

**CITY OF SEBASTOPOL
CITY COUNCIL
STAFF REPORT**

Meeting: October 4, 2016
To: City Councilmembers
From: Pine Gove Square Sub-Committee
(Mayor Gurney, Councilmember Slayter, and City Manager McLaughlin)
Subject: Approval of Request for Budget Amendment for Consultant Services for Pine Grove Square
Recommendation: That the Mayor and City Council Approve the Request for Budget Amendment for Consultant Services for Pine Grove Square
Funding: Currently Budgeted: _____ Yes *_xxxx_____ No ___ N/A
Net General Fund Cost: \$20,000.00
Amount: \$

*Possible funding sources listed below.

INTRODUCTION:

This item is to request City Council Approve the Request for Budget Amendment for Consultant Services for Pine Grove Square.

BACKGROUND:

In August 2016, the City Council awarded a contract to Linda Herman Consulting for the Pine Grove Square Project to explore the feasibility of a development project, with the expectation that the City would ultimately enter into an agreement with a private developer to develop the City-owned parking lot in downtown.

DISCUSSION:

Since that time, the Sub-Committee has completed Phase I of the consultant’s work: develop parameters and goals for the potential project including meeting with community stakeholders (adjacent property owners) which would inform a specific proposal for the commercial development of PGS; that would be put in a “package” to go out to prospective developers, who could use our plan, or propose a plan of their own. The Subcommittee with the consultant also completed the process for selection of the real estate economist who is to perform the financial feasibility analysis. The proposed fee for this scope of work was \$32,000-50,000; it was completed for \$26,400.

The work that is to be done continues to be beneficial to the City. The PGS project has the potential to advance many existing City goals forward (both under the existing and draft new General Plan), including: completing a connection from the Joe Rodota trailhead to the downtown; promoting higher densities in downtown; eliminating an undeveloped block facing existing downtown buildings; improving the street network downtown and creating an incentive for neighboring property owners to improve their properties.

The Project Subcommittee, working with the consultant, is ready to start Phase II of this work: massing and configuration of proposed uses and the economic analysis to determine what is feasible, including evaluation of property values and economic return on investment for development alternatives.

The consultant initially requested a budget of \$87,000-\$117,000 for Phase II work. Due to budgetary constraints, the project received \$30,000, with an additional \$24,525 (the remainder of unused funds from the project's Phase I 2015-2016 budget) for a total project budget to date of \$54,525 to complete the remainder of Phase I work (completed in September) and Phase II scope of work. However, the budget to complete Phase II work is \$74,525.

The consultant's cash flow analysis and Work Plan for Pine Grove Square fees required for this phase of work are attached.

The next step for the project is to conduct the financial feasibility analysis which requires \$20,000 to fully fund the project, as originally proposed. This would bring the total approved budget amount to \$74,525, to be in line with the Phase II work program.

* City staff has reviewed potential revenue sources that were underestimated in the budget (Transient Occupancy Tax (TO - \$30,000 and Business Licenses Revenue - \$10,000). The City Council can authorize use of funds from either of these two accounts to fund this budget amendment.

The study is a key next step for the project because it will be the foundation for a possible agreement with a developer. The next phase of the project constitutes:

Task 1. Review of Background Documentation & Attend Kickoff

The initial task will involve a review relevant property information, planning documents, and existing studies regarding the subject site and downtown overall. Of particular interest will be data regarding public parking utilization of the parking lot today and of overall parking demand for downtown businesses and patrons.

Task 2. Market Assessment

The fundamental purpose of the market assessment is to evaluate the depth of the market for the potential development of residential and commercial uses on the subject property. The market assessment will include a survey of competitive home values, apartment rents, and commercial space rents in the primary and secondary market areas. The assessment will include a review of occupancy rates, building lease and sale activity, building permits, and projects in the development pipeline.

Task 3. Development Alternatives

The analysis will consider 2-3 alternatives with respect to project density, unit counts, building heights, and public parking solutions to identify the project alternatives most likely to be financially feasible.

Task 4. Pro forma Financial Feasibility Analysis

The pro forma financial feasibility analysis will estimate the development costs, income potential, and developer return requirements for the project alternatives in order to determine financial feasibility and the project's ability to pay for the land. In addition to analyzing financial feasibility and the supported land value, the pro forma can also be utilized to determine the ability of the project to support additional community benefits such as affordable housing, public gathering spaces, streetscape improvements, and trail improvements.

Task 5. Meetings

The goal is to accomplish this phase within 90 days of the subcommittee kick off meeting. The Sub-Committee would like to keep the momentum up on this project, rather than experience four months' delay waiting for mid-year budget review. The proposed timing would allow a report-out in February so that further work, if the project is viable, would fall within consideration for the 2017-2018 budget cycle.

The goal is for the City to explore the feasibility for development of a City-owned downtown property, to determine its highest and best use. Pine Grove Square is envisioned as a vibrant in-fill project, which would enhance, enliven, and expand the Downtown Core, enrich existing businesses, and maximize the City's resources and assets and this next step will help in that vision.

RECOMMENDATION: That the City Council Approve the Request for Budget Amendment for Consultant Services for Pine Grove Square.

Attachment:
Budget

PINE GROVE SQUARE - WORK PLAN						
Remainder Phase I-Phase II						
update 7.12.16						
Task	Duration	Start	Finish	Fee	Notes	
PHASE I:						
Project Initiation, Goal Setting, Preliminary Needs Assessment						
Initial meeting with City Team	1 day	4/11/16	4/11/16			
Obtain and review all relevant City documents provided	9 days	4/12/16	4/19/16			
Goal-setting meeting	1 day	5/2/16	5/2/16	\$3,387.50		invoiced
Prep Goals document and issue	9 days			\$2,712.50		invoiced
Subcommittee meeting	1 day					
Stakeholder meeting	1 day	6/27/16	6/27/16			
Prep and Issue meeting notes	1 day	6/29/16	6/29/16			
				\$4,375.00		invoiced
				\$10,475.00		work to June 30
				FEE REMAINING:\$24,525.00		in 2016-2017 budget
				\$30,000		2016-2017 Budget
				\$54,525.00		Total PGS 2016-2017 Budget
PHASE I (cont'd):						
Update Work Plan	4 days	7/5/16	7/8/16			
Meet with City Team to review	1 day	7/12/16	7/12/16			
Community meeting	1 day	July	July			
Team Selection + Contract Negotiation						
Prep and Issue RFP RE Economist	9 days	7/13/16	7/25/16			
Receive and review RFP responses. Prepare summary analysis.	5 days	8/5/16	8/12/16			
Meeting with City Team	1 day	8/25/16	8/25/16			
Interviews (2)	1 day	9/8/16	9/8/16			
Meet with City Team to make final selections	1 day	9/8/16	9/8/16			
Contract Negotiations RE Economist	2 weeks	9/12/16	9/26/16			
City Council Approval	1 day	10/4/16	10/4/16			
Phase I Fees:				\$23,625.00		

Phase II- Feasibility Study				
Kick-off Meeting/Programming Work Session	1 day	10/10/16	10/10/16	with all consultants
Massing Studies	3 weeks	10/11/16	11/1/16	
Meet with Sub-Committee	1 day	11/3/16	11/3/16	
Revisions	2 weeks	11/4/16	11/18/16	
Meet with Sub Committee	1 day	11/22/16	11/22/16	
Financial Analysis	6 weeks	11/23/16	1/6/17	
LHC Review draft of initial findings.	10 days	1/9/17	1/20/17	
Present to Sub Committee	1 day	1/24/17	1/24/17	
Revisions	2 weeks	1/25/17	2/8/17	
Present final development program	1 day	2/14/17	2/14/17	
Fees: Phase II				\$50,650.00
Total fees				\$74,275.00
Total 2016-2017 Budget				\$54,525.00
Budget Remaining				-\$19,750.00 for Feasibility Analysis

PINE GROVE SQUARE
CASH FLOW ANALYSIS
 9.22.16

	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	TOTAL
LHC	\$4,732	\$11,200	\$7,350	\$14,000	\$14,500	\$10,200	\$12,250	\$74,232
	(actual)							
TOTAL MONTHLY	\$4,732	\$11,200	\$7,350	\$14,000	\$14,500	\$10,200	\$12,250	\$74,232

2016-2017 Budget

-54525

Funds needed

\$19,707