

**REPORT TO THE
CITY COUNCIL**
City of Salinas, California

DATE: December 6, 2016

FROM: Gary Petersen, Director of Public Works

BY: Don Reynolds, Assistant Public Works Director

SUBJECT: **REQUEST FOR PROPOSALS TO SELECT A DEVELOPMENT TEAM TO DESIGN AND BUILD THE PUBLIC SAFETY CENTER AND SELECT “THE PUBLIC FACILITIES GROUP” TO FACILITATE ITS DEVELOPMENT**

RECOMMENDATION:

It is recommended that the City Council approve the two attached Resolutions: 1) approve a Request For Proposals to select a Development Team to design and build the Public Safety Center, and; 2) select the Public Facilities Group to facilitate its development.

DISCUSSION:

In staff’s report dated November 17, 2015, the status of the new Public Safety Facility was shared with the City Council. It was noted that the Public Safety Center has an estimated cost of between \$45 and \$50 million and will be the largest development project considered by the City in the past 50-years. A deal structure commonly used by local governments for projects of this size was proposed to the Council that is commonly referred to as a “63-20” process. This name references the original 1963 IRS ruling that enabled this process, and has become the most common basis for establishing a “P3” (public private partnership) to undertake large scale public building projects using tax exempt bonds. The three partners consist of a government entity (the City), a not-for-profit entity and a private developer. The City selects a developer from a public solicitation process, executes a pre-development agreement, and initiates the design of a building. The developer’s team consists of the developer, an architect firm and a contractor. The design of the project will include extensive community input and input from the contractor to assure its practical cost effective implementation, while at the same time helping to avoid unnecessary cost overruns and change orders. Once the design is near completion the cost estimate is determined. This initial step is expected to take between six and eight months.

If the City and the Developer agree on the estimated cost of the core elements of the development, (referred to as a “guaranteed maximum price”) the predevelopment agreement ends. The project financing process begins, tax exempt bonds are sold, and once sold, a development agreement is then executed between the not-for-profit entity and the developer to complete the design and build the building. The not-for-profit manages the financing and the construction of the project. Once the construction is completed and the building is completely furnished and functional, the City then leases back the building from the not-for-profit. The City’s lease payments become the debt service on the

bonds. Following the final lease payment when the debt is retired, the City will assume ownership of the building. In this deal structure, the not-for-profit builds the building “on behalf of the City.”

The 63-20 deal structure allows the not-for-profit to assume the many risks of building large scale projects and insulates the City from potentially time consuming and expensive delays. The burden of managing the construction contracts and development oversight are the responsibility of the not-for profit and developer. Many incentives are built into the process to add protection for the City and financial incentives to resolve issues quickly to avoid potential delays in progress via a guaranteed maximum price.

An experienced development facilitator is required to act as the City’s partner through the process to assist in the sale of the tax exempt bonds, and to manage the not-for-profit. Staff shared the results of a Request for Qualifications with the City Council at its November 17, 2015 Council meeting and recommended the selection of the National Development Corporation (“NDC”) to facilitate the development of the Public Safety Center. The Council approved Resolution 20882 based on the unique qualifications of the proposed NDC Team. However, in December staff learned that two significant team members had resigned and the leader of this team was forming his own new development entity: the “Public Facilities Group.” John Finke is the president of this group, and he has earned the reputation the City seeks, having 33-years of experience in development and financing, securing the more than \$1.83 billion to construct 20 publicly held projects. The Public Facilities Group has retained three of the original team members and will rely upon the same legal firm needed to secure and sell the bonds necessary to build the Center. Staff’s November recommendation was to retain the firm with the best qualified credentials, and due to these changes, staff recommends re-assigning the original selection from the NDC to the Public Facilities Group.

The first Resolution provided for the Council’s consideration includes PFG’s proposal to be the City’s partner. If appointed, PFG’s first job will be to form the not-for-profit entity that will issue the bonds. As proposed, PFG will be part of the governing body to assure the City that its best interest is being followed.

STATUS OF PUBLIC SAFETY FACILITY SITE:

The proposed site consists of six parcels, from 268 East Alisal Street (at the grade separation provided for the train tracks) to old County Public Works Yard at 312 East Alisal Street. On March 22, 2016, both the City Council and County Board of Supervisors approved a property exchange whereby County’s former public works yard will be exchanged for the City’s abandoned church site at 331 North Sanborn Road. To accommodate the immediate needs for site control, each property is secured through leases until a few conditions can be met between the City and County to complete the property exchange, including the City’s obligation to clear the sites of all buildings and encumbrances. The most significant condition in this regard was the need to relocate the privately held cell-tower at 331 N. Sanborn Road and this was done in July of this year. The City can now proceed in demolishing the building and transferring a clean property to the County in exchange for 312 East Alisal Street. The demolition work is being bid now as part of the Job Order Contracting “Type B” bid process, with the contract award anticipated in December.

As directed by Council, staff is negotiating with two property owners on Alisal to secure an additional 3 acres for the development. (for a total 8.5 acres). These lot consolidations will allow the City to pursue the most cost effective development. It also allows space for special amenities or even a second

development that may surface through the community engagement process. The acquisition of these additional properties is funded by a State grant received in July of this year.

RFP: SELECTING THE DEVELOPMENT TEAM

In the second attached Resolution, staff is seeking Council's approval of the draft Request For Proposals ("RFP") to select a developer to design and build the Public Safety Center. If approved in November 29, 2016 the development team could be selected by the Council by February 2017.

The RFP consists of a thorough background about the City and its Police Department. It describes in some detail the City's strengths, weaknesses, vulnerabilities and opportunities. The RFP outlines the City's effort to reduce violence amidst drastic budget cuts, and how it is now re-building. It describes its success in re-branding its economy as the Ag Tech center of the world. The first Exhibit to the RFP is the current organizational chart for the Police Department. The Public Safety Center will touch each of the City's most critical issues, and become a transformational project for the City.

The essential elements of the RFP describe the work completed in the 2014 "Needs Assessment and Public Safety Facility Master Plan" prepared by national experts McClaren, Wilson and Lawrie Inc. with the help of LPA Inc. The Needs Assessment describes the technical aspects of the police services function. It concludes with four different site plans and development scenarios. The RFP relies on Scenario D as its baseline. This scenario reduces costs by avoiding the need for a parking structure, and splits the police service functions to two different buildings: 1) a police headquarters built to the maximum standards required for essential structures, and; 2) a warehouse building constructed to standard office specifications to house evidence, an arms proficiency firing range, canine kennels, forensic studies, and fleet services. This site plan requires 6.5-acres suggesting that the 8.5-acre site can accommodate more than these critical services.

Scenario D needs to be refined. It has not been vetted through the Community Development process, which suggests moving the building to the sidewalk facing East Alisal Street and other detailed criteria consistent with the General Plan and its design standards. It is also designed to 2035 staffing projections that are not based upon the City's fiscal ability to attain this growth (from the current 163 sworn positions to 307). Staff has been working Jim McClaren, of McClaren, Wilson and Lawrie, Inc., to refine the build-out scenario. As a result, the gross square footage of both buildings combined has been reduced from 92,208 to 75,734 square feet. This is closer to a 2025 build-out, with 260 sworn staff and the ability to expand. Based on MWL's recent similar experience in California, it is believed that the project can be built within the current budgeted estimate of between \$47 and \$51 million before adding the capitalized interest cost. This refined Needs Assessment is provided in Exhibit B to the RFP. MWL has agreed to be the City's technical advisor to make certain that the Public Safety Center is built to meet the highest standards. This reduces the need of the Development Team to include this expertise.

The selection criteria outlined in the RFP includes the strength of the proposed development team with a proven track record. Community engagement is a critical piece of the scope. A developer must provide examples of how community input changed the outcome of a project they completed in a positive way. References will be checked carefully, and time for site visits to various developments are built into the calendar. A portion of the 200-point criteria asks the developer to accept the pre-development and development agreements on their face value as presented in Exhibits C and D of the RFP without changes. The pre-development agreement suggests that the Developer forego any payment for the pre-development work while paying the architect and contractor until the project financing is in place, shifting the risk entirely to the quality and accuracy of their work.

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These agreements have been reviewed by the City's Bond Counsel and P3 legal advisors.

Exhibit E in RFP is a spread sheet that shows the City's best estimate of costs provided by MWL. The developers are asked to use this spread sheet to estimate their fees based upon a percentage of these costs. In this way, the RFP balances quality work with value. With a 70/30 split of soft-costs and hard costs, the hard costs are estimated to be approximately \$36 million dollars to build a 75,000 square foot building. The cost of interest, issuing the bonds, site preparation, community engagement and other soft-costs push the cost out to approximately \$54 million.

The City's RFP and selection criteria include a 10% bonus for developers that are based locally within the Tri-County area. The application for local business certification is included in the RFP to make the local determination easier for interested parties to become eligible. At least one local developer has already expressed an interest in the project.

If construction moves forward as anticipated, the new Public Safety Center will be completed by the summer of 2019.

ISSUE:

Shall the City Council approve the two attached resolutions and select the Public Facilities Group to facilitate the development of the new Public Safety Center and issue an RFP seeking a development team to build it?

FISCAL IMPACT:

The City has budgeted funds for site acquisition, construction and amenities within the Measure G allocation, which will be augmented by a recent appropriation of \$3 million in the State's FY 16/17 Budget. If approved, the Public Facilities Group will be paid from a portion of the bond proceeds. The bonds are estimated to not exceed \$50 million, and a sufficient amount to cover capitalized interest, the cost of issuance, soft-costs, hard costs and furnishings.

The bonds are offered for sale after the developer and City come to a guaranteed maximum price, so the City will advance the pre-development design costs until this happens.

TIME CONSIDERATIONS:

The City will move as quickly as possible to market this project to underwriters while the tax exempt bond market remains strong.

ALTERNATIVES/IMPLICATIONS:

The City Council may decide:

- 1) not to partner with the Public Facilities Group or to not issue the RFP,
- 2) to re-issue an RFQ for a development partner, and withhold the RFP/or
- 3) to agree to partner with Public Facilities Group and modify or withhold the proposed RFP.

These alternatives are not staff's recommendations, and could result in significant delay in the project.

CITY COUNCIL GOALS:

If completed as described in the draft RFP, the new Public Safety Center is consistent with all of the City Council's goals, including:

- Economic Diversity and Prosperity;
- Safe Livable Community;
- Effective Sustainable Government; and
- Excellent Infrastructure.

CONCLUSIONS:

Building the new Salinas Public Safety Center is a bold and necessary step towards transforming Salinas. The 1958 Safety Facility, built for 60-sworn officers, has more than served the community during its lifecycle and it is time to move forward. Many small steps are required to make this happen: applying the important lessons learned from recent efforts to "Govern through Racial Equity;" community desire to effectively implement community-based policing; taking the time and effort to listen and hear all of the needs of the community. This work needs to be done before drafting plans for the new Public Safety Center. These are the critical steps towards this big idea: build peace in Salinas at the new Public Safety Center.

Staff's report is the culmination of months of effort to build the best team possible to move this project forward. Staff recommends the approval of the Public Facilities Group as the City's development partner, and the issuance of the RFP to select a development team as soon as possible.

Distribution:
City Council
City Manager
City Attorney
Department Directors

Back Up Pages:
Resolution to Select a Development Partner
Resolution to issue a RFP for a Development Team
Draft RFP to Select a Development Team

A RESOLUTION OF THE CITY OF SALINAS AUTHORIZING THE SELECTION OF THE PUBLIC FACILITIES GROUP TO FACILITATE THE DEVELOPMENT OF THE PUBLIC SAFETY CENTER

WHEREAS, on October 2, the City completed a Request for Qualifications in search of a uniquely qualified non-profit organization to partner with and facilitate the financing, development and construction of a new Public Safety Center; and

WHEREAS, when the top three firms were interviewed, John Finke represented the National Development Corporation and presented their experience in developing large scale public-private partnerships as intended for the Salinas Public Safety Center; and

WHEREAS, Mr. Finke has the most experience when compared to all of the applicant team members and at that time was the leader and director of the National Development Council's public-private partnership team who since 1983, has put together more than 20-projects valued at more than \$1.8 billion dollars (according to the April 2010 Seattle Business Magazine); and

WHEREAS, on November 17, 2015, staff updated the City Council on its efforts to build the right public-private partnerships needed to develop the Public Safety Facility using a not-for-profit tax exempt lease-back program commonly known as the IRS "63-20" program, that a Request For Qualifications ("RFQ") was written based on the unique experience needed to carry-through this kind of development project and adopted Resolution 20882 agreeing that John Finke's team from the NDC was the best fit for Salinas; and

WHEREAS, in December 2015, Mr. Finke's resignation from the NDC placed doubt in the minds of the staff that conducted the interviews that the NDC could not continue to be the best choice for Salinas having lost the successful track record they enjoyed under Mr. Finke's leadership; and

WHEREAS, in March of this year, a new public-private partnership development firm has been formed by Mr. Finke called the Public Facilities Group, ("PFG") relying on many of the same legal and finance specialists as the original team from the NDC; and

WHEREAS, based upon the qualifications and experience of PFG as described in their attached proposal, and consistent with staff's recommendation on November 17, 2015, staff has re-confirmed that this new team of experienced experts working for the PFG is now the best team to lead Salinas through its development of a new public safety center; and

WHEREAS, to accomplish the transition from the NDC to the PFG, staff also recommends severing the City's ties in regards to the proposed public-private partnership with the NDC.

NOW, THEREFORE, BE IT RESOLVED that the above recitals and accompanying staff report describing the selection process for a qualified non-profit organization to facilitate the development of the Salinas Public Safety Center are true and correct; and

BE IT FURTHER RESOLVED that the attached letter of interest from the Public Facilities Group describes the inherent worth of more than 20-years of experience and the desire to be the City's

partner in this public private development; and

BE IT FURTHER RESOLVED after its consideration of these facts, the Salinas City Council concurs with and reconfirms the conclusion of the interview panel in the unique qualifications of John Finke and selects the “Public Facilities Group” as the development partner to build the City’s Public Safety Center rather than continuing with the NDC.

NOW THEREFORE, the City Council authorizes and directs City Staff to rescind Resolution 20882 and approve this new Resolution in its place to work with the Public Facilities Group to facilitate and bring forward to the City Council the necessary approvals to finance, develop and construct a new Salinas Public Safety Center.

PASSED AND ADOPTED this 6th day of December 2016 by the following vote:

AYES:

NOES:

ABSENT:

APPROVED:

Joe Gunter, MAYOR

ATTEST:

Patricia M. Barajas, CITY CLERK

Attachment: Public Facilities Group Proposal



October 6, 2016

Don Reynolds
City of Salinas Department of Public Works
200 Lincoln Avenue
Salinas, CA 93901
Re: 63-20 Process – Public Safety Facility
Dear Don,

Attached, please find a profile of my new firm, Public Facilities Group, along with a detailed proposal for the structure of the Salinas Public Safety Center project. I established PFG in December 2015, after leaving National Development Council. Two colleagues from NDC's P3 team have joined me at PFG: Erin Birkenkopf and Matt Calcavecchia, both of whom will be participating in the Salinas project. We have also retained the legal counsel of Hillis Clark Martin and Peterson, the law firm that provided counsel on the 28 P3 projects I completed while at NDC, as well as, many other professional relationships that we have developed over the last 20 years.

While much of the work that we are doing builds on the public-private partnership approach that I've been using for the last 20 years, there are some important key differences that, I believe, will better serve the City of Salinas. I have detailed our proposed structure and these key improvements that PFG offers in the attached document. I would be happy to meet with you or other City representatives at any time to discuss this proposal.

Sincerely,

A handwritten signature in blue ink, appearing to read "John Finke", is written in a cursive style.

John Finke
PFG President
206-618-8864
johnfinke@publicfacilitiesgroup.org

Not-for-Profit Profile and Qualifications: Public Facilities Group

Public Facilities Group (PFG) is a nationally recognized not-for-profit that works to maximize public sector benefits when using Public-Private Partnerships (P3). PFG's principals have structured and delivered more 501(c)(3) and 63-20 projects than any other entity in the western United States. These projects include:

- An office building for Los Angeles County, California
- A law building for Riverside County, California
- Office buildings and data centers for the State of Washington, King County Washington, and the City of Tacoma
- Biomedical research facilities for the University of Washington and Washington State University
- City halls for the cities of Redmond and Bothell, Washington
- Student housing for the University of Washington, Edmonds Community College and Seattle Pacific University

In addition to these completed projects, PFG is in the early stages of development of a 400,000 sq ft office building for the County of Los Angeles and a student housing project for Shoreline Community College.

PFG is a firm with great depth of experience. Prior to founding Public Facilities Group in December 2015, PFG President John Finke created and managed the P3 program at the National Development Council, where he pioneered the P3 delivery of public facilities. Under this P3 program, John financed 28 projects totaling \$1.8 billion. Every one of these projects was completed on time or ahead of schedule, and each was completed on or under budget. In addition, each was completed at a per square foot or per unit cost that was significantly below the costs experienced by their respective public agencies on projects developed using standard public delivery methods. The principles of how these projects were delivered focus on a concern for an open, honest and fair process that maximizes public benefit. These principles include:

- Repatriation of project savings to the benefit of the public client;
- Private guarantees of price and completion;
- Protection for the public from cost overruns; and
- Public access to the advantages of an integrated project delivery system.

PFG's approach to Public-Private Partnerships blends tax-exempt financing incurred by a single member not-for-profit special purpose entity (SPE) with private project development and delivery. It offers private guarantees of both cost and schedule and includes built-in safeguards which allow the public to secure ultimate project control if desired. By removing the development process from the typical public delivery process, we are able to achieve 20 – 40% savings in construction costs while constructing buildings of equal or higher quality. In addition, our approach insulates the governmental client from any construction risk and facilitates long-term facility management and maintenance.

Proposed Team Members

John Finke, President, Public Facilities Group

John Finke has more than 35 years' experience in local government, non-profit management, private sector development, and financing public-private partnerships. Prior to founding PFG, John created and led the Public-Private Partnership (P3) Team at National Development Council, a New York-based economic development not-for-profit. While at NDC, John pioneered the American Model Approach to P3 development, an innovative approach to P3 that blends tax-exempt financing available to the public sector with private delivery methods. He used that model to finance and develop more than 1,600,000 square feet of government and university offices; 750,000 square feet of medical offices; 400,000 square feet of research laboratories; 2,500 spaces of structured parking facilities for public institutions; and 1,100 units of student housing. These award winning projects total nearly \$2 Billion in direct development costs and include:

- The Gateway at Alhambra, headquarters for the Community Development Commission of the County of Los Angeles
- Riverside County Law Building
- University of Washington School of Medicine South Lake Union Biomedical Research Campus
- Bothell City Hall
- Redmond City Hall
- Harborview Hospital's Ninth and Jefferson Building
- Center for Urban Waters for the City of Tacoma
- 20 additional P3 projects

These projects have received numerous awards and were all completed on-time and on- or under-budget.

In addition to his work in 63-20 P3 financing, John has expertise in the Section 108 loan program, Community Development Float lending, industrial development bonds, SBA lending, and conventional lending financing. He has served as a Community Development Advisor to numerous cities and counties in the western United States and worked with agencies to structure projects using Low Income Housing Tax Credits, Historic Tax Credits, and New Markets Tax Credits.

John's role in the Salinas Public Safety Center project will be to lead the financing team, collaborate with the City in development of the RFP and related documents; participate in the selection of a qualified development team; lead negotiation of all contracts, agreements and financing documents; and provide oversight of the development team during construction.

Erin Birkenkopf, Vice President, Public Facilities Group

Erin Birkenkopf's work with public-private partnerships began in 2005 on the public partner side as a housing administrator for the University of Washington. Erin joined John Finke's P3 Team at National Development Council in 2012 with a focus on asset management. She joined John at PFG in 2016. Erin's portfolio of work while at NDC included:

- University of Washington School of Medicine South Lake Union Biomedical Research Campus
- Bothell City Hall
- Washington State Data Center
- Harborview Hospital's Ninth and Jefferson Building
- Center for Urban Waters for the City of Tacoma

Erin's role in the Salinas Public Safety Center project will be to assist in development of the RFP and related documents; participate in negotiation of all contracts, agreements and financing documents; collaborate with the City and development team during the pre-development and construction phases; oversee project

finances and bond compliance during the construction phase; and provide on-going asset management and bond compliance after project completion.

Matt Calcavecchia, Vice President, Public Facilities Group

Matt Calcavecchia joined John's P3 Team at National Development Council in 2004. His work at NDC encompassed a variety of roles including asset management duties, promotion, marketing, project management, and strategic planning. He served as NDC's Communications Director and has experience in a variety of products and services including Low Income Housing Tax Credits, New Markets Tax Credits, small business lending, and public-private partnerships. His work also included outreach and education, as well as creating and implementing strategies to advocate for P3s at the federal level.

Matt will not be involved in the Salinas Public Safety Center project on a daily basis, but will provide support and assistance as necessary.

Steven Rovig and Joel Bodansky, Attorneys, Hillis Clark Martin & Peterson

PFG's legal counsel will be provided by Hillis Clark Martin & Peterson, primarily by Steven Rovig and Joel Bodansky, with other expertise called upon as necessary. HCMP is a Seattle-based law firm with more P3 experience than any other firm on the west coast, having worked with John Finke on 28 projects. Steven and Joel will represent the not-for-profit created by PFG to facilitate this project in negotiation of all contracts, agreements and financing documents, as well as providing general legal guidance and advice.

Harlan Falkin, Construction Inspector, Falkin & Associates

PFG recommends retaining Harlan Falkin of Falkin & Associates to act as independent construction monitor for the project. Services provided by Falkin & Associates would include monthly inspections of the construction site to observe construction activity, plan conformance, and work quality conformance; review and analysis of contractor payment applications; review and analysis of change orders; providing monthly written Construction Site Visit Reports.

Other Team Members To Be Selected

Other members to be included in the final project team include the development team (to be selected through the City's RFP process), the bond underwriter, bond counsel, and trustee. We have experience working with many of the leading firms in each of these fields, including Barclays (underwriter), Pacifica and K&L Gates (bond counsel), and US Bank and BNY Mellon (trustee). We will work collaboratively with the City to select the firms best suited to participate in the Salinas Public Safety Center project.

Proposed Project Structure

PFG proposes the following structure to facilitate development of the new Salinas Public Safety Center

1. PFG will create a California State single-asset bankruptcy-remote not-for-profit entity. It will then secure from the IRS that entity's designation as a 501(c)(3) not-for-profit. While 501(c)(3) status is not critical in 63-20 financing, it has added benefits to the structure. This process should require no more than 8 weeks and given the nature of the not-for-profit's relationship to the City of Salinas and the likelihood of using 63-20 financing, the federal designation will not be problematic.
2. PFG will assist the City of Salinas to recruit, vet and select a development team through the RFQ/RFP process.
3. Working with the City of Salinas, its legal counsel and financial advisors, PFG will complete the necessary suite of documents to undertake the project. These will include: A ground lease and facilities lease between the City of Salinas and the not-for-profit. The predevelopment agreement between the City of Salinas and the developer. A development agreement between the not-for-profit and the selected project developer. An architecture agreement, a construction agreement and an independent construction inspector's agreement, each between the not-for-profit and the service provider.
4. During pre-development, PFG will work with the City of Salinas' counsel and financial advisor, the project developer, the finance team (and their respective counsels), to produce the necessary financing documents. These include the POS and OS, the indenture of trust and the bond purchase agreement.
5. At bond closing, the not-for-profit established by PFG will enter into these agreements, close on the bonds and issue a notice to proceed.
6. During the course of construction PFG will staff the not-for-profit and will review and process all monthly draws to fund construction.
7. During construction, if so desired by the City of Salinas, PFG (acting on behalf of the single-asset not-for-profit) will engage the services of a private property manager and operator to manage the facility post-construction. The not-for-profit will work with the manager and the City of Salinas to set annual operating budgets and review all aspects of the project's operation.

Fees:

1. The not-for-profit established by PFG for this project will include a one-time fee of .8% of the project cost in the project financing to pay for its services in assisting in the RFP process and all aspects of the financing and construction draw process. This is less than the normal 1%. In exchange for this discount, PFG would be asked to be reimbursed for direct out of pocket expenses such as travel and for its third party expenses (primarily legal expenses of document review and insurance). If the City desires, these expenses can be reimbursed in the bond sale. If the City of Salinas prefers to have PFG carry these costs, the fee will be 1%. In that case, PFG will not charge for its costs during predevelopment, and instead will carry its legal and other third party expenses until bond closing. For PFG to carry these costs, it will require a commitment from the City of Salinas to fund these expenses should Salinas elect not to proceed with the project as proposed.
2. Once construction is complete, the not-for-profit will charge the project an annual asset management fee of 1% of the project's rental income to oversee the required project management and bond compliance.

Unique Benefits of PFG's Structure

Public Facilities Group's proposed project structure includes two unique features that differentiate it from other similar P3 structures. These features provide additional benefit for the government client and enhanced protection of the public interest.

Free-standing 501(c)3

When PFG undertakes a project using 63-20 or 501(c)3 bonds, it creates a single-asset bankruptcy-remote 501(c)3 as is required by all such projects. Under the PFG's model, this 501(c)3 will be free standing, not dependent on the continuing existence and goodwill of a parent or group entity's 501(c)3 status. This is an important feature and can affect the protections offered in bankruptcy remote structures.

Ability of the government to easily exercise its right to secure unencumbered fee title to a P3 financed facility

While 63-20 financing includes a federal mandate that requires the ownership of a 63-20 financed facility to transfer to the benefiting government at no cost when the debt is retired, 501(c)3 bonds do not include this federally mandated right to secure unencumbered fee title from the 501(c)3 entity at the retirement of the project's debt. This deficiency is commonly addressed in 501(c)3 financed projects through a contract transfer of fee title at the retirement of the project's debt. Though both the 63-20 federally mandated reversion and the 501(c)3 contract reversion are important public safeguards, they still leave a potential public risk not addressed in most P3 programs. PFG's P3 approach addresses this risk with its proposed structure.

The standard tax-exempt bond financing does not allow refinancing in the 10 years following the issuance of the debt. Should a community need to retire a project's financing within this 10-year window, it must go through a defeasance process, which is often very costly. If rates have increased after the date of issuance, this can be especially problematic. With the P3 financing structures most commonly used, should the not-for-profit entity financing a public project undergo a significant change or have a Board or tax complication, or should the community desire a change in the structure or use of the project, the community's only available option to take full control of the project is to retire the project's debt.

PFG's approach offers a solution to this potential risk. When PFG establishes a not-for-profit, we will grant the public agency the unrestricted right to replace the not-for-profit's Board of Directors with a new Board of the agency's choosing, should the agency need or desire to do so. This right is a significant improvement in the structure as compared to other 63-20 models. When coupled with the independent federally approved 501(c)3 standing of the not-for-profit created by PFG, it will deliver a much simpler and more effective means to correct a problem should one occur. Under P3 models where a not-for-profit's 501(c)3 designation is dependent on a parent's group exemption, there is a risk that the parent may have a continuing compliance or some other problem that could affect the project's not-for-profit status. The approaches that rely on a group exemption or that rely on a single member LLC structure for the creation of a not-for-profit can complicate 501(c)3 compliance, especially if the parent undertakes both exempt and non-exempt activity.

PFG References

Doug Cohen

Real Estate Acquisitions Dispositions

Community Development Commission for the County of Los Angeles

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Stephen Gilbert

Development Manager

County of Riverside Economic Development Agency

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James Parvey

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A RESOLUTION AUTHORIZING THE ISSUANCE OF A REQUEST FOR PROPOSALS SEEKING A QUALIFIED DEVELOPMENT TEAM TO DESIGN AND BUILD THE SALINAS PUBLIC SAFETY CENTER

WHEREAS, in 1958 the City opened its “Public Safety Building” to house 60-staff from both the Police and Fire Departments; and

WHEREAS, the City Police functions have long since outgrown this 18,954 square foot facility, and currently operate from several different buildings spread around Salinas occupying approximately 40,000 square feet of office and storage space;

WHEREAS, between 2007 and 2009 the City explored the potential to develop the 50-acre Alisal Market Place and by 2010, this development plan included a new police facility as its primary catalyst project; and

WHEREAS, on September 15, 2014, the “City of Salinas Police Facility Space Needs Study Assessment and Master Plan” was published estimating the scope and size of a new police facility for the City; and

WHEREAS, with the passage of Measure G in 2015, the City has a means by which to pay for a new “Public Safety Center” and has begun setting funds aside for a facility that through a community engaged public design process, encourages the reduction of violence, nurtures community oriented policing, increases staff retention and improves the delivery of public safety services in Salinas; and

WHEREAS, in March 2015, the City secured the first of several properties for the future development of the new Public Safety Center at 312 East Alisal Street and is actively pursuing the acquisition of additional properties to accommodate the community’s needs in the Alisal; and

WHEREAS, the City has prepared a Request for Proposals for the purpose of identifying a uniquely qualified firm or team of firms as the best means for finding a qualified Development Team to guide the community through a comprehensive design and development process to bring this transformational development to fruition.

NOW, THEREFORE, BE IT RESOLVED that the City Council hereby finds and determines that the above recitals and accompanying staff report are true and correct and have served as the basis, in part, for the actions of the City Council set forth below.

BE IT FURTHER RESOLVED that the Salinas City Council hereby approves this Resolution and authorizes and directs City Staff to issue a Request for Proposals and all ancillary documents in substantially the form on file with the City Clerk, with such changes as are approved by the City Attorney, to identify and recommend to the Council for approval the most capable Development Team that will enter into the necessary agreements to design, build and deliver to the City a state-of-the-art Public Safety Center on its behalf.

PASSED AND ADOPTED this 6th day of December 2016 by the following vote:

AYES:

NOES:

ABSENT:

APPROVED:

MAYOR

ATTEST:

CITY CLERK

RFP provided under separate cover