



America's Small Town Capital

Mayor Anne Watson

City Council Members:

**Dona Bate
Conor Casey
Jay Ericson
Lauren Hierl
Jack McCullough
Daniel Richardson**

**William Fraser
City Manager**

**Cameron Niedermayer
Assistant City Manager**

**Jhasmine Lamb
Assistant to the City Manager**

MEMORANDUM

To: Mayor Watson & City Council Members
From: William Fraser, City Manager
Stephanie Clarke, White & Burke
Re: Parking Garage Re-design and Finances
Date: May 8, 2020

I. Updates Since Last Meeting

At our last meeting on April 8, we presented the updated design of the parking garage that was the result of ongoing community conversations and cost savings measures. Since that meeting, we have continued to value engineer the design of the garage and we have an updated cost estimate for Council.

The question for Council at this stage is whether to proceed with the new design of the garage as we enter the next phase of the appeal.

II. Design Tweaks

During value engineering process, we have made some tweaks to the garage's design that will optimize operations, result in cost savings, and have a few other advantages. To realize significant cost savings, the interior circulation of the garage has reverted back to a helical design, which will allow the garage to be shorter in height by three feet and add 3-8 more parking spaces. (The plans at the moment show 353 spaces, but this number will continue to shift slightly throughout the process as interior decisions are made and operation are considered.) The new interior circulation pattern results in minor changes to the façade and will no longer result in flat floors. The helical design uses sloped or ramped floors in the middle with flat floors at each end (like the original design). We have chosen a structure that will be comprised of a hybrid of steel and cast-in-place concrete with finishing elements for longevity. (This is not a change to the design, as this had been a structural option to be decided from the beginning. But we highlight it here because it is the choice that is reflected in the new budget.)

This design is subject to further minor tweaks based on realities of construction, negotiations with abutting property owners, stormwater permitting, and value engineering.

III. Cost Estimate

In 2018, City voters authorized a \$10.5 million bond. This included \$9.2 million for hard construction costs and \$1.3 million for other costs. “Other” included construction costs priced out by the City (brownfield remediation, electric charging stations, garage metering equipment, etc.) and soft costs.

New Estimate

The updated estimate eighteen months later is approximately \$12 million: \$9.3 million for hard construction and \$2.7 for other costs. This estimate assumes the appeal will continue and that it is not remarkably more complicated than our consultants have estimated.

This \$1.5 million (or 14%) increase in the budget is not surprising given the appeals that have delayed the project by more than a year. The appeal has caused the City and Capitol Plaza to incur direct expenses in addition to the cost of time. The project has also had other site complications and additional brownfield remediation costs that contribute to this increase. If the project does not move forward to construction, the City will have to bond from taxes to cover all expenses incurred.

Of the total estimate, we are projecting approximately \$500k will be spent directly on appeal costs. Although not direct expenses attributable to the appeal, other soft costs have also accrued due to the project’s delay. There were additional site complications that have come up through the State and Act 250 process, including brownfield investigation and archaeological investigation and additional complexities related to negotiations and accommodations with abutters. Of these, the brownfield remediation costs are significant; the cost to dispose of contaminated soils has increased by ~\$300k since the original projections, as there are no good options for local disposal or reuse.

The redesign to shorten the garage resulted in overall cost savings, but the cost of construction has also inevitably increased over the past eighteen months.

Not a Final Number

The \$12 million estimate is not a final number. As mentioned above, this variability is in part dependent on the appeal process. This figure does not account for time and unpredictability in the process. And it does not include inflation. The original estimate of \$10.5 was for Spring 2019 construction. This \$12 million estimate is based on 2020 costs. Considering we are anticipating a possible conclusion of the appeal process and construction readiness in Spring 2022 (at the earliest), we do not know how the construction costs will change. Historic data shows us that there can be cost deflation (as in 2009 & 2010), but that is not a guarantee and unforeseen delays may occur, particularly due to the appeal. Looking forward, we should assume a modest annual (4%) inflation for each year we are delayed.

However, this estimate also includes some conservative assumptions – including a high-end estimate for brownfield remediation, several contingencies, and it assumes flat TIF increment over twenty years. In addition, this estimate does not factor in other funding we are investigating, additional savings to be realized through value engineering, and the impacts of economic recovery from the current crisis.

IV. What now?

City Management and its advisors recommend that we continue to approach this diligently and prudently, one step at a time. Approving the re-design means that the team can proceed with the legal process in good faith. All of this, of course, is contingent on the hotel project continuing. This is a point-in-time update. The budget is not set in stone. City management and the team's work on the financials are ongoing. We are turning over every stone for additional grant funding for components of this project, evaluating savings opportunities, looking into alternative financing options, and reassessing our assumptions in the model and will continue to do so until the very end. Another vote may be needed from the City to increase the bond amount; but how we pay for that bond is still to be determined. Funding sources could be additional TIF revenue, adjusted parking rates, or grant money. The last choice is to pay for a portion with taxes. Before that, we have a variety of options to explore and more updates will be brought before Council to consider as the voter-approved project advances.