TO: City Council

FROM: Paul Simmons, City Administrator

DATE: October 20th, 2026

SUBJECT: Purchase and Sale Option Agreement with Vine Street Investors—Conduit Two, LLC for 310 Israel Road Amendment No. 1

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1) Recommended Action:

Approve and authorize the Mayor to sign the First Amendment to the Purchase and Sale Agreement for 310 Israel Road SW; and further authorize the Mayor to complete the purchase and sign all necessary closing documents if all conditions are met.

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2) Background:

City Hall is the operational heart of our community, but its limited space hinders efficient and safe service to residents. The City now has its largest workforce ever and continues to grow to meet the needs of the growing city population, increasing demands on staff, public services, and community engagement.

Due to limitations in functional space, many offices are shared by two or more employees. The Parks and Recreation Department and the Water Resources and Sustainability Department have been forced to acquire off-site locations due to space limitations. Inadequate meeting space and limited parking constrain opportunities for collaboration and can limit public participation, making it more difficult to host community forums, manage crowd flow, and foster safe and inclusive civic engagement. Additionally, there is not adequate space for cubical working spaces to meet ADA standards, and the building needs safety and security upgrades. City Hall lacks space for lactation rooms or employee wellness activities.

On March 24th, the City Council toured City Hall to see how current working conditions hinder daily operations and limit future growth. To address this, the City hired Artisans Group Architecture and Planning for space planning services and to evaluate future options for City Hall.

On May 27th, the Artisans Group presented a summary of the findings of their space planning analysis. This analysis focused on current and future needs of the City and based on those needs developed four different scenarios for the City to consider.

On June 2nd, the City Council authorized the Mayor to secure a Purchase and Sale Option Agreement on the 310 Israel Road property. The cost of the option agreement is $100,000, and it gave the City exclusive rights to purchase the property for 6 months, which included a full acquisition price of $15,580,000. The option was executed on June 10th, 2026, and has an expiration date of December 10th, 2026.

The City has continued work with the Artisans Group on advancing preliminary concept design work to better define the building's scope, functionality, and long-term potential. Concurrently, detailed cost estimates have been developed for both construction and ongoing operations and maintenance to provide a clear understanding of the project's financial implications. Additional analysis has occurred to estimate potential debt service requirements associated with project financing and to evaluate funding scenarios. The project team has also investigated lease opportunities within the building to assess potential

revenue generation, occupancy needs, and strategies to offset operational costs while maximizing the building's long-term value to the community.

As a component of that work, the City identified that in order to meet state energy codes, the HVAC and mechanical systems will need to be replaced as part of the building retro fit. This was an unanticipated cost, and following further negotiations with the property owners, they agreed to lower the purchase price of the building by $1,500,000. This has resulted in a revised acquisition price of $14,080,000 and would require an Amended Purchase and Sale Agreement should the City Council choose to move forward.

On September 15th, the City Council approved a Bond Delegation Authority Ordinance, which provides the City the authority to procure the necessary debt required to execute the amended Purchase and Sale Agreement to acquire 310 Israel Road. While this action did not approve purchasing the building, it does give the City the authority to secure debt prior to the December 10th, 2026, closing deadline outlined in the option agreement.

On October 13th, the City Council Work Session highlighted phasing options, and the estimated costs of debt, construction retrofits, and ongoing operations. Following this discussion, Council direction was to bring back the Amendment to the Purchase and Sale Agreement for final consideration at the October 20th City Council meeting.

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3) Policy Support:

Vision, Mission, & Values

People:
We embrace the diversity of people in our community and strive to ensure everyone feels valued and included. We recognize the vital contributions of our staff and foster a supportive environment that promotes growth, celebrates achievements, and retains talent to serve our community with excellence.

Learning:
We learn from experience, embrace innovation, and seek new ways to enhance City services and strengthen our community.

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4) Alternatives:

- ❑ Direct staff to withdraw from the Purchase and Sale Agreement and seek other alternatives for addressing our City Hall space issues. This would require forfeiting the initial $100,000 option agreement payment.

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5) Fiscal Notes:

Should the City choose to move forward with the Amended Purchase and Sale Agreement, the City will pursue selling General Obligation Bonds to fund both the acquisition and retrofit costs of the building. This debt capacity and ongoing operational expenses have been built into the proposed 2027-2028 budget that is currently being considered by the City Council. All cost estimates will be presented at the work session for Council Consideration.

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6) Attachments:

A. First Amendment to 310 Israel Road – Purchase and Sale Agreement
B. 310 Israel Road – Purchase and Sale Agreement