



METRO

2000 S.W. First Avenue
Portland, OR 97201-5398
503/221-1646

Memorandum.

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Metro Finance & Management
Information Department

DATE: November 12, 1992

TO: Metro Council

FROM: Neil Saling, Director of Regional Facilities *NS/*

SUBJECT: Metro Regional Center - Space & Cost Considerations

This Staff Report supplements my memorandum to you of 30 October 1992 and incorporates an update of my informal comparison of unit costs provided to Councilor Devlin (Enclosure 1) and my response to questions posed by Councilor Wyers (Enclosures 2 and 3). Further, it responds to the discussion and questions raised during the 10 November 1992 Regional Facilities Committee meeting.

Space Considerations

In preparation for a decision by Metro to satisfy its future facility needs, the architectural firm of BOOR/A prepared a space program based upon charettes and interviews with departmental staff. The BOOR/A requirement was 62,985 square feet. The shortcoming of the BOOR/A program was the lack of provision for halls, restrooms, stairwells, elevators and loading docks and a significant understatement of lobby space.

The old Sears Building, purchased by Metro for renovation, contains 199,325 square feet on four floors or 202,925 square feet with the inclusion of the annex on a fifth level which previously housed mechanical equipment. The Hoffman/TVA-Cole team, selected as Metro's design-build contractor, proposed 79,412 square feet of "net rentable" space on three floors and the tower and 117,216 square feet of parking (202 spaces) on the basement and first floor levels. They also offered an option of building out 5024 square feet of "future commercial" space on the first floor for Metro's consideration. The proposed configuration of the building permitted a modest increase in office space over the BOOR/A program (4000 sf), a somewhat greater increase (4600 sf) in shared space (daycare, Council Chambers, fitness area), and a significant increase in the common space as described above (13,590 sf).

Metro elected to build out the "future commercial" space on the first floor early in the project. In June, Metro also decided to develop the annex into office space. These changes raised the "net rentable" space within the building to 88,086 square feet.

Actions by the City Design Commission have also impacted the total space availability. These changes included the creation of space for "commercial opportunities" on the first floor (3500 sf) and similar "commercial opportunities" on the north plaza (1850 sf). While the former is within the original gross square footage, the latter is not. Thus, the present total gross building space is 204,775 square feet with 89,936 square feet of "net rentable" space.

Unit Costs

The total project cost was set at \$23,627,906 in the January 1, 1992 budget. This included \$22,974,906 in bond proceeds and \$653,000 in estimated interest earnings. This amount included financing, parking structure and furniture, fixtures and equipment (FF&E) costs as well as building costs. Proportionately, 78.5% of the total costs were allocable to the building based upon the initial cost estimates. This provided a gross building cost of \$18,547,903 and a gross parking structure cost of \$5,080,003. Based upon the gross square footage of the building at that time, the total unit cost was \$98.07 per square foot. The parking structure total unit cost, based on 470 stalls was \$10,808 per stall. If financing costs are not considered, the initial unit project costs were \$76.33 per square foot and \$8866 per stall respectively.

Since the initial budget, the actual expenditure of funds has shifted the unit costs somewhat. The projected interest earnings have not materialized reducing the total project budget by \$81,511 to \$23,546,395. At the same time, there have been additions to the budget such as the FinAnswer loan which have added \$447,000 to the total budget. Thus, total funds now available are estimated to be \$23,993,395.

Expenditures on the building are now expected to constitute an 81.1% share of the project costs or \$19,458,643. The parking structure share of the total costs is estimated to be \$4,534,752.

The gross space under renovation has also changed to 204,775 square feet as discussed above. The total unit cost for the building is now \$95.02 per square foot and the total unit cost of the parking structure is \$9648 per stall. Omitting financing costs reduces these unit costs to \$78.32 per square foot and \$7952 per parking stall.

Councilor Gronke has specifically requested that the unit cost of the project be calculated based on the office space only. This cost would be \$266.78 per square foot. This figure should be used with caution as it allocates both the parking structure costs as well as the internal parking space costs to the office space.

Operating Costs

Annual operating cost, computed on a dollars per square foot per year basis, include two primary cost components: debt service and cost of operations, e.g. utilities, maintenance, etc. Metro's current operating costs approximate \$15.50 per square foot in its leased facility. Operating costs are a common measurement used in commercial and office leasing, design and construction. Traditionally, these yardsticks of office cost do not include furniture, fixtures and equipment.

Metro's annual operating cost is estimated to be \$1,723,795. Spreading this amount over the office space results in a cost of \$19.16 per square foot. Reducing this cost by the cost of FF&E for comparison purposes results in a cost of \$17.80 per square foot.

Discussion

Jennifer Sims advised Clackamas County Commissioner Judie Hammerstad in her April 15, 1992 letter that the building unit cost was \$82.24 per square foot and the parking structure cost was \$7870 per stall. She also indicated that the initial operating cost was estimated at \$16.17 per square foot. Staff has carried these estimated costs forward in its bi-weekly status reports to the Council to the present. These unit costs reflected a proportionate share of costs between the building and the parking structure similar to that which is now developing (then 80.9% building, 19.1% parking garage versus now 81.1% building, 18.9% parking garage). The current rate is lowered by the increased building space renovated (204,775 square feet versus 190,700 square feet). All these calculations exclude financing costs.

Operating costs of \$16.17 per square foot have increased to \$17.80 per square foot based primarily upon a more accurate determination of office space. Earlier estimates utilized 95,700 square feet of office space as opposed to the most recent figure of 89,936 square feet.

The basic debt service cost, after credits, is \$13.60 per square foot. Estimates to date, including those above, have utilized an annual operations cost of \$501,000, or \$5.57 per square foot. Estimates developed during the due diligence period placed operations costs at approximately

\$4.00 per square foot. This would place the total operating cost at about \$17.60 per square foot, or about \$16.24 per square foot without inclusion of FF&E cost.

Summary

The gross area of the new Metro Regional Center has grown by 2.7% based upon the development of the Annex and the City requirement for a "commercial opportunity" on the North Plaza. The net rentable space has increased by 13.3% based upon the build out of the above two spaces and a 5024 square foot space upon the first floor. The impact of the expansion within the building is to permit departmental expansion capability without building into the present internal parking area. The impact of the "commercial opportunity", mandated by the City Design Commission, is a significant reduction in available contingency funds.

The present estimate of unit cost of the building, including all costs, is \$95.02 per square foot. If financing costs are excluded, the estimated unit cost is \$78.32 per square foot. This latter cost is comparable to the \$82.00 per square foot which has been carried in Project Status Reports. Staff is attempting to obtain comparable unit cost figures for construction of other government office facilities.

Present estimates of operating cost exceed the original goal of \$16.50 per square foot. As debt service costs are fixed at approximately \$13.60 per square foot, the ultimate total cost to Metro departments will be governed by the efficiency of building operations. The present figures place the office at the high end of Class B office space.

cc: Rena Cusma
Dick Engstrom
Jennifer Sims
Berit Stevenson
Glenn Taylor

Enclosures (3)

METRO REGIONAL CENTER - UNIT COSTS

- BUDGET (as of November 5, 1992)

Bond/Interest Funds Available	\$23,546,395	
Added Funds	<u>422,000</u>	
Total Funding	23,968,395	
Financing Costs	<u>4,217,462</u>	
Project Funding	19,751,233	
Real Estate Costs	(5,506,456)	
Project Management Costs	(663,227)	
Furniture, Fixtures, Equipment	(1,225,000)	
Telephone/Data Wiring	<u>(110,000)</u>	
Total Construction Costs	\$12,246,550	
Original Building Construction Cost	9,364,000	(77%)
Original Parking Structure Construction Cost	991,000	(8%)
Original Contingency (Including Added Funds)	1,891,550	(15%)

- SPACE

Original Building Gross Space	199,325	sf
Original Rentable Space	79,412	sf
Original Internal Parking	117,216	sf
Present Rentable Space	89,936	sf
Present Internal Commercial Space	3,500	sf
Present Internal Parking	108,692	sf
Present Building Total Space w/ Annex	204,775	sf

- UNIT COST COMPUTATION EXAMPLES
 - Example 1:

Total Cost	\$23,968,395	
Total Space	199,325sf	
Unit Cost	\$120/sf	

Comment: Ignores cost of garage structure and difference between office space and internal parking

 - Example 2:

Total Cost	\$23,968,395	
Original Office Space:	79,412sf	
Unit Cost:	\$301/sf	

Comment: Ignores cost of both internal and external parking.

- Example 3:

Original Building Construction Cost	\$9,364,000	
Total Space	199,325 sf	
Unit Cost	\$47/sf	

Comment: Overstates internal parking costs and ignores changes to date.
- Example 4:

All Costs Less Financing	\$19,751,233	
Total Building Space	199,325 sf	
Unit Cost	\$99/sf	

Comment: Does not recognize parking structure cost.
- Example 5:

All Costs Less Financing	\$19,750,233	
Original Parking Structure Cost	3,591,000	(23%)
Original Building Cost	11,914,000	(77%)
Building Share of All Costs	15,208,449	
Total Building Space	199,325 sf	
Unit Cost	\$76/sf	

Comment: Allocates some office space cost to internal parking.
- Example 6:

All Costs Less Financing	\$19,751,233	
Building Share of All Costs	15,208,449	
Original Core and Shell Cost	7,541,000	(80%)
Original Tenant Improvement Cost Share	1,800,000	(20%)
Cost Share of Core and Shell (C&S)	12,166,759	
Cost Share of Tenant Improvements (TI)	3,041,690	
Unit Cost C&S	\$61/sf	
Unit Cost TI	\$34/sf	
Unit Cost Parking	\$61/sf	
Unit Cost Offices	\$95/sf	

Comment: More accurate but is greater than construction unit cost and does not reflect cost shift to TI.
- Example 7:

Construction Cost	\$12,246,550	
Estimated Parking Structure Construction Cost	871,448	(7%)
Estimated Building Construction Cost	11,205,928	(93%)
Building Share of Cost	11,362,894	
Building Gross Square Feet	204,775	
Unit Cost	\$55/sf	

Comment: Reflects total building construction cost, but shifts some TI costs to parking space.

- Example 8:

Building Construction Cost Share	\$11,362,894	
Core and Shell Cost Estimate	7,807,000	(76%)
Tenant Improvement Cost Estimate	2,520,000	(24%)
C&S Share of Cost	8,635,799	
TI Share of Cost	2,727,095	
Unit Cost C&S	\$42/sf	
Unit Cost TI	\$30/sf	
Unit Cost Parking	\$42/sf	
Unit Cost Offices	\$72/sf	

Comment: Probably most accurate determination of unit cost of construction, but requires explanation.

As can be seen from the above, the unit costs are subject to the following:

- 1) Scope of costs included
- 2) Breakout of cost shares for building and parking structure
- 3) Breakout of cost shares for core and shell and tenant improvements in building
- 4) Original vs. current splits of cost shares



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Memorandum

ENCLOSURE 2

DATE: November 10, 1992
TO: Neil Saling, Regional Facilities Director
FROM: Councilor Judy Wyers
RE: Metro Headquarters Project

I have some questions regarding the status of the budget for the Metro Headquarters project.

1. Advisory Committee

What was the basis for establishing the advisory committee, and what are its ground rules or scope of authority? What specific advice has the committee given to you or the Executive Officer? Has the committee made recommendations on individual aspects of the project, such as increase in space that have been approved? Are there minutes of their meetings that I could review?

2. Space Increases

Who determined that Metro needed more space in the building above the 63,000 square feet recommended in BOOR/A's original space plan? Who determined that Metro needed to add another 8600 square feet represented by the additions to the Grand Avenue level and the penthouse addition? Who authorized the increases in space, and what was the justification? What has been the Executive Officer's role in these decisions?

3. Unit Cost

You have drafted a report entitled "Metro Regional Center - Unit Costs," which gives eight examples of how to calculate the cost per square foot of constructing the building. Those costs range from \$47 to \$301 per square foot, with your "most accurate" determination being \$74/square foot for the office building and \$43/square foot for the garage. If Councilors were asked what is the cost per square foot for constructing this building, would you advise them to use the "most accurate" numbers or would you advise that we use another figure?



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ENCLOSURE 3

DATE: November 10, 1992

TO: Councilor Judy Wyers

FROM: Neil Saling, Regional Facilities Director

SUBJECT: Metro Regional Center Costs

The following responds to your memorandum to me dated November 10, 1992, subject: Metro Headquarters Project.

1. Advisory Committee

The Advisory Committee was established by the Executive Officer to provide citizen input to the project. Their role has been to provide advice to the staff and the Executive Officer on any aspect of the project in which they saw room for improvement or anticipated problems. The primary thrust of their comments has been avoidance of a negative public reaction such as occurred with the State Archives Building.

The committee recommended abandoning or "land-banking" the tower development and/or not utilizing the space for employee break areas. This was rejected as the tower development was a key desirable feature in the design selection. The space is best utilized as shared space, e.g. conference rooms or break areas. The committee also recommended retaining the columns in the Council Chamber. That recommendation was also rejected. The committee recommendations on reduction of natural wood paneling have been implemented. The committee was briefed on the decisions to develop added space, but did not participate in those decisions.

No formal minutes of the meetings with staff or with the Executive Officer have been kept.

2. Space Increases

The BOOR/A space program was not building specific and did not include any common building space, such as lobbies, hallways, stairwells, restrooms, loading docks and elevators. The development of that space alone added approximately 15,000 square feet in the

Sears building. The Hoffman/TVA plan accepted by the jury included 79,412 square feet of "rentable space" which included these common building spaces.

Hoffman/TVA included a proposal to add 5024 square feet of space on the Grand Avenue level as a part of their original proposal. By Change Order, Metro improved the area from vacant space without utilities to an area ready for TI finishes. At the time of the Change Order, the space was earmarked for the MERC staff. The cost (\$23/square foot) was justified at that stage of space planning and with the projected new Metro missions on the horizon.

The development of the roof annex was initiated to make maximum use of available space without further expansion into the internal garage area. The expansion was cost effective to accomplish during construction as opposed to future expansion. The annex is planned to house the Regional Facilities staff.

The net impact of these expansions is to provide vacant space for expansion within departmental boundaries. This space permits expansion by the departments without consuming added parking space. (The goal was to provide a minimum of two years' growth.)

The Executive Officer endorses the decisions to provide the added space.

3. Unit Cost

The informal summary of unit cost computations prepared for Councilor Devlin was provided to illustrate how the costs could vary based on the underlying assumptions. The unit cost of \$82 per square foot (\$100 per square foot if financing costs are included) has appeared in staff reports since April 1992 and remains a fair estimate. This cost approximates Example 5 in my informal summary. The final cost should be close to \$80 per square foot for the building encompassing both office space and parking space.

It should be made very clear that these are project unit costs. A more common unit cost is based upon construction cost. This unit cost approximates \$51 per square foot which compares favorably with other similar unit costs for government facilities.