

**Columbus Consolidated Government
Council Meeting Agenda Item**

TO:	Mayor and Councilors
AGENDA SUBJECT:	Property Closing and Renovation – 5601 Veterans Parkway
AGENDA SUMMARY:	Approval is requested to authorize closing on the property located at 5601 Veterans Parkway in the amount of \$2,500,000, plus the City’s portion of fees and closing costs and execution of a design build contract, under the annual contract per Resolution #150-17, with Barnes Gibson Partners Architects, LLC for the renovation of the facility.
INITIATED BY:	Community Reinvestment

Recommendation: Approval is requested to authorize closing on the property located at 5601 Veterans Parkway in the amount of \$2,500,000, plus the City’s portion of fees and closing costs and execution of a design build contract, under the annual contract per Resolution #150-17, with Barnes Gibson Partners Architects, LLC for the renovation of the facility.

Background: On November 12, 2019, City Council authorized the purchase of the property located at 5601 Veterans Parkway per Resolution #386-19. The location was being utilized as a satellite campus for Virginia College. The 70,140-sf building (60,000-sf lower level, 10,140-sf upper level) was constructed in 1975 (renovated in 2011) and sits on 7.2 acres. The listed price was \$3,200,000 but the seller has accepted an offer price of \$2,500,000 on November 14, 2019, plus the City’s portion of the fees and closing costs. The sales contract was executed on November 20, 2019. Since that time, the city has utilized the due diligence period to review space allocation, assess the building and the building systems, compile renovation costs, assess public transportation requirements, etc.

The use of the lower floor of 60,000-sf is being planned to relocate the Department of Public Health (DPH) from 2100 Comer Ave. and other DPH’s agencies that provide clinical and educational services. The DPH has been located at 2100 Comer Ave. since FY96 per Resolution #159-92 and #041-93. The City participated in the development of the Health and Human Services Building (HHSB) located at 2100 Comer Ave. which housed DPH, New Horizons, Department of Children and Family Services and other services. The city contributed \$2,736,000 to the Medical Center Hospital Authority for this facility in 1994. The Medical Center Hospital Authority/Columbus Regional Healthcare System sold the property to Family Holdings Sub, LLC in 2016.

The new landlord, Family Holdings Sub, LLC had advised the tenant, DPH, in August 2016 that the base rent would increase at the end of the original lease which ends June 30, 2020. The landlord provided a market study that indicated the market rate for office/professional space ranged from \$10-\$17/sf. DPH advised the city as the city is responsible to provide the space for DPH in

accordance with O.C.G.A. 31-3-9. The city began to review other options to determine if an alternative space was available, met the needs of the DPH and its customers, and provided a controlled long-term budgetary impact.

The city made a contribution in 1994 and has paid rent and common area charges for 25 years for the DPH since FY96 totaling \$9.8 million. The DPH occupies 43,170-sf (including common area allocation) of the HHSB and also leases additional space for other agencies to include WIC, District Office, Emergency Preparedness and others totaling an additional 44,982-sf (including common area allocation). Common area allocation includes charges for janitorial, security, maintenance, property management, taxes, etc.

The city has identified 5601 Veterans Parkway as the location for the DPH and some of the other agencies under the DPH umbrella. The city would provide space to DPH totaling 20,549-sf and collect rent from the other agencies of 39,451-sf. The common area totaling 22,559-sf would be shared by DPH and other agencies and is included in the space allocations. Each would share in the cost of the common areas based on a percentage of allocated space. DPH represents 34.25% and other agencies represent 65.75% of the occupied lower level of the facility. It is planned for the clinical services/educational services to relocate to 5601 Veterans Parkway and the residential/business services to remain at 2100 Comer Ave. The city has been working with the DPH to plan the space allocation for the various services areas with Barnes Gibson Partners Architects LLC to determine estimated costs of the renovations.

The Columbus Building Authority has issued lease revenue bonds in the amount of \$5 million for the purchase and renovation of 5601 Veterans Parkway.

Analysis: The acquisition of this property will provide space for the DPH and other agencies. The city will no longer rent space for the DPH. The City has spent \$9.8 million in a contribution and rent for the DPH over the last 25 years. The current base rent is \$3.86/sf for the 43,170-sf totaling \$166,631 plus common area charges of \$156,503. FY20 appropriation is \$323,134. The proposed lease would increase to \$6.00/sf plus common area charges projected at \$216,503 for a new annual total of \$475,523, an increase of \$152,389. The proposal was presented as a 10-year option. The increase in the common area charge from FY20 to future years is due to the addition of taxes now due on this property since it was sold to a private owner and is no longer tax exempt. Taxes should have been paid assessed and collected of approximately \$221,000 annually for 2018 and 2019 (total of \$442,000) but were not assessed nor paid in those years. Taxes are part of common area charges and are passed on to the tenants. If rent is paid at this rate for another 20 years, the total amount expended is projected to be at least \$9.5 million.

Financial Considerations: The City will pay the annual debt service on the Columbus Building Authority Bonds for 20 years at approximately \$310,000/year. The estimated annual operating costs are projected to be \$335,000. The rental income is estimated to be \$390,000 per year. The renovations are estimated to cost \$4.65 million. The bond issue provides \$2.5 million for renovations and would require an additional \$2.15 million of OLOST Infrastructure funding. \$1.1 million is budgeted in the OLOST Infrastructure Fund which will be re-appropriated from the transfer to the Debt Service Fund not needed due to the bond refunding and \$150,000 available in OLOST Infrastructure projects. The remaining \$900,000 would come from OLOST Infrastructure reserves. Over a 20-year period, the net cost to the City is estimated to be \$7.25 million compared to a minimum \$9.5 million for the rental option providing an estimated \$2.25 million savings to the taxpayers over a 20-year period and provide for more control of future appropriations and the

taxpayers would own the facility. The construction of a new facility for 60,000 sf of clinical space is estimated at \$12-\$15 million.

Legal Considerations: Council must approve all matters related to real estate. The City Attorney will review and approve all documents prior to obtaining signatures.

Recommendation/Action: Approval is requested to authorize closing on the property located at 5601 Veterans Parkway in the amount of \$2,500,000, plus the City's portion of fees and closing costs and execution of a design build contract, under the annual contract per Resolution #150-17, with Barnes Gibson Partners Architects, LLC for the renovations of the facility.

A RESOLUTION

NO.

A RESOLUTION AUTHORIZING THE CITY MANAGER TO EXECUTE ALL DOCUMENTS TO CLOSE ON THE PROPERTY LOCATED AT 5601 VETERANS PARKWAY AND EXECUTE A CONTRACT WITH BARNES GIBSON PARTNERS ARCHITECTS, LLC.

WHEREAS, the City has entered into a contract to purchase property located at 5601 Veterans Parkway for \$2,500,000; and,

WHEREAS, the City is required to provide space for the Department of Public Health, physical health division, per O. C. G. A. 31-3-9; and,

WHEREAS, the City has expended \$9.8 million over the last 25 years to rent space for the physical health division of the Department of Public Health; and,

WHEREAS, the City desires to own property to house the physical health division of the Public Health Department in order to ensure control of future annual cost and save an estimated \$2.25 million over the next 20 years; and,

WHEREAS, the City desires to renovate the facility to accommodate the clinical services/educational services of the Department of Public Health thru a Design Build contract with Barnes Gibson Partners Architects, LLC under the annual contract per Resolution #150-17; and,

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF COLUMBUS, GEORGIA, AS FOLLOWS:

To authorize the City Manager to execute all documents to close on the property located at 5601 Veterans Parkway in the amount of \$2,500,000, plus the City’s portion of fees and closing costs and execute a contract with Barnes Gibson Partners Architects, LLC for the renovation of the facility estimated at \$4,500,000.

Introduced at a regular meeting of the Council of Columbus, Georgia, held the _____ day of _____, 2020 and adopted at said meeting by the affirmative vote of _____ members of said Council.

- Councilor Allen voting _____.
- Councilor Barnes voting _____.
- Councilor Crabb voting _____.
- Councilor Davis voting _____.
- Councilor Garrett voting _____.
- Councilor House voting _____.
- Councilor Huff voting _____.
- Councilor Thomas voting _____.
- Councilor Turner Pugh voting _____.
- Councilor Woodson voting _____.

Sandra T. Davis, Clerk of Council

B.H. “Skip” Henderson, Mayor