

CITY OF SANTA ROSA
CITY COUNCIL

TO: MAYOR AND CITY COUNCIL
FROM: RAISSA DE LA ROSA,
ECONOMIC DEVELOPMENT DIVISION DIRECTOR
SUBJECT: GOVERNMENT CENTER PROJECT FEASIBILITY ANALYSIS
UPDATE

AGENDA ACTION: STUDY SESSION

RECOMMENDATION

It is recommended by the Planning and Economic Development Department and Transportation and Public Works Department that the Council hold a study session to receive the City Hall and Public Safety Project Feasibility Analysis Report and provide an opportunity for Council to ask questions, discuss and provide direction to staff.

EXECUTIVE SUMMARY

With an interest in increasing land availability for housing and mixed-use development through the consolidation of City services into a denser, more potent land use, the City secured the services of real estate firm JLL to assist in assessing City owned properties within the downtown core. Starting in August 2019, JLL worked with staff to assess all parcels, including the City Hall campus, Sonoma Avenue public safety building, and City owned parking assets, for the feasibility of replacing and consolidating outdated and inadequate City facilities while maximizing underutilized City land for new private development. While this work was completed in January 2020, the effort was put on hold throughout the pandemic. The work to determine if a city hall and public safety campus project is viable and what an optimal path to accomplish it might be, is the first phase of a potential public-private partnership (P3) effort. This study session will review the JLL analysis report as well as explore options for City-County collaboration and coordination related to the County's own P3 efforts.

BACKGROUND

In January 2019, Council approved staff to move forward with a Request for Proposals (RFP) process to pursue a public-private partnership feasibility study and financial analysis. Broadly speaking, a P3 is a contract between a public entity and a private entity that outlines the provision of assets and the delivery of services. It allows for an alternative procurement process specific to public infrastructure in a manner that is

outcome based using a variety of financing options. The potential value of a P3 to the City could be seen in leveraging real estate for housing and commercial development thus improving economic vitality and community vibrancy, consolidating administrative functions and service delivery, reducing growing deferred maintenance expense obligations, and establishing a financially viable approach to space and operational needs.

Through the competitive RFP process, JLL was selected as the lead consultant with Laura Blake Architect, AECOM, and SCB rounding out their subconsultant project team. Financing options for the City were developed by PFM, the City's financial advisor, in coordination with JLL. Under JLL's leadership, programming moved forward with a scope of work encompassing five general elements:

- Affordability and financial analysis
- Site analysis for development and downtown surplus strategy
- Real estate values and market analysis
- Visioning and goal setting
- Development of recommendations for a procurement strategy

From the start, staff built in check ins with Council, providing opportunities to pause or expedite the process as desired, or an offramp if such an action is directed. The phasing of the effort is as follows, allowing Council to decide at each step whether to fund and move forward with the next phase:

- **Phase 1: Feasibility Study and Financial Analysis – Completed**
- Phase 2: RFP Creation – for the selection process of a P3 project team
- Phase 3: Update on RFP process (panel/selection) and public engagement
- Phase 4: Selection of and negotiation with P3 consultant team
- Phase 5+: P3 project phases begin

The City's exploration of a P3 option coincided with a similar County of Sonoma effort related to their County Administrative Center. Early in this process City staff worked with County staff to discuss opportunities around shared needs and outcomes. While the JLL work was completed in January 2020, the effort was put on hold at the start of the pandemic just as staff was preparing a Study Session for late March 2020. The County, however, continued to progress their work, completing their preliminary site selection in late 2020, and currently working to prepare their procurement process in anticipation of a final site selection by July 2021. The County has paused their site selection work to accommodate and participate in a City-County ad hoc task force comprised of Supervisors Gore and Coursey, and Mayor Rogers and Councilmember Sawyer. The focus of the ad hoc is to identify synergies and explore the possibility of co-locating either downtown or at the County Administrative Center.

ANALYSIS

The project team, inclusive of City staff, collected and reviewed data including the Downtown Station Area Specific Plan (DSASP), information on City land and existing buildings in the downtown area such as those within the City Hall compound, the library

(only the parcel owned by the City), and the public safety buildings and associated parcels on and around Sonoma and Brookwood Avenues. The team reviewed staff counts, parking counts and public safety requirements.

Using data from the City and the project team's market knowledge, and informed by the central objective of the Downtown Station Area Specific Plan (DSASP) – to enhance the role of downtown as an energetic commercial and cultural center with a range of housing, employment, retail and restaurant options in a vibrant, walkable environment – site analyses and valuations were performed on the identified properties noted in the analysis report (Attachment 1 – JLL Analysis Report). These sites were vetted through the City's Executive Team and the Economic Development Subcommittee. At various points in the analysis, this team, along with an internal technical advisory committee comprised of representatives from all City departments, reviewed preliminary site analysis, initial program sizing and test fits. JLL also developed a financial framework and proforma for the project, from which PFM developed financing scenarios. In addition to the City's Executive Team, the financial framework and proforma was presented to the Long-Term Finance Subcommittee.

Program sizing is an all-encompassing estimating designation used to quantify the overall extent of a project. The City Hall and Public Safety Program sizing includes the City's general government services (i.e. operational functions/staffing needs were not considered), public safety, and the Sonoma County Central Library. Current staff counts, building areas and parking counts (primarily for fleet vehicle needs) were projected at a high level in order to do a preliminary site analysis and to test the fit for facilities roughly of the size anticipated.

Test fits were developed to determine which of the target City sites have the capacity for the estimated program size. It is important to note that in Phase One of the project detailed programming was not considered; a full programming effort will be undertaken only if Council decides to proceed with the project.

Nine City-owned properties were identified by staff to analyze related to the P3 project. Based on the program test fits and multiple discussions with City staff, Executive Team, Technical Advisory Committee, and subcommittees, three site alternatives were developed.

Option A, titled Urban Core, is the option recommended by the team. All options are based on City goals to increase the amount of available housing and consolidate services into a functional facility that increases density, however the Urban Core option best demonstrates these pursuits. This option minimizes disruption to City administrative functions by avoiding the need for "swing space" – the temporary relocation of staff and services during construction. In addition, it encourages the densification of downtown, creates an urban impression at the southern gateway into downtown by allowing redevelopment of the current City Hall campus for housing and mixed uses, and creates a "warm" emergency operations center immediately adjacent to the new City Hall at the relocated Fire Station No. 1, both sited for the Second and E

Street Lot, also known as the White House lot.

Options B and C propose redeveloping City Hall at its current location, thus requiring swing space during build out. All three options would daylight the creek, incorporate the Central Library, and accommodate Police and Fire needs.

The Project Team developed financial proformas to compare the three site alternatives using construction costs and operating costs for projected new facilities, offset by any potential property dispositions. All three options are relatively similar, in order of magnitude, for the project costs and disposition values, resulting in \$261 million to \$269 million remaining to finance. There may be additional offsetting payments through Enterprise funds or payments from Partner entities through potential colocation.

Annual debt service payments would be roughly \$12.4 million to \$12.8 million per year, plus an additional \$5.7 million annually in operating and maintenance costs and capital renewal contributions. There is a menu of alternative financing options, including General Obligation Bonds, Lease Revenue Bonds, Community Facilities District Special Tax Bonds, and others, that can be used alone or in combination with each other. These are financed through increases in property taxes, Occupancy taxes, Sales Tax, Utility Users Tax, and/or a Citywide Special Tax. Each of these requires voter approval. The fiscal impacts, as well as a more detailed description, can be found in Section 4 and Appendix B of the attached report.

FISCAL IMPACT

This is a study session report only.

ENVIRONMENTAL IMPACT

This action is exempt from the California Environmental Quality Act (CEQA) because it is not a project which has a potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment, pursuant to CEQA Guidelines Section 15378.

BOARD/COMMISSION/COMMITTEE REVIEW AND RECOMMENDATIONS

None.

NOTIFICATION

Not applicable.

ATTACHMENTS

- Attachment 1 – JLL Draft Analysis Report
- Attachment 2 – City Hall Seismic Hazard Evaluation Report

CONTACT

Raissa, Economic Development Division Director
Planning and Economic Department
rdelarosa@srcity.org