



Staff Reports

File #: 905-2017, **Version:** 1

To: Honorable Mayor and Members of City Council

From: Michael Parness, City Manager

Prepared By: Jacques LaRoche, Public Works Director

TITLE:

Public Safety and City Administration Project (JL FC15PW02) to Develop a New Joint Public Safety and City Administration Building and Sell Excess City Land for Private Development.

RECOMMENDED ACTION:

Select the Preferred Respondent best qualified to develop the Project based on the evaluation criteria identified in the Request for Proposals, and direct staff to negotiate terms of an Exclusive Negotiating Agreement with the Preferred Respondent, to be brought back to City Council for consideration at a subsequent public meeting.

DISCUSSION:

For many years, as early as 2004, the City has been publicly discussing alternative methods for providing more cost effective, safe, City services to the community through necessary upgrades to the City's facilities for public safety services and general administration office space. This report summarizes the previous analyses which led to the direction from Council in September 2016 to request proposals for this Project, it summarizes the two proposals received for this Project (from Plenary Properties Napa, and Strada/Scannell Napa), and it summarizes City staff's recommended next steps for Council to select one of the proposers as the "Preferred Respondent" with whom the City would initiate negotiations of an Exclusive Negotiating Agreement for the Project.

The City's current portfolio of facilities for public safety and general administration office space is dispersed in a number of owned and leased buildings throughout the city. Many of these facilities are over fifty years old and are at the end-of or surpassed their useful life which is causing serious problems in terms of service levels response and delivery, inadequate space, and additional maintenance and repairs.

Most critical is the facilities' safety, particularly the Public Safety building following the 2014 South Napa Earthquake. The Public Safety Building (which houses the City's Fire Administration and Police Department, as well as the City's Emergency Operations Center (EOC), and the 9-1-1 Dispatch Center for several jurisdictions) does not meet current California Essential Services Act standards (seismic safety standards) and sustained significant damage from the 2014 earthquake. The Public Safety Building requires significant renovation and modernization to continue to provide critical services to the community, and additional space is needed to address the operational needs of the Public Safety forces.

Many of the other facilities are aging, non-compliant with current code regulations, ill-suited to City functions, outgrown by current operations, operating out of several separate buildings spread throughout downtown, and in need of significant rehabilitation. The collective result is a significant compromise in functional efficiency and collaboration among functions, structural integrity, increasingly expensive capital and maintenance costs and

inefficient citizen access to services.

As a result, since 2004, the City has been investigating options to address its facilities (including consolidating City functions into a Public Facilities complex) and commissioned several studies to analyze these options. Each of these studies concluded that the City should find new facility solutions for both Public Safety and City Administration due to the existing site constraints and costs associated with upgrading existing and maintaining dispersed facilities; a summary of the study results is provided in the “Project Background” section below.

Through this process, the City Council developed several specific project needs and goals discussed under the “Project Background” section below. This process lead to the development of a project to achieve the following:

1. Public Facilities - Design, build, finance, operate and maintain (DBFOM) a new, combined City Administration and Public Safety building(s). The construction of new Public Facilities includes approximately 100,000 gross square feet which will consolidate the City Administration and Public Safety functions. Respondents were also provided the option to relocate and/or include a new Fire Station #1 of approximately 12,000 GSF;

A Public Private Partnership/DBFOM project approach was selected to enable the City to benefit from private financing options as well as the many benefits of integrating operations and maintenance standards into the project concept design. This model provides total life cycle analysis and planning for the facility and provides the City with full cost to build, operate, finance and maintain (including capital improvements) the facility over a 30-year period. It also ensures that the facilities will be maintained at a high level of quality throughout the term of the partnership and returned to the City at the end of the term in a contractually prescribed condition; thereby avoiding the accumulation of long term deferred maintenance.

2. The City will sell at fair market value, to a selected development team, any excess land resulting from the development of the Public Facilities for private development, which could include all or portions of the Community Services Building site, the Housing Authority site, and “Super Block” site (currently housing City Hall, Police and Fire Administration, and Fire Station No. 1).

Any development proposals for these properties must be financed solely with private revenue (with no participation of public funds) and consistent with the uses approved in the City of Napa Downtown Specific Plan. The disposition of any or all of these excess City parcels are intended to generate sales proceeds (at not less than fair market value) and future tax revenues which will help to provide significant funding towards the construction of the Public Facilities.

For a full summary overview of the Public and Private development components see the Request for Proposals (RFP), issued on November 7, 2016, Section 1.4 -1.15. A full listing of the RFP and proposal documents are provided in Attachment 2.

Project Background

As indicated above, the City recognizes that many of its downtown facilities have been outgrown, are in a state of disrepair and need extensive remodeling and retrofitting. Past studies document the operational deficiencies including the following issues:

- The 2014 Napa Earthquake damaged the Public Safety and Fire Administration Building which does not meet the required seismic design standards and would require substantial upgrades in order to perform in future emergencies. The Public Safety building also houses the 9-1-1 Emergency Dispatch

Center (which provides 9-1-1 and dispatch service for multiple jurisdictions) and the City's Emergency Operations Center (EOC). Furthermore, additional upgrades are required for the efficient operation and modernization of Fire Station No.1.

- Public access is confusing or City services are difficult to obtain; due to the number of locations of administrative staff, the customer can be confused and may be required to go to multiple locations for service.
- Redundancy of support spaces exists due to separation of offices; these include copy rooms, restrooms, reception areas, break rooms, storage and conference rooms.
- Expansion is needed; several departments have outgrown the available office space resulting in overcrowding and reduced productivity.
- Uneven standards exist; many of the structures were modified to offices from other uses (examples include: elementary school, grocery store, single family residential home) which has led to less effective work areas, inefficient use of space, and nonstandard furniture systems.
- Service areas are inappropriate, lacking or redundant; in some buildings, the space dedicated to document storage is subject to flooding or other water damage and some janitorial/maintenance spaces are either redundant or lacking.
- Building modernization is needed; none of our buildings meet the standards (including environmental) that we apply to private development. Additionally, well-planned, consolidated facilities could reduce operation and maintenance costs, reduce Greenhouse Gas emissions, and be a catalyst for downtown housing and private reinvestment on existing City properties or adjacent sites.

Project Goals and Priorities

In an effort to replace these failing buildings, reduce the City's footprint, better utilize existing real estate, and make City operations more efficient, the City Council directed staff to develop a consolidation project with the following project goals:

- Provide a modern and efficient building which provides the public with easy access to conduct their business with the City through consolidation of multiple locations, reduces redundancy of support services, standardizes work space sizes and function, logically places departments which interact with the public frequently, and enhances wayfinding support.
- Co-locate departments which interact frequently
- Integrate technology throughout the facility to achieve efficiency
- Expand space for delivery of services for several departments which have outgrown their current footprint
- Include a State-of-the-Art Council Chamber for use by the city and community groups
- Meet the sustainability goals of the city by reducing energy costs and Green House Gas Emissions
- Reduce cost associated with leased space and the need to retrofit/remodel aging city buildings
- Minimize the project cost with the sale of excess land to continue the revitalization of Downtown
- Allow development of private uses which generates tax revenues to partially offset costs and adds to the downtown vitality and character.

Additionally, this project supports a variety of City Council priorities established for the community related to:

- *"Where We Live"* by creating additional downtown housing units and creating a gateway for the west end of First Street.
- *"Streets Sidewalks and Infrastructure"* by providing a cost-effective alternative to address the many infrastructure needs related to City facilities including deferred maintenance, expansion space needs and renovations to meet current seismic standards on essential services/public safety buildings.

Additionally, the proposed project provides for a 30 year Operations and Maintenance Agreement that fully funds operations, maintenance and capital improvements for the proposed facilities over a 30-year period.

- “*Enhanced Vitality and Economic Development*” by creating additional multi-use zoned land for private business in downtown, enhancing downtown business support and generation by increasing the number of visitors and residents downtown through the addition of housing, and hotels rooms and commercial establishments.
- “*Efficient and Stable Organization*” by consolidating staff from multiple buildings into one, building. Consolidation will help to co-locate departments who interact frequently and help to reduce operational inefficiencies.
- “*Provide Quality Services to the Community*” improve customer service by creating a one-stop location to address City Services, Public Safety and Development Services’ needs (currently the public is required to visit multiple locations throughout town for such services). Additionally, the project includes event space for special events which could be utilized for City events and potentially rented for private events.

Project Alternatives Considered

In earlier studies, an alternative to repair and expand existing facilities was studied. With City-owned buildings being over 50 years old, significant repairs, renovations, and maintenance would be required to keep the existing facilities functional into the future. The fire and police services facilities (which house public safety first responders, the 9-1-1 Dispatch Center, and the City’s Emergency Operations Center (EOC)) are not built to modern seismic standards; and this deficiency is particularly concerning due to the vital importance of continued operation during emergency events. The need for seismic upgrades was evident during the August 2014 earthquake, in which the police building was damaged. In addition, the Police Department (and other city departments as well) do not have sufficient space to continue to adequately address community issues including crime investigation and evidence storage as well as the growth in community policing and crime diversion support services including youth programs. Lastly, current leases of privately owned buildings are approximately \$300,000 per year and would need to be extended and most likely, new interim leases entered into until needed improvements could be undertaken.

These previous studies identified the following projects as being needed to address deferred maintenance of existing facilities and to provide satisfactory future service delivery space. Estimated costs for such renovations are outlines below:

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| • Police/Fire Admin-
Add 25,000 square feet & upgrade existing building
to essential services standards & police parking garage | \$ 40-50 million |
| • Community Services Building-
Retrofit/Remodel possible expansion | \$ 7-10 million |
| • Fire Station No. 1-
Interior & Exterior Remodel | \$ 3-3.5 million |
| • City Hall Expansion-
Expand City Hall to provide additional square footage for
Finance & IT Department & Upgrade Council Chambers
IT Functions & audio visual equipment | \$ 3-5 million |
| • Structural Upgrades includes new Roofs, HVAC and electrical | \$ 4-6 million |

(PD/Fire/City Hall/CSB)

- City-wide Technology Upgrades

\$ 1-2 million

\$ 58-77 million

This alternative results in an estimated \$4.6 million dollars per year of debt service. Based on the City's Long Term Financial Plan's "most likely scenario" forecast, the projected costs of the \$4.6 million per year would completely absorb or exceed the estimated annual surplus. Depending on the year, debt service would require the City to utilize as much as \$1 million in reserves to cover debt service.

Alternatively, the proposed consolidation of services into new facilities frees up excess city land which can be sold and developed into tax generating private uses such as a hotel, retail and residential spaces to help offset the cost of the new facilities over time. The sale of excess City land would provide new tax revenues to help offset the public facility construction costs. By adding new residents and visitors to downtown, these developments will help to support the vitality and successful evolution of downtown.

City Project Advisors Team

In addition to the internal city team of leadership, management and technical staff working on the project, a team of outside technical, financial and legal advisors with extensive expertise in the delivery of similar public projects including those constructed through the DBFOM approach has been involved in the project development and proposal review process. Outside consulting expert team members include:

- Bob Hunt, Managing Partner of Public Institutions, Jones, Lang & LaSalle (JLL) - head of the project team for the Long Beach Civic Center Project and UC Merced Expansion both DBFOM Projects
- Andy Phillips, Vice President Public Institutions, JLL - experience includes working for a city-owned nonprofit that is an entrepreneurial development partner with development companies
- Peter Morris, Principal, AECOM - expert in sustainability, construction economics and life cycle assessment/costing and has written technical specifications for numerous successfully delivered design/build projects
- Laura Blake, Architect - specializes in civic and community Projects, needs assessments, feasibility studies, master plans and criteria documents and was lead project manager and architect for the City of San Francisco's recent joint public safety facility project.
- Bob Gamble, Managing Director, Public Financial Management- currently serves as the City's financial advisor and has an extensive background providing financial analysis of cost and tax projections for public projects. He also served as the financial advisor for the Long Beach Civic Center Project.
- Robert Thompson, Partner, Sheppard Mullin Richter & Hampton- real estate investment, project development and leasing and financial transactional law. He also served as special legal counsel for the Long Beach Civic Center Project.

This project team developed the RFP, design and technical specifications for the project; reviewed the development proposals; reviewed the requests for information and developed the RFP Addenda; reviewed the proposals to assure each met the requirements contained in the RFP; drafted requests for information, best and final offer requests and reviewed all submittals including financial projections to assure they were accurate and clear for evaluation.

City Project Milestones

The City has been considering consolidation of its city facilities and construction of a new building to provide more efficient delivery of services to its citizens since 2004. The process followed has included ongoing, careful planning, an analysis of alternative options, direct City Council input through a public process and detailed planning for future city needs which has included analyzing department adjacencies to provide services to the public in the most cost effective way possible. The following outlines a summary of the project

history since 2004:

RECENT KEY MILESTONES

- April 2015-Council received consolidation study with design/build option
- August 2015-Council authorized RFQ to gauge interest in the project by experienced firms
- May 2016- Council approved shortlist of 3 firms to advance to the RFP Process
- Summer 2016- Interactive process with finalists to refine elements of the RFP design & technical requirements
- September 2016- Council adopted Evaluation Criteria to be used to rank proposals
- October 2016- RFP released
- February 2017- Responses received from Plenary & Strada/Scannell
- April 2017- Evaluation Interviews
- May 2017- Council to consider project responses

- In 2004, a city hall study projected an increase in city staff to significantly outgrow its existing facilities and projected a need for space to consolidate leased and city owned facilities. As a result, the study recommended consolidation of existing owned and leased facilities should be explored.
- In 2008, the City Council requested that a study be undertaken prior to the Downtown Specific Plan preparation regarding the scattered location of city services in the downtown area and the desire to study a consolidated facility in the Downtown Napa Specific Plan.

- On March 17, 2009, a report by RACESTUDIO and A. Plescia and Company was presented that recommended that the City consider consolidation of services into a shared location and also suggested that excess city land made available as a result of the consolidation could be used to partially offset the cost of the new facilities, including the consideration of a private/public partnership to provide portions of the project.
- In 2012, the City Adopted the Downtown Napa Specific Plan which provided a roadmap for future development of the downtown area. The Plan characterized Downtown as a place of social, entertainment, art, cultural, retail, residential, administrative and government uses. One of its goals was to be a place “Where the future would provide a prosperous hub of hotels, restaurants, shopping, offices and municipal services would draw a wide range of employees.”
- On April 7, 2015, the City Council received a report evaluating alternatives to consolidate city facilities. The report evaluated current operational costs of the existing facilities, opportunities for consolidation, tentative options for phasing, and potential financing strategies. A range of alternatives was studied including continuing City services in their current locations, with interior remodeling of existing City building and expansion of the existing Police Department facility, as well as renovating an existing private office building in conjunction with the expansion of the Police Department facility. The recommendation was to pursue a new joint facility with public safety departments of approximately 97,000 square on the block containing the Community Services Building (CSB). At that time, the option to consider a partnership with the private sector through a Design/Build Process allowed under the City’s authority as a charter city appeared to be the most cost effective way to deliver the project.
- On August 18, 2015, the City Council considered the goals of an RFQ process that was designed to evaluate submitted concepts by companies for either the private or civic portions of the project and to evaluate the strength of the interested teams. The desired outcome was to shortlist firms that were experienced in projects of this nature and highly likely to succeed in moving them to the RFP phase of the process as well as evaluation criteria to use in the ranking of the proposals. As a result, staff was authorized to issue a Request for Qualifications for the Project to gauge the interest of the private sector to partner with the City on the project.
- The City issued the RFQ in October 2015 in order to create a pool of interested development teams and to test the market as to the viability of the project. Statement of Qualifications submittals from six firms were received, with five firms being found to submit responsive Qualification Statements. Three of the five firms were interested in the private side of the project and all five firms were interested in the civic component. The qualification packages were reviewed by the City’s team of evaluators, including the city’s financial consultant on the project.
- On May 10, 2016, the results of the RFQ process were presented to the City Council. The City Council authorized staff to invite 3 teams to participate in a Request for Proposals (RFP) process; Sonnenblick, a Los Angeles based development firm, Plenary, an international development firm with U.S. headquarters in Los Angeles and Strada/Scannell, a partnership between two development firms including Strada, a regional developer based in San Francisco and Scannell, a national developer with headquarters in Indianapolis, Indiana. At that time, the City Council also provided direction regarding the RFP components, including excess land to be offered for sale as a way to reduce initial costs. In addition, it was decided that the potential for delivery of affordable housing as a part of the project would be included in the RFP. Council also agreed to provide a stipend to unselected firms who submit proposals meeting the requirements of the RFP; to allow some recovery of the extensive costs which are incurred during the RFP process thereby resulting in a more competitive process.

- Throughout Summer 2016; the city team refined space needs and necessary departmental adjacencies to efficiently work together to provide easily accessible services to the public.
- In September 2016, the City Council provided direction concerning community values for use in the criteria for ranking submittals. These included, but were not limited to design, cost, the City's (Prequalification Program including local business preference, prevailing wage, construction safety record, and apprenticeship programs), approach to LEED construction and project sustainability features. In addition, the City Council directed staff to add Operations and Maintenance components to the Design/Build/Finance model (DBFOM). This was done in order to assure these future city facilities are designed and constructed with materials which would reduce future maintenance costs as much as possible. Additionally, including operations and maintenance would assure that these facilities are properly maintained in the future so that the issue which the City finds itself in now, with large deferred maintenance costs, will not reoccur.
- In October 2016, the City Council took the necessary steps to deal with technical issues around ownership of the parcels to be included in the RFP:
 - The Super Block (City Hall, Police and Fire Station No. 1)
 - The Community Services Building Site (First and Seminary)
 - The Housing Authority Site (Clay and Seminary)
- In November 2016, the RFP was issued with project performance specifications to clearly communicate required standards, quality, and performance of the civic building and detailing the requirements for the redevelopment for the city-owned parcels included in the RFP. The RFP provided for a project with two significant components. The first is construction of a new civic building of approximately 100,000 square feet to consolidate the City's administrative, executive, public safety, and essential services functions. The RFP also offered the opportunity to develop a new Fire Station No. 1 to help maximize the land development value of the Super Block site.

The second component includes the sale of any excess land, at fair market value, resulting from the development of the Public Facilities for private development, which could include all or portions of the Community Services Building site, the Housing Authority site, and "Super Block" site (currently housing City Hall, Police and Fire Administration, and Fire Station No. 1). The RFP requires the land to be developed for private mixed-use. The sale of excess city lands and the private development tax revenues (sales tax, TOT, property taxes) will help to offset costs of the new civic building.

The entire RFP packet contained over nearly 400 pages of details in order to provide specific design and technical requirements on submittals in a consistent format. This was done so that proposals could more easily be evaluated resulting in a fair process with sufficient detail to help the City Council to make informed decisions moving forward.

- The proposal deadline was set for February 2017. In the ensuing preparation phase, Sonnenblick notified the City that they were not in a position to submit a proposal and so the process continued with Plenary Properties Napa and the Strada/Scannell Teams who submitted their proposals on February 14, 2017.

The RFP Process and Resulting Proposals

The effort that both teams put into their proposals displayed creative energy and resulted in questions to the City which improved the design and technical specifications included in the RFP. Through a series of onsite meetings which focused on different aspects of the process from design, technical material requirements,

operation and maintenance details, formal written Request for Information (RFIs) submitted by the teams, the design and technical requirements were refined in the RFP.

After the proposals were received and reviewed by the City team, each team was issued; a Requests for Clarification letter, Request for interview to review proforma data and economic analysis, and a request for in person interview. Best and Final Submittals were then requested from each team where they were asked to, among a variety of items, refine their cost proposals to reduce the costs as much as possible and/or provide any additional offers to the City, confirm timelines presented in their proposals, confirm building materials and finishing cost. This Best and Final Submittal Process is discussed in greater detail in the evaluation section of the report which follows.

The two proposals including all responses to the above mentioned initial proposal submittal, interviews, clarification letter and request for best and final offer were evaluated based on the criteria set forth in the Evaluation Criteria approved by the City Council and included in the RFP. Staff has prepared Exhibit B to the Evaluation Report (Attachment 1) which summarizes the Benefits, Drawbacks and Risks of both proposals to provide a snapshot of the two proposals and their approach to important proposal components.

Strada/Scannell Proposal

Strada/Scannell proposes the development of a Police and Fire Administration Building adjacent to a City Administration Building on the west side of Soscol Avenue, north of Tulocay Creek, and east of the future extension of Gasser Drive. The proposed facilities would be situated on approximately 6 acres and would be low profile, two-story in height connected by a joint lobby and skyway with surface parking behind the buildings. The secured parking for police operations is proposed to be surface parking as well, adjacent to the building. The site size would allow for future expansion areas beyond the 10% growth included in the programming developed by the City; however, such expansion would require additional buildings and parking would need to be converted to a garage. Funding for possible expansion building/parking is not included in the proposal and would need to be funded through a separate project. Fire Station No. 1 is proposed to be relocated to a newly constructed station on the current Housing Authority site.

In the Strada/Scannell proposal, the Super Block and CSB sites would be sold to Strada/Scannell as excess City land for use as private development. The private development portion of their proposal includes a 200-room luxury hotel on the east end of the Super Block where City Hall is currently located, with 277 parking spaces developed on the site shared between the hotel and residential units (the four-level parking garage would be bordered by residential uses and not visible from the street). The design includes 165 residential units (149 standard residential units with an average size of 1,000 square feet, as well as 16 ground-level live-work units).

On the CSB block, the developer proposes a 131-unit residential building with 2,440 sf ground-floor retail. The building will provide ground-floor retail at the corner of 1st and Seminary Streets, and nine live-work units. The proposed four-story building will be constructed atop two-levels of residential-lined parking, to accommodate the 164 stalls required by the City Code. Courtyards will be constructed above the garage to provide open space for the residential units. As currently designed, units are an average of 1,000 square feet, in order to provide the required parking within the two-story garage. Market studies performed by the developer indicate that smaller unit sizes on the site are optimal, and more affordable by design; but a use permit to decrease parking requirements would be needed in order to develop these smaller units.

Further market research and market conditions closer to the date of construction will ultimately determine for-sale versus rental residential buildings, however, Strada/Scannell has assumed the 165-unit building to be for-sale and the 131-unit building to be rental units in their proposal. None of the proposed housing units are in the affordable range.

All of the proposed private components are consistent with the maximum height requirements included in the Downtown Napa Specific Plan.

Benefits/Risks

The developer proposes to construct the new Soscol buildings and delay the construction of the fire station, private hotel, retail and market rate housing on the Super Block and CSB site until the City moves into its new facilities on Soscol. There are advantages to the lack of disruption to city operations by not requiring the use of interim swing space and the costs involved with an interim move. The downside of waiting to construct the private components is that market could change in the next 3 to 4 years making it more difficult to secure financing commitments and maximize land value for the hotel portion of the development. Any delay in private revenue producing components would require the City to fund/finance a larger percentage of the public facilities construction debt until the private tax revenues are generated following their construction.

The Soscol site provides buildings which are modern in design and efficient and provide logical/key city adjacencies. It provides land for possible future expansion, although it would not be in a compact setting and would require additional parking construction (likely a new parking structure). The aesthetics of the site are impacted by the high-voltage electric lines along Soscol. The Council Chambers and the green space are located close to Soscol Avenue, and it may be difficult to mitigate noise impacts on the Project from the street and activities in the green space. The green space along Soscol will require additional maintenance costs that are not covered as a part of Strada Scannell's proposal.

In addition, the Strada team does not own the Soscol site. Strada has indicated that the owner of the Soscol site is in contract with a third-party developer, and the third-party developer has a contingent agreement with Strada for the use of the Soscol site for the Project.

The private residential development proposed helps to meet the goal of an additional 850 residential units in downtown.

Plenary Properties Napa Proposal

The Plenary Properties proposal for the public facilities includes a compact urban designed structure on the Community Services Building site, four-stories in height, which includes 23,000 square feet of future expansion space and associated parking. The facility would front First Street with the Council Chambers to the front of the building. The facility includes a public gathering space in front with internal and external gathering and break areas and a significant inclusion of an additional \$400,000 art budget. They propose to construct a new 343 space parking structure on the surface lot adjacent to the existing Clay Street Garage to provide parking for the Public Safety and City Administration Building and Fire Station No. 1. Secure parking for the Police Department will be subsurface, below the wings hosting city administration and police operations.

Plenary Properties is proposing a luxury resort hotel of approximately 200 rooms located on the Super Block Site, with an option to consider 270 rooms. Hotel rooms will be approximately 500 SF, and additional commercial/retail opportunities include a ground level restaurant and bar, a rooftop bar/lounge, a small market ("bodega"), a wellness and fitness center, meetings and event space and parking. Also, included would be retail space for an 11,000 SF grocery market and café and 9,000 SF restaurant. 450 parking spaces would be provided underground on the site and shared between the hotel, retail and residential units.

Also, located on the Superblock site, the developer is proposing approximately 60 stacked residential apartments (with a range of 1 BR, 2 BR and 3 BR apartments) and accompanying underground parking. These homes will feature large living and dining areas, upgraded kitchens and bathrooms and upgraded

features and finishes.

Plenary has partnered with Stanford Hotels and Cresleigh Homes Corporation to develop the hotel and multifamily housing respectively. In addition to the 60 residential units proposed for the Super Block site, Plenary's proposal indicates that Cresleigh has purchased a property at the corner of Soscol and Central that has previously been entitled for 170 multi-family units (including some affordable units), and Plenary proposes for Cresleigh to re-entitle that property for the construction of up to 250 multi-family units.

Their proposal does meet all of the height limitations included in the Downtown Napa Specific Plan.

The private residential development proposed helps to meet the goal of an additional 850 residential units in downtown.

Benefits/Risks

The Plenary proposal is of a compact urban design providing a four story Public Safety and City Administration Building with approximately 23,000 square feet of expansion space. The advantages of the new parking structure on Clay Street supports the goals of the City Council to improve parking for the downtown as the garage would be available for public use on evenings and weekends for residents and visitors. The proposal includes the option for city operations to move into swing space to allow construction of the private, revenue producing components earlier so that construction costs would be offset sooner. Like the Strada/Scannell proposal, the Housing Authority Site is proposed for the relocation and construction of a new Fire Station No. 1.

While the initial RFP included an overall 10% employee growth factor, lack of space for growth is a risk of the Plenary compact urban proposal. Including the construction of the 4th floor shell and associated required parking at this time and potentially leasing it out until needed, provides growth opportunities for the future. Including the fourth floor and parking at this time provides a cost-effective approach to resolve future growth risks.

The Plenary schedule does require an interim move for city staff to allow the acceleration of the private development to generate tax proceeds sooner. Costs associated with temporarily relocating operations are included in the cost proposal and financing plan.

Affordable Housing

The RFP did not require that the Respondents submit proposals which include construction of affordable units. However, the evaluation criteria adopted by the Council, included points for construction of affordable units. Both development teams have communicated to us that the land value of the downtown properties owned by the City cannot support housing in the affordable range.

Strada/Scannell has mentioned they would be open to considering, but have made no formal commitment in writing, the inclusion of some affordable units on the CSB Block if the City was willing to discount the land sale or proved other funds to offset the cost of such units. Any contribution of funds or land sale discount would change the overall net costs of the Public Safety and City Administration buildings costs and subsequently increase the annual debt payments.

Plenary has partnered with Cresleigh Homes Corporation to develop the multifamily housing component of their proposed development. In addition to the 60-market rate residential units proposed for the Super Block site, Plenary's proposal indicates that Cresleigh has purchased a property at the corner of Soscol and Central that has previously been entitled for 170 multi-family units, and Plenary proposes for Cresleigh to re-entitle that property for the construction of up to 250 multi-family units.

For either proposal, the Exclusive Negotiations Agreement and subsequent negotiations phase of the project development could be a vehicle to negotiate construction of workforce and/or affordable housing units.

Project Financial Analysis

PFM, the City's Financial Adviser, provided the financial analysis of the two proposals summarized below.

Pricing and Financing Structure

Both respondents are proposing to finance the development of public facilities using what is known as a "63-20" financing structure (named after the type of nonprofit corporation used as the sponsor for the financing). In a 63-20 financing, a nonprofit corporation is created and issues tax-exempt bonds to finance governmental facilities. The bonds are secured solely by lease revenues (payments from the City). The bonds are not a general obligation of the City. However, the City's lease payments for payment on the bonds will be paid from general fund revenues. As such, the application of general fund revenues for payment of lease revenues reduces the City's capacity to borrow for other projects.

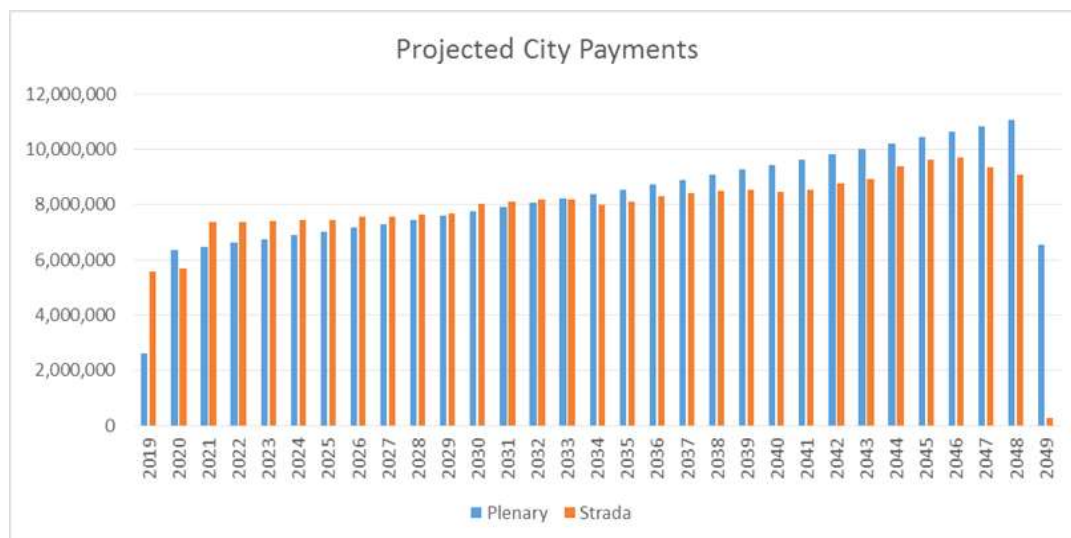
The debt structure for both respondents would utilize an escalating debt service schedule which reduces the negative impact on the City since revenues resulting from the project also escalate over time.

One significant difference in the proposed structures is the use of subordinate debt by Plenary. Under Plenary's proposal, 90% of the debt is anticipated to be publicly issued senior debt (the 63-20 financing structure debt that has the senior most claim on pledged revenues). 10% of the debt is anticipated to be subordinate debt (debt that is junior in priority to senior debt) to be privately placed with Plenary. This subordinate debt would be held by Plenary as an equity investment in the project and the payments for the subordinate debt could be subject to completion and performance risk. While the cost of this subordinate debt is higher than the senior debt, it provides financial assurance that the developer maintains a stake in the project over the long term and is incentivized to support the success of the project. Strada does not include any project risk sharing component to their proposed financial structure.

Proposed Costs

The average annual City payment for Plenary is \$8.256 M for 32 years while the average annual cost for Strada is \$7.853 M for 31 years. However, actual annual payments for both proposals are based on an escalating payment structure. Plenary's escalating payment structure results in smaller payments in the short-term and larger payments in the long-term. Strada's payment structure escalates slightly but is more level than Plenary's. Smaller payments in the short-term, especially the first five years of the project help to minimize the City's risk of carrying the debt payments prior to the private development being built and the accompanying offsetting tax revenues.

During the first five years of City payments, Plenary's projected payments are \$4.6 million lower than Strada's projected payments. Plenary's lower projected earlier payments may provide additional flexibility/less risk should tax revenues come in slower than anticipated.



Total City payments for Plenary are \$255.9 M and for Strada are \$243.5 M. It is important to note that while the average City payments and total payments are higher under the Plenary proposal, the Plenary project encompasses a wider scope, including 20% more space (23,000 additional square feet and accompanying parking) constructed than the Strada proposal.

The net public facilities cost for Plenary is estimated to be \$93.5 M, while for Strada it is \$100.5 M. A significant factor in the difference in net public facilities cost is the estimate of higher tax revenues for the Plenary proposal due to the differential in their private development proposal.

PFM prepared Exhibit C to Evaluation Committee Report (Attachment 1) which further summarizes the financial terms and conditions for a snapshot view of the two financial offers.

Prior Financial Projections

On August 18, 2015, staff presented preliminary financial information based upon construction and financing costs at the time. At that time, the civic building preliminary cost estimate used for budget development was \$54,500,000. The City's share of a joint use structured parking was estimated to be \$6,250,000, for a total project cost of approximately \$61 million. The market value of the City Hall and Police and Fire Administration property was estimated to be \$15,750,000.

There are several factors that have resulted in higher costs compared to the preliminary estimates, including, but not limited to;

- Construction costs have increased significantly in the region; a trend the City's experienced on several of its recent competitively bid capital projects.
- The proposal now includes a newly constructed Fire Station No.1.
- The proposals also include a 30-year operations and maintenance agreement (including capital improvement costs).
- The design and programming needs have been refined since the initial estimates as have the finishes in the public areas and gathering places to reflect the desire to provide a sense of place and reflect the world class nature of Napa.

The land values for the property to be sold have been revised to reflect appraised values (versus estimates). The property values for the Super Block, CSB and Housing Authority site (not previously included) now total \$23,110,000, with the Super Block proceeds estimated to be \$15,250,000.

Evaluation Process

The Evaluation Criteria and process followed by the Evaluation Committee is set forth in Section 4.1 of the RFP, which reflect the direction provided by the City Council on September 20, 2016.

City Council Adopted Evaluation Criteria

In September 2016, the City Council adopted evaluation criteria reflecting the community values and goals for the project. This important step was critical for the teams to use in the development of their proposals and ultimately for the City to use in the ranking of the proposals.

The criteria were grouped into the 2 categories of the development; the public facilities and those proposed to be operated by the private sector. Much greater detail of the design, construction and proposed operation of the City's buildings was required while the submittal for the design and construction of the private facilities was conceptual, since the City Council will consider that aspect of the project through a separate entitlement process at a later date.

Criteria for the public improvements center on the ability to meet both short and long term programmatic needs for the city, the overall design of the public buildings, location and access to the downtown and transportation, design which enhances customer service, sustainability and provision for open space. The impact to the local building economy through the use of locally available resources was also an important factor. In addition, the overall cost and financing structure as well as the proposed phasing of the construction and the City's ability to continue to provide public services efficiently for the project were included as factors in the evaluation.

Criteria associated with the private development included the overall design and mix of uses, sustainability, project construction timing and generation of revenue to pay for the construction of the public facilities. The inclusion of housing and retail as well as the hotel were also factors used to evaluate the proposals.

Other important criteria include economic impacts to the Downtown Area, including the economic impact, business and job creation. The design of Gateway enhancements to the 1st Street Corridor and the development of a sense of place in the downtown as well as the quality of the team's presentation materials are also important to consider as a part of the process.

Exhibit A to the Evaluation Report includes a full listing and weighing factor for each criterion.

The major categories for evaluation and their respective weighting towards the overall score include:

- Public Facilities (30%)
- Gateway Enhancement to 1st Street (5%)
- Project Management Plan (10%)
- Pricing and Structure (25%)
- Economic Impact (15%)
- Private Development (15%)
- Wow Factor (Bonus 5%)

Evaluation Committee

A seven-member Evaluation Committee was assembled by the City Manager and consisted of both city department heads and outside subject area experts. They were asked to collectively score the proposals based upon the criteria established by the City Council.

The panel members consisted of:

Bob Hunt, JLL DBFOM expert
Jacques LaRochelle, Public Works Director
Julie Lucido, Deputy Public Works Director Fairfield
Dr. Linda Jewell, Professor of Architecture UC Berkeley
Robert Gamble, City Financial Adviser PFM
Rick Tooker, Community Development Director
Steve Potter, Police Chief

Following their scoring, the Evaluation Committee provided their recommendation to the City Manager for his consideration.

Conclusion

The Evaluations Committee's conclusions and recommendation report to the City Manager is attached to this report (Attachment 1). This report includes the following; summary report of the Evaluation Committee's findings and recommendations, a consensus scoring sheet based on the City Council adopted Evaluation Criteria, a benefits and risks matrix, a matrix providing the highlights of the financial offers and economic assumptions provided by each proposer, and a listing of the proposal documents the Committee took into consideration to formulate their consensus score and recommendation. A summary of the information provided in the Evaluation Committee's Report is provided below.

After reviewing the original RFP submissions, interviews, clarifications and best and final offers, the Proposal Evaluation Committee scored the submissions using the process and categories set forth in the RFP. The total maximum points possible to each team was 3500 with an additional 175 (5%) available for "Wow Factor" which were distributed based on the City Council adopted weighting factors and percentages listed above. Based on the Evaluation Committee's consensus scoring, Plenary received a total score of 2808 points and Strada/Scannell with a total score of 2323 points. (The Evaluation Committee's consensus scoring and recommendation can be found in Attachment 1).

In evaluating the different scores by sub category, Plenary scored higher than Strada/Scannell in all categories except "Project Management Plan" and the "Private Development" categories, where Strada/Scannell had a slightly higher score than Plenary. The biggest variance in scores was in the "Public Facilities" and "Financial" categories, where Plenary scored significantly higher than Strada/Scannell. The Evaluation Committee's report is attached as Attachment 1.

The Evaluation Committee carefully considered the evaluation criteria scoring and recommended the Plenary Napa team as the preferred respondent for the development of new Public Safety and City Administration Facilities on the CSB site; a new Fire Station #1 on the Housing Authority site; the redevelopment of the Clay Street garage; and the development of a hotel and multifamily housing on the Super Block.

Given the difference in development proposals and the variety of benefits and risks each proposed, staff plans to have both development teams present their proposals to City Council as part of the Administrative Report presentation. Each team will be allocated an hour each to present their proposal to the City Council.

Next Steps

Following the presentation by developers and staff, the City Council will be asked to provide staff with direction on a preferred developer and invite them to enter into negotiations for an Exclusive Negotiating Agreement (ENA). The ENA will provide the terms by which the City and developer will subsequently negotiate and execute the variety of Project Agreements needed to implement the project, including the financing of the

public facilities, the real estate transfers necessary for the project, the design and construction of the public facilities, the operation and maintenance of the public facilities, and the entitlement and development of the private facilities. The ENA process will also allow the refinement of the design features of the public facilities. Any refinements in the budget based upon these negotiations will be presented to City Council as soon as possible.

Additionally, given the scale and highly technical nature of this project, there are a number of support services that will be required to support the project such as project management, special legal counsel, financial consultant, construction management, plan review and inspection services, etc. Such professional and legal services scopes of work would correspond with each project phase. The project has been broken into the major phases listed out below.

Project Phase	Description	Status
Phase 1	Up to recommendation to City Council for authorization to begin negotiating Exclusive Negotiating Agreement.	<i>Complete – staff recommendation to City Council presented on May 30, 2017.</i>
Phase 2 A	ENA Development	<i>To be determined by City Council direction</i>
Phase 2 B	Project Agreements, Negotiations & Execution	<i>To be determined by City Council direction</i>
Phase 3	Plan Development & Review	<i>To be determined by City Council direction</i>
Phase 4	Construction	<i>To be determined by City Council direction</i>
Phase 5	Operations and Maintenance	<i>To be determined by City Council direction</i>

Project requirements, timing and services will be presented to City Council for consideration and authorization prior to the commencement of each phase. If the City should select a preferred developer, staff plans to return at a future City Council Meeting with a full description of the ENA process and related project support costs. Estimated support costs for the project are currently included in the proposed FY 2017/18 & 2018/19 2 Year Budget's Capital Improvement Program within the Facilities Capital Improvement Fund (JL FC15PW02).

Moving forward to negotiating an ENA does not commit the City of Napa to selecting the preferred proposal. Only upon execution of the ENA, will the City have a development team under contract. Following selection of the preferred proposal, and commencement of negotiations for the ENA, City staff will provide updates to City Council regarding the anticipated schedule.

FINANCIAL IMPACTS:

Estimated support costs for the project are currently included in the proposed FY 2017/18 & 2018/19 2 Year Budget's Capital Improvement Program within the Facilities Capital Improvement Fund (JL FC15PW02).

While the requested action provided in this report of moving forward to negotiating an ENA does not commit the City of Napa to selecting the preferred proposal, staff has provided an estimated financial impact related to debt service payments should the City Council decide to execute an ENA and enter into contract with the development team in the future.

The latest Long Term Financial Plan's (LTFP) most likely scenario projects the City to experience an annual surplus between Most likely forecast shows ongoing surpluses of \$3.5 - \$4.9 million each year of the forecast beginning in FY 2019/20. This is in addition to an annual budgeted contribution of approximately \$2 million dollars to the Facilities Capital Improvement Fund - funds which have been set aside for the purposes of facility consolidation, construction and/or renovations of workforce facilities.

Under this scenario, either developer proposal's estimated net annual debt payments fit within available resources. The estimated annual debt payments include costs for the construction of the public facilities and the operations, maintenance and capital improvements to the public facilities over a 30-year time period. Offsetting costs factored into the net costs include excess City land sales proceeds (offsetting the construction costs) and estimated annual tax increment resulting from the private development. A summary of the LTFP projections along with estimated net annual costs for the development proposals are shown in the table below.

City Hall Proposals Financial Analysis

Most Likely LTFP Forecast	17/18	18/19	19/20	20/21	21/22	22/23
Revenues	\$89.7	\$96.2	\$103.3	\$109.4	\$114.5	\$121.8
Expenditures/Transfers to Reserves	\$(89.7)	\$(95.7)	\$(98.9)	\$(104.9)	\$(110.9)	\$(116.9)
Surplus / (Deficit)	\$0.0	\$0.5	\$4.4	\$4.5	\$3.6	\$4.9
Transfer to Facility Reserve	\$1.7	\$1.8	\$1.9	\$2.0	\$2.1	\$2.2
Plenary Proposal Net Cost = Total Annual Cost – New Tax Revenue – Operational Savings						
Net Cost		\$(1.9)	\$(4.9)	\$(2.5)	\$(2.6)	\$(2.6)
Strada Proposal Net Cost = Total Annual Cost – New Tax Revenue – Operational Savings						
Net Cost		\$(5.0)	\$(4.2)	\$(5.3)	\$(3.2)	\$(3.2)
No Build Alternative = Annual Facility Contribution + Lease Costs + Operating Expenditures						
Net Cost		\$(4.5)	\$(4.6)	\$(4.6)	\$(4.6)	\$(4.6)

Based on the LTFP projections, the Plenary proposal appears to be the more affordable of the 2, both short and long term and both proposals appear more affordable than “no build” option (renovate existing facilities). For either proposal, depending on the timing of private development completion, specifically the hotel operation, the City may need to use reserves for a couple years to help fund payments in either proposal.

CEQA:

The Public Works Director has determined that the Recommended Action described in this Staff Report is not in-and-of-itself a “project” (pursuant to CEQA Guidelines Section 15378) since it does not result in a physical change in the environment.

However, the Recommended Action is a part of a larger “project” that will be subject to environmental review in accordance with CEQA at the “earliest feasible time” prior to “approval” consistent with CEQA Guidelines Sections 15004 and 15352. The larger “project” is “to Design and Build a New Public Safety and City Administration Building as well as to Develop Excess City Land with Private Uses,” and staff plans to bring back a CEQA analysis of that project to Council prior to approval of the Project Agreements that commit the City to construction of the Project.

DOCUMENTS ATTACHED:

Atch 1: Evaluation Committee Report

Atch 2: List of Referenced Documents

Atch 3: Development Sites Included in the RFP

NOTIFICATION:

- Stuart Marks, Plenary development team
- Michael Cohen and Todd Berryhill, Strada/Scannell development team