



Update on Strategic Facility Planning and Facility Financing

Audit and Finance Committee

May 27, 2015

Greg Canally, Deputy Chief Financial Officer
Lauraine Rizer, Real Estate Services Officer
Eric Stockton, Building Services Officer



Today's briefing

2



Background on Facility Planning

Recent Facility Actions

Addressing Facility Needs: Traditional Model vs New Model

Financing Strategies

Upcoming Council Action



Background on Facility Planning

3

City owns/occupies over 250 facilities throughout the City

- Recreation centers, service yards, warehouses, administrative spaces
- Assets are valued around \$2.0 billion

Prior to 2012, City did not have a comprehensive City-wide facility plan

- Each facility decision – purchase, lease, or renovate – was made as they arose, independent of strategic perspective.
- Facility capital renewal was addressed through a reactive/fix on failure basis
- Continued growth in leased space and costs
- Continued use of one-time funding for deferred capital maintenance emergencies



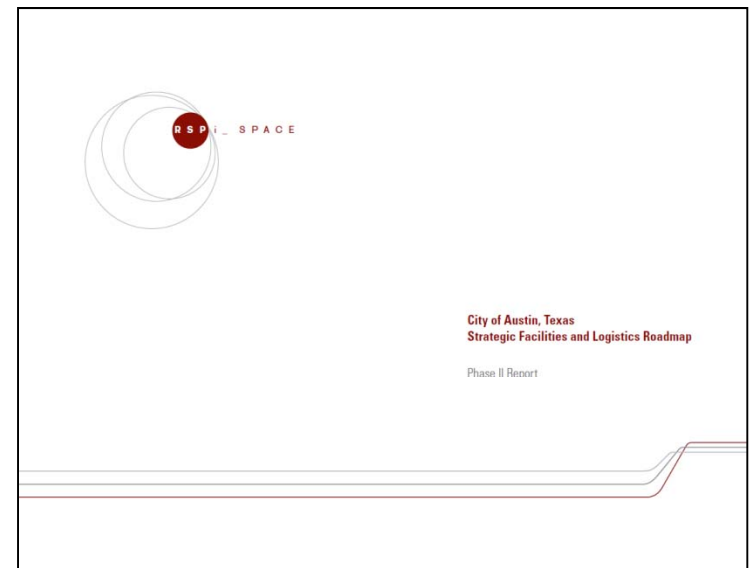
Background on Facility Planning

4

- The City commissioned a comprehensive roadmap for all City facilities to determine facility conditions and help craft a comprehensive long term plan.
- Consultant (RSP iSpace) work concluded winter 2012/2013

Highlights:

- Detailed Facility Condition Assessments
- Logistics Study
- Workplace analysis
- Individual Action Plan for 261 City Facilities
- 15-year Roadmap

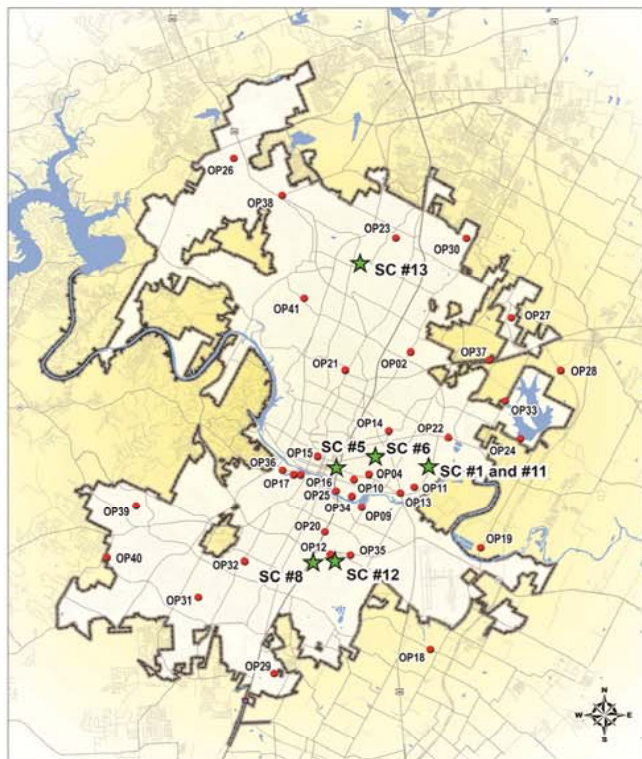




Facility Roadmap Study

Service Center Logistics Analysis

ORIGIN & SERVICE POINTS

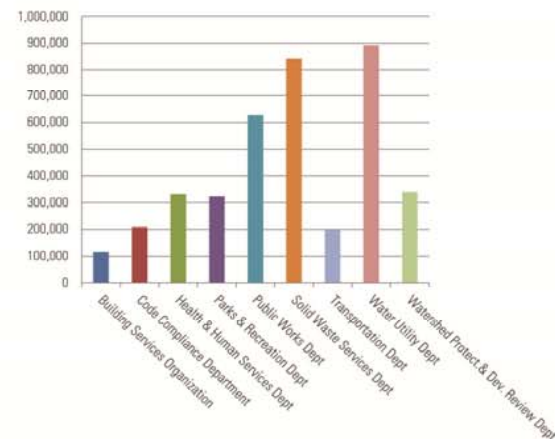


- Legend**
- ★ Service Centers
 - Origin Points

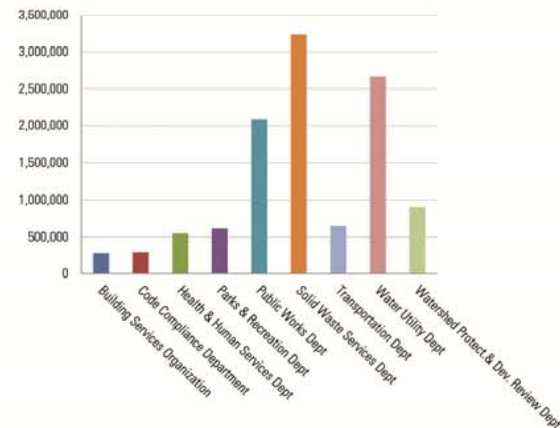
SERVICE CREW ORIGIN POINTS

CITY OF AUSTIN LOGISTICS STUDY

DEADHEAD MILES ANNUALLY BY DEPARTMENT



SERVICE DELIVERY COSTS ANNUALLY BY DEPARTMENT

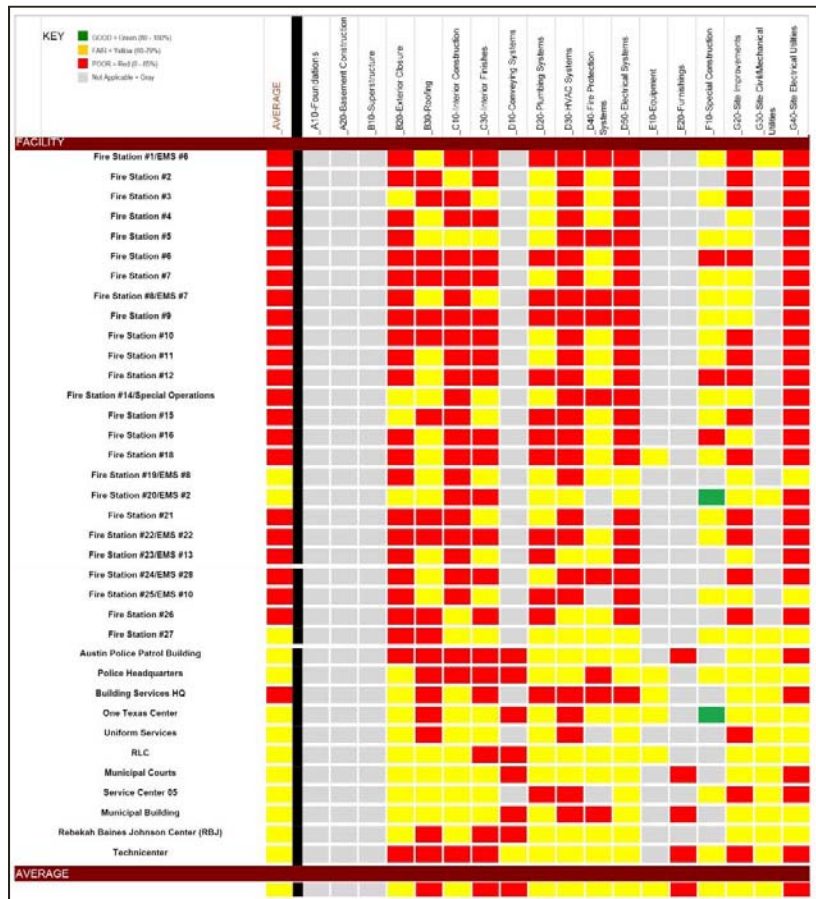




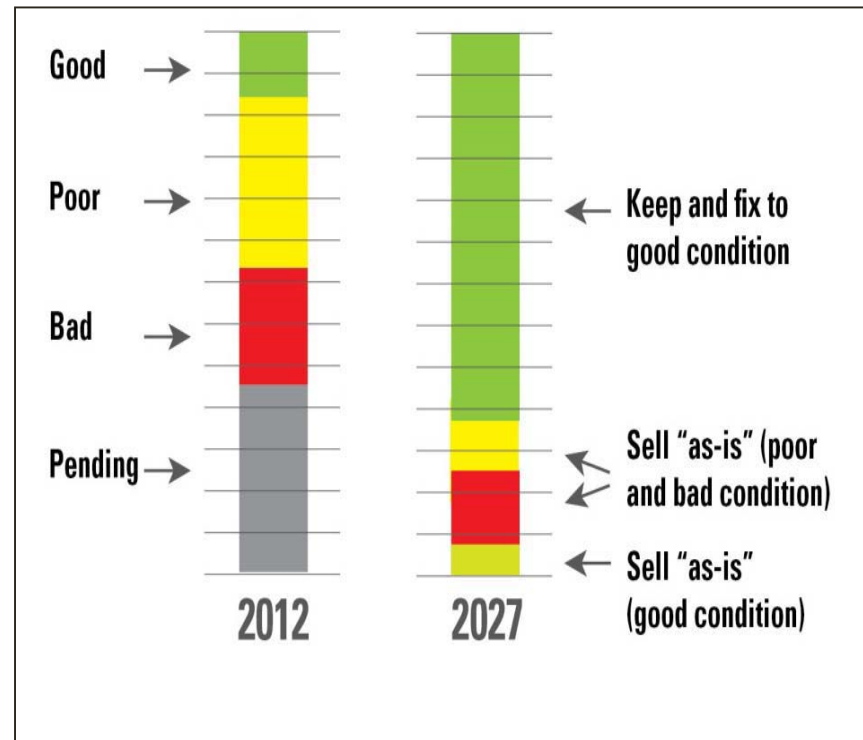
Facility Roadmap Study

Facility Conditions

Condition Assessment of Key Facilities



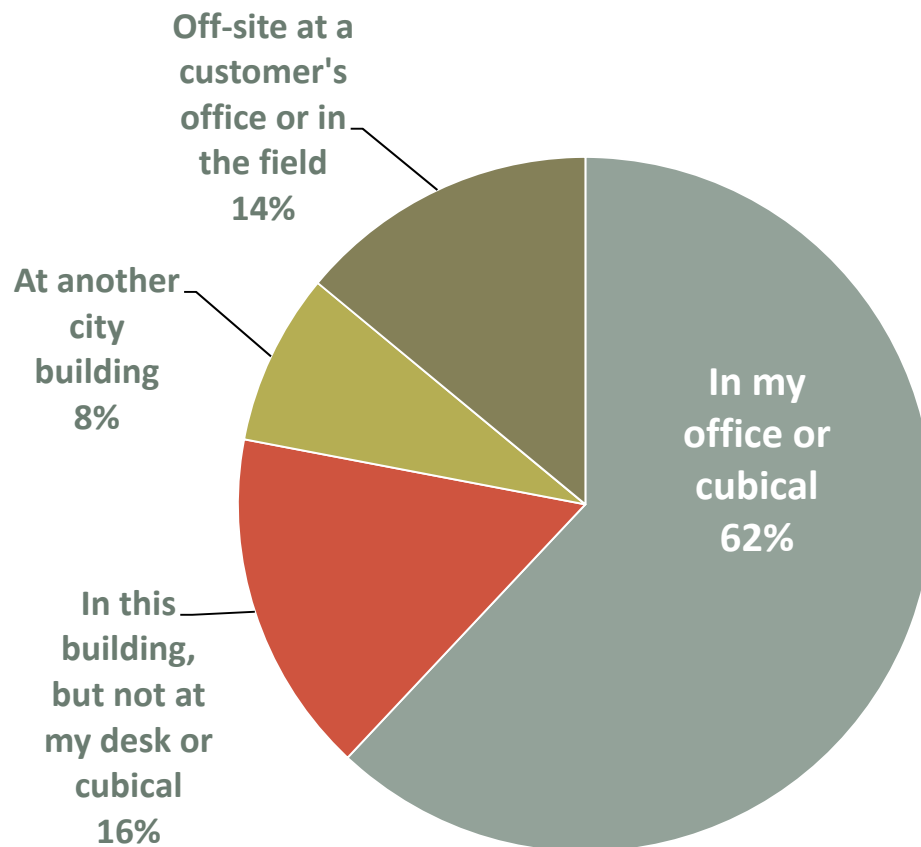
City-wide Condition Assessment





Workplace Analytics

Percentage of Time Employees Spend at Workplace Locations



Lessons Learned

- Staff values & work process shifting
- Generations unified in key motivators
 - Organization's values
 - Workplace flexibility
 - Personal fulfillment
- Fluid work process, less personal workspace time

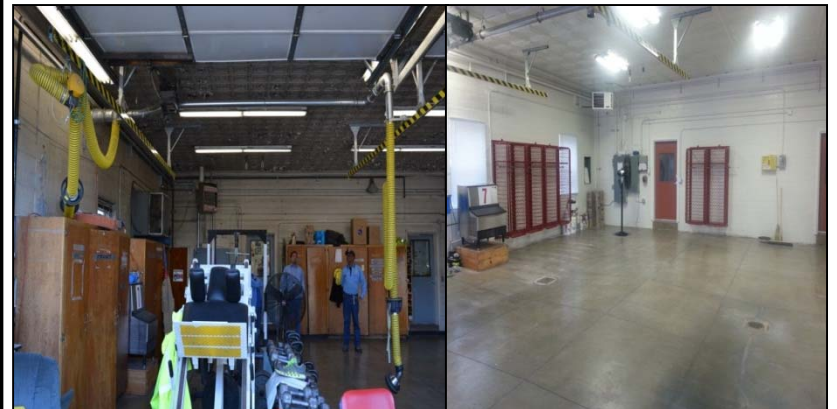
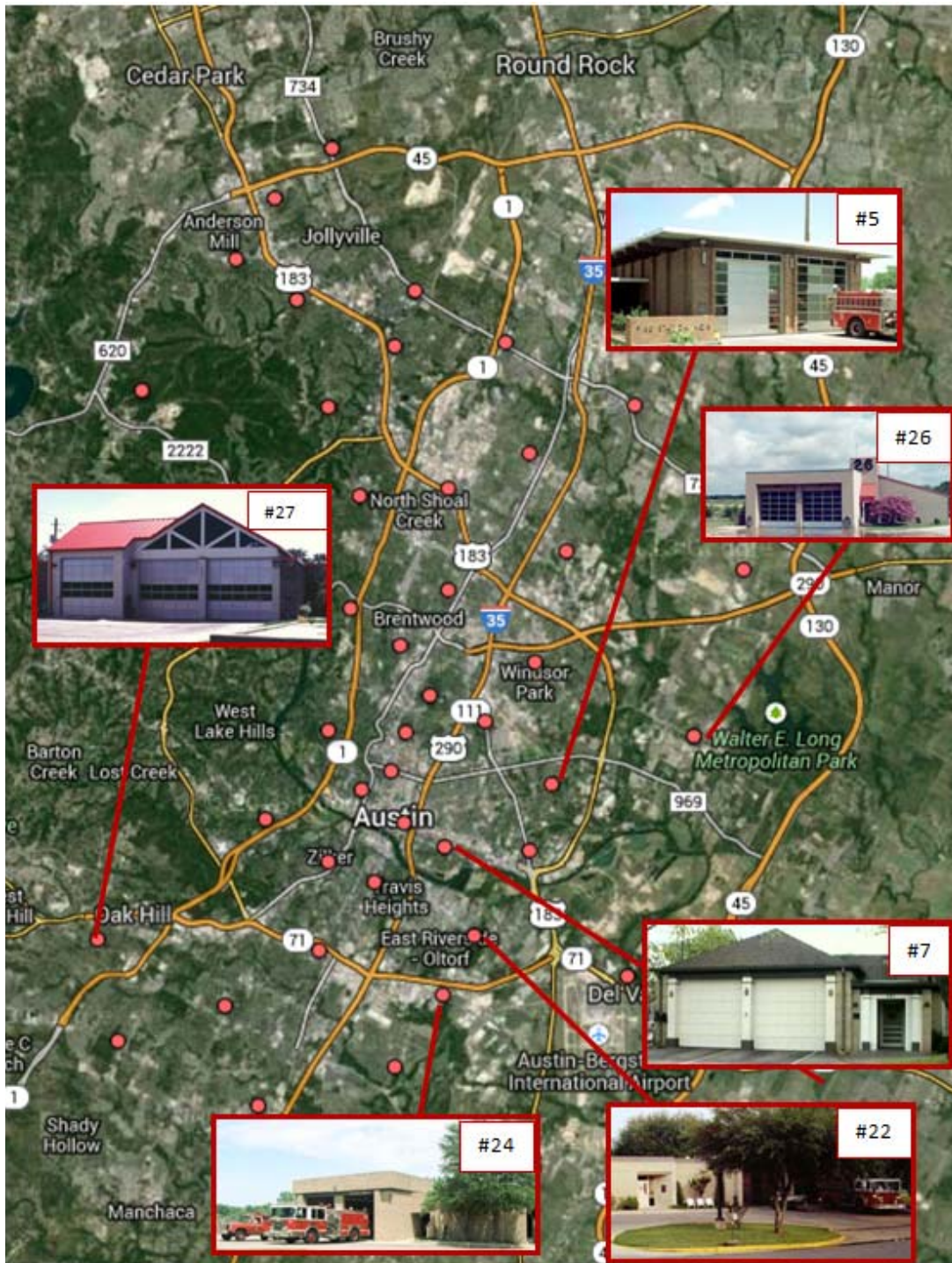


Where did we go next?

- To enact plan, a Strategic Facilities Governance Team (SFGT) was created to move away from department by department decisions, to a corporate-wide model
 - Review of all department facility requests
 - Analytics, including site visits, land planning, space allocation and financial planning
- Over last 12-18 months, SFGT has focused on immediate term solutions
 - Land acquisition / planning for service center needs
 - City Hall reconfiguration due to 10-1
 - Fire Stations
 - One Texas Center

Fire Stations

- One touch approach model pilot
- Locker rooms with other improvements
 - \$5 million included for needed maintenance
- Construction started late Spring
- Fire Station 7 is substantially complete





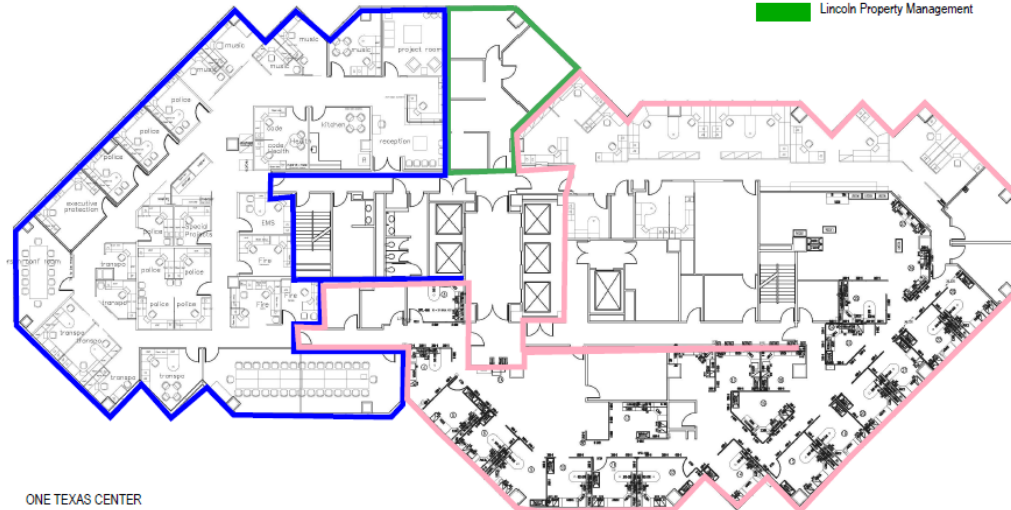
One Texas Center Realignment

■ Special Events
■ Contract and Land Management
■ Public Works



ONE TEXAS CENTER
TENTH FLOOR
CURRENT

■ Special Events
■ Contract and Land Management
■ Lincoln Property Management

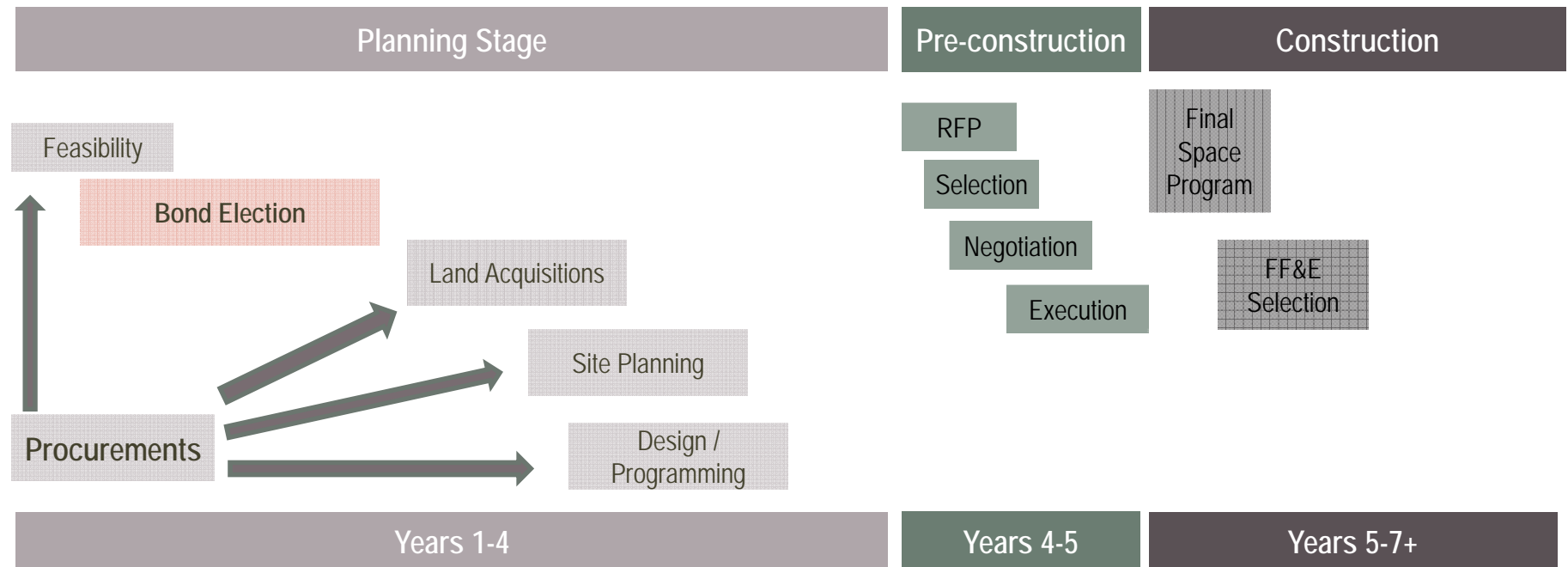


ONE TEXAS CENTER
10TH FLOOR
PROPOSED

- **Creates 100 additional spaces**
 - Eliminates need for acquisition of new lease space
- **Consolidation of departmental space within building**
 - 105 Riverside all for PW
- **Refresh of workspaces**
- **Focus on minor renovations for short-term solution**
 - Longer-term solution involves acquisition of new administrative space



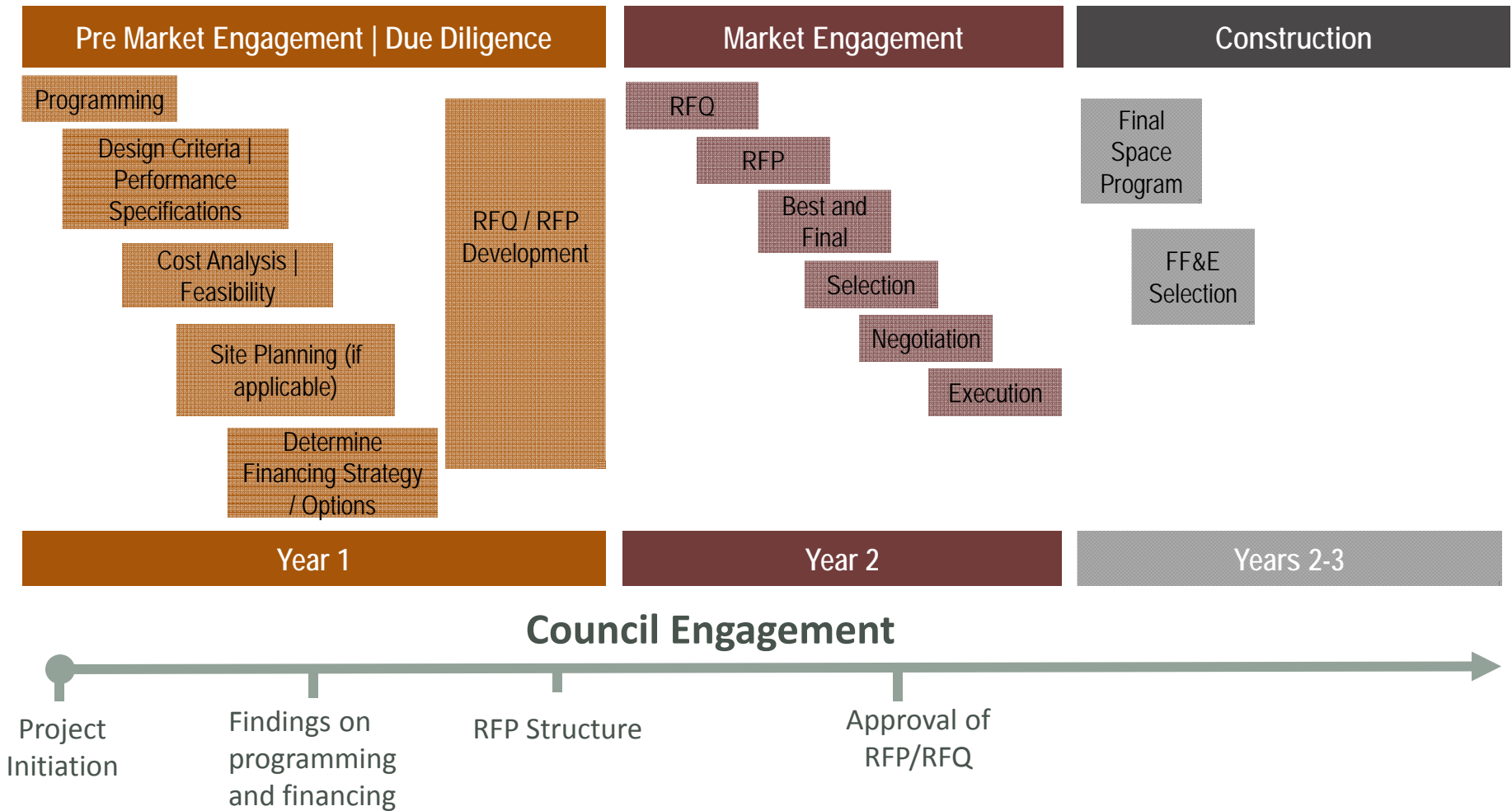
Facility Needs - Traditional Model



- Typically uses bond elections for funding
- Accounting for pre-planning on bond program development, not unusual for new facility to take upwards of 6 to 7 years to complete
- Little agility to adjust to market conditions
 - Land acquisition
 - Commodity/Construction cost increases
- City absorbs all financial risk associated with complicated facility projects



Facility Needs- New Model



- Each initiative would also have extensive stakeholder input during pre-engagement
- Ongoing updates to Council and Council Committees during each stage



Facility Financing

13

A New Approach

Government can access innovative private sector financing techniques, in-lieu of typical tax-supported debt

- Credit Tenant Leases (CTL)
- Availability payments

Government can utilize unique construction delivery options

- Build-to-suit; lease-to-own
- Maintenance & operations of building included in transaction
- Quicker timeline

Allows risk to be transferred from Government to private sector

- On-time delivery of facility
- Focus on long-term lifecycle costs
- Performance-based operations & maintenance standards
- Smooths net cash-flows

Types of Development/Financing Arrangements

- Third-Party tax exempt financing
- CTL- Credit Tenant Leases



Facility Financing

14

- Ultimately, City must move away from expensive lease-as-needed model
 - Currently lease 190,000 SF of office/administrative/warehouse at \$4.0 million annually
 - Incur repeated up-front costs such as move expenses, technology connections, space remodeling, furniture ... all for an asset we don't own
 - i.e.: Silicon Labs
 - Near-term availability for large contiguous space is very competitive
- Demand for office space rising with a diminishing supply
 - Office lease rates expected to rise additional 30% over next 3 years



Facility Financing

15

- Utilizing third-party financing would result in significant savings vs continuation of lease model and vs traditional build model
 - Would free up bond capacity for other core municipal infrastructure needs

Example: New 225,000 square foot facility: 30 Year Costs		
Lease Model	Traditional Build	Third-Party Financed
\$250 M	\$210 M	\$175 M

- Current baseline square footage needed to alleviate existing overcrowding/constraints in City buildings
- Assumes no new growth in current space needs



Development Advisor

16

- The City released an RFQ in March 2014 for a firm provide the City with guidance, expertise on development of new facilities and opportunities for different financing mechanisms
- CBRE selected as top ranked firm
 - Nationwide response to RFQ
 - Largest provider of commercial real estate services in the world
 - Dedicated public institutions group
 - A full service team including architects and financial consultants
- Development Advisor approach will set the standard for how local government addresses facility needs
 - Minimal annual funding for general planning and consulting
 - Agility to provide space programming and financial modeling
 - Firm will only be paid as deals are completed satisfactorily
 - Quicker start-to-finish than traditional model



Identified Near Term Initiatives

Development Services Center

- Consistent with findings from Zucker Report
- New, innovative, efficient method for Development Services Department

Dougherty Arts Center

- Opportunity to relocate key Parks and Recreation facility and create adjacencies
- Safety concerns at current site (landfill, building condition)

New Central Library Café

- City was unsuccessful in signing tenant for café space
- CBRE will assist in reaching out to potential tenants, marketing the space

Public Safety

- Existing facility for Austin Fire/Emergency Medical Services impacted by US 183 toll road conversion
- Aging downtown Austin Police /Municipal Court facilities

Service Centers

- Consolidation of operations to strategic locations
- Reduction in travel time across the City



Next Steps

18

- June 18th agenda, request to Council to initiate several of the near-term efforts
 - **Development Services Center** (*Programming*)
 - **Dougherty Arts** (*Site master planning / Programming*)
 - **New Central Library** (*Brokerage services for restaurant tenant*)
- Will also include request to initiate a portfolio assessment, focusing on under-utilized assets; i.e. 411 Chicon
- Staff will continue due diligence on other near-term initiatives



Questions / Comments