

**CITY OF LOVELAND  
MEMORANDUM**

**TO:** Mayor and Council

**FROM:** Community Improvement Corporation

**RE:** City Hall Repurposing

**DATE:** May 9, 2017

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This memorandum is an update to City Council regarding the Community Improvement Corporation's (CIC) recommendations regarding the repurposing of the City hall property.

**Background**

The City of Loveland moved into its current building in 1973 following a fire on June 9, 1972 which destroyed the previous City Hall which had been occupied since 1889. The construction completed in 1973 was expedient due to the need to quickly have a building for City operations, including the Police Department.

Discussions on renovations and upgrades to City Hall date as early as May 1997. At that time an ad-hoc committee known as Facilities Task Force was formed to make recommendation to City Council regarding City-owned facilities. At the May 27, 1997 City Council meeting it was stated that City Hall, with renovations, would be adequate for the next ten years at the current site. The front entrance and reception area, heating and cooling system, and employee safety and security features were targeted for upgrade. The Loveland Police Department moved into the Lebanon Road Safety Center in 1998 and City Hall was renovated in 2000. In 2011, the City financed \$300,000 for the purchase and installation of a new HVAC system for City Hall.

On June 23, 2015, the City approved the execution of a lease agreement which includes right of last refusal with the owners of 118 Lebanon Road, a 0.862 acre parcel adjacent to the north side of the Safety Center parcel. The purpose of the lease agreement was to allow for a future expansion of the Safety Center and the addition of needed parking.

In August of 2015, McGill Smith Punshon, Inc. was contracted to complete a Facility Plan for the City's public buildings. The goal of the facility plan was to look at options available to the City of Loveland in regards to the possible commercial re-development of the City Hall property and whether the Safety Center, in conjunction with an acquisition of a neighboring parcel, would have sufficient space to accommodate the addition of City Hall or if it should be earmarked for the future needs of our Emergency Services only.

Review of the Safety Center by McGill Smith Punshon, Inc. included two (2) options for additions which would accommodate City staff in-conjunction with safety services operations. These options included a northern addition which would allow for an expansion of the Loveland-Symmes Fire Department (LSFD) space and permit access of emergency vehicles directly onto Lebanon Road. The northern option included City Hall staff utilizing the existing LSFD space following minor modifications. The proposed addition would include council chambers in the existing bay area and

would require the City securing the adjacent 118 Lebanon Road prior to the commencement of construction. The second addition option to the Safety Center included an addition to the rear of the Safety Center for police operations with City Hall staff taking over the existing police area. Included within this option was an expansion of the LSFDA area to the north (rear) within the boundaries of the property currently owned by the City. Council Chambers would be utilized in the existing basement training room. While less expensive than the northern option and additional property was not needed, this option impacted the access of the emergency vehicles and would not allow for future expansion of the Safety Center.

To explore all viable City Hall location options, McGill Smith Punshon, Inc. was requested to examine the feasibility of the City acquiring the existing Moose Lodge property on East Loveland from the Loveland Symmes Firefighters Association for a renovation or razing of the structure to accommodate a new City Hall building. The Moose Lodge property was added as an option due to the availability of existing parking owned by the City and its proximity to the downtown district. Based on the needed site work, it was determined that this was not a cost-effective option.

Additionally, McGill Smith Punshon, Inc. work included a review of the Public Works property in terms of its future needs and possible incorporation of any City services. While the Public Works site was not projected to be a viable option for a new City Hall, the benefit of the McGill Smith Punshon, Inc. review of the facilities was the supply of project costs for the budgeting of future improvements. These improvements include items such as expanded storage facilities of vehicles and materials, retaining walls and parking areas.

In February 2016, City Council and staff conducted a strategic planning session to establish three to seven priority goals for staff to make dramatic progress in the next two to five years, and beyond. On March 22, 2016, City Council unanimously passed (7-0) resolution 2016-23 including the following goal:

- Contribute to the economic vitality of Loveland by developing plans for the best use of City-owned properties. Capitalize on current downtown development activities by considering alternative locations and costs associated with moving City Hall. Additionally, the City shall identify and complete needed steps towards the development of the City owned Chestnut Street Property.

To supply supporting information related to the future of the City Hall property, an appraisal was authorized by the City Manager and completed by Miller Wilkins and Associates in May of 2016. The value conclusion of the appraisal was \$990,000 for the property and structure and a vacant property value of \$345,000. Additionally, a topographic survey of the City Hall parcels and surrounding city owned property was completed by McGill Smith Punshon, Inc. in March of 2017.

As an economic development extension of the City responsible for advancing, encouraging, and promoting the industrial, economic, commercial, and civic development of the City of Loveland, the CIC met with members of the City's financial and development teams to review potential options for a mixed-use development on City owned property in the downtown area. The CIC is comprised of a five-member board consisting of President Jay Stewart, Vice President Pam Gross, Secretary Cory O'Donnell, whom are all residents of the City, Treasurer and City Director of Finance, Kelly Flanigan and prior 16-year resident and current City of Loveland business owner, Karl Weidner. The Board brings diverse skill sets to the table with several business owners (Gross, O'Donnell,

Weidner), a certified public accountant (Flanigan), an array of expertise in development (Stewart, Weidner) and many years of combined experience in local government. The CIC has been diligent to note that they are not the decision-making Board governing this project, but are tasked with making recommendations to City Council based on the information provided. It will be the members of City Council who set public hearings and make legislative decisions regarding the City Hall repurposing project.

To prepare for design and construction of the City Hall project the city solicited Statements of Qualifications (SOQ) for both the design and construction management of the project. The city received six (6) submittals for both. Dave Kennedy, City Manager, Cindy Klopfenstein, City Engineer, and Consultants Ken Geis and Rob Stansel interviewed the top three design submissions. To date, no contracts or agreements have been executed for a project designer or construction manager at risk.

### **Analysis**

In addition to McGill, Smith Punshon, City staff has worked with the City Solicitor, Joe Braun of Strauss Troy, bond counsel, Brenda Wehmer of Dinsmore & Shohl, financial advisor Andy Brossart of Bradley Payne Advisors and consultants Rob Stansel and Ken Geis. The proposed project development area is currently in the downtown tax increment financing (TIF) incentive district. TIF's are an economic development tool available to municipalities to finance public improvements as defined within the Ohio Revised Code. The incentive district TIF in downtown Loveland was created in 2005. The TIF district does not increase or decrease property taxes. Instead, the TIF captures the additional tax revenue on the increased value of the property over a period. TIF laws have changed over the years and vary depending on statute. In comparing the projected TIF revenues within the current incentive district that has 18 years remaining to a new 30-year commercial TIF, it is more economical to remain within the current TIF. The City likely would not receive any payments in lieu of taxes on the improvement value in the TIF district until 2020. Prior to that, the City could issue short term financing for construction of the project.

On April 24, 2017, Ken Geis of the Geis Consulting Group LTD presented pro-formas to the CIC regarding a two, three or four story mixed-use City hall project with a 10,300 square footprint including various assumptions and a comparison of City ownership versus joint venture with a developer. The presentation allowed for the CIC to review the financial components associated with each option in relation to the City's financial risk. The presentation also included calculations of various scenarios to allow the CIC to review the financial impacts of maintenance escrows and different vacancy rates on the project's pro-forma.

Following the review and discussion of the presentation the CIC requested Mr. Geis to add a 2 ½ story option to the proforma with the additional ½ story to serve as a rooftop meeting and gathering space. The requested modification was completed by Mr. Geis and attached hereto.

### **Fiscal Impact**

Mr. Geis included cost estimates on both the low and high side. He was also conservative in his numbers to give projections of a "worst case scenario" with expectations that the annual net would be more favorable than projections. The attached presentation outlines cost and cash flows through 30 years and includes detail for various circumstances (vacancy rates from 0-30%, rental increases of 0-1% annually, escrowed costs for maintenance of the building). The total cost to the City at 20 years with a 10% vacancy, 1% annual increase in rent and \$20,000 annual maintenance escrow is

projected at \$2.9 million with full City ownership compared to \$2.2 million with a joint venture project for a two-story option. Looking out an additional 10 years at the 30-year total cost to the City, the City ownership model would be \$1.2 million in total costs and \$2.4 million for the joint venture. These costs are reduced to \$1.8 million for City ownership and \$194,000 joint venture when looking at a 4-floor option at 20 years. The total costs are further reduced to the City generating a profit of \$3.6 million with a 4-story structure over 30 years and costing the City \$400,000 in the joint venture scenario.

When looking at the cash flow projections, the City begins generating revenue around year 2039 due to the debt being retired. With a joint venture project, the City would continue to pay common area maintenance (CAM) for their portion of the building and total costs to the City would increase the further out you look at cash flows. For this reason, we do not feel it is in the City's best interest to pursue a joint venture development.

### **Recommendation**

It is the recommendation of the CIC Board that City Council set public hearings to get input from the community and meet statutory requirements of the Ohio Revised Code to consider a two, two and a half, or four story option for a mixed-use development, including a new City Hall, on the current City Hall property.