

ECONOMIC DEVELOPMENT AND INNOVATION COMMITTEE

The Economic Development and Innovation (EDI) Committee of the City of Raleigh met in regular session on Tuesday, March 27, 2018, at 11:00 a.m. in Room 305 of the Raleigh Municipal Building, Avery C. Upchurch Government Complex, 222 West Hargett Street, Raleigh, North Carolina, with the following present:

Committee

Mayor Nancy McFarlane, Presiding
Councilor Corey D. Branch
Councilor Nicole Stewart
Councilor Richard A. “Dickie” Thompson

Staff

Associate City Manager Jim Greene
Associate City Attorney Brandon Poole
Planning Director Kenneth Bowers
Assistant Engineering Director Billy Jackson
Senior Urban Designer Joseph Michael

These are summary minutes unless otherwise indicated.

Mayor McFarlane called the meeting to order at 11:10 a.m.

Item 17-02 – Civic Campus Master Plan. Assistant City Manager Greene indicated during the February 13, 2018 City Council work session staff presented an update on the Civic Campus Master Plan. The presentation revisited the purpose and need for planning a consolidated campus and showed the progress of conceptual scenarios generated by the consultants, Skidmore Owings & Merrill, (SOM). During the work session, the item was referred to the Economic Development and Innovation (EDI) Committee for further discussion.

The following information was included in the agenda packet:

At the February 13 City Council Work Session, staff and the consultant team, headed by Skidmore Owings & Merrill (SOM), presented an update on the master planning process for the Civic Campus Project. The presentation reviewed purpose and need and explored conceptual scenarios for the campus.

This memorandum responds to City Council request for additional information and background data related to: program and sizing efforts of the master plan, projected maintenance and costs of “doing nothing” in the next 30 years, consideration of comparable recent or underway construction projects, and clarification on the LEED Certification for new City of Raleigh construction.

Programming & Sizing

On May 3, 2016 City Council authorized staff to proceed with a Master Plan study for a new civic campus located on the Avery C. Upchurch Municipal Block. Several programming assumptions were approved at this time, one of these assumptions included a list of departments and business units that would benefit from consolidation (listed

below). The study assumes that some functions will remain at existing sites, and would not be included on a consolidated campus.

Civic Campus Departments

- Services in the newly-formed Departments of Transportation and Engineering Services
- Development-related functions, including the Departments of City Planning, Development Services, and the Office of Economic Development
- Housing and Neighborhoods and some staff from Public Utilities Department
- Parks, Recreation, and Cultural Resources administration
- Public Affairs
- Internal service functions, including Information Technology, Human Resources, Finance, and Budget and Management Services
- Management departments including the City Manager’s Office, City Attorney, and City Clerk

Not Located on Civic Campus

- Solid Waste Services administration will remain at the existing site off New Bern Road
- Raleigh Convention Center staff will remain at the RCC.
- Police administration remains at the Six Forks location
- Fire administration will remain downtown at a separate location; Staff will explore options to co-locate with a replacement Station #1

After initial authorization to proceed with the master planning effort, staff and the consultant team inventoried existing facilities; executed an online survey for all city employees, and conducted a series of interviews with Department Heads and Business Unit Managers to be in the new facility. These exercises yielded:

- goals and visions of the departments,
- unique work requirements for each unit,
- meeting space needs,
- storage requirements,
- working adjacencies with other departments,
- expected staff growth

Staff and consultants are using this information and specifically growth projections to estimate the amount of work space that will be needed in the new campus to ensure that this building can accommodate 30 to 50 years of use. A summary of growth projections for downtown staff is included in the table below.

Growth Rate *	5 years	15 years	30 years	40 years	50 years
1.5%	1,130	1,310	1,640	1,900	2,210
2%	1,160	1,420	1,910	2,320	2,826

Growth rate over the next 50 years uses the 2018-year staff number of 1050 downtown employees as base number.

Historically the growth of city staff has been around 1.5 to 2 percent a year. This number is an average and accounts for the rise and fall of economic recessions and booms. This rate may change in the future based on staffing needs, policy changes, and changes in worker productivity and technology

For the purposes of the master planning project, a conservative 1.5 percent growth factor is recommended and will be used to determine the amount of square footage required to accommodate employees.

Cost of Doing Nothing

City Council asked the project team to clarify the numbers and the data behind the hard cost and leasing costs for the next 30 years in the “do nothing” projections. During research, the project team formalized the projected cost for continuing to use the existing facilities and leasing space to account for future growth.

City staff worked to evaluate the maintenance costs associated with extending the life of the Raleigh Municipal Building and One Exchange Plaza. Major investment will be required over the next ten to fifteen years to extend the life cycle of these building, maintain code compliance, and support current and future programs and initiatives. These cost estimates are as follows:

Demo Police Headquarters	\$171,360
RMB & OEP Security Upgrades (5 years)	\$2,500,000
RMB ADA Upgrades (5 years)	\$3,000,000
Demo Municipal Deck (10-15 years)	\$261,600
Replace Municipal Deck (10-15 years)	\$14,030,000
Raleigh Municipal Building Renovations/ System Upgrades (15-20 years)	\$32,000,000
One Exchange Plaza Renovations/System Upgrades (20 years)	\$19,500,000
Soft Cost	\$8,750,000
Total	+\$80,000,000.00*

*Cost estimate in today’s dollars. Does not include future leasing costs.

Given the age and lifetime of the Raleigh Municipal Building and One Exchange Plaza, as currently designed, there would be a combined cost of \$60,500,000 for building renovations and system upgrades. In addition to projects that support system upgrades, attention to public meeting spaces will be required to address current and future business needs to include meeting room capacity and public interaction opportunities. It should be noted that although reconfigurations and accommodations have been made to support

growth, there is still a need to address future programming needs based on the building usage and design. The following types of projects are reflective of the investment required to support life cycle replacement and extend the useful life of the facilities beyond the 50-year designed life span.

- General maintenance and cosmetic enhancements
- Mechanical, electrical, plumbing and life safety systems
- Exterior envelope to include foundation, façade, glazing, and roof systems
- Circulation paths to include sidewalks and pedestrian access
- Technology and audio-visual infrastructure
- Life safety, security and signage
- Energy efficiency, water use reduction, storm water enhancement and other sustainability initiatives

Funding was not included for the Dillon Building located at 310 West Martin Street with the expectation that this asset will be removed for economic development purposes. Subsequently, this will require additional square footage to support the programs currently operating from this facility.

A Condition Assessment of the parking garages was performed in 2015 and the RMB garage was rated as “Fair.” A contract was awarded last year to make the repairs that were identified in the 2015 report at a cost of \$304k. Additional work to be performed under separate contract is the installation of a standpipe and additional sprinkler heads to provide code compliant fire protection. The additional repairs are not expected to extend the deck’s current life and considering the deck’s non-compliance with ADA requirements, it may accelerate the need to replace it.

Even with the building renovation and system upgrades required, the need for additional square footage will not be satisfied and is reflected in the \$160 Million projection for leasing to support current and future programming and staff growth over the next 30 years. This leasing number of \$160 Million was generated using the expected growth rate of 1.5% and using a 30-year projection. In that time, it is expected that the City of Raleigh will need to lease additional space to accommodate an additional 630 employees downtown. The annual leasing will increase from what it is currently over \$1 Million to \$7.9 Million in year 2048. Over the range of 30 years the accumulation of leasing costs is projected to be around \$160 Million. The cost of leasing was estimated based on the current rates that the city pays on Class A office space and accounted for price escalation during this time.

Comparable Projects with Cost Estimate

City Council questioned if the project team compared costs of several projects downtown, specifically, Wake County Justice Center (WKJC) and the private mixed-use Dillon Building.

Staff did consider the Wake County Building and originally referenced the WKJC project to estimate the existing \$165.2 Million reserved for the civic campus project. The 557,000 square foot WKJC project was originally budgeted at \$210 Million in 2007. Immediately following the planning for the project, the region experienced a recession and the WKJC was completed in 2013 at \$187 Million. Currently 500 employees work at the WKJC and of that only 200 are Wake County administrative staff.

Given that WCJC was constructed at the height of the previous recession, any cost comparisons would not be applicable to a building constructed in the current economy and almost a decade later. There are certainly many attributes of the building from a functional point of view that we will want to consider further during the design phase of a new facility.

The construction estimator firm, Cumming, is assisting staff during the master plan phase. They constructed a detailed memo on regional cost indicators, current trends in the construction industry, and impacts of recent natural events. The project team has also reached out to developers and contractors currently engaged in building facilities for their recent costs experience and confirmation of the information generated by our consultants, this included the Kane Dillon project. These estimates can change due to industry trends and national impacts; however, this exercise has given the project team a better understanding of typical construction costs to provide projections in this phase.

LEED Certification

Currently the City of Raleigh has a LEED Certification Policy for new buildings. This policy requires that new construction for city buildings over 10,000 square feet to obtain a minimum of LEED Silver Certification. City construction smaller than 10,000 square feet must be designed and built to be eligible for LEED Silver Certification. City of Raleigh's recent construction projects have obtained fourteen (14) Silver certification and two buildings that obtained LEED Platinum Certifications (Wilders Grove Solid Waste Center and Transit Operations Facility). The decision of which level certification will be made later but may have fiscal impacts on the construction costs.

“Measuring the Cost to Become LEED Certified” written by Jim Nicolow in 2008 estimated that the certification premiums on construction costs are:

- a. LEED Certified: 0 – 2.5%
- b. LEED Silver: 0 – 3.3%
- c. LEED Gold: 0.3 – 5%
- d. LEED Platinum: 4.5 – 8.5%

Next Steps

On May 22, 2018, city staff will present to the Economic Development and Innovation (EDI) Committee. The presentation will explore existing facility conditions and future implementation strategies for Phase I of the Civic Campus. Following the presentation, staff will await committee direction on the preferred Phase I Implementation Strategy. The

selected strategy will be incorporated into the Civic Campus Master Plan. Additional actions for City Council members to be conducted at later sessions include; amend and approve a final Master Plan, approve a public and employee engagement plan for the design and construction phase, and ultimately authorize staff to move forward with design services for Phase I.

Assistant Engineering Director Billy Jackson used a PowerPoint presentation to summarize the information. He noted the average age for City-owned buildings in the downtown area is 45 years, and talked about the inefficiencies and costs of having a fragmented workforce including duplication of resources, increased cost of infrastructure, etc.

Councilor Branch questioned how long the City has been leasing office space with Mr. Jackson responding the City has been leasing office space for approximately 8 to 10 years.

Senior Urban Planner Joseph Michael talked about the urban design goals for the Avery. C. Upchurch Block imagining the Civic Campus site serving as a public civic heart. He talked about how the master plan concept included having an “accessible civic realm” with ceremonial areas, generous sidewalks, inviting plazas, and continuous paving, and efficient office towers for administrative functions, integrated with public functions, as well as employee amenities. He indicated the Council could pursue 2 options for the master plan: a “no build” option (keeping the status quo), and a “build” option. Using a PowerPoint presentation, he outlined the details involving each option, portions of which are outlined as follows:

No Build (Status Quo)

Maintain Our Current Facilities

- Systems upgrade
- Structural remediation
- ADA
- Security

Loss of Flexible Real Estate

- One Exchange Plaza
- 310 W. Martin Street

Leasing Costs as Staff Grows

- Limited office supply downtown
- Lease rates continue to rise

Downtown Staff – Projections

2018 Year 0	2023 Year 5	2033 Year 15	2048 Year 30
1,050 +/- staff	1,130 – 1,160 staff	1,310 – 1,420 staff	1,640 – 1,910 staff

Downtown Staff – Leasing Costs

	2023 Year 5	2033 Year 15	2048 Year 30
New Positions At 1.5%-2% Growth	80 – 110	260 – 365	590 – 855
Additional Space Needed At 300 gsf/Person	24,000 SF – 33,000 SF	79,000 SF – 109,000 SF	177,000 SF – 256,000 SF
Cumulative* Lease Cost (\$23/sf @ 1.5% Inflation Rate)	\$8.0 million – \$8.5 million	\$35 million – \$41 million	\$120 million – \$160 million

*Includes existing leased space.

30-Year Outlook

- Maintain our current facilities
 - \$80 million + (Estimate in today's dollars, not at time of renovations)
- Loss of taxable real estate
 - \$5 million + (Estimate does not include future improvements to properties)
- Leasing costs as staff grows
 - \$120 – 160 million (Estimate based on a 1.5% lease inflation rate)
- \$205-245 million (Conservative estimated total)

Build**New City Hall – Phase I**

- Option #1: 20 stories (above capacity)
 - 420,000 s.f.
 - Capacity*(at 300 gsf/person): 1,400 ppl
 - Full capacity by 2037 (14 years) at 1.5% growth rate
 - Full capacity by 2032 at (9 years) at 2.0% growth rate
 - Estimated cost: ~\$190 million
 - Effective rent over 30 years: \$15.08/sf
- Option #2: 17 stories +/- (at capacity)
 - 360,000 s.f.
 - Capacity* (at 300 gsf/person): 1,200 ppl
 - Full capacity by 2027 (4 years) at 1.5% growth rate
 - Full capacity by 2024 (1 year) at 2.0% growth rate
 - Estimated cost: ~\$165 million
 - Effective rent over 30 years: \$15.27/sf

- Option #3: 14 stories +/- (below capacity)
 - 300,000 s.f.
 - Capacity* (at 300 gsf/person): 1,000 ppl
 - -40,000 s.f. deficit at move-in with 1.5% growth rate
 - -50,000 s.f. deficit at move-in with 2.0% growth rate
 - Estimated Cost: ~\$140 million
 - Effective rent over 30 years: \$15.55/sf
- *Capacity does not include Phase II (RMB or new facility).

Phasing Implications: Capacity of new City Hall has implications for phasing RMB:

- 20 Stories
 - Consolidates all downtown staff
 - RMB
 - OEP
 - 310 W. Martin
 - Professional Building
 - Briggs Building
 - One City Plaza
 - New leases
 - 9-14 years of capacity from move-in date, 5-6 years from today.
 - Municipal Deck + new parking provides required spaces
 - Uses all floors allowed by zoning.
 - RMB
 - Can be entirely vacated.
 - Reaches end of life – 10 years after Phase I completed.
 - Systems upgrade, renovations required if RMB is to be maintained.
 - Phase I + RMB provides 20-30 years of capacity after Phase I is completed.
 - Phase I + Phase II tower could provide capacity for 45-61 years.
 - Allows flexibility for use, timeline for starting Phase II.
- 17 Stories
 - Consolidates all downtown staff
 - RMB
 - OEP
 - 310 W. Martin
 - Professional Building
 - Briggs Building
 - One City Plaza
 - New leases
 - 1-4 years of capacity from move-in date, 5-6 years from today.
 - Municipal Deck + new parking provides required spaces

- RMB
 - Can be entirely vacated.
 - Phase I + RMB provides 15-25 years of capacity after Phase I is completed.
 - Phase I + Phase II tower could provide capacity for 45-55 years.
 - RMB Temporary use, additional leasing, or Phase II project would need to follow closely behind Phase I.
- 14 Stories
 - 40-50K square feet short of space needed.
 - Explore alternatives for Phase I consolidation

If Option #3:

	Use RMB	Vacate RMB
Goal	Consolidate all staff on Municipal Block	Maintain flexibility for Phase II
Buildings Vacated	All owned and leased <i>except</i> RMB	Only owned property. (RMB, OEP, 310 W. Martin)
Impact	<ul style="list-style-type: none"> ● Committed to RMB long term. ● Site capacity limited to 9-10 year years. 	<ul style="list-style-type: none"> ● Staff not fully consolidated in Phase I ● Site capacity to 35-45 Years with Phase II Tower
Additional Cost	~\$40M RMB Renovations	Leasing Costs until Phase II Complete

Next Steps:

- Committee Action
 1. Direct Staff of Phase I Implementation Strategy
- Council Action
 1. Amend and approve Master Plan
 2. Direct Staff to develop a Public and Employee Engagement Plan
 3. Authorize Staff to move forward with Design Services for Phase I

Mr. Michael also talked about funding sources for each phase including option of using public/private partnerships for Phase III, and stated that, given that Option #3 would automatically place the City at a deficit for space, staff does not consider Option #3 a viable option.

Mayor McFarlane questioned whether the No Build option include leasing additional space with Mr. Michael responding in the negative.

Councilor Thompson expressed appreciation for staff’s conservative rent projections.

Mayor Pro Tem Branch questioned the time frame to reach capacity under Option #2 with Mr. Michael responding capacity would be reached in 1 to 4 years after move-in.

Assistant City Manager Greene talked about the Committee's options the next steps regarding Phase I and suggested the item be returned to a work session so the full Council may discuss the matter before giving staff direction.

Mayor Pro Tem Branch questioned the maximum debt capacity without raising taxes with Mr. Greene estimating the maximum debt capacity at \$127 million.

Mayor McFarlane thanked staff for their work in putting together today's presentation and indicated she agreed with Staff's removing Option #3 from consideration as it was not viable.

Councilor Thompson indicated he favors building a new facility as it is his opinion the Municipal Building is tired and has served its purpose. He believed upgrading the systems in the Municipal Building would only serve as a band-aid, and indicated he did not favor Option #3. He noted other cities have a great "city hall" and Raleigh does not have one. He also stated sending someone all over the city to do business is not good.

Mayor McFarlane talked about the positive economic impact resulting from improvements and renovations to the Performing Arts Center, the Convention Center, and talked about the potential positive economic impact for Raleigh Union Station.

Mayor Pro Tem Branch expressed his concern regarding the potential debt capacity noting that even with a 20-story option the City may outgrow it within 10 years. He indicated the math favors Option #2. He pointed out the Council could change the zoning at any time, and questioned whether the City should go even taller than 20 stories for Option #1.

Discussion took place regarding the merits for Options #1 and #3 with Councilor Stewart indicating she leans toward Option #1 as she believes it is the more conservative option in the long run.

Mr. Greene reminded the Committee the costs cited in the presentation are estimates and does not account for design, building features, bidding, etc.

Mr. Thompson moved that the item be refer the item back into a Council work session and direct staff to prepare a more detailed presentation on Option #1. His motion was seconded by Mayor Pro Tem Branch and put to a vote that resulted in all Committee members voting in the affirmative. Mayor McFarlane ruled the motion adopted on a 5-0 vote.

Mayor McFarlane talked about exploring the public/private partnership financing option for Phase III.

Brief Discussion took place regarding how the Municipal Parking deck figured into Phase I regarding overall parking capacity.

Adjournment. There being no further business Mayor McFarlane announced the meeting adjourned at 11:58 a.m.

Ralph L. Puccini
Assistant City Clerk