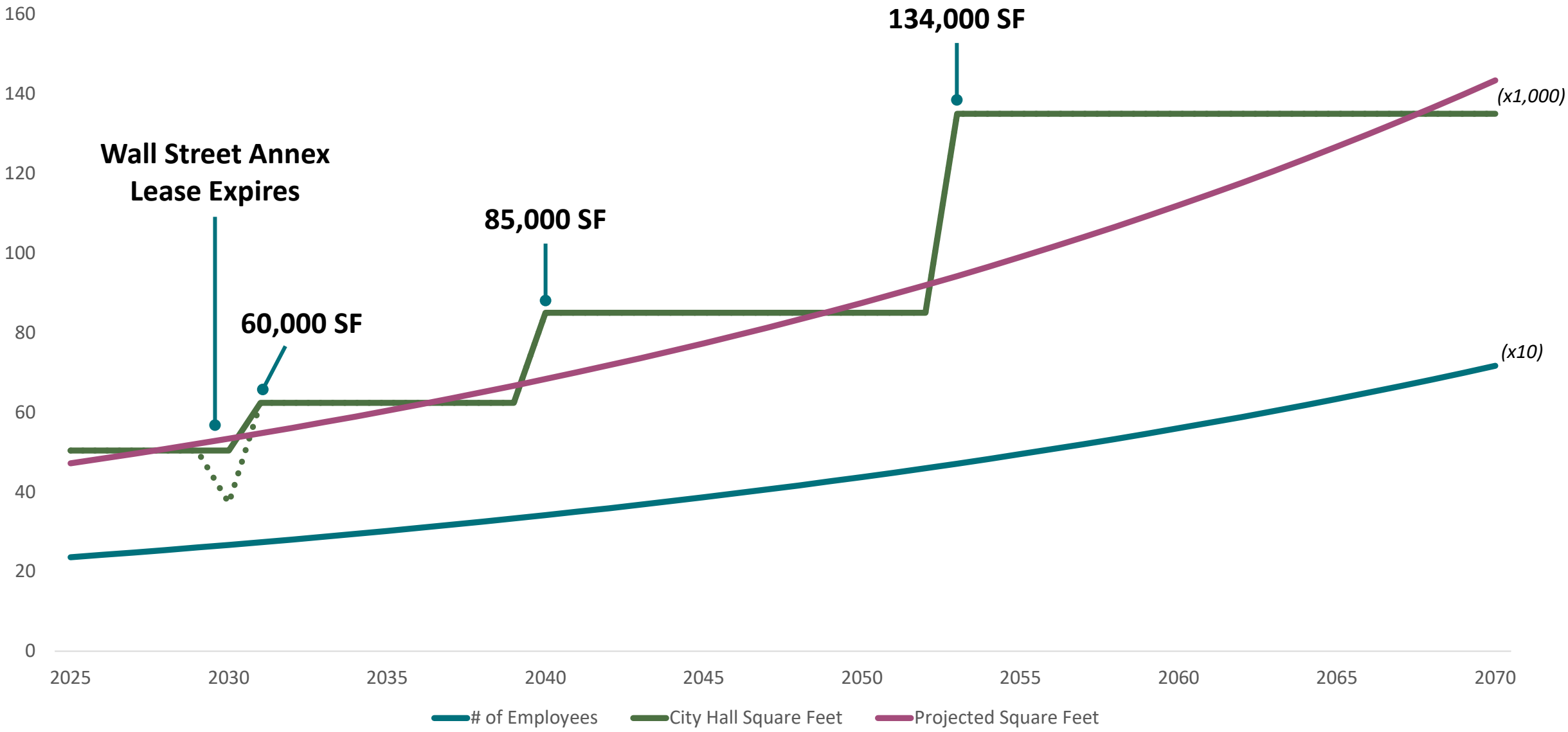
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Discussion / Questions

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Area: 19.6 Acres
Area: 3.2 Acres
NE FORBES RD
NE 15TH ST
NE 13TH ST
NE McCARTNEY DR
NE LESLEY PL
BEAR CREEK RD
NE BURNSIDE AVE
20


Area: 3.1 Acres
Area: 1.7 Acres
NE FORBES RD
NE 15TH ST
NE 13TH ST
NE McCARTNEY DR
NE LESLEY PL
BEAR CREEK RD
NE BURNSIDE AVE
20

CITY OF BEND


Area: 14.8 Acres
NE FORBES RD
NE 15TH ST
NE 13TH ST
NE MCCARTNEY DR
NE LESLEY PL
BEAR CREEK RD
NE BURNSIDE AVE
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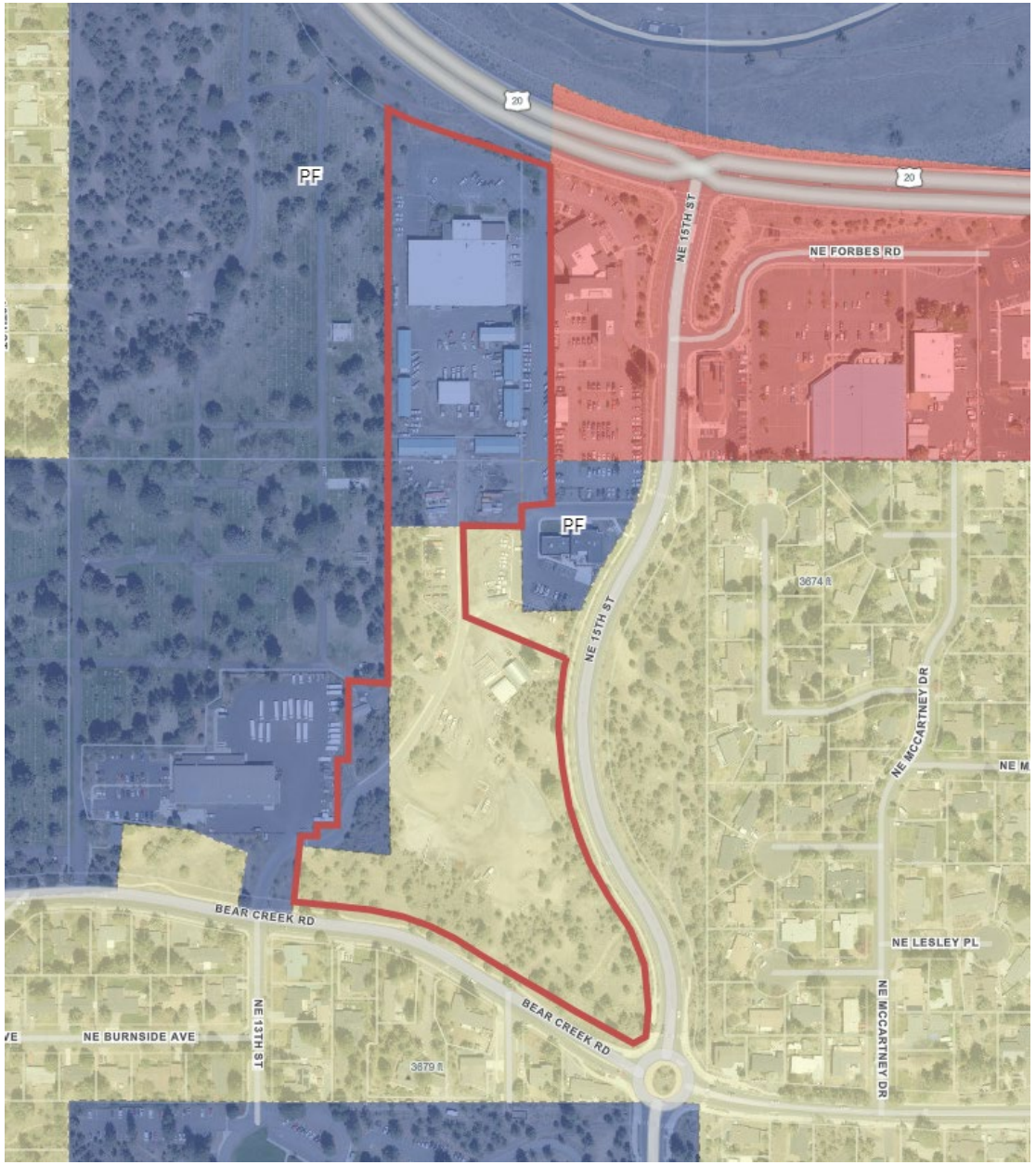
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