



AGENDA SUMMARY PAGE
CITY COUNCIL MEETING OF FEBRUARY 20, 2008

DEPARTMENT: CITY MANAGER
DIRECTOR: DOUGLAS A. SELBY

Consent Discussion

SUBJECT:
ADMINISTRATIVE:

Discussion and possible action on the report from Pizzuti Solutions, LLC concerning the location and delivery method for a new City Hall - All Wards

Fiscal Impact

- No Impact Augmentation Required
 Budget Funds Available

Amount:
Funding Source:
Dept./Division:

PURPOSE/BACKGROUND:

Receive final report from Pizzuti Solutions, LLC on the program validation, site analysis/project impact, construction delivery/process report, building conceptual design/massing study and project/site recommendation report for the potential construction of a new City Hall.

RECOMMENDATION:

Receive and accept the report and recommendations and direct staff accordingly.

BACKUP DOCUMENTATION:

1. Pizzuti Solutions City Hall Final Report
2. Pizzuti Solutions City Hall Appendix
3. Submitted after meeting - Hardcopy of PowerPoint presentation by Pizzuti Solutions, LLC

Motion made by OSCAR B. GOODMAN to Approve to accept the report with direction to staff to start the discussion on the bridging documents and to provide a full updated report at the 3/19/2008 City Council meeting

Passed For: 6; Against: 1; Abstain: 0; Did Not Vote: 0; Excused: 0
RICKI Y. BARLOW, LARRY BROWN, OSCAR B. GOODMAN, GARY REESE, STEVE WOLFSON, STEVEN D. ROSS; (Against-LOIS TARKANIAN); (Abstain-None); (Did Not Vote-None); (Excused-None)

Minutes:

CITY MANAGER SELBY gave a brief background on this matter. Expansion of and possibly a new City Hall has been in discussion for about four years. In August of 2007, Pizzuti Solutions was commissioned to determine location and implementation options for a new City Hall.

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Why a new City Hall? There are issues with the current building and timing is of the essence. The City has a window of opportunity to play a major part in the revitalization of the downtown area, provide services to City residents more efficiently and demonstrate the City's commitment to redevelopment activity, despite the current economic slowdown. There may be an opportunity for the City to capitalize on 18 acres assembled across Las Vegas Boulevard. Also, ongoing negotiations may permit implementation differently, creating a new City Hall within a mixed-use development. The building would be active beyond normal business hours.

Moving forward with a new City Hall immediately and aggressively is essential, because the project is a critical element of a five-block, billion-dollar redevelopment project that staff believes would not occur without City Hall being one of the components. This billion-dollar project is, in turn, tied to a development project on Union Park, which could also delay the Lady Luck project, because of the land needed for the transit terminal. Also, the cost of construction is rapidly increasing, so it would be less expensive than in the future.

The land that was assembled by staff is highly valued and high profile, because of the Las Vegas Boulevard street address. Joining this land with the current City Hall property, would create a new opportunity for a new project to create a new tax base by moving City operations closer to the Regional Justice Center and the County, people would not have to go far for services offered at those entities. The current City Hall building was constructed at a time when the City's population was much smaller and operating through technology was not one of the main considerations. Rebuilding would greatly improve City operations and would be very expensive, and there is the uncertainty that anything substantial could be done to make it a modern building.

This item involves a report from the consultants regarding a site for a new City Hall, as well as an implementation plan. Council's approval of the report means it is in agreement with the approach to implement the project. Staff would also recommend the Council approve taking a further step with the preparation of bridging documents, which would allow the City to better define a new City Hall. CITY MANAGER SELBY pointed out that approval of this matter would not commit the City to build a new City Hall.

JIM RUSSELL, Executive Vice President, and MIKE BYRD, Vice President, of Pizzuti Solutions, LLC, were present. They alternated in going over a PowerPoint presentation to summarize the detailed Final Report, covering all aspects of the study and the recommendations. Copies of both documents are made a part of the minutes.

Pizzuti Solutions recommends the City move forward with a City Hall that accommodates its needs and requirements, and to find opportunities to relocate Metro into a separate building, as their needs would be prohibitive to the City. The site being recommended for construction lends itself to a design/build/bridging/leaseback delivery approach, which would give the City the ability to define all the elements for the new building to serve as guidelines for the builder and the unique opportunity for the City to have a developer deliver the project and lease it.

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After consideration of four sites, Pizzuti Solutions recommends a new phased City Hall at the Queen of Hearts site to be part of a greater civic complex that will allow integration of private investment and serve as a catalyst for economic development. The total cost would be approximately \$250 million, which could increase by \$1 million each month after the target date of 2011 due to escalating construction costs. The \$250 million cost pales in comparison to the cost of renovating the existing building because it was designed years ago when sustainability was not part of the realm. The City should move forward as soon as possible to participate in economic development and get the full value.

Lastly, MR. BYRD expressed his appreciation to City staff for all their assistance; in particular, CITY MANAGER SELBY and DEPUTY CITY MANAGER SANCHEZ, who were very receptive.

COUNCILMAN WOLFSON questioned the percentage of City Hall space occupied by City employees and Metro. DEPUTY CITY MANAGER SANCHEZ replied that approximately 70,000 square feet of the total 176,000 square feet in City Hall is occupied by Metro, leaving about 85 percent for City employees. Metro is in the process of evaluating alternative sites to locate all their operations. When Metro leaves, the 15 to 20 percent space vacated would allow growth for approximately three more years, at the current rate of growth. Remaining in the current City Hall for another five years would not negatively impact current services. MR. RUSSELL interjected that studies have shown that employees who work in a sustainable building are more productive.

COUNCILMAN WOLFSON asked if moving forward meant building a structure spacious enough to accommodate all City employees. DEPUTY CITY MANAGER SANCHEZ replied that recently the Atrium building was acquired to accommodate most of Public Works employees, and it is not anticipated that any more operations would be consolidated in the current City Hall. Of the current employee base of 3,000, approximately 575 employees are located at the current City Hall, with about 50 Public Works employees relocating to the Atrium when the lease for the Development Services Center building expires in 2010. COUNCILMAN WOLFSON confirmed that Pizzuti Solutions was hired to perform the study, not to develop the project.

For COUNCILMAN WOLFSON, MARK VINCENT, Director of Finance and Business Services, briefly described financing possibilities. The unique arrangement of phasing would be allowed, with the first phase estimated at \$145 million. The design/build/bridging/leaseback delivery approach would include a long-term lease with a non-appropriation clause. Construction could be financed through certificates of participation and lease payments of \$10 million per year made to the note/mortgage holder. The debt would not be considered general obligation debt. Also, the proceeds from the sale of the current City Hall building could be used toward paying off the new facility.

The aforementioned arrangement has been done in the State of Nevada in several cases. In this case, the City does not own the property, so it would pay a small premium. The premium would

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not be much higher than that allowed with the AA rating, but it would allow great flexibility. The bond counsel endorses it.

CITY MANAGER SELBY recommended the Council move forward with building a new facility, in accordance with the recommendations of Pizzuti Solutions.

COUNCILWOMAN TARKANIAN stated that this was a very complicated arrangement she did not understand well enough to make a decision. She would have to research it further before she could support moving forward. She and COUNCILMAN BARLOW expressed concern about expending so much money when their wards have so many needs.

COUNCILMAN BARLOW questioned the viability of renovating the current building versus building a new facility. MR. BYRD indicated that it would be much more expensive to renovate. Because of advances in technology and sustainability, the City would have a lot of money in utilities alone for a larger building. The architectural design of the current City Hall is beautiful, but not very functional. MR. RUSSELL added that the City will have outgrown the current building within six years, based on staffing growth projections.

COUNCILMAN BARLOW wondered how the economic impact to the general fund could be justified, to which MR. VINCENT replied that approval of this matter commits to continuing to explore the project from all angles; the opportunity for a final decision would come later.

COUNCILMAN BROWN commented that the choice could be to remain in the current building and continue to pay the high cost of Bond Aids and inefficiencies. After he had MR. BYRD explain in detail the design/build/bridge/leaseback approach, he asked if there would be any upfront costs to the City. MR. VINCENT answered that the City would have to hire someone to put together the bridging documents and possibly a representative to look out for the best interests of the City. The debt would be assumed over a 30-year period. The leaseback arrangement would be subject to an appropriation clause, which means that if the City does not make the lease payment, it could walk away. This would have a slight impact on the City's credit.

COUNCILMAN BROWN directed CITY MANAGER SELBY to take a closer look at growth projections and provide him with some information as to whether the new recommended facility could accommodate growth beyond 15 years; he would not like it to be outgrown as soon as it is built. MR. RUSSELL indicated that there are many changes in delivery of government services, so there comes a point where prudence is lost in decision-making, but the recommended phasing aspect allows growth flexibility.

COUNCILMAN BROWN also directed CITY MANAGER SELBY to identify the City's function and the specific customer. Is the customer internal or external? Is the City going to continue to offer the same programs or eliminate them? Do the current inefficiencies adversely impact productivity? What do the acquired efficiencies translate into in cost savings?

CITY MANAGER SELBY said that one of the beauties of the conservative first phase is that it would give the City time to assess the best way to deliver services, through more satellites or

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possibly telecommuting staff. MR. VINCENT interjected that building too big is not advisable because there might not be a need for citizens to come downtown with improvements in technology.

COUNCILMAN BROWN asked if staff has explored the possibility of using Redevelopment Agency (RDA) funding to pay for the new City Hall. MR. VINCENT replied that staff has considered it, but RDA has a sunset clause, or a lifespan, of about 23 years, and, should the City go forward, it would enter a 30-year finance arrangement. COUNCILMAN BROWN asked the City Attorney's Office to look at the legality of using RDA funds to pay for the new City Hall, noting that sunset clauses could be amended.

DEPUTY CITY MANAGER SANCHEZ stated for COUNCILWOMAN TARKANIAN that approximately \$295,800 has been paid to Pizzuti Solutions for consulting services. The bridging documents are estimated to cost about \$3 million, which will be a part of the total design fee.

COUNCILWOMAN TARKANIAN expressed concern, stating that the decision was made at the recent budget workshop that capital projects would be deferred. This involves a capital fund project. Also, she wonders if the trade off is equal. She noted that this matter is too complex and there are too many variables to consider before she could make a decision.

MAYOR GOODMAN stated he envisioned a grandiose civic complex that is worthy of the world class city Las Vegas is becoming; any less would be unacceptable. He understood the concerns of his colleagues with the public perception, however, he noted that a beautiful, well-designed City Hall would represent what this City is all about. He expressed his admiration for CITY MANAGER SELBY for opting to go forward with a new City Hall, despite hard economic times, and he urged him to move forward prudently and with sound judgment. He asked CITY MANAGER SELBY to confer with the LiveWork group to assess the possibility of a land trade, and with CIM regarding its potential plans for the current City Hall site.