


MEMORANDUM

August 18, 2011

TO: Board of Mayor and Aldermen

FROM: Eric Stuckey, City Administrator 
Russ Truell, Assistant City Administrator/CFO
Vernon Gerth, Assistant City Administrator – Community and Economic Development
David Parker, City Engineer/CIP Executive
Brad Wilson, Facilities/Project Manager

SUBJECT: Consolidated Public Works Facility (Water Management/Streets/Fleet Maintenance) –
84 Lumber Site Acquisition and Development

Purpose

The purpose of this memorandum is to provide the Board of Mayor and Aldermen (BOMA) with information to consider a Resolution of Intent to Purchase the 84 Lumber Property, located at 124 Lumber Drive (Resolution 2011-43, Attachment A) and a resolution providing for reimbursement of project costs through bonds or other debt obligations (Attachment B). These actions will support a capital investment project to create a consolidated public works facility.

Background

One of the priority projects identified in the City's ongoing Capital Investment Process (CIP) has been the opportunity to consolidate into one location/facility significant components of our public works operations including Water Management, Streets (including Stormwater Maintenance) and Fleet Maintenance. Currently, the City operates these functions out of two undersized facilities. One facility, which is located near the intersection of Hillsboro Road and Del Rio Pike (referred to as "The Hill"), houses both the Water Management Department and Fleet Maintenance operations. The other property is the Streets Department facility located on Southeast Parkway. The opportunity to consolidate these operations into one facility promises to give the City the ability to better realize efficiencies across departments by enhancing the sharing of resources (human and equipment). In addition, this project can provide the City the ability to meet the needs of our growing community that the existing facilities cannot. Over the past year, the City has looked at various properties in the community that could serve this need.

The Property. Through recent discussions with 84 Lumber, the City has identified the opportunity to acquire the 84 Lumber site located off Columbia Avenue at a cost of \$2.4 million. This property includes 15.81 acres and includes two 20,000 square foot buildings and three, large storage sheds (totaling over 21,000 square feet). The structures on the property were constructed in 2003 and are in excellent condition. Only about half of the 15.81 acres is currently developed, providing ample room for expansion as driven by community growth. Attachment C provides a summary of the site features.

The price negotiated by staff (\$2.4 million) appears to be highly competitive. The market appraisal value assigned by the County Assessor is \$3.63 million. By comparison, the current negotiated price is 66.1 % of this market appraisal and appears to be well below other appraised values in the area.



Attachment D provides a comparison of the 84 Lumber site with 20 other similar large properties in the area. The average appraised value per acre in this group of properties is \$440,062 per acre. At an acquisition cost of \$2.4 million, the City would be able to obtain the 84 Lumber property at a cost of \$151,802 per acre, 65.5% below the average of the 20-property comparison group.

Redevelopment of the site for City operations. While the property appears to be in excellent condition, there will be costs associated with the adaptive reuse of the buildings. The City's focus in considering this project is to make the existing buildings as functional and efficient as possible for the consolidated operations for many years to come. Attachment E provides a description of the site development program and preliminary cost estimates for the project. The first phase would be to move the operations currently located on "The Hill," Water Management Service Department and Fleet Maintenance. These areas are the most stressed in terms of inadequate facilities and space to conduct efficient operations. Currently, fleet maintenance work will often need to be conducted outside due to limited space. Staff is also unable to adequately service larger vehicles in the present facility. The City's Water Management service personnel have limited work space and inadequate storage for equipment and materials.

The initial estimate for the completion of Phase 1 redevelopment is between 12 and 16 months. Below is a breakout of this timeline:

- Final Design: 3-4 months
- Bidding: 1 month
- Permitting: 2-3 months
- Construction: 6-8 months

The second phase would involve consolidation of the remaining Streets Department functions into the consolidated facility. This move could occur at any time following the build-out of Phase 1. While limited in space, the existing Streets Department facility on Southeast Parkway is much more modern in terms of supporting existing operations.

The 84 Lumber property is currently zoned as General Commercial. To be consistent with the City's intended use, it is anticipated that the City would pursue a rezoning to a Light Industrial classification. The property is currently surrounded on three sides by Light Industrial uses. This zoning change would seem to be appropriate for the City's needs and consistent with surrounding land use.

Site Access. One of the key components of the project is to provide adequate access to the Columbia Avenue from the facility. Of particular importance is the ability to access a signalized intersection. It is not practical for a traffic signal to be placed at the Columbia-Beasley-Lumber Drive intersection, due to its close proximity to the existing signal located at Columbia and Century Court. TDOT has indicated that the City would have the authority to install a signal further north on Columbia, a state highway. The City has worked with Lasko, the owner of the property to the north of the 84 Lumber site, to arrange for a cross access easement and the construction by the City of an access road across the Lasko property. Attachment F provides a diagram of a proposed alignment of the City access road and two separate cost estimates for the various elements of providing access and signalization (one from City engineering staff and one from Ragan Smith engineers). For planning purposes, the project budget uses the higher of the two estimates.



Financial Impact

Below is a summary of the cost elements associated with the acquisition and development of the 84 Lumber property as a consolidated public works facility. We have attempted to use the most conservative estimates available to provide these cost estimates.

Summary of Acquisition and Development Costs – Consolidated Public Works Facility

I. Cost of Acquisition:

a. Purchase Price	\$2,400,000
b. Survey	3,500
c. Title Search	300
d. Title Insurance	5,550
e. Other Closing Costs	<u>800</u>
Subtotal	<u>\$2,410,150</u>

II. Modifications of existing site/structures:

a. Design	\$155,000
b. Construction – Phase 1(Water/Fleet)	1,782,000
c. Construction – Phase 2(Streets)	200,000
d. Furnishing and Fixtures	90,000
e. Moving/Transition Costs	40,000
f. Geotechnical Review	5,000
g. Paving (full site)	<u>197,000</u>
Subtotal	<u>\$2,469,000</u>

III. Access Costs:

a. Signalization Design/Construction	\$340,000
b. Access Road Construction	300,000
c. Construction Documents	30,000
d. Easement Documents	3,000
e. Fiber Installation	10,000
f. Easement Maintenance Agreement	2,500
g. Signal cost recovery	(115,000)
h. Access Road Design and geotechnical	<u>59,200</u>
Subtotal	<u>\$629,700</u>

IV. Value of Existing City Property:

a. Demo of “Hill” property	\$70,000
b. Property Value opinion	3,000
c. Hillsboro Property (“The Hill”)	(1,500,000) to (1,800,000)
d. Southeast Pkwy Property (Streets)	<u>(1,000,000) to (1,300,000)</u>
Subtotal	<u>(\$2,427,000) to (\$3,027,000)</u>

Total Project Cost Estimate \$3,081,850 to \$2,481,850

Sale of Existing City Facilities. As shown in the project cost summary above, the City could offset a portion of the costs associated with this project through the sale of the two existing City facilities that will be vacated as a result of the consolidation. The values cited above are from an opinion of property value provided by certified appraiser Eric Boozer. Prior to sale of the property the City would need to declare the property as “surplus property” and then follow the legal process for disposition.

Financing Options. Attachment G provides a summary of options related to the financing of the consolidated public works facility. The recommended financing approach for the project would be to issue a 12-year debt instrument with level debt service spreading cost among the various operating departments. A \$5 million debt issuance would have an estimated \$500,000 per year in debt service which could be spread roughly equally between the general fund and the appropriate enterprise funds (water and waste water).

Operational efficiencies. The consolidated public works facility creates a greater opportunity to gain efficiencies across operations with existing personnel and equipment. Attachment H provides a summary of some examples of anticipated efficiencies associated with the consolidation these functions. There are efficiencies in terms of space that can be shared and therefore will not be duplicated in multiple locations. Equipment such as backhoes and dump trucks can be shared and future fleet expansions can be avoided. Staff savings are also projected. Between avoided equipment (\$52,500 per year) and staff costs (\$86,632), a projected \$139,132 of annual operational savings is projected. These projected savings alone are more than 33% of the annual debt service amount identified above.

The City also has significant potential efficiencies from placing Fleet Maintenance function in more modern and appropriately-sized facilities. Currently, some large equipment cannot be fully serviced due to the limited size of the existing facility and the inability to lift the equipment. Often work is performed outside due to space constraints at our current facility. The City’s mechanics are highly skilled and can provide service to large equipment at a significant savings if they have adequate space and facilities. Attachment I provides an example of the positive impact of our in-house staff mechanics on maintenance costs for Fire apparatus. This summary provided by the Franklin Fire Department shows labor savings in 2010 of nearly \$20,000 and total savings in 2009 of over \$26,000. An adequate facility will enable the City to expand on these savings and provide more services to departments across the City, while also reducing down time of our crews.

Options

The Board may choose to approve, decline or modify the Resolution of Intent to Purchase the property and related actions. 84 Lumber officials have indicated that their acceptance is conditional on the City’s ability to close on the property sale within 60 days. Following a declaration of intent to purchase, the City will review the property further and perform other due diligence prior to setting a closing date on the property.



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Recommendation

It is recommended that the Board approve a Resolution of Intent to Purchase the 84 Lumber Property, located at 124 Lumber Drive (Resolution 2011-43, Attachment A) and a resolution providing for reimbursement of project costs through bonds or other debt obligations (Attachment B). Through these actions the City will move forward with the capital investment project to convert this site into a consolidated public works facility.

Consolidated Public Works Facility Project Summary

84 Lumber Acquisition and Redevelopment Summary

I. Purchase Price:

a. Purchase Price	\$2,400,000	
b. Survey	3,500	
c. Title Search	300	
d. Title Insurance	5,550	
e. Other Closing Costs	800	
Subtotal	\$2,410,150	

II. Modification of existing site/structures:

a. Design	\$155,000	
b. Construction - Phase 1 Fleet/Water	1,782,000	
c. Construction - Phase 2 Streets	200,000	
d. Furnishing and Fixtures	90,000	
e. Moving/Transition Costs	40,000	
f. Geotechnical review	5,000	
g. Paving	197,000	
Subtotal	\$2,469,000	

III. Cross Access on Lasko Property:

a. Signalization (including design)	\$340,000	
b. Access Road construction	300,000	
c. Construction Documents	30,000	
d. Easement Documents	3,000	
e. Fiber installation	10,000	
f. Easement Maintenance agreement	2,500	
g. Signal cost recovery	(115,000)	
h. Access Road Design and geotechnical	59,200	
Subtotal	\$629,700	

IV. Value of Existing City Property:

a. Demo of Hill property (if necessary)	\$70,000	\$70,000
b. Property Value Opinion	3,000	3,000
c. Hillsboro - Water Mgt. and Fleet ("Hill")	(1,500,000) to	(1,800,000)
d. Street Property - Southeast Pkwy	(1,000,000) to	(1,300,000)
Subtotal	(\$2,427,000)	(\$3,027,000)

Total Project Estimate	\$3,081,850	\$2,481,850
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