



AGENDA BRIEF

MEETING: Town Council - 05 Feb 2019

FROM: Andrea Phillips, Town Manager

PROJECT: Town Maintenance Shop Update and Funding Options

ACTION: Council information and possible action

PURPOSE/BACKGROUND:

At this time, staff would like to update Council on this critical project and finalize a path forward on financing the project and next steps.

Project Financing

Last fall, Council directed staff to move forward with a grant application to the Department of Local Affairs (DoLA) and to explore financing options to build a new Consolidated Maintenance Facility at the current Town shop site. At its November 20, 2018 meeting, Council approved Resolution 2018-27, Supporting a Department of Local Affairs Energy Impact Tier II Grant Application for the new facility. The Town submitted the grant application by the December deadline, applying for a \$1 million grant to assist with completing the project. A hearing is scheduled for the week of March 11th in Golden, CO for the Town to present the project to the funding board.

To strategically leverage limited Town capital funds, the Town seeks to phase the project into two phases. Staff has also worked closely with local design and engineering firms to reduce the necessary program space for cost effective solutions to address needs. If awarded, this grant will substantially assist in the first phase of the project. In discussions with our DoLA regional representative, the Town found that a modified phasing would strengthen the grant application and reduce costs. A revised phased scope and budget is attached, as well as a program summary, preliminary layouts, and detailed site estimates. Note that the revised budget now includes a 15% construction contingency for both phases. A 15% contingency is also included for site costs in each phase. A major change in the scope is that Phase I will include the bulk of construction costs, including the main building (Building 1), a large portion of site work (for the eastern side) and a portion of uncovered space (Building 2b). All engineering and design will be done in Phase I. Phase II will include the remainder of the site work, demolition of the main existing building, construction of remaining off-site improvements and storage buildings. The bulk of the \$5.9 million estimated total project cost (including off site improvements) will now occur in Phase I, which is estimated at \$4.5 million.

Staff has explored several financing options for the project and would like Council direction. It is important for the DoLA grant hearing to be able to provide the Town's intention for financing the remainder of the project.

- Break the project into two phases and apply for two DoLA grants. For the first Phase, staff recommends accepting a \$1 million DoLA grant if awarded, which, when matched by the Town in cash from the Capital Fund, will be \$2 million towards the first Phase of the project. If favorable rates can be obtained, staff recommends financing the remainder through Certificates of Participation (COPs) or other lease-purchase agreement. Certificates of Participation: A lease-financing mechanism where the government enters into an agreement to make regular lease payments for the use of an asset over some period, after which the title for the asset transfers to the government. Since the government can decide, at any time, to discontinue the lease, COPs do not constitute a multi-year fiscal obligation and so can be issued without voter approval. Ideally, the Town would issue a maximum of \$3 million (preferably less), inclusive of financing costs. This would need to be bid out in order to achieve the best rates and least financing costs for Town. While COPs are criticized by some as being a runaround to TABOR, they are a common financing tool for community infrastructure needs and one that the Town has utilized for other projects. They can provide a steady financing mechanism to complete necessary

public projects while spreading the costs over several years. Phase II of the project could include an application to DoLA for approximately \$700,000, matched by the Town.

- A second option for financing the remainder of the project includes asking voters to approve a sales tax increase, other new revenue stream or for voted bonding authority. This will push the project out further and require the Town to coordinate and hold a special election. Due to the immediate needs of the project, staff does not recommend this option. If an election must be held, DoLA may be unlikely to award the grant due to the uncertainty of the project revenues. DoLA Tier II funds are very competitive and readiness to go, including project financing certainty, is an important rating factor. It would be unlikely, in staff's opinion, that the electorate would approve any new funding source for this type of project. While asking for voter approval to issue debt through general obligation bonds may provide some potential savings for the town on the interest, it will take time and money to hold an election.
- A third option for financing the project is to fund it entirely with a DoLA grant, if received, and to complete the rest with Town funds. This will mean coming up with \$3.9-\$4.9 million in cash (assuming one or perhaps two DoLA Grants received). If this option is selected, the Town will need to focus solely on the Town shop project in its Capital Fund and will tie up these funds for the next several years. In this "pay as you go approach" the Town's other capital needs (street maintenance projects, trail/sidewalk projects, facilities, equipment, etc) will be put on hold for several years. With only roughly \$750k in cash capacity in the fund each year for projects (once other debt is accounted for, staff and maintenance costs are paid, and adequate reserves are set aside) the maintenance shop project would take much longer-potentially up to seven years to complete. With construction costs increasing year over year, the total project costs will only increase. If this option is selected, residents will likely see a drop in level of services provided by the Town. This approach is not recommended.

Other Project Updates:

Off-Site Improvements and Design

Staff has been in discussion with school district representatives about the project. The preliminary site plan includes improvements to formally connect the S. 6th extension to the school parking lot, drainage improvements to serve the area, and shared parking arrangements through improvements to the gravel lot to the east of the football field. The preliminary plans contemplate building into the easement that the school district owns to the south and the Town will be asking for them to transfer this to the Town. Discussions about the design of the buildings, traffic movement/control, pedestrian routes, etc. will be also be discussed with the neighborhood residents and the school district when actual design and engineering begin. It is the Town's goal to develop a project that enhances the area and functions well for the school district, area residents, the Town maintenance staff, and park users at Yamaguchi Park. The project will also undergo Design Review by the Planning Commission.

Phase I Environmental

The Town conducted a Phase I site assessment with SME Environmental. As anticipated, their report revealed five areas of potential findings on the site. This is not a surprise to the Town staff, as it has operated as a maintenance yard for decades. The Town would like to move forward with additional soil sampling and grubbing of the site in the potential areas. For instance, oil spills from trucks and heavy equipment were noted by SME in their analysis. They recommend, and staff agrees, that it is beneficial to move forward this spring with remediation and sampling. This will involve scraping areas of the ground, removing the material and testing the soils in a lab. Staff can do this excavation work with Town equipment. Sampling and testing will be done with contractors trained to do this work and will be on site during excavation to assist with proper remediation procedures. Initial cost estimates for this are less than \$20k. A rough estimate of \$206k is included in the overall project budget for site remediation, demolition of buildings, etc. This is broken down evenly into Phase I and Phase II of the project.

Architectural and Engineering Services

Per the Town's purchasing policy, a formal request for bids will be issued. A draft RFP is prepared and ready to be released. The Town is seeking a firm or team of firms with experience in similar projects. The team will need to include civil engineering, mechanical engineering, landscape design, etc. Staff would like to select a firm to begin working on the project by early summer.

ATTACHMENTS:

[DOLA Change of Scope summary](#)

[1850 Program Summary 2019-01-29](#)

[TOPS Phase One budget](#)

[TOPS Yard Existing Site prelim est 2018-10-22](#)

[Town Maintenance Facility Conceptual site plan](#)

[Detailed Program Summary 2019-01-24](#)

TOWN COUNCIL GOALS & OBJECTIVES:

2018-19 Goal 1: Focus on providing excellent maintenance of town infrastructure, public spaces, facilities and equipment and Objective 1A: Build a New Maintenance Facility for Public Works, Facilities, and Parks Maintenance

RECOMMENDATIONS:

Provide feedback to staff on financing methods and next steps.



EIAF 8848
Town Consolidated Maintenance Facility
Change of Scope Summary

The Town of Pagosa Springs originally submitted a TIER II application for a defined design and engineering phase for a new maintenance facility, with construction in later phases. After discussion with Regional Manager, Patrick Rondinelli, the Town is requesting to shift some construction into Phase One in order to highlight the need for the new facility and maximize the opportunity associated with the potential DOLA funding. The Town anticipates that the project will be completed in two phases, which includes phased construction totaling 28,620 square feet of conditioned and covered and uncovered space. Phase One includes design and engineering, site preparation for the eastern half of the site (including utilities, asphalt and other site work), construction of the main building (Building 1) and construction of Building 2A for covered storage. Phase Two of the project includes construction of Building 3 and Building 2b, demolition of the main building and other remaining existing structures, site work on the western half of the site, and some offsite improvements. Phase Two of this project is not a part of the grant request.

As the Town will be rebuilding the facility on the same site that the current staff work out of, the Town will need to remain operational during Phase One. Some of the original buildings will remain intact during Phase One to do so and will be demolished in Phase Two.

The Town is seeking a change of scope for Phase One, where it will include some environmental site remediation, site improvements (on and off site), design and engineering, and construction of Building 1 (please refer to site map). The Town is taking the necessary steps associated with environmental site remediation with Environmental Phase Two (sampling) and Environmental Phase Three (remediation) to ensure the buildability of the site. While some remediation will be done in Phase One of the project, the bulk of the demolition and potential site remediation will be completed in Phase Two of the project, when the Town will be demolishing the main existing building. The Town is working with Archuleta School District 50-Jt on easement agreements and off-site improvements such improved access, drainage, and shared parking, which will be mutually beneficial to the area and for both organizations.

The Town has been working with a local architect, Courtney King Architecture, and civil engineering firm, Davis Engineering, to formulate the cost estimates for this project. Both of the firms have been instrumental in formulating the estimates and site concepts. Moving forward, the Town will follow its procurement policies and competitively bid out the remaining design and engineering along with the construction of the facility. For practical purposes, the budget for Phase One assumes all design and engineering will be completed within Phase One for both phases.

The subject of the scope change, Building 1 and Building 2A, will provide the majority of a consolidated facility for both parks and public works staff to operate out of and store key equipment in. Building 1 will consist of a 13,385 square foot facility that will meet both current and future needs of the organization. The bulk of the building will be office space, equipment bays, and conditioned storage space. A portion of Building 2A will be included in Phase One to help with material storage but will not be fully built in Phase One due to its proximity to the main existing building that will remain operational

during construction of Phase One. Approximately 3,167 gross square feet of covered storage will be constructed in this first Phase.

The estimated cost of Phase One is **\$4,534,960**, which includes site work, soft costs (some environmental site remediation, design and engineering for both phases of the project), construction, and fifteen percent (15%) contingency for construction. Phase One will be funded in part by the Town's Capital Improvement Fund (\$1.0 million), DOLA TIER II Request (\$1.0 million requested) and the remainder of the Phase One project budget (\$3.0 million), will be financed through certificates of participation (COPs). The Town seeks to secure the remainder of the financing for the project all at once to avoid issuing COPs twice; therefore it may issue close to \$3.0 million in COPs to provide funding for both phases. The Town may request DOLA funds to assist with completion of Phase Two of the project. If it is not received, Phase Two may be prolonged several years as the Town seeks to fund the match to the COPs with savings to complete that second Phase. The Town has included an updated budget sheet for your consideration.



1/29/2019

Courtney King Studios LLC

1850 TOWN OF PAGOSA SPRINGS - TOWN SHOP PROGRAM SUMMARY

Current Needs	SF	Future 2030 Needs	SF
BLDG. 1 (Conditioned)	13,185	BLDG. 4 (Conditioned)	4,300
BLDG. 2 (Covered)	6,390	Uncovered storage	2,460
BLDG. 3 (Conditioned)	3,125	Future Expansion Area	12,000
Current Total BLDG. Area	22,700		
Uncovered storage	5,920		
Current Area Needs Total	28,620	Future Area Needs Total	18,760

1850 TOWN OF PAGOSA SPRINGS - TOWN SHOP PROJECT COST ESTIMATE

Phase	Construction	GSF	\$/GSF	Estimate
Phase 1				
	Sitework, including onsite & offsite improvements (see attached Davis Engineering detailed estimate)			\$640,147
	BLDG. 1: Office (Conditioned)	2,200	\$275	\$605,000
	BLDG. 1: Shop (Conditioned)	1,485	\$200	\$297,000
	BLDG. 1: Storage (Conditioned)	8,720	\$175	\$1,526,000
	BLDG. 1: Storage (Unconditioned)	780	\$150	\$117,000
	BLDG. 2A: Covered Storage	3,167	\$100	\$316,700
	15% Construction Contingency			\$429,255
Soft Costs	Site Remediation & Building Demo (TBD)			\$103,075
	Design & Engineering			
	CIVIL ENGINEERING (15% of sitework)			\$147,317
	ARCH + MEP + STRUCT. (7.5% of construction)			\$353,466
Phase 2				
	Sitework, including onsite & offsite improvements (see attached Davis Engineering detailed estimate)			\$341,964
	BLDG. 3: Storage (Conditioned)	3,125	\$175	\$546,875
	BLDG. 2b: Covered Storage	3,222	\$100	\$322,200
	15% Construction Contingency			\$130,361
Soft Costs	Site Remediation & Building Demo (TBD)			\$103,075
TOTAL PROJECT COST ESTIMATE				\$5,979,435

Notes:

1. The above estimate has been provided by an architect familiar with the construction industry, however, this in no way guarantee that bids, or construction costs will not vary from the prepared estimate.
2. Costs associated with any fees, local, state, federal or other have not been not included.

C. PROJECT BUDGET. List expenditures and sources of revenue for the project. The totals on each side of the ledger must equal.

Expenditures	Sources of Revenue		Funding Committed
List Budget Line Items (Examples: architect, engineering, construction, equipment items, etc.)	(Dollar for Dollar Cash Match is Required, unless financial circumstance warrants a reduction) List the sources of matching funds and indicate either cash or documentable in-kind contribution. Total revenue must equal total expenditures		List Yes or No next to each line item
Line Item Expenditures	Line Item Costs	Cash	In-Kind
Site Work, Off and on site-Phase I	\$ 640,147	\$ 1,000,000	Not yet
Soft Costs : Site Remediation and Demo-Phase I	\$ 103,075	\$ 0	No
Design and Engineering-Phase I/II	\$ 500,783	\$1,000,000	Yes
Construction-Phase I	\$ 2,861,700	\$2,534,960	Not yet
15% Contingency on Construction-Phase I	\$ 429,255		
TOTAL	\$4,534,960	TOTAL \$4,534,960	
Please attach a more detailed budget if available			

Note: Total budget for both phases is \$5,979,435 including 15% construction contingency in both phases.