Legislation Text

File #: 19-1141, **Version:** 1

TO: **Mayor and Members of City Council**

THRU: **Douglas J. Hewett, ICMA-CM, City Manager**

FROM: **Kristoff Bauer, ICMA-CM, Deputy City Manager**
Tracey Broyles, Budget and Evaluation Director

DATE: **November 25, 2019**

RE:
Adoption of Budget Ordinance Amendment 2020-5 and Capital Project Ordinance Amendment 2020-28 for the Hay St. Garage Project

COUNCIL DISTRICT(S):
District 2

Relationship To Strategic Plan:
Goal II: Diverse and Viable Economy
FY19 Target for Action: Project Homerun

Executive Summary:
As this project reaches conclusion, the project appropriation needs to be adjusted to provide sufficient funds to cover actual project expenditures. Council is asked to pass Budget Ordinance Amendment 2020-5 to appropriate $1.4 million from General Fund fund balance to fund Capital Project Ordinance Amendment 2020-28 which will set the total project appropriation for the Hay Street Parking Garage at $17,745,000.

Background:
In December, 2017, the Council authorized the execution a Garage Contract with Hay Street Development Pad, LLC (“Hay St.”) for the development of a mixed use structure with a City parking garage. That agreement established a maximum price of $14,467,888 plus the actual Soft Costs (design, engineering, environmental, permitting, special inspection, legal and tax fees/costs) related to the construction of the Parking Garage. This price was established based on estimates prior to Hay St. completing the final design or construction contract. On June 10, 2019, Council increased the contribution to the construction cost for the project by $1.5 million to a total of $15,967,888. This amount does not include Soft Costs that the City is also obligated to pay under the contract or charges related to debt issuance and the City’s internal cost allocation for project management.

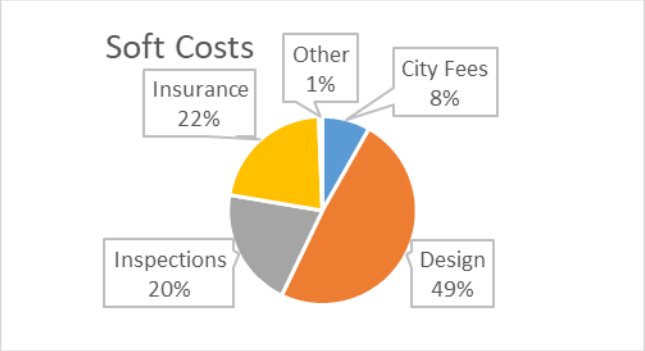
Issues/Analysis:

The Garage Contract sets the City's purchase price for the Hay St. Garage based on two elements; A maximum contribution toward the actual constructions costs and the actual Soft Costs (design, engineering, environmental, permitting, special inspection, legal and tax fees/costs). The City set the project appropriation based on the maximum construction cost. It is now necessary to adjust the project appropriation to reflect the Soft Costs paid in order to have sufficient budget authority to close out the close out the contract.

$ 15,967,888 City's maximum payment for construction
$ 17,272,297 Value of current construction contract
92.4% City's percentage contribution for construction

This $17.27 million for construction is not the total for construction costs for this project, but the City's contribution is fixed.

Soft Costs and debt issuance costs to completion are:



$1,645,348 Soft Costs
$145,709 Debt Issuance Cost

Soft Costs are less than 10% of construction costs. The table right breaks out Soft Costs by expenditure type. It is standard to estimate soft costs at 15-30% of constructions cost depending on the size and complexity of the project. These costs are well within or even below what is considered reasonable.

In addition, there are a few costs associated with improvements needed to open the garage that need to be added to the appropriation. Examples of the latter include signage and security cameras.

Budget Impact:

The proposed budget ordinance and project ordinance set a final project appropriation for the Hay. St. Garage at $17,745,000.

At the close of fiscal year 2019, the General Fund had available fund balance of $25.1 million, or 14.8% of the adopted fiscal year 2020 budget, excluding the County Parks and Recreation District. After the proposed use of $1.4 million of fund balance to complete the parking garage, it is projected that available fund balance would be reduced to $23.7 million which represents 13.98% of the adopted fiscal year 2020 budget, excluding the County Parks and Recreation District.

Options:

- Adopt Budget Ordinance Amendment 2020-5 and Capital Project Ordinance Amendment 2020 -28.
- Do not adopt the budget ordinance amendment or capital project ordinance amendment: this would prevent the City from being able to make the final payments due under the Garage Contract and would likely delay the completion of the project.

Recommended Action:

Staff recommends that Council move to adopt Budget Ordinance Amendment 2020-5 and Capital Project Ordinance Amendment 2020-28 as presented.

Attachments:

Budget Ordinance Amendment 2020-5 (General Fund)
Capital Project Ordinance Amendment 2020-28