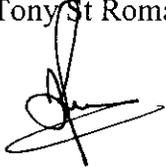


Source

Agenda Item No. (G)

Tony St Romaine



**TO:** City Council  
**FROM:** City Manager and Staff   
**DATE:** August 3 22, 2006  
**RE:** **City Downtown Office Space**

**SUMMARY:**

The shortage of downtown office space needs for City operations is currently being addressed with the lease of property in the downtown area as acceptable space becomes available. While this does offer some relief to overcrowded conditions, it also separates City operations, making them less efficient and creating difficulty for the public to do business with the City as departments move further apart.

**DISCUSSION:**

The attached *City Downtown Office Space* report provides considerable background on the efforts that have been made to study space utilization and future needs projections by the City working with consultants for the last fifteen years.

In 2000, following a competitive RFP process, Chiodini Associates was awarded a contract to develop a Master Plan for downtown municipal facilities essential to providing the quality of services expected by Columbia citizens. This plan was to include an analysis of current and future space needs, to provide an evaluation of existing building conditions and to produce an implementation plan based on their findings. At approximately the same time, the Public Buildings Committee was formed to work with Chiodini to achieve their stated objectives. Chief among their objectives were:

- ✓ to address space needs through 2020
- ✓ to analyze existing facilities
- ✓ to determine location for expansion
- ✓ to maximize operational efficiency and minimize future disruption
- ✓ to compliment downtown historic context

Chiodini determined that by the year 2020 we would have a need for 93,866 square feet (s.f.) of office space in the downtown area. This represents a shortfall of 29,560 s.f. over the space that was existing in 2002. They also recommended renovation of the Howard and Gentry Buildings being careful to address historic sensitivity and much needed improvements in the area of energy efficiency, accessibility and code compliance.

Fiscal Impact

YES X

NO

Other Info.

Due to the condition, size and quality of and space of the Annex and Gates/Rader Buildings, Chiodini recommended that they be demolished as they were an impediment to site utilization and were not an efficient use of downtown real estate. With regard to City Hall (Daniel Boone Building), they recommended that an addition be built on the half block area to be vacated as a result of the proposed demolition of the Annex and Gates/Rader Buildings, and that the existing City Hall be renovated. This would achieve the following objectives. It would:

- ✓ support departmental consolidation and operational efficiency
- ✓ result in a fiscally responsible, comprehensive and efficient Government Center Complex meeting the space needs, relationships and operational requirements of the City departments and services, at present and into the future, and
- ✓ reinforce the “symbolism” of City government, in building, “streetscape” and plaza design, and its relationship to downtown Columbia.
- ✓

The Howard Building renovation project was completed earlier this year and the Gentry Building work will be complete by late November. Both projects were financed through the issuance of Certificates of Participation (COPs) combined with an annual transfer of \$700,000 from the City’s General Fund. The Sanford-Kimpton Building which was renovated for use by the Columbia/Boone County Health Departments was also financed in this same manner.

**SUGGESTED COUNCIL ACTION:**

If the Council desires to proceed with recommended plans for an addition to the Daniel Boone Building and renovation of the existing building, it should pass a motion instructing staff to set an advertised public hearing on the project.

## **CITY DOWNTOWN OFFICE SPACE**

### **I. BACKGROUND**

The issue of downtown office space needs for City government operations has been a continuing focus of City administration for over fifteen years. During this time, independent space utilization studies and future needs projections have been conducted.

In 1993, a space needs study was conducted through a joint venture effort of Simon and Walther, a local architectural firm and Paulien and Associates, a consultant located in Denver, Colorado. In 1995, a ballot issue to construct an addition to the Daniel Boone Building to provide new City Council Chambers and additional office space that would have allowed the Water & Light Department to move to City Hall did not receive voter approval.

Following the County's move to their new facility in 1995, the City used its own employees to perform minor remodeling, allowing the City to utilize space vacated by the County. The 1993 study was updated by Paulien in 2000 and by Chiodini Associates in 2002. Both firms concluded that expansion and renovation of the Daniel Boone Building was the most cost effective means of meeting future City space needs. One other important conclusion reached by both firms was that City administrative offices should be in a "Municipal Center", preferably one structure or a cluster of structures in close proximity to each other for operational efficiency and coordination between departments.

In 2000, Paulien looked ahead to the year 2010. This analysis was confirmed by Chiodini Associates in 2002 who also determined that by the year 2020 we would have a need for 93,866 square feet (s.f.) of office space in the downtown area. This represents a shortfall of 29,560 s.f. over the space that was existing in 2002. Chiodini was also engaged to inspect and report on existing building conditions and, working with the Public Buildings Committee appointed by the Mayor in June, 2000, to prepare a plan to meet future needs, a portion of which has already been implemented with the renovation of Howard and Gentry Buildings.

Working with the Public Buildings Committee, Chiodini recommended renovation of the Howard, Gentry and Daniel Boone Buildings along with a 67,100 s.f. expansion. Some of the benefits of this proposal include:

- More efficient utilization of limited downtown space;
- Preserving and recognizing the historic aspects of City Municipal Buildings;
- Minimizing disruption of City services during implementation;
- Providing a safer work environment for City employees;
- Complimenting and reinforcing downtown architectural context;
- Accessibility to City offices and a convenient Council Chamber;
- Providing additional needed conference/meeting space, and
- Connection from the expanded City Hall to the parking Plaza to the north should be included on the third level.

Planning for “streetscape” improvements in conjunction with the proposed expansion to City Hall would be coordinated with the work outlined in the Master Plan for the Avenue of the Columns. This plan also suggested an expanded Municipal Complex would anchor the corner of 8<sup>th</sup> and Broadway.

## **2. CURRENT SPACE AVAILABLE**

### **a. City Buildings:**

The City currently owns six office structures in the downtown area, consisting of the Daniel Boone Building, the Annex Building (former Farm & Home Savings & Loan), the Gates/Rader Building, the Howard Building, the Gentry Building and the Police/PSJC/Water & Light Building, all of which are located within one block from each other.

The construction of the Sanford-Kimpton Building for the Health Department in 2002 enabled the City to renovate the Howard Building in 2005/06 and create offices for the departments shown above. Renovation of the Gentry Building is currently on-going and will be completed later this year. These projects were financed through the issuance of Certificates of Participation (COPs) combined with an annual transfer of \$700,000 from the City’s General Fund.

### **b. Building Leases**

The continuing shortage of office space has been addressed to date by leasing space in the downtown area. At the present time, space is being leased for several divisions of the of the Finance Department, the Detective Division of the Police Department, and the Water & Light Engineering Division (Exhibit A). Distance between offices continues to put a strain on the ability of departments to communicate efficiently with each other and makes it much more difficult for customers to do business with various City offices. Exhibit B depicts the current locations of City offices in the downtown area.

Plans are currently underway to lease the Williams-Keepers facility located at 105 East Ash Street beginning in June, 2007. This would enable Water & Light Administration and Engineering Divisions to be housed in the same building by not renewing its present lease for the Engineering Division at 4<sup>th</sup> & Walnut and vacating Administration’s present use of the 3<sup>rd</sup> floor of the Police Building at 7<sup>th</sup> & Walnut. In turn, the Police Department would be able to end its lease of property. While these moves could improve the operational efficiency of the Water & Light Department, they also place considerable distance between the Department and City Hall.

## **3. BUILDING EXPANSION TO SATISFY FUTURE SPACE NEEDS**

While some office space needs have been met through renovation and leases, there remains presently a substantial shortfall of space for several departments, a situation which grows worse as we project future needs. Historically, employee growth has been projected to grow at the same rate as the City’s population, about 2% annually.

Shown below are the space needs for each of the departments who would occupy space in the expanded Daniel Boone Building based upon the square

footage being utilized in 2002, and projections through the year 2025. This chart uses the data from the Chiodini report completed in April, 2002 and a staff update.

Department	2000	2002	2010	2020	2025
	Guideline	Existing sf	Guideline	Guideline	Guideline
	s.f.	s.f.	s.f.	s.f.	s.f.
City Clerk	902	795	1,012	1,295	1,463
City Manager	1,964	3,120	3,554	3,998	4,518
Finance	12,668	12,517	15,285	18,116	20,471
Information Services	5,929	6,205	6,699	8,575	9,690
Law	2,332	2,330	2,629	3,365	3,802
Mayor & Council	5,962	5,275	5,962	6,226	7,035
Planning & Development	1,884	2,928	2,800	3,208	3,625
Public Communications	2,387	1,533	2,574	2,934	3,315
Public Works	14,421	12,506	15,026	18,487	20,890
Water & Light	7,938	7,019	10,398	12,421	14,036
	<b>56,387</b>	<b>54,228</b>	<b>65,939</b>	<b>78,625</b>	<b>88,846</b>

carry forward adjusted for inflation				\$631,263	\$1,065,498
Deficit (s.f.)			9,552	12,686	10,221
Projected Lease rate per s.f.			\$16.88	\$22.69	\$26.30
Deficit Cost			\$161,238	\$287,845	\$268,812
Existing Leases			\$308,481		
<b>Total - carry forward</b>			<b>\$469,719</b>	<b>\$919,108</b>	<b>\$1,334,310</b>

This analysis illustrates what the City could be spending in the year 2025 if it kept its present leases in place and met its need for additional downtown space through leasing office space. Rates have been adjusted for inflation using a 3% per year factor. Based on this projection, the City could be spending over \$1.3 million annually by the year 2025. Additionally, the sunk costs of rent paid from 2007 through 2025 would amount to approximately \$11.5 million (Exhibit C). Not included in this figure is the cost required to make third party office space suitable for City operations, the cost of extending fiber-optic cable for computer access and the cost of moving furniture, equipment and employees.

#### **4. RENOVATION OF EXISTING BUILDING**

The above analysis only addresses future identified space requirements. It does not consider the pressing need to renovate the existing building, the cost of which is estimated to be approximately \$6 million.

Most citizens recognize the Daniel Boone Building as the location of City administrative offices although there is minimal exterior signage to identify it, and its former design and façade as an old hotel does little to signify that it is an official government building.

The present mechanical systems are dated and are not energy efficient; many employees complain about the presence of mold and other irritants due to the lack of adequate ventilation; portions of the basement ceiling under Broadway have begun to break away necessitating the abandonment of an office area that

was used by the I.S. Department; windows are inefficient and the source of air infiltration and leakage; the location of the Council Chambers on the fourth floor could result in a serious egress situation for a packed Chamber in the event of an emergency requiring immediate evacuation, and there are numerous crevices between the various floors that would only increase the probability of a fire spreading rapidly throughout the building, endangering personnel, equipment and records.

If the decision is made to only renovate the present building and address our current and future space deficits by renting other properties when and if they become available, by the year 2025, the City will have spent approximately \$17.5 million in renovation and third party rent during this time frame. This option does not compare very favorably against the approximately \$22 million cost of financing an expanded and renovated City Hall that would be paid off in about this same time frame (20 years). It also does not include the cost and difficulty in finding sufficient space to relocate the current building occupants while renovation is underway.

## **5. PLAN**

If the decision is made to move ahead with this phase of City downtown office rehabilitation, the process would include:

- ✓ Renovation of the lobby for Utility Customer Services and Treasury Management operations;
- ✓ Demolition of the Annex and Gates/Rader buildings;
- ✓ Construction of the addition (5 floors and basement);
- ✓ Moving current Daniel Boone building occupants to the addition;
- ✓ Renovating the current Daniel Boone building;
- ✓ Moving all proposed Daniel Boone building occupants to their final space in the building, and
- ✓ Eliminating present building leases.

The project would be performed in phases to avoid as much disruption to existing City offices as possible and would:

- ✓ provide employees with safe and decent working conditions;
- ✓ improve service delivery to citizens, including a more accessible Council Chamber on the ground floor;
- ✓ eliminate overcrowded conditions for many departments;
- ✓ create a positive impact on the downtown area;
- ✓ consolidate City operations providing for greater efficiency and communication between and within departments;
- ✓ result in ownership of an expanded and renovated City Hall that incorporates environmentally and energy conscious measures in its design that will be a model for developers and builders alike, and
- ✓ not require a tax increase.

## **6. FINANCING**

Financing for the building expansion and renovation is proposed to be funded with Special Obligation Bonds or Certificates of Participation (COPs), neither of which require voter approval for issuance. The City currently has balances of about \$1.8 million from the Sanford-Kimpton Building and Howard/Gentry renovation projects.

Debt payments could be funded through lease charges to city departments with an anticipated repayment period of 20 years (see Exhibit D). As the Exhibit shows, the cost to pay off the bonds for an expanded and renovated City Hall compares favorably with the cost of leasing in the open market. The obvious major advantage to this financing concept would be that the City would own the building in 20 years versus continuing to sink funds into third party rentals.

## **7. PROCESS & SCHEDULE**

The attached Exhibit E depicts the proposed timeframe and phases for completing the work of building an addition and renovating the Daniel Boone Building, including a proposed public hearing on the project.

## **8. WHY NOW?**

City government has a chronic space shortage that is currently being addressed by renting space for its employees. The Daniel Boone Building is in serious need of major maintenance work which cannot be reasonably accomplished without relocating its present occupants. We have a "stewardship" responsibility to Columbia taxpayers to maintain the resources they have provided in good condition as well as a responsibility to provide safe, decent working conditions for our employees. Additionally, we should assure that we meet our responsibility to our residents and customers that do business with us to make it convenient and easy to do so, and to provide the physical facilities required to furnish service at the expected levels. All of these issues should be accomplished in a fiscally responsible manner consistent with good planning.

Project costs continue to rise. In November, 2002, Chiodini estimated the construction cost for the expansion and renovation project at approximately \$13 million. By December, 2005, this figure had increased to almost \$17.8 million (Exhibit F). Current estimates put the construction cost at approximately \$18.6 million (Exhibit G). With the cost of construction increasing at 6-8% per year currently, it is not difficult to imagine the impact this will have on future estimates if this project is delayed further.

## **9. RECOMMENDATION**

If the Council desires to proceed with plans for an addition to the Daniel Boone Building and renovation of the existing building, it should pass a motion instructing staff to prepare a Resolution setting a public hearing, authorizing the City Manager to enter into contact with Chiodini Associates and appropriating funds for the proposed work.

## **EXHIBITS**

- A. Present and Proposed Lease Space
- B. Locations of downtown City Offices
- C. Rental Payout Schedule
- D. Debt Payments in lieu of Rent Payments
- E. Tentative Project Schedule
- F. Historical Construction Cost Estimates
- G. Project Estimate

**CURRENT LEASES, JULY, 2006**

Department	Location	s.f.	2006		2010		2020		2025	
			Cost/s.f.	Annual \$						
Finance	Bank of America	8241	\$9.00	\$74,169	\$10.13	\$83,481	\$13.61	\$112,160	\$15.78	\$130,043
Police	7th & Walnut	2414	\$9.65	\$23,295	\$10.86	\$26,216	\$14.59	\$35,220	\$16.92	\$40,845
W&L Engineering	4th & Walnut	7500	\$13.38	\$100,350	\$15.05	\$112,875	\$20.24	\$151,800	\$23.46	\$175,950
- Parking	4th & Walnut			\$10,500		\$11,800		\$16,000		\$18,500
<b>Total</b>		<b>18,155</b>		<b>\$208,314</b>		<b>\$234,372</b>		<b>\$315,180</b>		<b>\$365,338</b>

**FUTURE LEASES, JUNE, 2007**

Department	Location	s.f.	2007		2010		2020		2025	
			Cost/s.f.	Annual \$						
Finance	Bank of America	8241	\$9.00	\$74,169	\$10.13	\$83,481	\$13.61	\$112,160	\$15.78	\$130,043
Water & Light	105 East Ash	22000	\$10.23	\$225,000	\$10.23	\$225,000	\$13.61	\$299,420	\$15.78	\$347,160
<b>Total</b>		<b>30,241</b>		<b>\$299,169</b>		<b>\$308,481</b>		<b>\$411,580</b>		<b>\$477,203</b>



**RENTAL PAYOUT SCHEDULE**

	Existing Leases	Leases to satisfy deficit	Leases to satisfy deficit	Leases to satisfy deficit	Annual Total
2007	\$299,169				\$299,169
2008	\$299,169				\$299,169
2009	\$299,169				\$299,169
2010	\$308,481	\$161,238			\$469,719
2011	\$308,481	\$161,238			\$469,719
2012	\$308,481	\$161,238			\$469,719
2013	\$308,481	\$161,238			\$469,719
2014	\$308,481	\$161,238			\$469,719
2015	\$308,481	\$161,238			\$469,719
2016	\$308,481	\$161,238			\$469,719
2017	\$308,481	\$161,238			\$469,719
2018	\$308,481	\$161,238			\$469,719
2019	\$308,481	\$161,238			\$469,719
2020	\$411,580	\$216,690	\$287,845		\$916,115
2021	\$411,580	\$216,690	\$287,845		\$916,115
2022	\$411,580	\$216,690	\$287,845		\$916,115
2023	\$411,580	\$216,690	\$287,845		\$916,115
2024	\$411,580	\$216,690	\$287,845		\$916,115
2025	\$477,203	\$251,203	\$333,691	\$268,812	\$1,330,909

\$6,517,420

**Total Payout from 2007 to 2025 =****\$11,506,181**

## **Debt Payments in lieu of Rent Payments**

City Hall Addition: 67,100 s.f.

Debt: \$15,000,000 Period: 20 years Rate: 5%

Equates to **\$21.75 / s.f.**

City Hall Renovation: 55,352 s.f.

Debt: \$5,700,000 Period: 20 years Rate: 5%

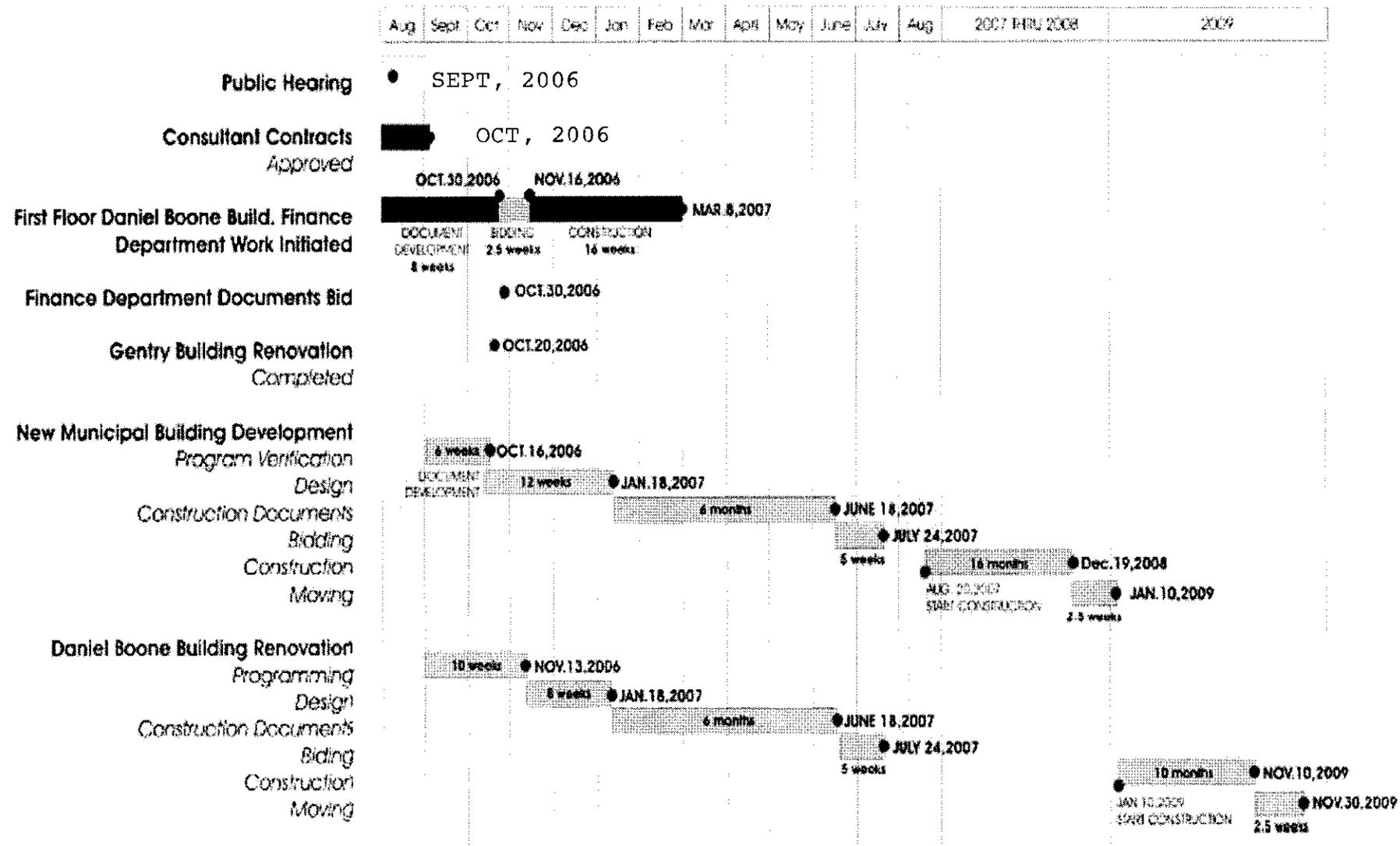
Equates to **\$8.26 / s.f.**

\*Current City rented space for downtown facilities ranges from \$9.00 to \$13.38 /s.f. for Class C & B quality facilities respectively. According to Allan Moore with Moore & Shyrock Appraisers, Class A quality (new, very basic open office space) rents for \$17.00/s.f. and up.



# New Municipal Complex Schedule

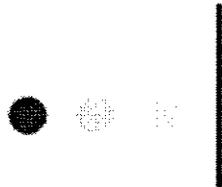
Issued June 8, 2006



## CONSTRUCTION COST ESTIMATES

<b>Building</b>	<b>Feb 2002 Estimate</b>	<b>Dec, 2005 - Revised Estimate thru Dec, 2006</b>	<b>June, 2006 - Revised Estimate thru June, 2007</b>
Daniel Boone Renovation	\$2,340,832	\$4,870,976	\$5,138,880
Cost per s.f.	\$42	\$88	\$93
Daniel Boone Addition	\$10,529,066	\$12,921,270	\$13,477,121
Cost per s.f.	\$157	\$193	\$201
<b>Totals:</b>	<b>\$12,870,097</b>	<b>\$17,792,527</b>	<b>\$18,616,295</b>
% increase from prior estimate		38%	5%

- Note: 1. Architectural/Engineering Fees, F.F. & E., Signage, Streetscape, LEED allowance, Public Artwork not included in the above costs.  
2. LEED additional cost ranges between 8-10%



# Project Estimate



 Daniel Boone Building-Renovation	New Municipal Center Building	
( 55,352 sq ft )	( 67,100 sq ft )	
Construction <small>(through July 2007)</small>		
\$ 5,138,880	\$13,477,121	
Architectural/Engineering Fee		
\$ 564,643	\$ 1,081,444	
5% Contingency		
\$ 285,176	\$ 727,928	
<hr/>		
<b>Total Design/Construction</b>		
<b>\$ 5,988,699</b>	<b>\$15,286,493</b>	
<b>Additional Options:</b>		
	<i>\$108/s.f.</i>	<i>\$228/s.f.</i>
Allowance for Public Artwork	\$ 59,887	\$ 152,865
Allowance for Plaza/ Streetscape	\$ 46,896	\$ 142,110
LEED allowance (10% of subtotal)	N/C	\$ 1,528,649