

# City of Waukesha

## Future Multipurpose Municipal Building

### COMMON COUNCIL PRESENTATION

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## Executive Summary

This report evaluates a potential multipurpose municipal building with the intent to assist City officials in making an informed decision.

It outlines site selection and funding mechanisms. It includes the pros and cons of each site, detailed construction and financing costs and estimates of redevelopment and potential tax base expansion.

*Three Sites are included in the report.*

### Site 1A

Complete environmental abatement and mass demolition of the existing City Hall facility and new construction of a 62,753 sq.ft. municipal services building.

- Project Cost: Approximately **\$18,837,000**
- Expanded Tax Base Potential: **None**
- Annual debt payments over a 16-year repayment period: **\$1,529,000**

### Site 1B

Complete environmental abatement and renovation of the existing City Hall facility with a proposed 22,000 sq.ft. set of new construction additions to the building (total proposed building: 67,180 sq.ft.).

- Project Cost: Approximately **\$18,743,000**
- Expanded Tax Base Potential: **None**
- Annual debt payments over a 16-year repayment period: **\$1,521,000**

### Site 2

Construction of a municipal services building on top of the existing 3-level parking structure.

- Project Cost: Approximately **\$21,883,000**
- Expanded Tax Base Potential: **\$7,500,000 to \$10,600,000** (redevelopment of site 1)
- Annual debt payments over a 16-year repayment period: **\$1,775,000**

### Site 3

Construction of a new 56,618 sq.ft. municipal services building on the river front.

- Project Cost: Approximately **\$18,525,000**
- Expanded Tax Base Potential:
  - **\$7,500,000 to \$10,600,000** (redevelopment of site 1)
  - **\$20,000,000 to \$40,000,000** (ancillary development near site 3)
- Annual debt payments over a 16-year repayment period: **\$1,503,000**

### Recommendation

- Site 3
- City owned
- Financed through bonding
- Redevelop Site 1
- Utilize TID to foster redevelopment
  - Utilize TID to foster redevelopment



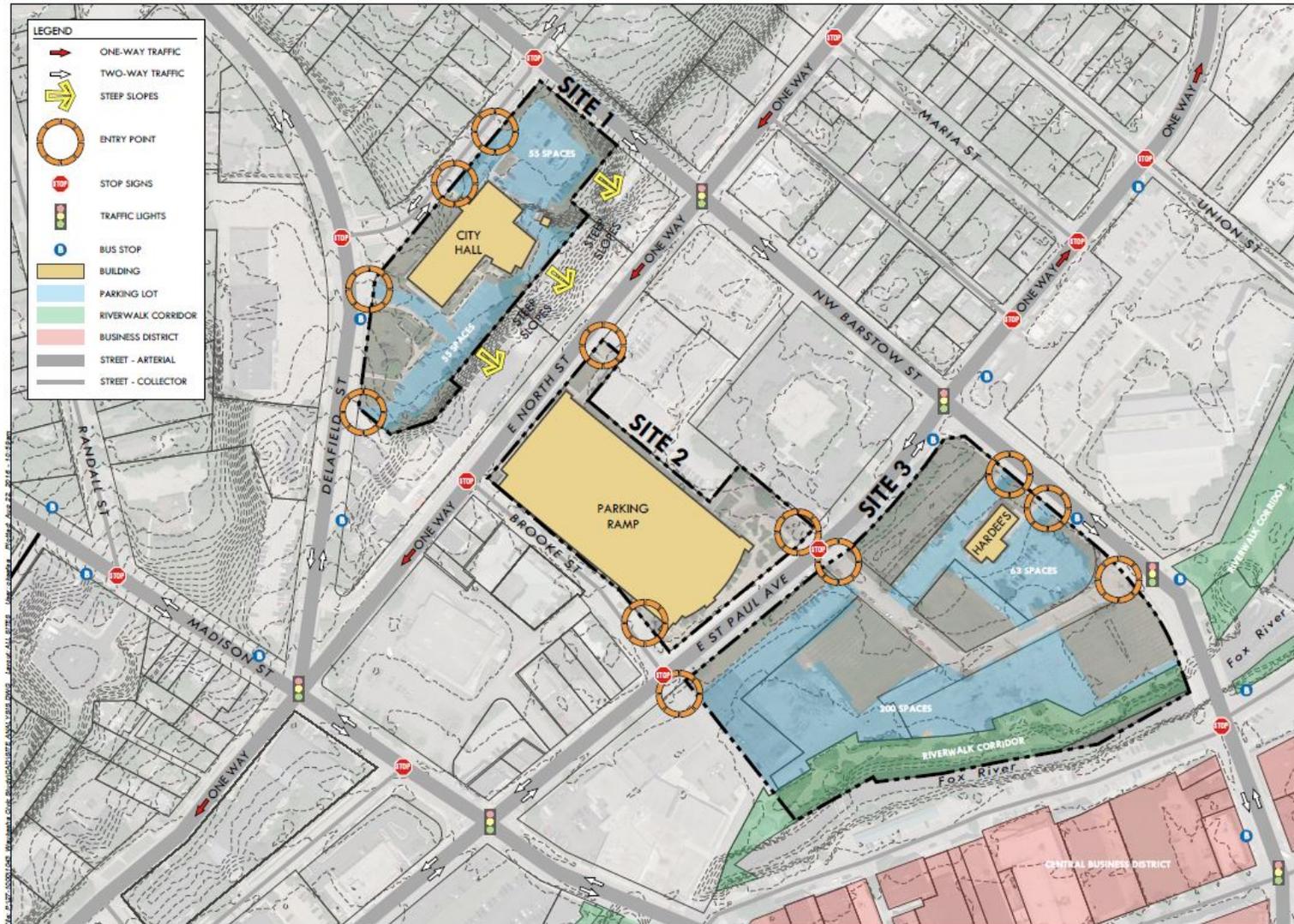
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Overview of Site Options

Site Analysis





### **Site 1A: Existing City Hall Site | New Construction**

*Project Narrative:* Site 1A considers a complete environmental abatement and mass demolition of the existing City Hall facility and proposes to construct a new 62,753 sq.ft. municipal services building. The proposed two-story building minimizes the overall footprint allowing for efficient staff workflow and public interaction within the facility, while providing adequate on-site surface parking (120 stalls) and stormwater management.

#### **Benefits:**

1. Familiarity of community-known site
2. Adjacency to existing / remaining Water Utility site
3. Existing city-owned property
4. Existing DPW functions can remain through completion of construction
5. Ability to sell the existing DPW property and return to a taxable parcel
6. Suitable building site for grading and parking facilities (flat)
7. Maintains high elevation with views of river and downtown
8. Remaining on this site eliminates potential neighborhood opposition to multifamily development on the site

#### **Challenges:**

1. Temporary relocation of all existing city hall functions
2. Residential neighborhood adjacency
3. Facility not in a prominent/high visibility location
4. Awkward wayfinding for visitors
5. Limited site access points
6. Isolated site with little connectivity or opportunities for dual-purpose spaces
7. Facility not in a prominent/high visibility location
8. Not low cost option

### **Site 1B: Existing City Hall Site | Addition / Renovation**

*Project Narrative:* Site 1B considers a complete environmental abatement and renovation of the existing City Hall facility with a proposed 22,000 sq.ft. set of new construction additions to the building (total proposed building: 67,180 sq.ft.). The concept proposes two additions; the first is the construction of a DPW garage off the northeastern side of the existing building which would match the upper level finished floor elevation. The second addition would be a two-story expansion of the existing building to the southwest anchored by a new public plaza – this addition would include a new public lobby and associated council chambers and public meeting spaces, as well as expanding department work spaces.

#### **Benefits:**

1. Familiarity of community-known site
2. Adjacency to existing / remaining Water Utility site
3. Existing city-owned property
4. Existing DPW functions can remain through completion of construction
5. Ability to sell the existing DPW property and return to a taxable parcel
6. Separated staff and public parking facilities
7. Maintains high elevation with views of river and downtown
8. Remaining on this site eliminates potential neighborhood opposition to multifamily development on the site



**Challenges:**

1. Temporary relocation of all existing city hall functions during construction
2. Residential neighborhood adjacency
3. New construction addition footprints reduce available on-site surface parking
4. Basement space underutilized as dedicated exclusively to departmental / archival storage
5. Challenging grade differentials on eastern site access points. This could be difficult for large DPW vehicles
6. Awkward wayfinding for visitors
7. Not low cost option

**Site 2: Existing Transit Center Site | Addition / Renovation**

*Project Narrative:* Site 2 considers constructing a municipal services building on top of the existing 3-level parking structure. The proposed concept renovates approximately 7,500 sq.ft. of existing building concourse/lobby and stairwells, while it constructs a new 56,618 sq.ft. level atop the existing level two parking deck. Note, the existing parking deck footprint is approximately 70,800 sq.ft..

**Benefits:**

1. Familiarity of community-known site
2. Existing city-owned property
3. Existing DPW and City Hall functions can remain through completion of construction
4. Ability to sell existing DPW and City Hall properties and return to taxable parcels
5. Current traffic flow on North Street is one-way. Study is underway for conversion of St. Paul Ave from two-way to one-way (pro or con depending on view)
6. Minimal site development and permitting costs

**Challenges:**

1. Significant lack of civic presence. Facility will truly feel and function as an island with little “hometown” character.
2. Relocation of IT infrastructure
3. Additional investment in existing Transit Center (structural, code compliance) to accommodate new construction
4. Minimal on-site surface parking available near main entry
5. Visitors will be required to use elevator for access to public services
6. Current traffic flow on North Street is one-way. Study is underway for conversion of St. Paul Ave from two-way to one-way (pro or con depending on view)
7. Not low cost option

**Site 3: River Redevelopment Site | New Construction**

*Project Narrative:* Site 3 proposes to construct a new 56,618 sq.ft. municipal services building. The proposed two-story footprint minimizes the overall footprint allowing for efficient staff workflow and public interaction, while providing minimal on-site surface parking (36 stalls). The site’s adjacency to the existing Transit Center allows for both public and private utilization of this parking for building use.

**Benefits:**

1. Redevelopment site as anchor to further economic development
  - a. Strengthening of Riverfront Promenade
  - b. Civic office and its daytime use provides 24-7 vibrancy balanced with the nighttime use from multifamily development



2. Existing DPW and City Hall functions can remain through completion of construction
3. Ability to sell of existing DPW and City Hall properties and return to taxable parcels
4. Establishes a strong connection between the civic office use and riverfront with plaza and public programming spaces
5. New building could be designed to provide exterior restrooms for Riverwalk and plaza patrons
6. Building position along St. Paul reinforces the sense of the developed downtown urban fabric
7. Minimizes need for surface parking by utilizing the ex. parking structure
8. Opportunity to gain economies of scale in site preparation, civil engineering, geotechnical studies, and other costs by combining civic site with adjacent development lands thereby reducing City infrastructure costs, either directly realized, or in reduced amounts needed in subsequent tax incremental financing
9. Low cost option

**Challenges:**

1. Relocation of IT infrastructure
2. Cost associated with land acquisition as parcels in this area are privately owned
3. Cost associated with construction of skywalk connection between new civic office building and existing Transit Center parking
4. Civic office use would reduce the private development potential on this site and thereby reduce potential tax revenue

**Evaluation of Sites**

Site Selection	Project Cost	Site 1 Sale Value	Land Acquisition Costs	Highest and Best Use	Tax Base Growth		Annual City Tax Revenue (\$10.35)
					Redevelopment	Ancillary Development	
Site 1A	\$18,836,895	N/A	\$0	Multi-Family Residential	\$0	\$0	\$0
Site 1B	\$18,742,600	N/A	\$0	Multi-Family Residential	\$0	\$0	\$0
Site 2	\$21,882,500	\$736,800 to \$1,105,200*	\$0	Not likely to spur surrounding development	\$7,061,000 to \$10,591,500	\$0	\$73,081 to \$109,622
Site 3	\$18,110,795	\$736,800 to \$1,105,200*	\$354,600 to \$472,800	Multi-Family Office Potential Retail**	\$7,061,000 to \$10,591,500	\$20,000,000 to \$40,000,000	\$280,081 to \$523,622

\*Assumes current building is demolished and environmental abatement completed. This can be done through TIF, or should be subtracted from potential sale proceeds. Bray's estimate for both is approximately \$429,200.

\*\* Consistent with City's Master Plan



## Development Potential





## Financing Options

### City Financing:

Under a traditional city financing, Waukesha would issue debt to fund the project. The debt would be repaid at fixed interest rates over a fixed term.

#### **Pros:**

1. City maintains control of design/construction
2. Interest rates are near historically low level
3. The cost of the project is shared among current and future tax payers
4. Debt does not impact the city's participation in the Expenditure Restraint Program ("ERP")
5. Debt is exempt from levy limits
6. The City has the capacity to borrow for the municipal complex
7. The project could commence as early as next year

#### **Cons:**

1. Other future capital projects may be deferred
2. Tax levy would need to increase unless other spending is cut or future capital projects are deferred

### Site 1A: Existing City Hall Site | New Construction

Mid-Range Project Cost Estimate	Financing Term	Interest	Total Principal & Interest	Average Annual Principal & Interest
\$18,836,895	21 Years	\$8,321,350	\$27,036,350	\$1,287,445
\$18,836,895	16 Years	\$6,314,000	\$24,459,000	\$1,528,688

### Site 1B: Existing City Hall Site | Addition / Renovation

Mid-Range Project Cost Estimate	Financing Term	Interest	Total Principal & Interest	Average Annual Principal & Interest
\$18,742,600	21 Years	\$8,278,200	\$26,898,200	\$1,280,867
\$18,742,600	16 Years	\$6,279,800	\$24,334,800	\$1,520,925



**Site 2: Existing Transit Center Site | Addition / Renovation**

Mid-Range Project Cost Estimate	Financing Term	Interest	Total Principal & Interest	Average Annual Principal & Interest
\$21,882,500	21 Years	\$9,665,925	\$31,405,925	\$1,495,520
\$21,882,500	16 Years	\$7,331,400	\$28,406,400	\$1,775,400

**Site 3: River Redevelopment Site | New Construction**

Mid-Range Project Cost Estimate*	Financing Term	Interest	Total Principal & Interest	Average Annual Principal & Interest
\$18,524,495	21 Years	\$8,178,800	\$26,583,800	\$1,265,895
\$18,524,495	16 Years	\$6,208,200	\$24,048,200	\$1,503,013

\*Includes land acquisition cost

**Condo arrangement:**

Under a “condo” arrangement, the City would purchase all or a portion of a developer owned facility and pay an annual maintenance fee. This arrangement is likely applicable only to site 3. If the City wishes to further explore this option, a developer would need to be engaged. Ultimately, the purchase cost and maintenance fees would be negotiated between the city and the developer.

**Pros:**

1. Shares the cost of the project among current and future tax payers
2. Debt does not impact the city’s participation in the Expenditure Restraint Program (“ERP”)
3. Debt is exempt from levy limits
4. The City has the capacity to borrow for the municipal complex

**Cons:**

1. Subject to annual maintenance fee
  - o Subject to levy limits
  - o Subject to ERP
2. Project could not begin until a developer is engaged and an agreement is finalized
  - o Potentially a multi-year process
3. City may give up some control of design/construction
4. Potential for inflation of construction costs prior to finalizing the agreement with the developer
5. Potential for long-term financing in a less favorable interest rate environment
6. Unknown cost at this time



**Lease arrangement:**

Under a lease arrangement, the City would lease all or a portion of a developer owned facility. This arrangement is likely applicable only to site 3. If the City wishes to further explore this option, a developer would need to be engaged. Ultimately, the lease payment would be negotiated between the city and the developer.

**Pros:**

1. Shares the cost of the project among current and future tax payers

**Cons:**

1. Lease payment is subject to levy limits
  - o Increases fixed costs without allowing for an increase in tax revenue
2. Lease payment is Subject to ERP
  - o Other operational expenses would likely need to be cut for the city to remain eligible for the ERP
3. Project could not begin until a developer is engaged and an agreement is finalized
  - o Potentially a multi-year process
4. City may give up some control of design/construction
5. Uncertainty surrounding ownership upon lease expiration
  - o City may need to relocate upon lease expiration
6. Potential for inflation of construction costs prior to finalizing the agreement with the developer
7. Unknown cost at this time

**Recommendation**

Constructing a new city owned municipal services building on the river redevelopment site (site 3) is the low cost option (of the city owned options) and allows for the greatest development/redevelopment thereby maximizing the new tax base.

- Selecting site 3 allows for redevelopment of the existing City Hall site (site 1).
- Site 3 provides a meaningful civic presence of the new municipal services building
- Ancillary development around site 3 may follow. The total redevelopment of the existing City Hall site and new development adjacent to site 3 is estimated at \$27,061,000 to \$50,591,000.
- Site 3 allows for more full utilization of the transit center parking structure.
- The logistical challenge of relocating city hall employees during construction is eliminated. The relocation would be a hurdle to remodeling or construction on the existing city hall site. The potential cost of temporary relocation is not known.
- A city owned facility eliminates many of the risks of a leased facility. Strict levy limits and continued participation in the Expenditure Restraint Program are significant barriers to a lease option for the new city complex
- Design and construction could begin in 2017 on a city owned facility. The complexities of a leased facility will delay design and construction, possibly two to three years or more.
- Construction costs are expected to continue to increase. All construction estimates are in 2017 dollars. Delaying construction will almost surely increase construction costs
- Financing costs are at near historically low levels and the financing of the new complex can be incorporated into the city's Community Improvement Program.
- Eliminates the need to include construction of a DPW garage.