



KING COUNTY

1200 King County Courthouse
516 Third Avenue
Seattle, WA 98104

Signature Report

October 13, 2008

Ordinance 16273

Proposed No. 2008-0482.1

Sponsors Phillips and Ferguson

1 AN ORDINANCE approving the updated cost estimates
2 and a financing plan for completing all outstanding
3 preservation and historic restoration on the King County
4 Courthouse identified in the Cardwell/Thomas Courthouse
5 Restoration Study of 1988, as required by proviso in
6 Ordinance 15975.

7

8 STATEMENT OF FACTS:

9 1. Ordinance 15975 included a proviso requiring that the facilities
10 management division, in collaboration with the historic preservation
11 program staff, the landmarks commission and the office of management
12 and budget, submit to council for its review and approval by ordinance,
13 the updated cost estimates and financing plan for the completion of all
14 outstanding preservation and historic restoration work on the King County
15 Courthouse that was identified in the Cardwell/Thomas Courthouse
16 Restoration Study of 1988.

17 2. As required in the proviso in the 2008 Budget Ordinance, the office of
18 management and budget, the facilities management division and historic
19 preservation program staff worked together to update the cost estimates in
20 the 1988 report.

21 3. The county has made significant contributions to the preservation of
22 the courthouse and other county facilities in its administration of the
23 highly regarded major maintenance model and financing structure that
24 preserves and maximizes the useful life of building structures.

25 4. The county invested over \$80 million in a seismic retrofit project
26 designed to address the risk of earthquake damage that would jeopardize
27 the safety of courthouse occupants.

28 5. The county included restoration components and public art in the 3rd
29 Avenue courthouse lobby project completed successfully in 2004.

30 6. The proviso mandated financial plan itemizes the 2008 Budget
31 Ordinance for Courthouse preservation and restoration projects eligible for
32 major maintenance reserve fund resources in the six year plan ending in
33 2013.

34 7. The remaining courthouse restoration and preservation work will be
35 prioritized according to a comprehensive project selection methodology
36 and funded as resources are available as described in the proviso report
37 financing plan.

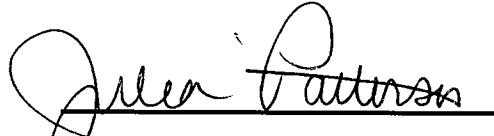
38 BE IT ORDAINED BY THE COUNCIL OF KING COUNTY:

39 SECTION 1. The report updating the cost estimates in the Cardwell/Thomas
40 Courthouse Restoration Study of 1988 and providing a financing plan to address
41 outstanding preservation and historic preservation work for the King County Courthouse,
42 Attachment A to this ordinance, is hereby adopted and approved.
43

Ordinance 16273 was introduced on 9/15/2008 and passed by the Metropolitan King County Council on 10/13/2008, by the following vote:

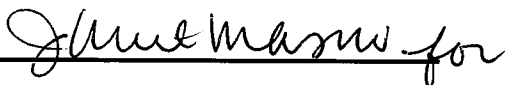
Yes: 6 - Ms. Patterson, Mr. Constantine, Ms. Lambert, Mr. Ferguson, Mr. Gossett and Mr. Phillips
No: 3 - Mr. Dunn, Mr. von Reichbauer and Ms. Hague
Excused: 0

KING COUNTY COUNCIL
KING COUNTY, WASHINGTON




Julia Patterson, Chair

ATTEST:



Anne Noris, Clerk of the Council

APPROVED this 20 day of OCTOBER, 2008.



Ron Sims, County Executive

Attachments A. Courthouse Preservation and Restoration Proviso Report

RECEIVED
2008 OCT 20 PM 4: 03
CLERK
KING COUNTY COUNCIL

Courthouse Preservation and Restoration Proviso Report

2008 Proviso Response

**Part 1: Cost Updates to Cardwell/Thomas and Associates
Courthouse Restoration Study of 1988**

**Part 2: Financing Plan for Remaining Scope of
Cardwell/Thomas 1988 Report**

PROVIDED FURTHER THAT: Of this appropriation, \$100,000 shall not be expended or encumbered until council receives and approves by ordinance updated cost estimates and a financing plan for completing all outstanding preservation and historic restoration work on the 91-year-old King County Courthouse that was identified in the comprehensive Cardwell/Thomas Courthouse Restoration Study of 1988.

By May 1, 2008, the facilities management division, in collaboration with the historic preservation program staff and landmarks commission and the office of management and budget, shall submit to the council for its review and approval by ordinance, the updated cost estimates and financing plan described above.

The report and legislation required to be submitted by this proviso must be filed in the form of 11 copies with the clerk of the council, who will retain the original and will forward copies to each councilmember and to the lead staff for the capital budget committee, or its successor.

**Prepared by Office of Management and Budget, Historic
Preservation Staff in BRED Office, and Facilities Management
Division**

May 2008

Courthouse Restoration and Preservation Proviso Report

Introduction

Section 19 of the 2008 adopted budget (Ordinance 15975 includes the following proviso:

P5 PROVIDED FURTHER THAT:

Of this appropriation, \$100,000 shall not be expended or encumbered until council receives and approves by ordinance updated cost estimates and a financing plan for completing all outstanding preservation and historic restoration work on the 91-yearold King County Courthouse that was identified in the comprehensive Cardwell/Thomas Courthouse Restoration Study of 1988.

By May 1, 2008, the facilities management division, in collaboration with the historic preservation program staff and landmarks commission and the office of management and budget, shall submit to the council for its review and approval by ordinance, the updated cost estimates and financing plan described above.

The report and legislation required to be submitted by this proviso must be filed in the form of 11 copies with the clerk of the council, who will retain the original and will forward copies to each councilmember and to the lead staff for the capital budget committee, or its successor.

This following report information has been prepared to respond to the proviso.

Part 1: Cost Update of Cardwell/Thomas and Assoc. 1988 Report

Background

The detailed Courthouse restoration and preservation project scope and cost information reported in the 1988 Cardwell/Thomas report entitled "King County Courthouse Restoration Study" is the starting point for the methodology used to update the costs to 2008. The update uses Major Maintenance Reserve Fund (MMRF) actual and planned expenditures, recent estimates for restoration project scope ineligible for MMRF financing, and construction cost inflation rates. This cost estimate methodology for Courthouse restoration project scope not completed since 1988 makes it possible to update the cost estimates without expending General Fund resources for consultant fees. Staff from the Facilities Management Division, the Office of Management and Budget, and the Historic Preservation staff in the Office of Business Relations and Economic Development (BRED) participated in this cost update process.

In the early months of 2008, consideration had been given to a request for supplemental budget authority to hire a consultant to update the 1988 cost estimates. However, as the fiscal impact of the current economic downturn led to a call for significant operating budget reductions, the alternative cost update methodology described below was implemented to avoid additional operating budget cuts. If a proposal is made to fund the remaining Cardwell/Thomas project scope, a consultant review of project cost estimates should be initiated, particularly with regard to the cost estimates for the cornice parapet restoration and the removal of the aluminum window panels.

Methodology

A number of the restoration projects identified in the 1988 report have been completed in the intervening years. For example, the roof replacement scope was completed in 1998 using the major maintenance infrastructure model and budget approved by the County Council in the fall of 1997. The 3rd Avenue entrance and first floor corridor project scope was completed in combination with the Courthouse Seismic project.

For projects which have not been completed in the intervening years, the cost update steps are described below:

1. The project scope and cost information listed in the Appendix to the 1988 study was reviewed by FMD staff with Courthouse capital project expertise. Using the detailed line item information, it was possible to identify and deduct restoration project scope that had been completed since 1988.
2. The 2008 through 2013 MMRF six year plan in the 2008 adopted budget was reviewed to identify infrastructure maintenance projects to be implemented with a Courthouse preservation and restoration component.
3. The 1988 Courthouse restoration and preservation project scope ineligible for MMRF financing was identified and assigned to the following categories: 1.) projects for which recent cost estimates have been prepared, and 2.) other projects for which an inflation rate can be applied to calculate a preliminary estimate of 2008 costs.

The determination of MMRF funding eligibility is based on the infrastructure categories used to calculate the fund's financial requirements. To maximize the use of the General Fund financial contribution, the MMRF model emphasizes repair and replacement of existing, high priority building infrastructure essential to maintain each county facility. According to these criteria, certain restoration projects are not eligible for MMRF funding. For example, the 3rd Avenue Entrance and Courthouse Lobby project completed in 2004 was a discretionary Courthouse improvement funded from non-MMRF sources. When the Prosecuting Attorney's Office (PAO) staff moved from privately managed leased space to co-locate in the Courthouse, the tenant improvements necessary to accommodate a new facility use were also ineligible for MMRF allocations.

Cost Update Results

Projects Completed Since 1988: Approximately one-third of the project scope itemized with cost estimates in the Cardwell/Thomas report was completed prior to 2008 (See Attachment A).

Projects Planned between 2008 and 2013: The MMRF six year plan in the 2008 adopted budget includes \$6.9 million of facility preservation with project scope included in the Cardwell/Thomas report. The majority, \$3.9 million, of this budget amount involves preservation of the windows not covered with aluminum panels. Prior to implementation of these projects a detailed comparison of the MMRF project scope with the Cardwell/Thomas project scope should be completed with consultant input. (See Attachment B)

Projects Ineligible for MMRF Financing:

The combined cost of Courthouse restoration projects ineligible for MMRF funding is \$26.5 million:

- Courthouse South Entrance: \$8.5 million (in 2007 proviso response).
- Loading Dock relocation: \$8.3 million (in 2007 proviso response).
- Restoration of the cornice copper parapet ornamentation: \$1.1 million (based on 1988 estimate adjusted by 5% annual construction inflation rate estimate).
- Removal of the Courthouse aluminum window panels and incidental restoration scope of work: \$9.7 million (estimate prepared for May 2008 proviso response).

The total drops to \$16.2 million if it is found at a later date that it is unnecessary to relocate the loading dock and tunnel at the time of a re-opening of the Courthouse south entrance. The financing section of this report revisits the loading dock relocation options based on the Administration Building replacement scenario that includes a loading dock configuration sufficient to eliminate the need for a Courthouse loading dock relocation. This project integration was first introduced in the October 2007 Courthouse South Entrance proviso response. It is also important for the Landmarks Commission to review the proposed Courthouse South Entry plan at the schematic design phase to ensure the work will meet eligibility requirements for grants as well as KCC 20.62.

Part 2: Financing Plan for Remaining Scope of Cardwell/Thomas 1988 Report

Introduction

The development of a proposed financing plan for the Courthouse restoration and preservation scope of work identified in the 1988 Cardwell/Thomas study requires looks at two types of financial resource availability. The first category involves the identification of project revenue backing that is directly linked to the restoration and preservation project scope. In other words, certain revenue types are only available to fund preservation project scope. The second category looks at financing decisions based on a capital project prioritization process wherein Courthouse restoration and preservation projects compete for revenue backing in a pool of projects that also include categories such as life-safety and service level improvements.

Project Financing Categories Specifically Intended for Courthouse Preservation and Restoration

The revenue categories uniquely suited to Courthouse Preservation and Restoration projects include: 1.) grant funds specifically targeted for historic restoration and preservation projects, 2.) General Fund revenue tied to Major Maintenance Reserve Fund (MMRF) projects that will be prioritized and implemented for infrastructure maintenance resulting in preservation of county facilities, including the Courthouse, 3.) operation cost savings that may be derived as a consequence of the Courthouse South Entrance project completion, and 4.) Courthouse restoration cost savings achieved through integration with other projects such as the replacement of the Administration Building.

1.) Historic Preservation and Restoration Grants

Historic Preservation staff in BRED is committed to pursuing both state and federal grants made available for facilities such as the Courthouse. In addition to the State Department of Archaeology and Historic Preservation's Historic Courthouse Grant Program, applications can be made to the "Save America's Treasures Program." This federal grant program was created to protect "America's threatened cultural treasures, including historic structures, collections, works of art, maps and journals that document

and illuminate the history and culture of the United States." Established by Executive Order in February 1998, Save America's Treasures was originally founded as the centerpiece of the White House National Millennium Commemoration and as a public-private partnership that included the White House, the National Park Service and the National Trust for Historic Preservation.

Though there may be increased grant opportunities it is not likely that they will fully fund the remaining Courthouse preservation and restoration projects. For that reason it is important to link the grants to discrete, low cost project scope that doesn't require a significant commitment of matching funds that may be necessary for other projects such as life/safety projects.

2.) Major Maintenance Reserve Funding for Eligible Projects

As indicated in the cost update section, at least a third of the 1988 Courthouse preservation projects have been completed. The majority of this project completion amount was funded according to the MMRF model implemented in 1997. After adjusting for project scope ineligible for MMRF funding, the completion percentage is approximately 50%. A significant share of the remaining non-discretionary project work involving Courthouse preservation is scheduled in the MMRF six year plan in the 2008 adopted budget.

2008-2013 MMRF Infrastructure Maintenance Projects with Preservation and Restoration Scope Categories in the 1988 Cardwell/Thomas Report

| | |
|--|--------------------|
| Window Repair Phase 1,2,3 Construction | \$3,964,800 |
| Exterior Walls | 470,000 |
| Interior Doors | 800,000 |
| Exterior Wall Finishes | 439,000 |
| Roof Coverings | 671,667 |
| Exterior Doors | 300,000 |
| Elevator Cab Interiors | 266,043 |
| Total | \$6,911,510 |

Discretionary projects such as the re-opening of the Courthouse South Entrance, loading dock relocation (if necessary), removal of aluminum window panels, and restoration of the cornice parapet ornamentation are ineligible for major maintenance project funding. By definition, these are not maintenance projects.

3.) Debt Financing with Payments Derived from Operating Budget Savings Realized at Completion of a Restoration Project

The October 2007 Courthouse South Entry report examined several security cost scenarios linked to the combination of Courthouse entry points. Though the report requires additional review to select one of the four scenarios and to determine the likelihood of cost savings, it is conceivable that a scenario that reduces security costs could yield a revenue stream available for payment of a portion of the Courthouse South Entry project debt. This operational cost savings is only achievable if the South Entry is built and therefore would not be available for the current round of General Fund operating reductions except in the unlikely event that operating cost savings were in excess of the annual debt payment. Operating cost savings of \$600,000 are needed to pay the debt incurred in the \$8 million Courthouse South Entry project option and \$1.1

million to pay for both the \$17 million combination of the Courthouse South Entry project and Loading Dock Relocation. In even the most optimistic security cost scenario the county would pay at least \$300,000 of additional debt payments each year.

It is also important to note that the additional debt would move the county closer to the General Fund Debt Limit. The Current Expense fund debt policy limits debt service payment levels to 5% of General Fund revenue. The most significant recent use of debt capacity was the debt financing for the \$80 million Courthouse Seismic Retrofit Project. Debt scheduled to be issued in the next few years will provide permanent financing for the Integrated Security and Jail Health Project, the Elections facility, the Data Center replacement, and the Accountable Business Transformation project. Based on this planned debt issuance the unallocated General Fund debt capacity estimated for the 2007 Courthouse South Entry report was approximately \$27 million in 2012. Since that time the revenue outlook has worsened, thereby further limiting debt capacity. Taking a longer view, there won't be significant retirement of debt until 2017. Therefore, any unanticipated debt issuances will put the county at risk of exceeding its debt limit policy.

There are two other risk factors to consider in the debt capacity projections. First, the Debt Advisory Task Force has recommended that the debt ratio include the Current Expense fund share of the debt service payments on any 63/20 financing arrangements. If approved, this policy change would move the Current Expense Fund closer to the debt limit as the Chinook Building debt payments would be included. The Current Expense Fund share of the Chinook Building debt has not been deducted from the \$75 million of remaining capacity pending action on the recommended policy decision.

Second, the county is in varying stages of an unprecedented number of facility master planning efforts that could affect Current Expense Fund debt. The District Court, Superior Court, King County Sheriff's Office, the Department of Adult and Juvenile Detention, and the Health Department will each have a facility master plan. While it is too early to know the combination of projects that may be approved for debt financing it should be noted that, taken together, these projects amount to a total significantly greater than the amount of available limited tax general obligation debt capacity. In particular, the potential cost of adult detention facility capacity expansion, by itself, will exceed the available debt capacity. Though a proposed voter approved levy may be considered at a later date there are likely to be competing levy proposals on the ballot in the next few years. It may be necessary to use remaining debt capacity to fund capital projects that represent an immediate need.

4.) Project Integration Savings

As reported in the 2007 Courthouse South Entry report the \$8 million loading dock relocation project may not be necessary if the project to replace the Administration Building moves forward. In this integration of two capital projects in close proximity it is feasible that the new Administration Building loading dock could be configured to meet the loading dock needs of the Courthouse.

The 1988 report also emphasized the need to link the Courthouse South Entry project with the City of Seattle commitment to City Hall Park improvements. Continued negotiations would be necessary to integrate these two projects so that the City and county work together to provide a safe and attractive entry point on the south side of the Courthouse. It is in the county's financial interest to work toward an agreement with the

City that does not result in an uncompensated transfer of City Hall Park operating costs and unfunded capital requirements to the county.

Financing Decisions Based on a Project Prioritization Model

The allocation of revenue backing to capital projects is typically based on a prioritization process. For example, the MMRF financial resources from the General Fund are allocated to the maintenance projects according to a prioritization process that considers the life-cycle of facility infrastructure categories such as roof, HVAC or lighting systems.

In the February 2008 Performance Audit of the Facilities Management Division Capital Programming and Planning, the County Auditor's Office recommended improvements to the process of prioritizing special projects. While the report noted that FMD has "developed clear systems and criteria for evaluating and selecting its Major Maintenance and General Government projects" it found that a selection process for Special Projects needs to be developed.

In a separate letter to the County Council, the Facilities Management Division and the Office of Management and Budget have provided a preliminary version of a prioritization model that emphasizes the relative degrees of importance of approximately 20 special projects currently in the planning stages. According to this basis for prioritization, three prioritization categories were used to identify projects likely to receive funding. The categories, in order of importance, were labeled "immediate need", "necessary" and "deferrable". This basis for project ranking can also be characterized as an identification of non-discretionary or discretionary projects.

Financing allocation decisions will improve when all special projects competing for limited financial resources are evaluated and selected using a comprehensive prioritization model. This process will reduce the likelihood that project selection and funding allocation decisions will occur at different points in time and without a comparison of each project's relative value or necessity.

Financing Plan to Fund Remaining Courthouse Restoration and Preservation Project Scope in the 1988 Cardwell Thomas Report

The following financing recommendations are based on the cost update and financing plan discussion in the first two sections of this report:

- 1.) The county should move forward with the implementation of the \$6.9 million of MMRF projects scheduled and funded in the 2008-2013 six year plan included in the 2008 adopted budget. These seven projects were selected according to a prioritization methodology applied to all facility infrastructure projects eligible for funding in the MMRF financial model.
- 2.) The county should apply for historic restoration and preservation grants with emphasis on grants for discrete project scope without requirements for substantial amounts of matching funds,
- 3.) The preliminary round of prioritization for special projects currently assigns low priority to the Administration Building Replacement (ABR) proposal and the Courthouse restoration and preservation projects. However, as the development market improves and the ABR prioritization relative to other projects improves on the strength of a favorable cost benefit analysis, the county should pursue the \$8

million Courthouse loading dock relocation cost avoidance through the optimal integration of facility project as described earlier in this report and in the 2007 proviso response,

- 4.) The security staffing scenarios described in the 2007 Courthouse South Entrance should be evaluated in the on-going Courthouse Security standing committee scope of work, and
- 5.) The unfunded Courthouse restoration and preservation projects should be evaluated each year according to a special project prioritization methodology designed to determine eligibility for debt financing or revenue backing using proceeds from General Fund property sales.