

Governor George Deukmejian Courthouse

Performance Based Infrastructure

June 10, 2014

Judicial Council of California
Administrative Office of the Courts
Capital Program Office

LONG BEACH COUNTY BUILDING





Governor George Deukmejian Courthouse



ADMINISTRATIVE OFFICE
OF THE COURTS

Project Overview

- Courtrooms: 31
- Overall Bldg: 531,000 GSF
- Court Space: 416,000 GSF
- County/Commercial: 105,000 GSF
- Construction Cost: \$339,000,000 (approx.)
- Design Build Start: January 2011
- Occupancy September 2013



Project Overview

- Design, Build, Finance, Operate & Maintain
- ~3 year Design & Construction, 35 years Operation
- Includes Parking Operation & Commercial/Retail Leasing
- Strong Public Counterparties
 - Judicial Council of California (AOC): PBI counterparty
 - LA County: major lease counterparty



Project Development

- First Performance Based Infrastructure Project in the United States
- 11 Consortiums submitted Qualifications
- Five teams shortlisted for Interview, three selected for final D/B/F/M competition
- Six Month Competition w/ Multiple Proprietary mtgs.
- Proposals Submitted December 2009
- Selection of Long Beach Judicial Partners June 2010
- Financial Close Occurred December 20, 2010



Legal Matters

- Foundation: 2002 Trial Court Facilities Act
- Implementation: 2007 Budget Act
- P3 to be Considered for Long Beach
- Performance Expectations, Benchmark Criteria
- Roles of Executive Branch & Legislature
- Service Fee Paid from General Fund
- Avoid State Debt Characterization



Design Build Finance Operate & Maintain – Advantages

- Qualifications Based Selection
- Expedites Project Delivery
- Creates Lifecycle Focus
- Cuts Design Build Costs
- Funds Facility Management Costs
- Transfers Performance Risk
- Promotes Innovation



Source Of Comparative Advantages

- Integrated Asset Development & Delivery
- Participants Self-Select Business Interests Aligned
- Collaboration: Designer, Builder, Operator
- Competition On Design, Constructability & Operation, Not Just Construction Price
- Negotiated Transaction



Risks Transferred

- Design and Construction Risks
- Design Liability
- Completion Risk (Delay and Efficacy)
- Construction Cost Overruns
- Disputes Between Designer, Builder and Operator



Risks Transferred

- Operation and Maintenance Risks
- O&M Cost Overruns
- Regulatory Compliance
- Capital Maintenance
- Technological Obsolescence
- Excess Energy Consumption
- Rental Income Shortfalls

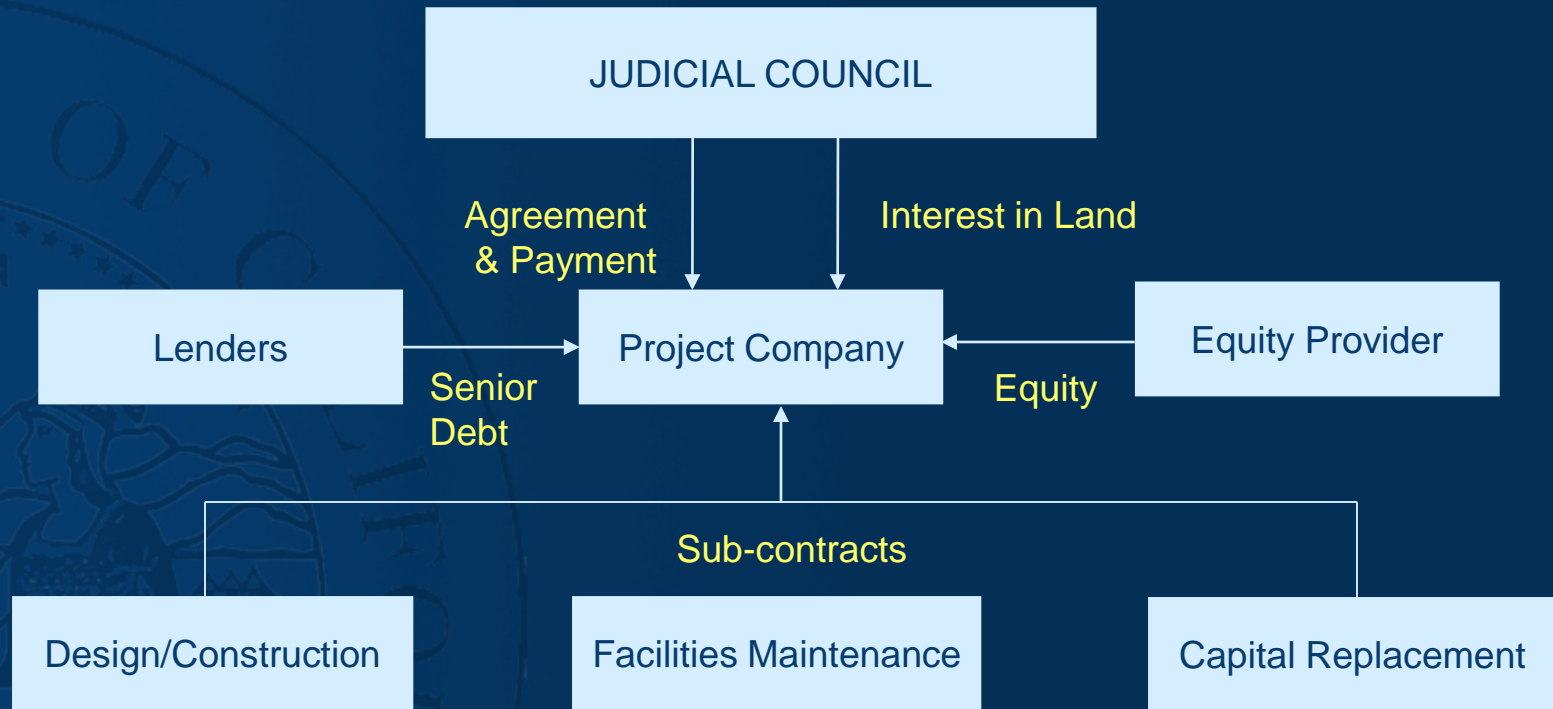


Risks Retained

- Owner's Risk Under Any Delivery Method
- Changes In Law
- Uninsurable Force Majeure Events
- Pre-existing Site Environmental Conditions
- Such Uncontrollable = "Relief Events"
- Inflation (Service Fee 30 % Index-Linked)



Long Beach Court – PBI Project Structure

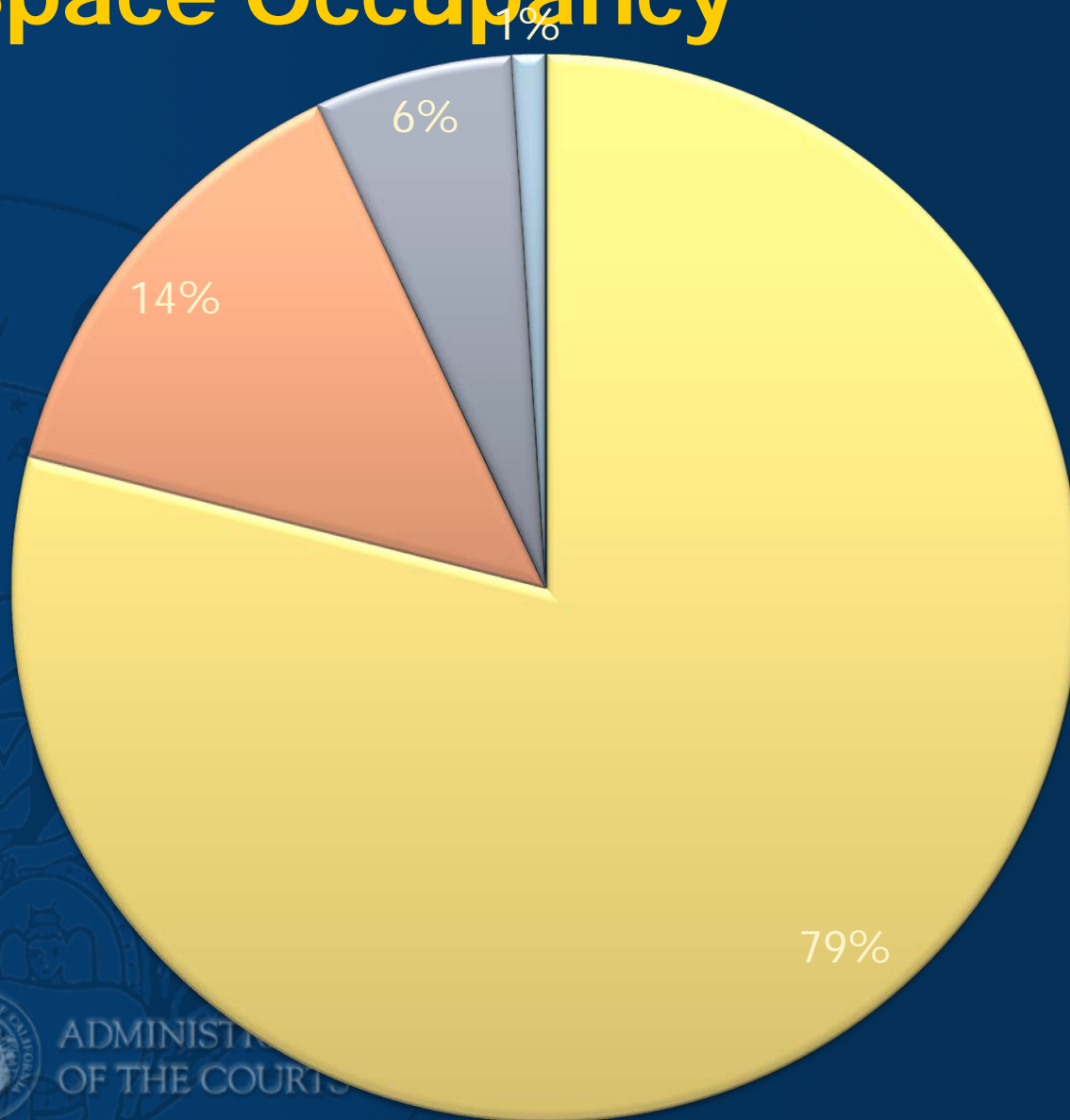


Long Beach Judicial Partners

- Meridiam Infrastructure a Developer & Investor
 - 25 year Greenfield Investment Fund
 - Align Interests of Government, Asset Life & Investors
 - Alternative to the Private Equity Model



Space Occupancy



- Court
- County
- Commercial
- Retail

Revenue Streams

- Service Fee (Availability Payment)
- Payable by the AOC Upon Occupancy
- Performance Based (Subject to Deductions)
- Service Fee Comprises:
 - Fixed Capital Charge Component
 - Operating Charge Component (CPI Indexed)
- 91.5% of Total Revenue



Revenue Streams

- Los Angeles County Lease Revenue
 - Modified full service lease (utility costs passed through to the tenant)
 - Payable by the county in respect of approx. 100,000 square feet of rentable space
 - Indexing at CPI
- 6.5% of total revenue



Revenue Streams

- Parking Structure Revenue
 - Guaranteed revenue from parking operator
- 1.5% of total revenue
- Retail Revenue
 - 5,800 gsf of retail space (food & convenience)
- 0.5% of total revenue





Availability Deduction

Availability Deduction Example

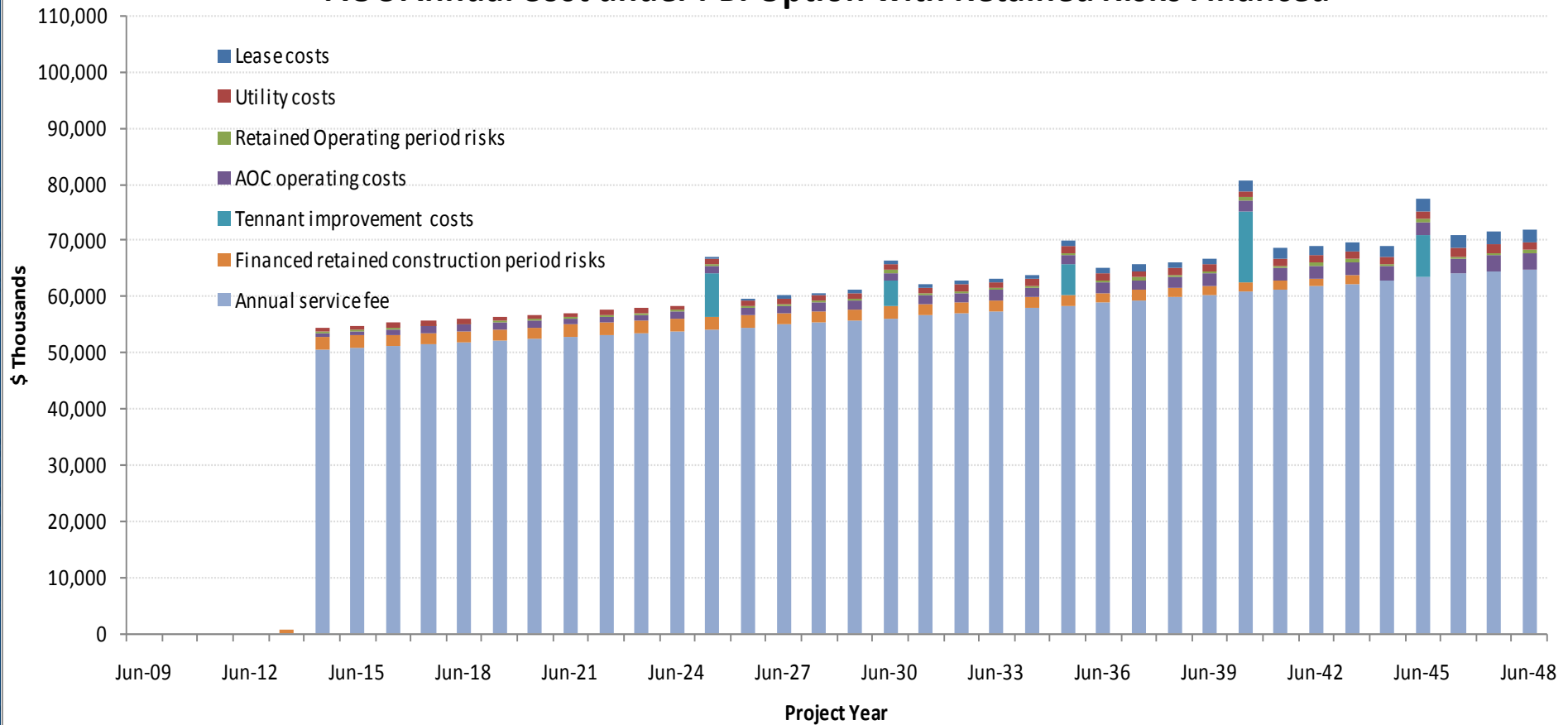
The project agreement includes a full schedule of values for unavailability deductions

Functional Unit	Linked Functional Unit	Deduction Value	# of Units	Sessions Unavailable	Total Deduction
Trial Courtrooms	✓	\$320	2	2	\$1,280
Courtroom Entry Vestibule	✓	\$133	2	2	\$532
Holding Cells between Courtrooms	✓	\$160	1	2	\$320
Interview Room @ Courtroom	✓	\$107	2	2	\$428
Video Remand Booth	✓	\$133	2	2	\$532
Courtroom Waiting Area	✓	\$80	1	2	\$160
Total Unavailability Deduction					\$3,252

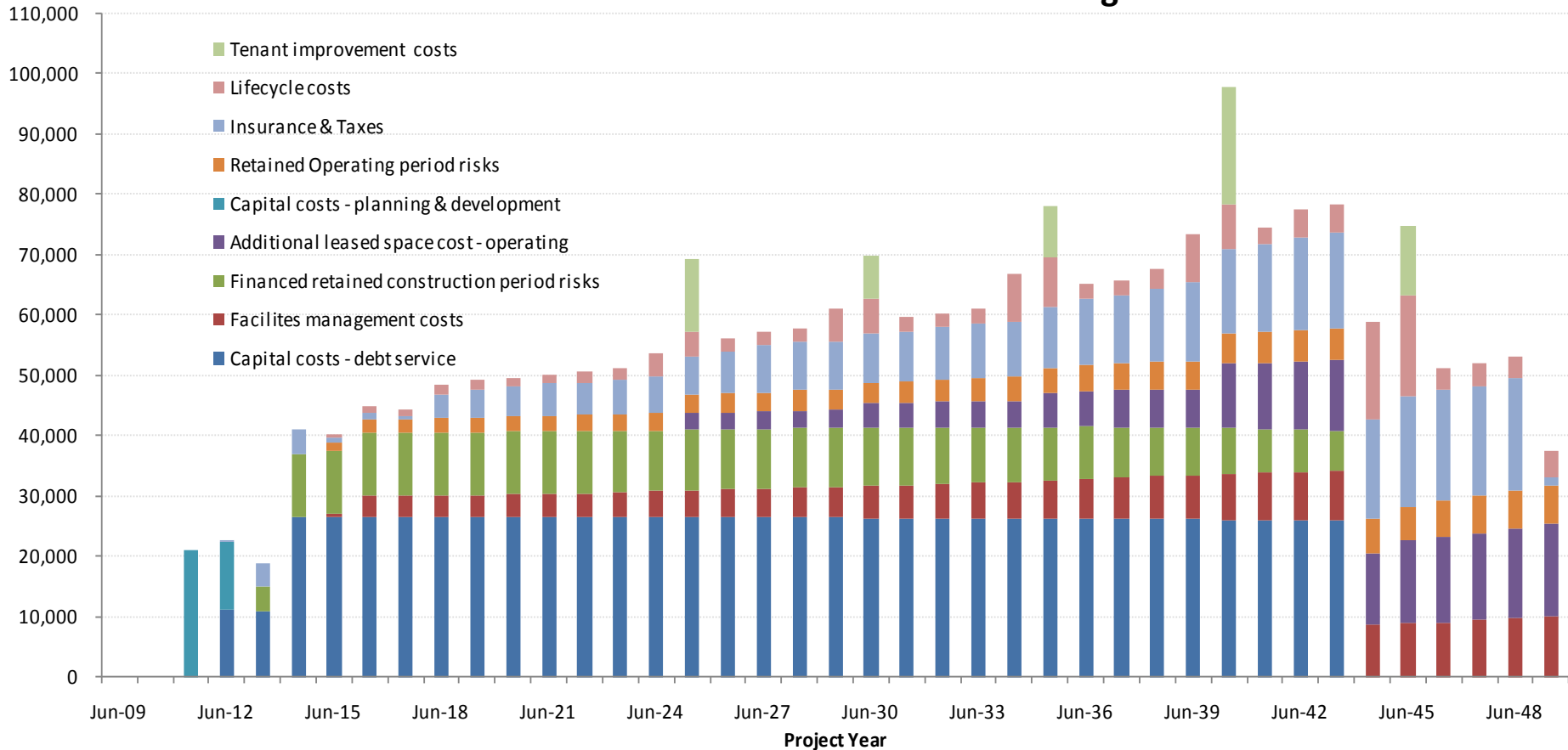
Example: One courtroom holding area is unavailable for one full day (2 court sessions)



AOC Annual Cost under PBI Option with Retained Risks Financed



Traditional Procurement - Annualized Cost Basis including Retained Risks



Project Finance for Public Infrastructure

- DBFO Contractor Forms Special Purpose Entity
- Entity Issues Debt For Construction
- Debt Is Non-Recourse To Owner, Project Company
- Service Fee Payable Only Upon Occupancy
- Equity and Debt At Risk For Performance Failure



The Downside

- Higher Interest Rate -Taxable Bank Financing
- Less Familiarity To State
- Legislation
- Approvals
- Narrower Debt Market
- Greater Transactional Complexity



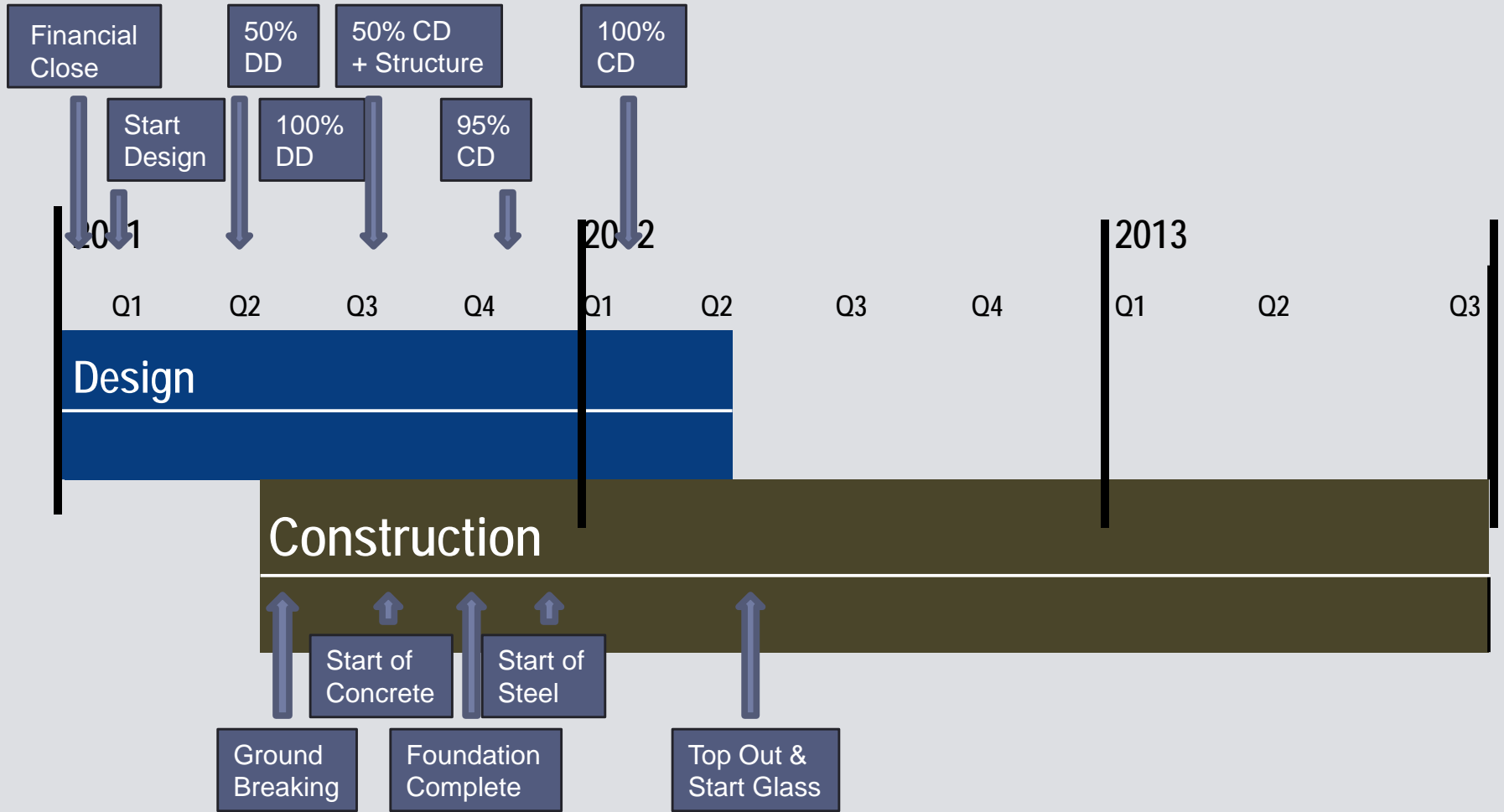
Project Company Concerns

- State Credit Standing
- Service Fees Subject To Annual Appropriation
- “Essentiality”
- Special Purpose Building, Difficult To Reuse
- Cost to Propose Versus Stipend Amount
- Will Any Contract Ultimately Be Awarded?



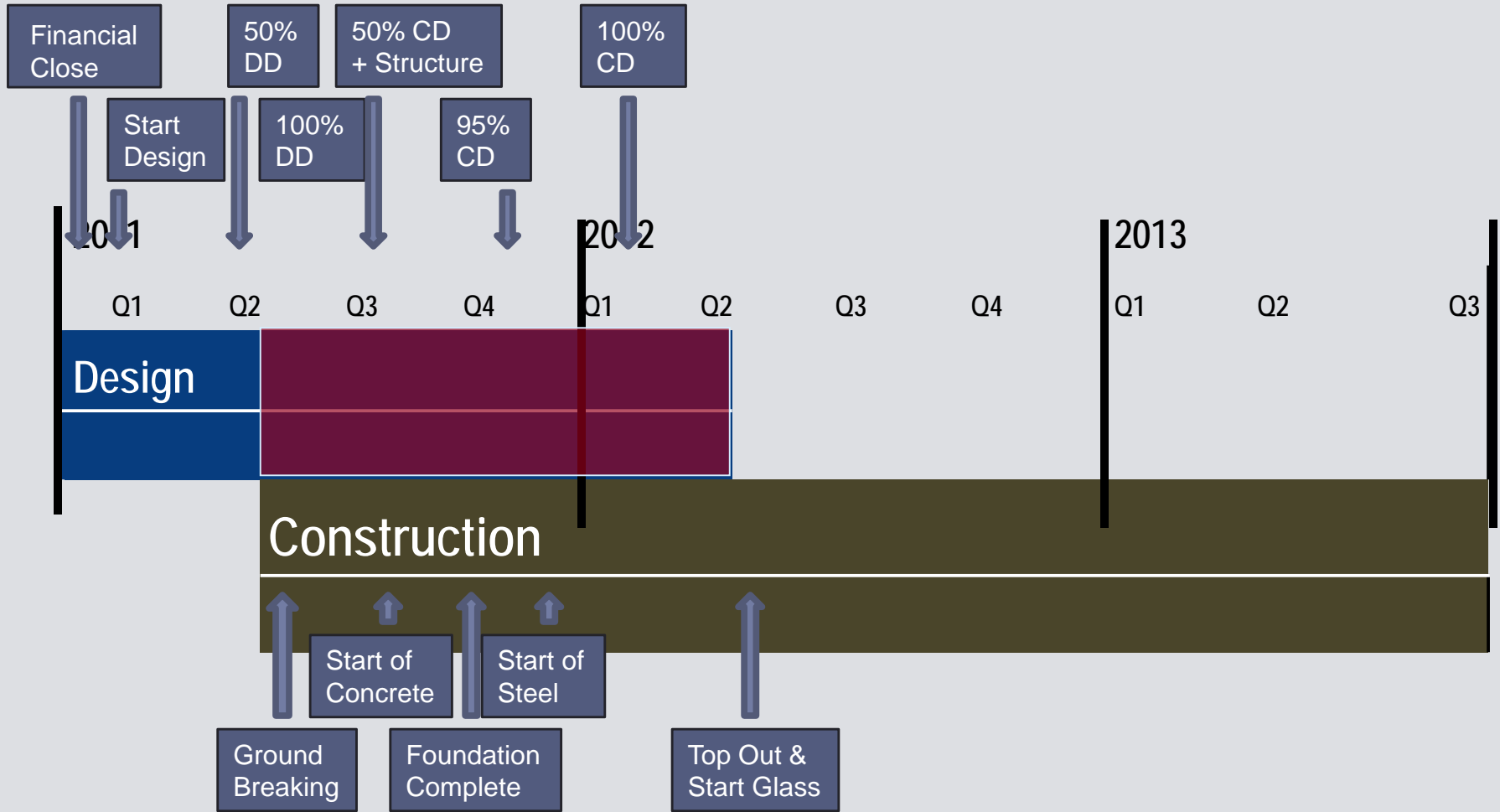
Project overview

Schedule



Project overview

Schedule

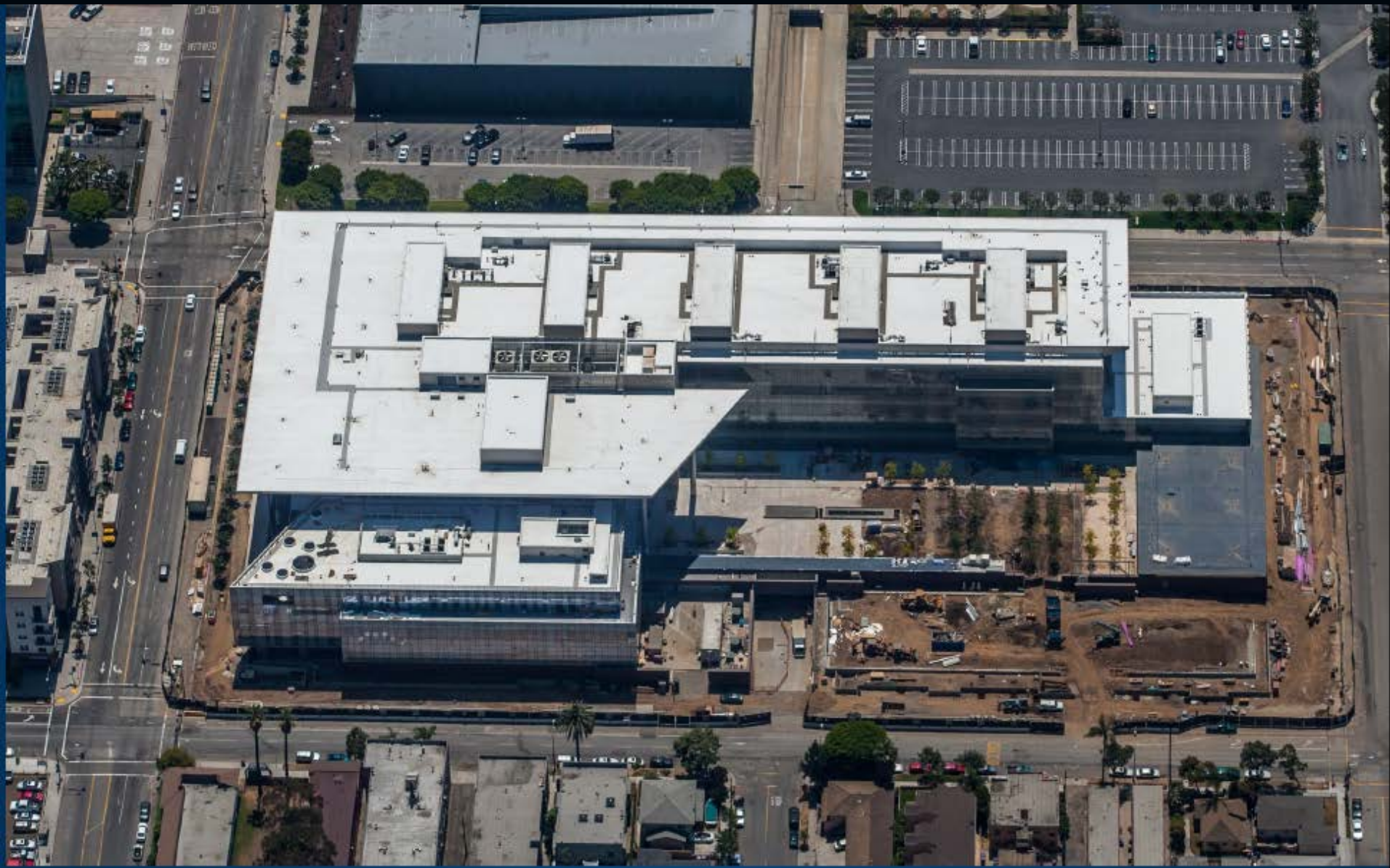


LEGEND

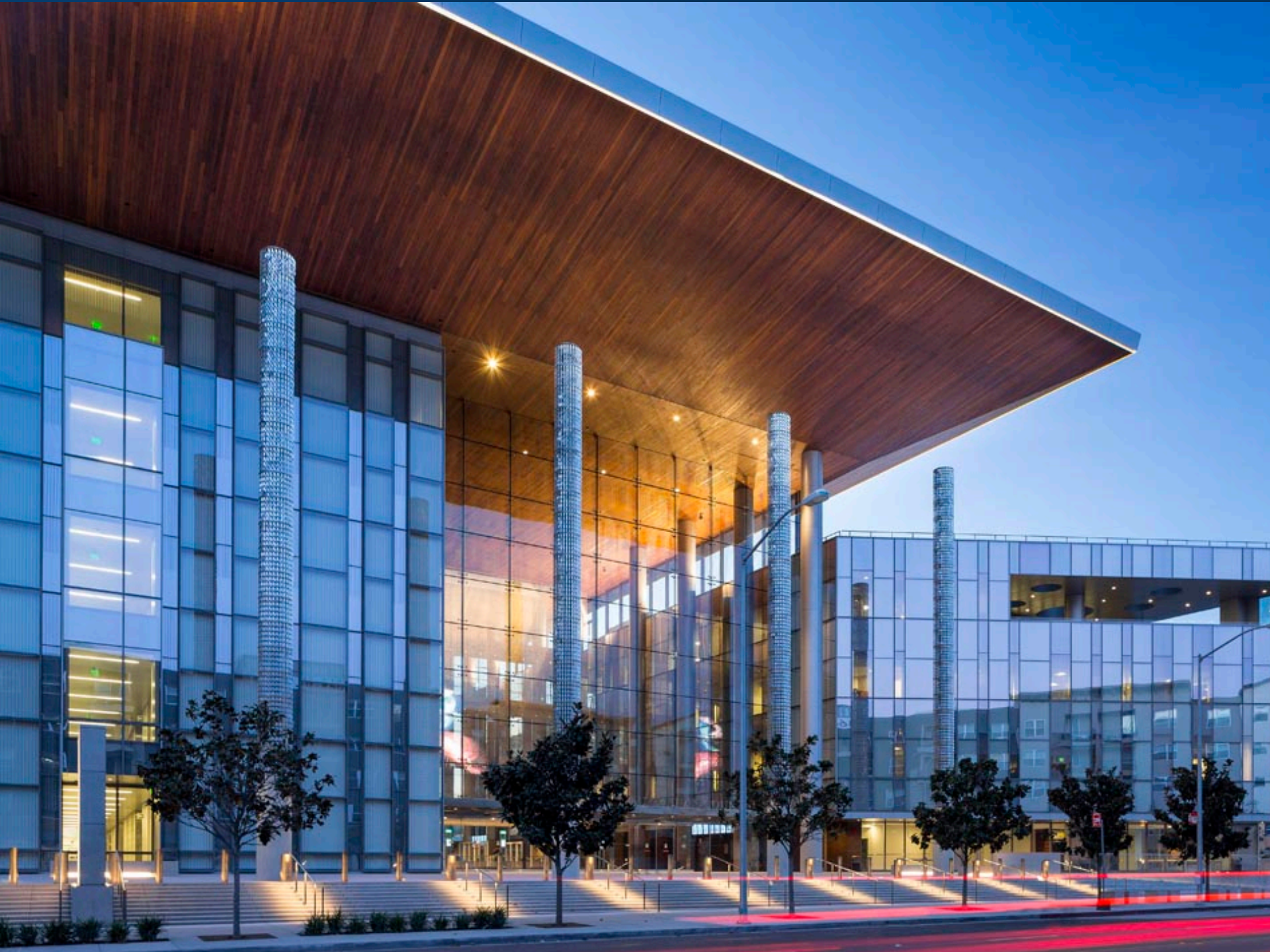
100 COURT ADMINISTRATOR	600 TRAFFIC DIVISION STAFF	900 PUBLIC ACCESS	1100 IN-CUSTODY RECEIVING, HOLDING AND TRANSPORT	1700 JUSTICE AGENCIES OFFICE SPACE	2100 SECURE PARKING
200 COURT SETS / JURY	650 CIVIL DIVISION STAFF	1000 JURY SERVICES	1400 COURT SECURITY OPERATIONS	1800 COMMERCIAL / RETAIL	2150 VEHICLE BALLYPORT
300 JUVENILE DELINQUENCY DIVISION	700 FAMILY COURT DIVISION	1100 SELF HELP SERVICE CENTER	1450 COURT BUILDING SUPPORT	1850 LEASABLE OFFICE SPACE	2160 BUILDING SUPPORT
400 CRIMINAL DIVISION STAFF	800 FAMILY COURT MEDIATION UNIT	1200 CHILDREN'S WAITING ROOM	1490 MECHANICAL / ELECTRICAL SPACE	1900 MECHANICAL / ELECTRICAL SUPPORT SPACE	



January 2011



May 2012

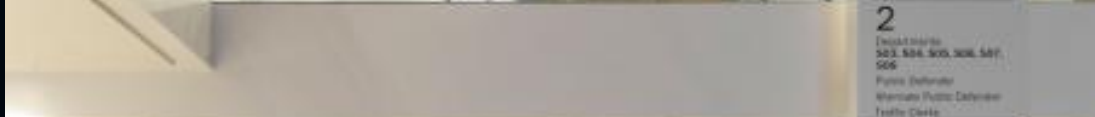




5
 Departments
 520, 526, 527, 528, 529,
 530, 531
 Court Administration
 Probation Division and IT/Info



4
 Departments
 517, 518, 519, 520, 521,
 522, 523, 524
 Jury Assembly Room
 Sheriff's Department
 Long Beach Judicial
 Malware, LLC



3
 Departments
 508, 510, 511, 512, 513,
 514, 515, 516
 District Attorney
 Self-Help Center
 Blackstone / Plaster



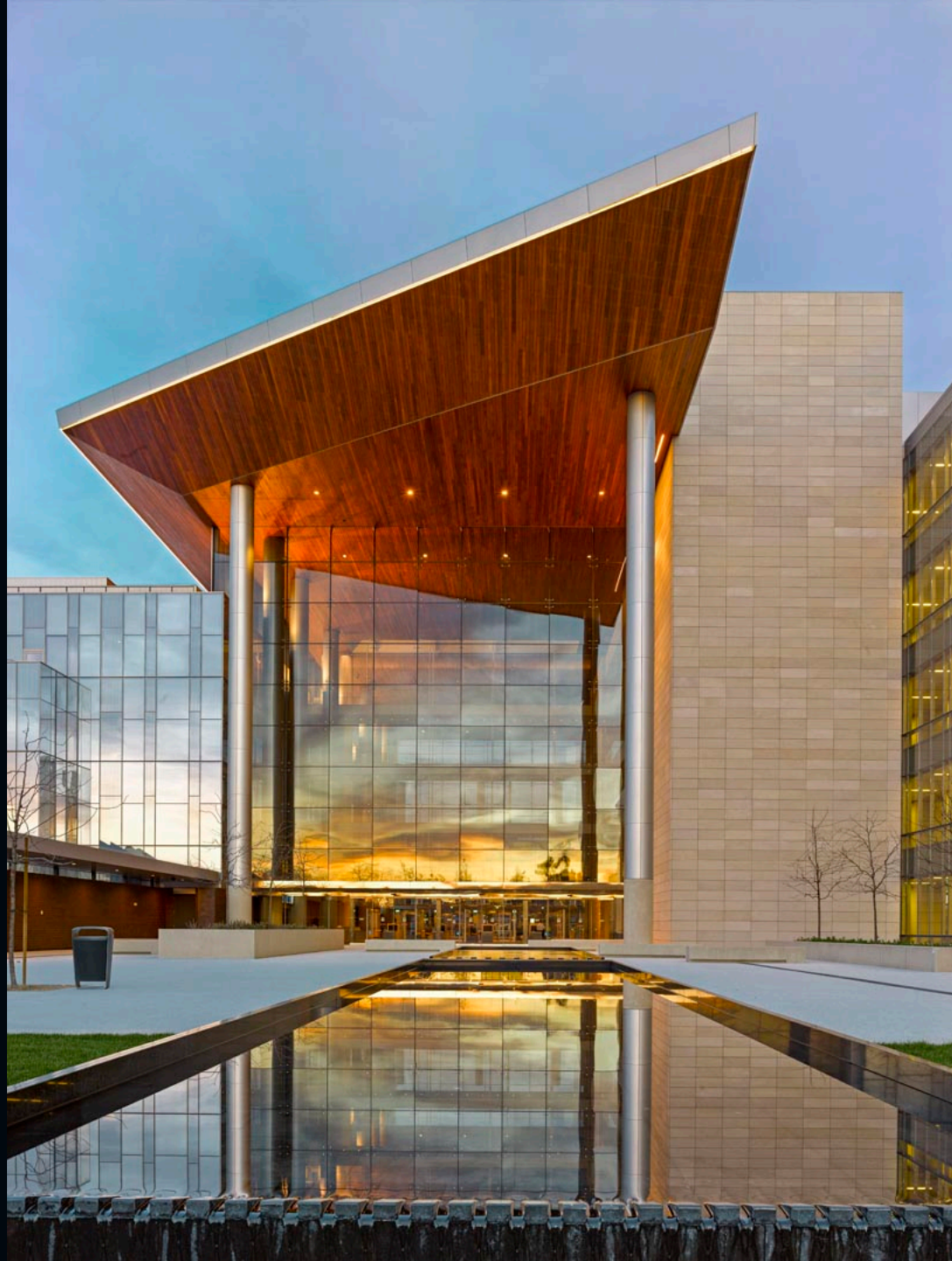
2
 Departments
 503, 504, 505, 506, 507,
 508
 Public Defender
 Alternative Public Defender
 Traffic Clerks

1
 Departments
 501, 502
 ADA
 Clerks Office
 Probation Department
 Conference Room
 IT/Info Department


 First Court













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