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FACT SHEET

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Performance-Based Infrastructure: Courthouse Construction

Some 90 percent of California courthouses require significant renovation, repair, or maintenance. No single source of public funds is large enough to finance the needed projects. The California Judicial Council, through the Administrative Office of the Courts (AOC), is piloting an innovative way to construct court buildings in partnership with the private sector. The arrangement, called performance-based infrastructure (PBI), involves the state engaging a private consortium to finance, design, build, operate, and maintain a new court building under detailed guidelines from the state.

New Long Beach Court Building

The Long Beach court building was among those most urgently needing replacement. The old building, constructed in 1956, suffers from fundamental functional and security flaws, is overcrowded, and fails to meet accessibility requirements. Redevelopment in Long Beach's civic center created the opportunity for a pilot PBI project to build a replacement nearby.

In planning the new building, the AOC consulted with the Superior Court of Los Angeles County, the Legislature, the executive branch, and other key stakeholders. The AOC management team then evaluated statements of qualifications from prospective project teams and later reviewed detailed proposals from three consortiums. In mid-2010, Long Beach Judicial Partners was selected to finance, design, build, operate, and maintain the new court building. In December 2010, agreements were finalized. Construction began in mid-2011 and was completed in fall 2013, ahead of schedule and under budget.

Benefits

This delivery method, as it has been executed in Long Beach, yields numerous benefits for the state:

- The state pays no money until the court occupies the building.
- The state owns the land and building throughout the 35-year agreement.

- The state will pay an annual service fee based on building performance, meaning that deductions can be made when court space or functionality are unavailable or other predetermined performance criteria are not met.
- Risks of delivery and operation are transferred to the private sector. This means that full life-cycle costs of the project were predictable when the agreements were reviewed, approved, and signed. The state's costs will not increase if interest rates go up or if a third party tenant moves out.
- Revenues from leases and other income sources reduce the state's costs.
- The building includes expansion space for six to eight additional court departments. This potential court expansion space is the responsibility of the private party and will initially be leased to other tenants. The state has no obligation to take any or all of the expansion space and has no operation or maintenance responsibilities for the space prior to occupying it.
- The building will be maintained at a high quality level throughout the 35-year agreement.

Awards and Recognition

Bond Buyer Magazine: 2011 Deal of the Year Awards; Nontraditional Financing

Euromoney/Project Finance: 2011 North America PPP Deal of the Year

American Institute of Architects Academy of Architecture for Justice: 2012 Citation Award, *Justice Facilities Review*

Partnerships Awards: 2012 Highly Commended, Best Accommodation Project

Pilot Effort and Evaluation

PBI court building projects have been carried out successfully in Australia, Canada, and the United Kingdom. In the United States, experience with large PBI projects has been limited so far to the transportation sector (i.e., highways and bridges) where the requirements and financing structure differ significantly from those used in the construction of buildings. The experience in Long Beach is enabling the state to evaluate the effectiveness and applicability of PBI for other projects. By mid-2014, the Judicial Council will report to the state legislative and executive branches on the project's cost-effectiveness.

Additional resources:

About PBI: www.courts.ca.gov/3728.htm

Fact Check: about the Long Beach Court Building: www.courts.ca.gov/21457.htm