



**TO:** Mayor Paul R. Soglin, Alder Marsha Rummel and all Members of the Common Council

**CC:** David Schmiedicke, Department of Finance Director

**FROM:** Capitol East District Parking Garage Project Team

**SUBJECT:** Capitol East District Parking Garage Cost Estimates

### **Issue**

An RFP for A/E design services was issued in early 2016 to seek proposals for the design of a Capitol East Parking structure. The concept as planned consisted of approximately 450 spaces with the ability to expand to a potential full build out of approximately 600 spaces. The project cost estimates for a 450 stall garage with commercial frontage is \$13M. The Common Council authorized the City to enter into a contract with Graef-USA for this concept on September 6, 2016.

As City staff continued negotiations with Gephardt Development and American Family related to parking leases, and as Gephardt Development and American Family's private development projects became more refined and increased in size and parking needs, staff identified the need to design and build the full 600 stall parking garage. This larger facility would provide some availability of daytime public parking and meet some anticipated future parking needs. Resolution 16-00837 authorized the execution of a development agreement with Gephardt Development and American Family and amended the Graef design contract to increase the design fee for an approximate 600 stall parking garage. It further authorized the use of \$3M in Parking Utility Reserves, increasing the project budget to \$16M, which was approved by the Common Council on November 1, 2016.

Based on this approved resolution, funding sources for the project were proposed to include \$7M in TIF-supported General Obligation Borrowing, \$5M General Obligation Borrowing, \$3M in Parking Utility Reserves, and \$1M in Land Acquisition Fund, for a total budget of \$16M.

In the early pre-design phase and review of the MGE site to be purchased by the City, Graef identified that a slightly larger parcel to allow for an additional 9' in length of the parking structure would provide a more desirable ramp design. The result is a property measuring 75,817 square feet in size. At the agreed-upon rate of \$16.00/square foot, this equals a land purchase price of \$1,213,072--slightly higher than the original \$1 million budget. On February 7, 2017, the Common Council authorized the execution of a Purchase and Sale Agreement with MGE Company (RES-17-00126) for between 60,000 and 80,000 square feet of property at \$16/square foot, and for the purchase to be funded by the General Land Acquisition Fund. As such, the Land Acquisition Fund portion of the budget will be increased from the original \$1M to \$1,213,072.

To refine the pre-design and concept development, the first design workshop with Graef and City staff was held January 30-31, 2017. Middleton Construction Consulting completed cost estimates on the pre-design concept, which the staff team received on February 3, 2017. Preliminary estimates indicated a likelihood that construction costs could exceed the project budget once program requirements, identified during the first workshop, were included in construction cost estimates. The City staff team asked Graef to provide updated cost estimates to include the program requirements identified in the first workshop, and to provide the City with an itemized list of costs for various options, as well as options to reduce construction costs.

City staff received the updated cost estimates on March 13, 2017 and an itemized list of cost reduction options.

The total project cost estimate, based on the schematic design cost estimate of March 13, 2017 is \$18,673,139; or \$2,673,139 over the approved budget of \$16,000,000.

**Original Budgeted Uses:**

\$1,000,000 Land Purchase  
\$776,560 Design  
\$114,000 Permits and Surveys  
\$1,000,000 Construction of Commercial  
\$13,109,440 Construction of Parking Garage including PARCS equipment  
**Total: \$16,000,000**

**Uses based on the March 13, 2017 Schematic Design cost estimate:**

\$1,213,072 Land Purchase  
\$822,160 Design (increase of \$45,600 due to increase in scope)  
\$114,000 Permits and Surveys  
\$1,209,758 Construction of Commercial  
\$14,914,149 Construction of Parking Garage  
\$300,000 for PARCS Equipment  
\$100,000 Public Art  
**Total: \$18,673,139**

To address the \$2,673,139 budget gap, the City staff team recommend the following cost reductions and additional funding sources:

**Cost Reductions**

The Schematic design base estimate includes two 22' stories of commercial space, parking garage of approximately 650 spaces, metal screening on garage, full glass stairwells, and glass curtain wall for commercial space (gray box). The following cost reduction options reflect deductions from the schematic design base cost estimate, dated March 13, 2017:

- Reduce glass curtain wall on core stairwell by 25% (\$82,800)
- Remove interior façade on south stairwell (\$100,000)
- Reduce height of the second floor commercial from 21 ft to 11 ft (\$100,000)
- Reduce glass curtain wall on commercial space by 50% (\$85,500)
- Omit 1<sup>st</sup> floor slab in commercial space (\$20,000).

This results in a reduction of \$482,674 (\$388,300 direct costs + \$94,374 in contingency, general conditions, and fees).

Significant cost reduction options that staff reviewed and do not recommend because they would either negatively impact functionality or would not meet design and zoning requirements are:

- Eliminate all architectural screening of the parking garage-metal panels (\$211,199)
- Eliminate 2<sup>nd</sup> floor of commercial space (\$230,934)
- Reduce size of the garage by 9' (\$350,000)
- Eliminate public art component (\$100,000)

Finally, it should be noted that during the pre-design phase, staff directed the design team to eliminate consideration of structural upgrades that would allow for future expansion (\$265,000 for vertical expansion and \$70,000 for horizontal) to reduce costs. As such, these items were not included within the budget furnished by our consultant.

### **Proposed Additional Funding Sources**

The aforementioned cost reductions total \$482,674, thus reducing the \$2,673,139 budget gap to \$2,190,465. Following are funding sources proposed by staff to fill this \$2,190,465 gap.

- \$300,000 for PARCS equipment to be funded through Parking Utility Reserves in the Parking Utility's Revenue Equipment Replacement Capital project, which can absorb these expenses.
- \$592,393 in additional Parking Utility Reserves.
- \$1,000,000 in additional TIF-supported General Obligation borrowing expected to be generated in TID 36 based on updated projections. The original TIF projections assumed approximately 60,000 square feet of office space within the Cosmos project; however, the recently approved Cosmos project now includes over 110,000 square feet of office space. This generates approximately \$1M of additional increment that can be used to repay General Obligation borrowing.
- \$85,000 from MG&E for remediation expenses. A payment to the City of \$85,000 for remediation expenses is included in the Purchase and Sales Agreement, but has not been allocated to the project budget or dedicated to an expenditure.
- \$213,072 of additional funds from the General Land Acquisition Fund (\$1,213,072 total), as noted previously in this memo.

The \$300,000 noted above for PARCS equipment is already included within the Parking Utility's budget. As such, a budget amendment is requested for the remaining items totaling \$1,890,465. City staff will seek a budget amendment for these additional expenditures through a forthcoming resolution, to be introduced at the April 18<sup>th</sup> Common Council meeting.

### **Parking Utility Reserves**

As of March 16, 2017, Parking Utility Reserves were \$35,548,035. Capital projects, totaling approximately \$27M in Parking Utility Reserves, are expected to be completed by the end of 2018. This includes \$19.1M for Judge Doyle, \$3M for Capitol East Garage, \$2.7M for replacement of the Parking Access Revenue Control System for City parking garages and Brayton Lot, and \$1.9M in lighting and electrical upgrade projects, in addition to other capital projects.

Annual operating expenses are estimated to be \$10.5M in 2017 and 2018, and annual operating revenues are estimated to be \$15.5M and \$16.5M in 2017 and 2018, respectively. Based on preliminary revenue and expense estimates, and capital expenses for approved capital projects expected to be completed in 2017 or 2018, Parking Utility Reserves are projected to be \$18.5M at 2018 year-end (2019 starting balance). A budget amendment authorizing the use of an additional \$592,393 in Parking Utility Reserves for the Capitol East Parking Garage would result in a projected 2018 year-end balance of \$17.9M.