

TOWN COUNCIL STAFF REPORT

Title: Presentation and Town Council direction on planning, design, and construction options for New Town Offices.

Meeting Date: November 16, 2022

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RECOMMENDATION:

Provide Council comments and direction on planning, design, and construction work program for the development of new Town Offices.

BACKGROUND:

Council has requested staff bring forward options for a new Town Office Facility. Initial funding was allocated to prepare a preliminary rendering, space plan, and preliminary cost. The location of the new facility is at the Civic Center site which already includes the Courthouse, Police Department, County Offices, and the existing church. The site was acquired from the Forest Service in 2007 for this purpose along with an expansion of the Hospital. The site is referred to as the McFlex Parcel or Civic Center site.

In the purchase agreement for the property between the Town, County, and Hospital, the following items were included in the program assumptions for future development of the site:

- **Police Department (completed)**
- **Superior Court (completed)**
- **County Offices (completed)**
- **Town Offices (preliminary plans)**
- **Hospital addition (concept plans)**
- **Civic Plaza (small scale planned with Town Office)**
- **Parking (completed with each phase)**

The Hospital has expanded their parking area and have concept plans in place to expand the Hospital. Today, we would add to the list a minor mobility hub with transit connections and EV charging stations. The property is already served by the Town's Multi Use Path (MUPs) network. The co-location of these public services would create a comprehensive "Civic Center" location and is defined as such in the Town's General Plan.

The location of the Town Offices would be generally located between Sierra Park Road and the County Offices and to the south of the Court House. The presentation shows the location of the property and how the offices would be placed on the site.

ANALYSIS:

Initial site planning

In April 2017, the Town and Mono County worked with HMC Architects to conduct a design charrette for future office facilities on the McFlex parcel. The purpose of this process was to understand how uses could be shared between the Town and County, and identify spatial needs, infrastructure, pedestrian and vehicular access, and parking needs. This design was used as the basis for Mono County's project. The Town decided not to proceed with the County at that time. Staff has had several discussions with County staff and there are several takeaways that will assist the Town. The space analysis provided a baseline for the proposed Town Offices. The space plan has been updated and will still need additional refinement. Staff is looking for Council comments on the exterior and overall design and generally on the space plan.

Some of the overarching goals identified in the preliminary design effort include:

- **Public Spaces should be a joy to the community**
- **Efficient use of space**
- **Support collaboration**
- **Flexibility in design and forward thinking**
- **Comfortable work environment**
- **Back of house may be more utilitarian**
- **Building is inviting and forward facing to the community**
- **Inside and outside is to be welcoming to the community and employees**
- **Opportunity to acknowledge the special place that is Mammoth Lakes**
- **Creates a connected Civic Campus**
- **Easy Wayfinding – inside and outside**

The concept design generally incorporates these goals. It provides a hybrid of traditional office space with the use of more open and shared spaces for collaboration and customer engagement. The design is split between a 1+ story for the Council Chambers and flexible meeting space, connected with a lobby area to a 2-story office space providing an inviting atmosphere for the public. Current and future space needs are accounted for through the design. The outside areas, parking and access are designed to accommodate our weather, public access, and usable space. The functionality of building operations, utilities, workspaces, and support areas are designed for efficiency and adds to the overall 'comfort' of the building. Energy efficiency options will be considered but may be limited based on capital costs, such as solar and ground sourced heat pumps. A decision will need to be made on designing the council chamber to meet standards for essential services such as emergency operations center, which will have increased costs due to the increased structural requirements.

The attached presentation outlines the current planning and design efforts. Staff and HMC Architects will be available to present this information and address questions.

FINANCIAL CONSIDERATIONS:

The cost estimate for constructing new Town Offices may be estimated at \$18M, plus \$5M for the soft costs and contingency. The total projected, all-in cost is in the \$23M range. The final design and construction costs will depend on final square footage, bidding climate, and construction costs. The initial building size is 15,000+ square feet. Additional details are included in the attached presentation. It is a conservative estimate, as future costs are difficult to project. As part of the Capital Improvement Program (CIP) \$1.9M was set aside for the architectural design and schematic work. If the Council consensus is to move forward, these estimates will be refined along with the building design based on comments received and ongoing staff review.

Construction of the new building is anticipated to be debt funded. Staff is working with our outside financial advisor and bond counsel to determine the preferred financing structure. The overall financial goal is to use a structure that has very limited impact on current operating budgets. Our target is \$200,000 or less, which is achievable based on current cost and debt estimates. Some additional one-time funding is also required on the front end to complete construction plans and will depend on the final debt structure, term, and interest rates. Current estimates include a 25-year debt to net \$21M with interest rates in the 5% range.

Debt issuance is still 6 to 9 months out and would be pursued once the design of the facility is complete and ready to move to construction drawings with an updated cost estimate. Based on the information available at that time, Council may direct the project proceed or be put on hold. Prior to the actual issuance of debt, the Council will have one more opportunity to proceed or put the project on hold. The design costs will be incurred as will some financial and legal fees. The proposed structure is to roll current debt payments into the new debt payments as outstanding debt is retired and the use of current lease/net CAM payments. The bond structure has lower payments in the early years with increased payments as current debt is retired and folded into the new payment. Interest rates will also determine the financial viability of issuing debt.

The proposed structure leverages current debt payments further into the future, limits the use of current operating budgets, and continues to allow Council the opportunity to invest larger than anticipated revenue and savings in priority projects. This follows the current budget philosophy, practices, and financial management. This approach over the past several years has resulted in the Town investing millions of dollars in housing programs and projects, funding deferred maintenance and new capital projects, and being able to support our community needs through the COVID-19 pandemic. The Town has taken an active leadership role investing in the areas of outdoor recreation, municipal recreation, arts and culture, childcare, solid waste, emergency communications, and maintaining/enhancing core Town services. Staff is committed to working with Council to ensure that the investment in new Town Offices continues this level of fiscal management and investment opportunities in the community.

Current Office Space Costs

The base rent for the current office space is \$1.40 per square foot. The Town pays a base Common Area Maintenance (CAM) fee of \$0.52 per square foot. The rate is adjusted each year to reflect actual costs. For the 21-22 lease year the CAM charge was \$167,000. The lease payment for the 22-23 year will be \$304,227.20, based on some reduction in space. Assuming similar CAM charges the Town will pay approximately \$471,000 for the 22-23 lease year. The lease runs from October 1 to September 30. Each year the rent will increase based on the defined Consumer Price Index by a minimum of 3% and a maximum of 7%. The current lease extends through September 2025, with two, one-year extensions. The building needs some deferred maintenance work over the next year, estimated at \$125,000 to \$175,000. This is for carpet replacement, painting, minor ADA improvements, restroom makeover, and other minor repairs.

Timeline

The current lease structure was based on initiating the design of the new offices this winter with completion programmed for late summer/fall of 2025. The additional time on the current lease allows for changes in construction schedules, financing, and overall economics. As noted above, if needed the current lease may be extended by two, one-year terms. The presentation outlines the projected timeline.

Options

Staff is requesting Council discussion and direction regarding proceeding with the planning, design, and construction of a new Town Office. The following options are designed to assist the Council in their discussion.

Option 1: The Town Council provides consensus on continuing the planning and design process for new Town Hall Offices, with comments received and for additional information to be provided regarding construction and financial timing options based on updated designs. The goal would be to complete the new Town Offices by September 2025.

Option 2. The Town Council may request the process continue but at a slower pace with the goal of completing the project by September 2026. This will provide additional time to reduce some economic uncertainty, financing unknowns, and to spend more time in the design. The delay will likely not reduce the estimated overall cost of the building.

Option 3: The Town Council may direct staff to stop work on a new Town Hall Office and provide direction to pursue options for a long-term lease of current office space. If this is the direction, additional investment in the current building in addition to the amount noted above, is recommended.