

Center for Addictions Triage and Treatment

Financial Analysis

Plan Addendum

August 2023

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Addendum Summary

In January 2021, staff prepared and presented a financial analysis for the Center for Addictions Triage and Treatment. Since that time, there have been significant changes in the construction budget and resources secured for the project. These changes have been communicated to the Washington County Board of Commissioners through a series of written quarterly updates. This document summarizes the new target budget and resources for the project, effective August 2023.

The overall strategy for project funding and operations has not changed from the original financial analysis; therefore, this addendum focuses solely on the capital budget and allocation of resources for the project.

Capital Cost Evaluation

At the time of the initial financial analysis, cost estimates were based on preliminary information from high-level space planning that was completed early in the project with LRS Architects. Since that time, sites have been selected and purchased, and extensive architectural design has occurred, leading to design development documents. These documents have been used to develop revised cost estimates based on real plans for the center.

The financial analysis developed in January 2022 described two options for the Community Services Building, as two separate buildings for this component of the project were being explored for purchase. The board ultimately approved the purchase of the Elam Young Parkway option, the less expensive of the two. The revised figures in this addendum are for costs associated with renovating that building along with the Intensive Services Building (the old WCCCA building), which will be used for the other component of the project.

A cost estimate was completed in December 2022 using early design documents and an outside cost estimating firm. As detailed in a board presentation on March 14, 2023, the project construction costs increased significantly, rising from an initial estimate of \$40-43 million to a revised estimate of over \$62 million. There were several factors behind this, including an expanded building footprint for the Intensive Services Building and high inflation rates that significantly impacted the construction industry. In partnership with our architect, we worked to identify savings options and developed a target capital construction budget of \$60 million. Adding in costs associated with the initial feasibility assessment and clinical development work, the total budget was set at \$60,631,230.

In August 2023, our contracted construction manager/general contractor reviewed design documents and obtained bids from subcontractors to develop a revised budget for the project as we work toward developing the guaranteed maximum price. The build cost for each building increased, which was expected given refinements to the buildings and corresponding plans that were made over the past year. We were able to mitigate the increase by lowering our project contingency amount from 15% to 12%. This contingency amount is in addition to the construction contingency included in the contractor's budget. The new budget for the project is \$61,343,280, an increase of \$712,050. See figure 1 for additional information.

Figure 1: CATT Capital Cost Estimate

| Item | Initial Estimate | Revised Target | Current Budget |
|--|---------------------|---------------------|---------------------|
| | January 2022 | December 2022 | September 2023 |
| Non-facility expenses | \$800,000 | \$800,000 | \$800,000 |
| Intensive Services Building purchase | \$3,775,000 | \$3,725,000 | \$3,725,000 |
| Intensive Service Building renovation | \$12,511,284 | \$22,617,053 | \$25,172,893 |
| Community Services Building purchase | \$8,275,000 | \$8,275,000 | \$8,275,000 |
| Community Services Building renovation | \$12,098,873 | \$19,916,802 | \$19,022,820 |
| Contingency | \$3,824,889 | \$5,297,375 | \$4,347,567 |
| Total | \$41,285,046 | \$60,631,230 | \$61,343,280 |

It is important to note that this is not the final budget. We expect to have a final, not-to-exceed construction budget upon the completion of construction documents and permit approval. We do not expect the final budget to vary significantly from the current budget.

Resources and Funding

At the time of the initial financial analysis, the project funding was limited to funds held in reserve within the Washington County Behavioral Health Division. These funds, a little over \$25 million, remain dedicated to the project and cover a significant portion of the \$61.3 million budget. In the past 18 months, the Behavioral Health Division, with strong advocacy and support from County Counsel and Government Relations, has been able to secure significant new funding sources for the project. These are detailed below.

- Opioid settlement: Washington County is currently receiving settlement money from several national lawsuits related to marketing and distribution practices of companies associated with opioids. Additionally, the cities of Hillsboro, Cornelius and Tigard have allocated their portion of the settlement for Washington County to use for the CATT project. In all, we anticipate receiving a minimum of \$28 million over 18 years. To date, we have received \$4.1 million and anticipate receiving an additional \$4.6 million during the construction of CATT. The remaining funding will be used for start-up and operational expenses in the future.
- Residential development dollars: As described in the initial financial analysis, Washington County received money to fund the development of new behavioral health residential programs. We were able to apply \$2.3 million of these funds toward the capital construction costs of CATT.
- Measure 110 grant: In November 2021, the state released a Request for Grant Applications to allocate \$278 million of marijuana tax funding statewide to expand services for people who use substances. This grant included the opportunity to apply for capital funding. After consulting with leadership, the Behavioral Health Division applied for the amount equal to the gap estimate at that time, nearly \$17 million. We were awarded a little over \$5 million to use toward capital construction expenses.
- Health care grants: Health care systems throughout the Portland metropolitan area have voiced strong support of this project and several have provided grant dollars to support the project implementation. We are pleased to have received the following funds:
 - CareOregon/Health Share of Oregon: \$7.6 million
 - Providence Health Plan: \$500,000
 - Trillium Community Health Plan: \$500,000
 - Yamhill Community Care: \$150,000
- Oregon Legislative allocation: Thanks to diligent advocacy by Washington County's Government Relations team and support from County leadership, the CATT was awarded \$5 million in the 2023 legislative session.

- Federal allocation: On July 27, 2023, Senator Merkley announced a federal funding bill that included new investments in health care for Oregon. The bill passed with bipartisan support, providing \$2.5 million for the CATT. We are awaiting information on distribution timeline and process.
- Supportive housing grant: Behavioral Health and Homeless Services Division staff have been working on co-developing services and supports for our community members who have both housing instability and behavioral health conditions. We plan to co-locate supportive housing staff at the CATT to better serve our shared population. As part of this partnership, the Department of Housing has agreed to provide \$1.5 million to the CATT to help cover the capital costs for the space that will be used by the Homeless Services Division.

With this combination of funds from the Behavioral Health Division and investments from our many partners, the CATT is almost fully funded. As of August 2023, the project has a slight deficit of \$489,382. Figure 2 provides additional detail.

Figure 2: CATT Project Resources

| Source | Amount |
|--|---------------------|
| Behavioral Health funds | \$25,397,847 |
| Measure 110 grant funds | \$5,129,277 |
| Residential development grant funds | \$2,300,000 |
| Opioid settlement funds received to date | \$4,101,828 |
| Additional opioid settlement funds expected in 2023 & 2024 | \$4,674,946 |
| CareOregon/Health Share capital contribution | \$7,600,000 |
| Health Care Grants (Providence, Trillium Health Plan, Yamhill CCO) | \$1,150,000 |
| Legislative Allocations (state and federal) | \$7,500,000 |
| Supportive Housing Tax | \$1,500,000 |
| Interest earnings | \$1,000,000 |
| Marijuana Tax | \$500,000 |
| Total | \$60,853,897 |
| Deficit | (\$489,382) |

Capital Construction Funding Strategy:

There are a few strategies we will employ to manage future changes to the capital construction budget and work to fill the capital construction gap.

- **Contingency**: Because we understand that unexpected issues may arise during construction, the budget has always included a line item for contingency in addition to the contingency included in the general contractor’s construction budget. Currently the project has approximately \$4.3 million set aside for contingency. We are hopeful that we will use little of these funds, preserving them for future projects. However, if

needed, these funds can be used to help cover moderate escalations in project costs including the current projected deficit.

- Health care grants: Staff continue to explore opportunities for additional grant funds. Recently, Trillium Community Health Plan published a community investment grant opportunity. Behavioral Health staff responded with a request for nearly \$900,000 to help cover the costs associated with developing the peer recovery center portion of the project. In addition, Trillium recently released a small grant opportunity. Staff responded with a request for \$155,000 to furnish the planned fitness room and other self-care spaces for program participants. We hope to learn the outcome of these grants in the fall.
- Start-Up: The project will require significant start-up funding prior to opening. Costs will include initial set-up expenses such as purchasing food stores and linens. There will also be expenses for staff costs prior to opening as staff are trained and prep the program for receiving clients. Our plan is to approach our local coordinated care organizations and request some assistance with these costs and to use opioid settlement funds. Preliminary conversations with these organizations have been promising. We will also apply any unexpended capital funds toward these expenses as they are available.