



Legislation Text

File #: 17-568, Version: 1

TO: Mayor and Members of City Council

THRU: Jay Reinstein, Assistant City Manager

FROM: Randy Hume, Transit Director
Tracey Broyles, Budget and Evaluation Director

DATE: February 26, 2018

RE:
Amendment to Greyhound Lease Agreement and Adoption of Budget Ordinance Amendment 2018-19 and Capital Project Ordinance Amendments 2018-43 and 2018-44

COUNCIL DISTRICT(S):
2

Relationship To Strategic Plan:

Goal IV: Fayetteville will be a highly desirable place to live, work and recreate with thriving neighborhoods and a high quality of life for all residents.

Objective D: To develop and maintain public transportation investments with high quality transit and airport services.

Executive Summary:

Council is asked to approve temporary lease terms with Greyhound Lines, Inc. and to adopt Budget Ordinance Amendment (BOA) 2018-19 and Capital Project Ordinance Amendments (CPOA's) 2018-43 and 2018-44 to provide an additional \$132,046 for funding of tenant up-fit improvements. The appropriation actions are needed as the project budget for the tenant up-fit improvements is insufficient to award a construction contract to the low bidder.

Background:

City Council approved lease agreement terms with Greyhound Lines, Inc. on November 23, 2015, and the lease was executed on October 9, 2017. This lease enables Greyhound to relocate its Fayetteville terminal operations to the new FAST Transit center. The lease agreement provided for the City to construct improvements to the shell space already constructed, with reimbursement for those tenant up-fit improvements over five years at a 5% interest rate. The lease is for ten years and stipulates that Greyhound will pay the City \$5,365 per month in rental fees, a share of operation and maintenance costs and the repayment for the improvements. The rental fees begin escalating annually starting in year five.

Since that time, Greyhound has sold its Person Street facility and must vacate by February 28, 2018.

Greyhound requested to temporarily occupy space in the FAST Transit Center lobby while awaiting completion of the work for the agreed upon lease space, and commenced operating from the center on February 14, 2017. Greyhound has agreed to pay \$2,200 per month in rent for the temporary space and to share in operating and maintenance costs as provided in the current lease. It is expected Greyhound will operate under this temporary arrangement for 90-120 days. Once the work is complete, Greyhound will be able to occupy the space in the FAST Transit Center as provided in the lease. At this time, Council is asked to approve the temporary lease terms as outlined above.

Council approved Capital Project Ordinance 2016-18 on November 23, 2015, establishing a budget of \$237,159 for the Greyhound improvements as set forth in the lease agreement. The City received bids for the up-fit improvements on January 12, 2018 after unsuccessful attempts to add the work by change order to the transit center construction contract with CSI. A portion of the budget has already been expended for the installation of the sanitary hopper that allows Greyhound to empty their bus toilets. The current bid, while significantly lower than proposed by CSI, is in excess of the current available project appropriation. An additional \$132,046 is needed to award the contract to the lowest bidder.

Greyhound has not agreed to cover the entire difference of the current improvement costs over the original estimate, citing project delays out of their control. Greyhound has agreed to cover the costs for add-ons made to the original design, but has not agreed to a specific number yet. They want to review the details of the successful bid prior to setting that number. Staff estimates that the additional expenditures for add-ons requested by Greyhound will total \$25,860 and will be added to the amount Greyhound will repay over the five-year period.

Bids have been received. The low bidder is Hayes, Inc. of Fayetteville at \$317,000. The next lowest bid is \$352,901. The engineer's estimate was \$353,081.

In order to proceed with the work, staff is requesting the capital project ordinance be amended to add \$132,046. It is proposed that \$40,046 of that additional need be met by transferring available funds from a capital project established in 2010 for general transit improvements. Staff proposes that the remaining \$92,000 would be funded from available capital funding plan fund balance in the General Fund.

Issues/Analysis:

The estimate for the Greyhound work was prepared in 2015. The entire transit center project has been delayed. Greyhound's use of the new center has also been delayed. Greyhound does not feel it is obligated by the lease to pay for added project costs resulting from the delay. They have agreed in concept to pay for design changes Greyhound initiated, but have not yet agreed to the exact cost until they can review and compare the original estimate with the detailed schedule of values that will be provided after contract award.

Budget Impact:

The increased costs of this project will require an additional transfer of \$92,000 from the General Fund and a transfer of \$40,046 from the Transit Improvements and Enhancements capital project. Of the increased funding, it is anticipated that Greyhound will repay \$25,860 over five-years.

Options:

- 1) Adopt BOA 2018-19 and CPOA's 2018-43 and 2018-44, and approve the temporary lease terms.
- 2) Do not adopt BOA 2018-19, CPOA's 2018-43 or 2018-44, or approve the temporary lease terms and provide direction to staff.

Recommended Action:

Staff recommends that Council move to adopt BOA 2018-19, CPOA's 2018-43 and 2018-44, and approve the temporary lease terms as presented.

Attachments:

Budget Ordinance Amendment 2018-19
Capital Project Ordinance Amendment 2018-43
Capital Project Ordinance Amendment 2018-44