



LFUCG

New City Hall

*DRAFT – FOR DISCUSSION PURPOSES
NOT FOR FOIA*

February 4, 2016



Agenda

Executive Summary

Methodology

Space Planning

Viable Development Sites

Transaction Structures

Costing

Executive Summary

Scope of Work

LFUCG engaged JLL to review its potential options for a new city hall thereby consolidating the operations in the current government center, Phoenix Building, and the Switow Building.

- Our site review was limited to Downtown Lexington
- The overall goal of the study was to provide LFUCG with viable location and potential deal structure options
- JLL reviewed numerous site options with regard to feasibility, speed to market, cost of construction and financing options

LFUCG also engaged our team to review and build upon previous facility information and create a high level space plan for the new city hall

- The JLL Team reviewed available data, determined desired adjacencies and created potential stacking plans
- Found that a building of approximately 180,000-190,000 GSF will likely fit all employees identified to move
- Identified next steps for space planning and costing

Executive Summary

Recommendations

With regard to potential locations for City Hall, JLL recommends a two-pronged approach:

- LFUCG should commission an in-depth costing and high-level design of developing on the current transit center site
 - Our team views this as a viable option given its size, location and public ownership
 - Site allows for several potential deal structures
- JLL recommends commencing negotiation discussions with the CenterPointe development team to reach a potential transaction for the government center office building, and simultaneous discussions regarding the parking garage.
 - CenterPointe could prove to be a viable option but has significant issues, that, if left unresolved, would render the proposal inadequate for LFUCG needs

A photograph of a red brick building facade. A horizontal concrete ledge runs across the middle of the image. In the upper left, there is a dark, semi-transparent rectangular box containing the text "Space Planning".

Space Planning

Space Planning

Introduction

The JLL/TNG team was tasked to:

- Rationalize, update and combine past LFUCG space planning studies
- Confirm group/department moves and create a theoretical stacking plan and adjacencies
- Confirm the employee count for the move
- Determine the gross square footage need for a new facility

To this end, we:

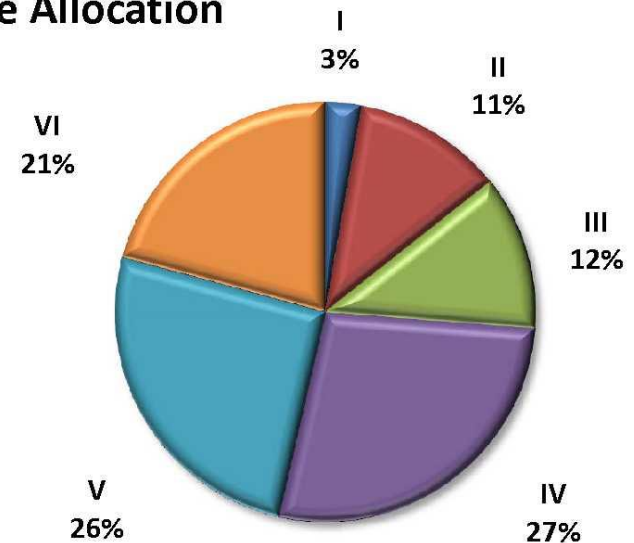
- Created a single master space planning document
- Confirmed with LFUCG staff all departments, headcounts, and space requirements
- Determined the required gross square footage to accommodate the groups/departments that are scheduled to move under space allocation requirements provided by LFUCG
- Developed two stacking scenarios to represent the range of possibilities for a small (16,000 SF) floor plate and a large (36,000 SF) floor plate – matching the prospective options available to LFUCG

Space Planning

Space Allocation Requirements provided by LFUCG

Space Category	Use	Proposed NASF
I	Private, Administration (Mayor, Chief of Staff, CAO,...)	350
II	Private, Upper Management (Commissioners, Directors, Deputies,...)	250
III	Private, Legislative (elected officials and their Legislative Aids combined)	350
IV	Semi-Private, Professionals and Middle Management	200
V	Semi-private, Administrative Staff (Administrative aids, receptionists,...)	150
VI	Open & Flex, Other	100

Space Allocation



Space Planning

Data Analysis

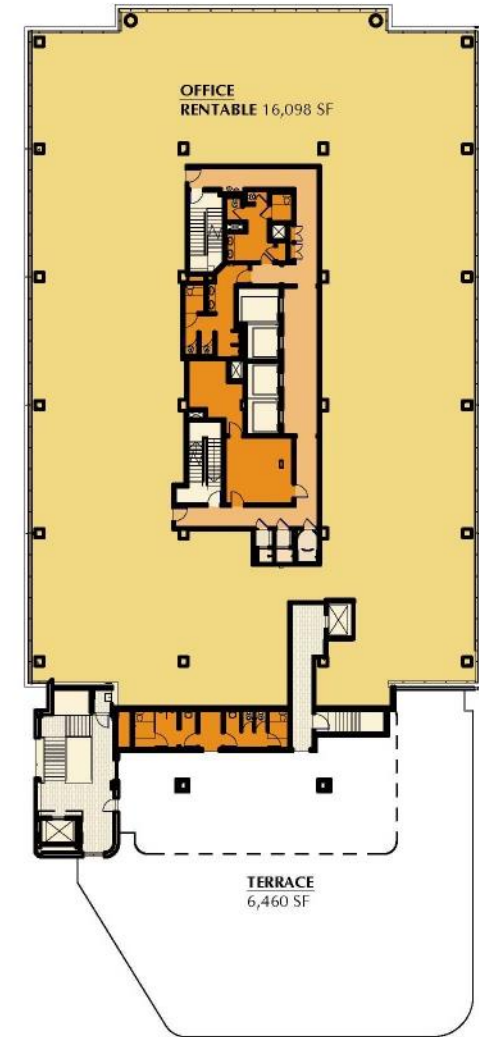
- Our findings indicate that a total of approximately 180,000 GSF would be required in a new facility, given space allocation standards as discussed with LFUGG
- Our findings indicate significantly lower space requirements vs. current footprint and previous studies– due to elimination of duplicate counting, significant efficiencies in several departments
- Savings of over 69,000 SF over current buildings (240,000 SF)

LFUGG PROGRAM			AS OF JANUARY 25TH, 2016				SQUARE FEET SUMMARY	
LOCATION TO BE DETERMINED			A		B		A-B	
PAGE	SPACE PLAN PROGRAM SUMMARY	# OF EMPLOYEES	PROPOSED FLOOR PLAN SF	EXISTING FLOOR PLAN SF	DELTA (PROPOSED-EXISTING)	COMMENTS		
	PROGRAM NAME							
3	IT-CIO-ENTERPRISE	25	4,813	9,100	(4,287)	INCLUDES SPACE FOR 10 CONTRACTORS		
4	LAW DEPARTMENT	21	8,346	9,100	(754)	INCLUDES 1500 SF FOR STORAGE		
5	RISK MANAGEMENT	6	1,581	2,844	(1,263)			
6	BUDGET	6	1,581	3,413	(1,832)			
7	INTERNAL AUDIT	5	1,238	2,844	(1,606)			
8	ENVIRONMENTAL QUALITY AND PUBLIC WORKS	5	1,375	1,978	(603)			
9	ENVIRONMENTAL PROTECTION SERVICES	18	3,644	7,122	(3,478)			
10	HUMAN RESOURCES	20	5,500	9,100	(3,600)			
11	COMPUTER SERVICES/GIS	28	8,800	9,100	(300)	INCLUDES 2,000 SF FOR DATA CENTER SPACE		
12	COMMUNITY DEVELOPMENT	16	2,819	7,663	(4,844)			
13	LAW DEPARTMENT (CLAMS)	3	825	1,437	(612)			
14	COUNCIL OFFICE	31	24,269	9,100	15,169	INCLUDES CAUCUS ROOMS & CONFERENCE		
16	GENERAL SERVICES	10	2,200	4,136	(1,936)			
17	CITIZENS ADVOCATE	1	344	414	(70)			
18	PROJECT MANAGEMENT GROUP	7	3,231	2,895	336	INCLUDES PLAN ROOM		
19	COUNCIL OFFICE - 2	4	1,100	1,655	(555)			
20	PURCHASING	9	4,263	4,645	(382)	INCLUDES CONFERENCE ROOM		
21	SOCIAL SERVICES	6	1,444	3,097	(1,653)			
22	PUBLIC SAFETY	6	1,444	3,097	(1,653)			
23	REVENUE	10	2,200	5,161	(2,961)	INCLUDES ARE ON 1st FLOOR FOR FEE COLLECT		
25	COUNCIL CLERKS	4	2,544	10,667	(8,123)	INCLUDES RECORD STORAGE		
26	POLICE	2	413	5,333	(4,920)			
27	PUBLIC INFORMATION OFFICE	3	550	1,637	(1,087)	LOWER FLOORS		
28	SECURITY	13	2,269	7,094	(4,825)	LOWER FLOORS		
29	CAO OFFICE	4	1,306	2,183	(877)			
30	MAYOR'S OFFICE	15	3,644	8,186	(4,542)			
31	MAILROOM	2	1,306	4,857	(3,551)	INCLUDES SPACE FOR MAIL EQUIPMENT		
32	AUXILIARY SERVICES-FACILITY	5	5,088	12,143	(7,055)	INCLUDES LOADING DOCK SPACE & WAREHOUSE		
33	ACCOUNTING-FINANCE	17	4,125	5,560	(1,435)			
34	REVENUE-2	34	6,875	5,350	1,525			
36	GTV3	7	4,881	1,700	3,181	INCLUDES PRODUCTION & STUDIO SPACE		
37	CREDIT UNION	4	756	1,698	(942)	ACCESS TO WALKUP WINDOW/DRIVE THROUGH-ATM		
38	SECURITY - 2	1	138	425	(287)			
39	SOCIAL SERVICES-YOUTH-FAMILY	7	1,306	2,972	(1,666)			
40	PARTNERS FOR YOUTH	4	756	1,698	(942)			
41	HOMELESS PREVENTION	3	756	1,274	(518)			
42	DOWNTOWN DEVELOPMENT AUTHORITY	4	1,031	1,698	(667)			
43	HISTORIC PRESERVATION	5	1,306	1,462	(156)			
44	BUILDING INSPECTION	34	5,431	9,938	(4,507)			
46	TRAFFIC ENGINEERING	17	3,644	11,400	(7,756)	INCLUDES AREA FOR COMPUTERS, MONITORS, ETC		
47	ENGINEERING/PLANNING COMMISSIONER	31	6,394	11,400	(5,006)			
49	CODE ENFORCEMENT	24	3,919	9,120	(5,201)			
50	FIRE DEPARTMENT-CHAPLIN	2	550	760	(210)			
51	PDR-PLANNING	1	344	380	(36)			
52	ADDRESSING	3	688	1,140	(452)			
53	PVA	25	4,469	11,400	(6,931)			
54	PLANNING - 2	34	6,531	11,400	(4,869)			
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56	OPERATIONAL SPACES	0	19,250	0	19,250			
	TOTAL	542	171,287	240,776	(69,489)			
					-28.86%			
TOTAL BUILDING GROSS AREA (BGSF) BREAKDOWN								
	TOTAL DEPARTMENT NET AREA		124,570					
25%	CIRCULATION		31,140					
10%	MEP		15,571					
	TOTAL		171,281					
3%	EXTERIOR WALLS		5,138					
	TOTAL BUILDING GROSS AREA (BGSF)		176,419					

Space Planning

Scenario 1 – 16,000 GSF Floorplates (Centerpointe)

Level 11	Council Offices, Council Clerks, Caucus Rooms And Conference Rooms, GTV3
Level 10	Council Offices, Council Clerks, Caucus Rooms And Conference Rooms,
Level 9	Mayor's Office, CAO Office, Law Department, Risk Management
Level 8	Budget, Internal Audit, Revenue, Purchasing, Accounting/Finance
Level 7	IT-CIO-enterprise, Computer Services
Level 6	Community Development, Citizens Advocate, Social Services, Social Services Youth, Family, Partners For Youth, Homeless Prevention, Human Resources
Level 5	Environmental Quality, Environmental Protection Services, Project Management Group, Building Inspection
Level 4	Traffic Engineering, Code Enforcement, Pdr-planning, Addressing, Planning
Level 3	PVA, Community Development, General Services, Purchasing, Downtown Development Authority, Historic Preservation
Level 2	Operational Spaces, Fire Department, Chaplain, Auxiliary Services – Facility, Engineering/Planning Commissioner
Ground Floor	Credit Union, Security, Public Safety, Police, Public Information Office, Mailroom, Operational Spaces



Space Planning

Scenario 2 – 36,000 GSF Floorplates (Larger Site e.g. Transit Center)

Level 5	Council Offices, Council Clerks, Caucus Rooms And Conference Rooms, GTV3
Level 4	Mayor's Office, CAO Office, Law Department, Risk Management, Budget, Internal Audit, Revenue, Accounting-finance, PVA, Purchasing
Level 3	IT-CIO-enterprise, Computer Services, Human Resources, General Services, Community Development, Citizens Advocate, Social Services, Social Services-youth -Family, Partners For Youth, Homeless Prevention
Level 2	Environmental Quality, Environmental Protection Services, Project Management Group, Building Inspection, Traffic Engineering,, Code Enforcement, PDR-planning, Downtown Development Authority, Historic Preservation
Ground Floor	Security, Credit Union, Operational Spaces, Auxiliary Services-facility, Public Safety, Police, Public Information Office, Engineering/Planning Commissioner

Space Planning

Next Steps

- Determine footprint/floor plate size based upon each site
- Complete budgeting for each department
 - IT infrastructure cost (to include phone system)
 - IT move cost
 - Employee move cost
 - Employee furniture, fixtures and equipment cost (new versus old)
 - Media technology cost (conferencing technology, overhead projectors, etc.)
 - Security systems cost
 - Graphics and signage cost
- Start schematic design

A photograph of a red brick building facade. A dark, semi-transparent rectangular box is overlaid on the upper left portion of the image, containing the text 'Viable Development Sites' in a white, italicized serif font. Below the text box, a horizontal concrete ledge runs across the width of the image, separating the upper brick section from the lower brick section. The brickwork is a consistent red color with visible mortar lines.

Viable Development Sites

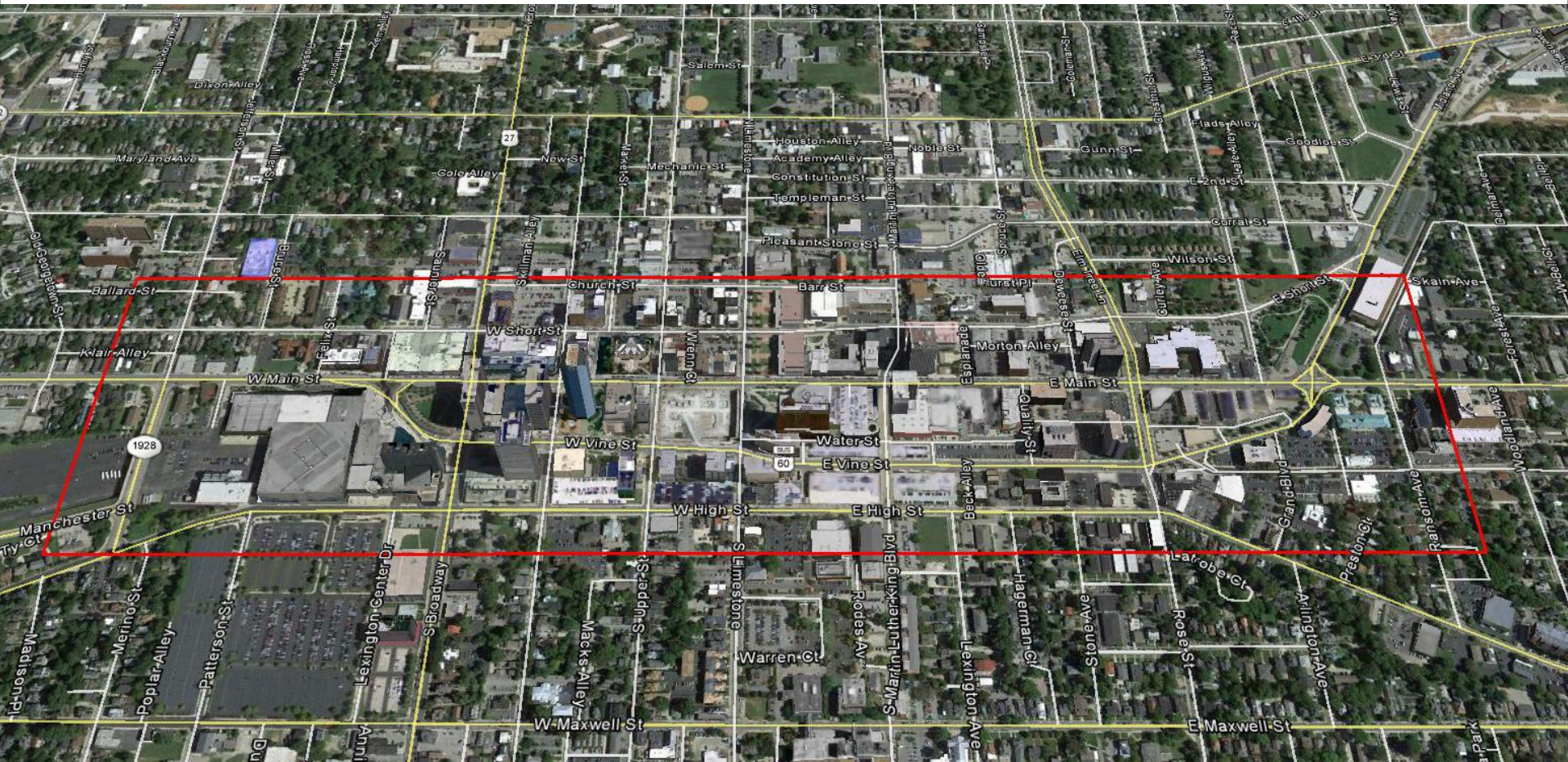
Viable Development Sites

Methodology

- JLL met with LFUCG staff for a kickoff meeting
 - Set expectations, Staff established location criterion for Downtown Lexington search area, discussed search process
 - Performed extensive search of available real estate within Downtown Lexington to meet the requirements of the LFUCG,
 - Search included existing properties, potential redevelopment options, and raw land
 - No existing office spaces of over 100,000 SF are available in Downtown Lexington
 - Search initially pursued from a fully independent, outside expert perspective, without any input or guidance from LFUCG
- JLL met again with LFUCG staff and stakeholders to discuss preliminary findings and gain insight into sites that were surfaced in the initial search and enumerate pros, cons, and other important points about each potential site
- Narrowed site list into two buckets for further consideration and inclusion in this report:
 - High Viability
 - Medium Viability
- Low-viability sites were removed from consideration based upon consensus from JLL team and LFUCG stakeholders about their lack of suitability

Viable Development Sites

Downtown Lexington Search Area



Viable Development Sites

Findings

High Viability Sites

- Lextran Transit Center Site
- Lexington Convention Center Site
- Centerpointe

Medium Viability Sites

- Lexington Herald-Leader Site
- Library Block Site

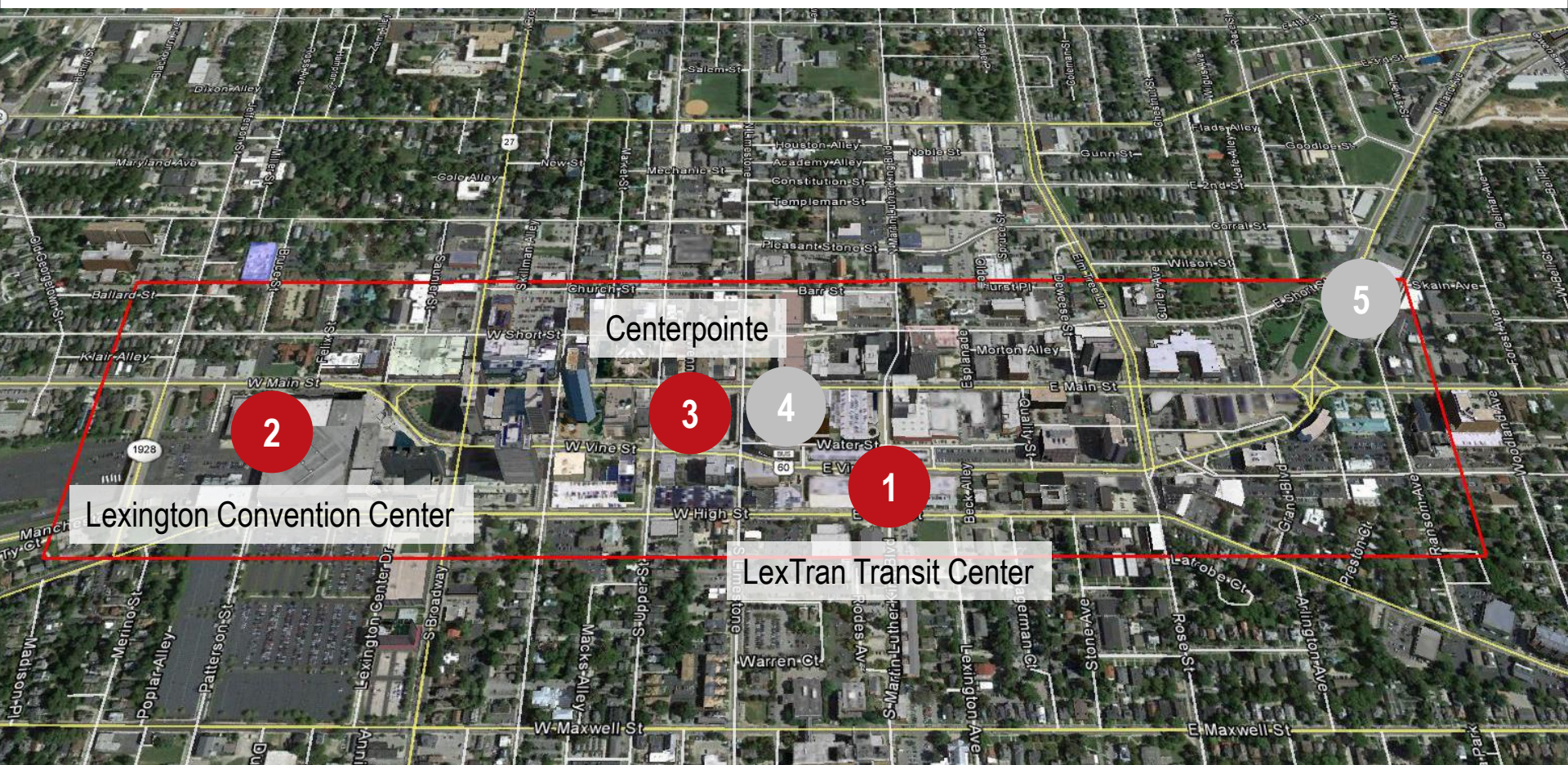
Viable Development Sites

Criteria

- Sites were examined and ranked based upon the following criteria:
 - Location
 - Potential of site to accommodate theoretical LFUCG Government Center program
 - Ownership and willingness of ownership to consider development of new Government Center as use of property
 - Speed to delivery
 - Land pricing or acquisition costs (if applicable)
 - Costs associated with development of each site and special development considerations (e.g. existing facilities to move/rebuild, parking structures, demolition, etc.)

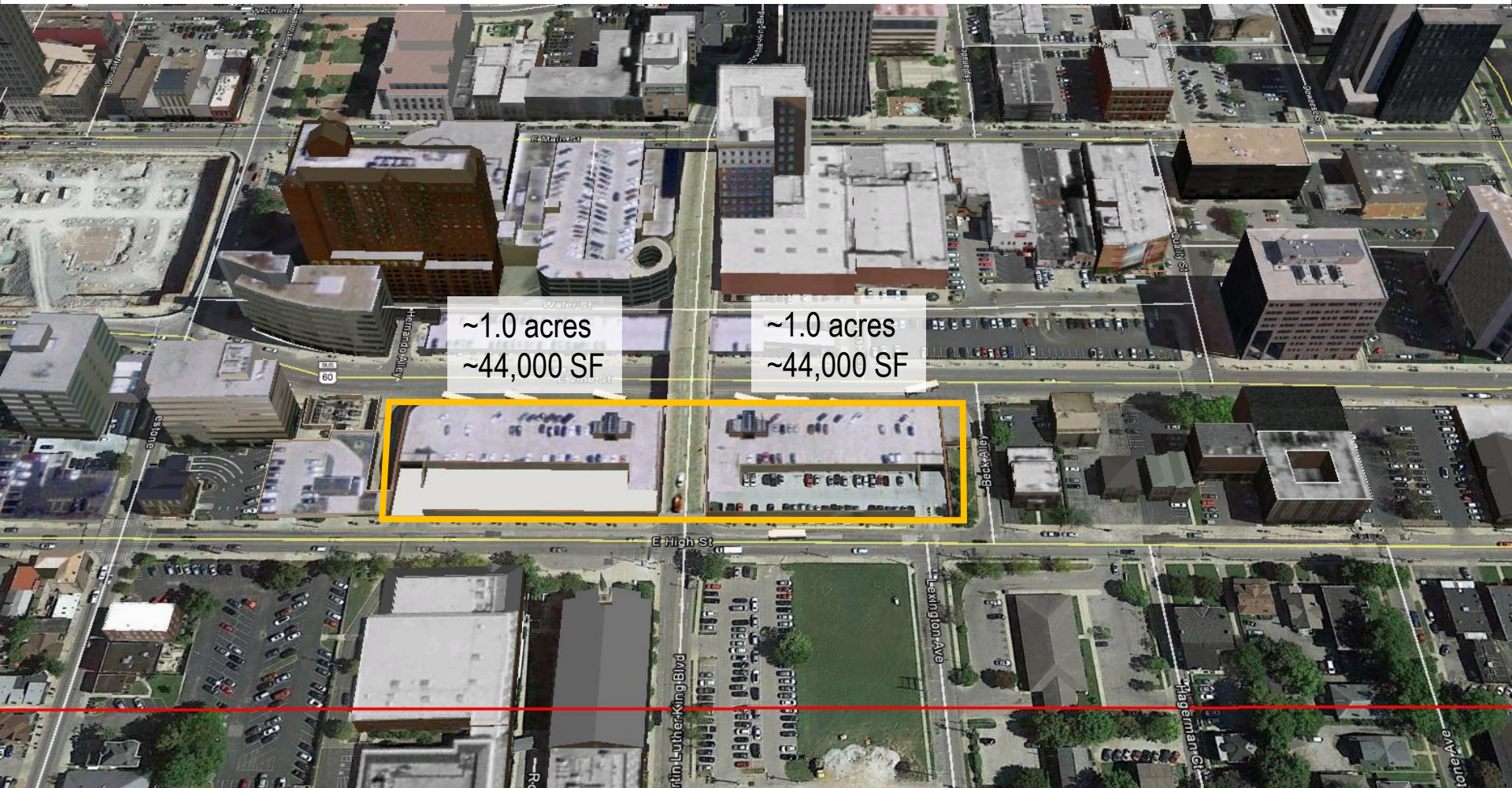
Viable Development Sites

Overview Map of Findings



Viable Development Sites

Lextran Transit Center



Viable Development Sites

Lextran Transit Center

Key Points

- Publicly-owned– potentially lower acquisition costs through public-public agreement
- Currently occupied by structured parking and Lextran bus terminal, includes the flyover of MLK boulevard
- Two blocks, bisected by MLK boulevard – issue which needs to be addressed in potential designs for site - Is the flyover to stay or to be removed?
- Large site – each block is 1 acre or larger – could easily accommodate a mid-rise building of 36,000 SF floor plates on one block and a large above-grade parking garage structure on the other block



Viable Development Sites

Lextran Transit Center

Issues to Address

- Demolition of transit center and re-construction or relocation of bus terminal on another site would be necessary
- Reworking MLK Boulevard flyover would be probable in construction of this site – could be a positive to enhance street-level experience in this area of Lexington as flyover
- Potential to position parking or reworked Transit Center across Vine Street
- Questions exist about the use of Federal funds to construct the transit center and the ability to re-use this site
- Site demolition would require at least Phase I environmental study; other potential environmental remediation may be necessary.

Benefits of Location

- Public ownership allows most flexibility in transaction structure
- Demolition and reconfiguration of current structure is relatively straightforward; uses to be reconfigured or relocated are low-impact and lower cost(bus station and parking)
- Well located and sized for the project; likely the cleanest development option
- Could provide the most economic cost of construction given the building size options

Viable Development Sites

Lexington Convention Center



Viable Development Sites

Lexington Convention Center Redevelopment

- We understand that the LFUCG may be pursuing a redevelopment of the Lexington Convention Center and the Lexington Center retail concourses in the near future, potentially in concert with a renovation and expansion of Rupp Arena
- Significant underutilized land areas around the center and potentially additional areas to be created through redevelopment that would accommodate a government center building
- Convention centers are typically horizontal 1-2 story facilities; adding a 5-6 story government building above some portion of the renovated convention center could be easily addressed at this early state of the project
- Construction of a new government center facility as an integrated piece of this project could prove to be a significant driver of the success of other areas of the project, bringing daytime foot traffic that would benefit retail in the area
- This is a potentially more involved option than the Lextran Transit Center option as it is a component of a larger project; could be within a revamped convention center complex or independently constructed on parking lots
- Should this be of interest, design and costing of the overall project should be conducted in short order



Viable Development Sites

Centerpointe



Viable Development Sites

Centerpointe

- Centerpointe is an obvious candidate as a centrally located development site in a prime location in downtown Lexington, with clear economic development benefits
- Examined history and current status of Centerpointe, and current proposal presented to LFUCG

Current Status

- Development is under control of a group comprised of the Collins family and Bridgeton Holdings
- Have presented a high-level conceptual proposal to the City for a long-term leased build-to-suit government center building
- Office building is planned for approximately 150,000 SF, with a 16,000 SF floorplate and underground parking
- JLL met with the Collins/Bridgeton team to discuss the project, their proposal, plan details and potential paths forward
- Meeting indicated a cooperative attitude and willingness to modify their proposal to accommodate LFUCG needs to the extent possible



Viable Development Sites

Centerpointe

Current Strategy

- Build office building, two hotels (full service and extended stay), residential and condo, and retail on property
- Shared underground parking for entire development
- Filling the hole and pursuing a lower-density project with above-ground parking is not currently under consideration by the development team
- Financing of all components – hotel, office and residential - linked into one package instead of two or three separate financings
- LFUCG anchor tenancy in office building used to help secure financing for hotel components
- Government subsidy of underground parking - TIF with government backstop proposed; other structures or strategies are welcomed by the development team



Viable Development Sites

Centerpointe

Current Lease Proposal Details

- 150,000 square feet NNN lease – ground floor of building to be leased to retail and restaurant tenants
- Lease Term – Minimum of 25 years
- \$24.00 / SF with 1.5% annual escalations
- LFUCG is responsible for all tenant improvements
 - Tenant improvements can run between \$45 and 65 per square foot for office space, and upwards to \$100 per square foot for specialty space or executive offices
 - Rough estimate of TI for 180,000 SF = \$9 to \$10 million
- LFUCG is responsible for all operations and maintenance, both financially and operationally
- Building remains property of owner after lease term
- Parking to be leased to LFUCG at the same terms as the general public - \$125/space/month

Viable Development Sites

Centerpointe

Issues to Address

- **Size of Office Building**
 - Proposed building is too small to accommodate program as defined by space planning
 - Is it possible to accommodate a larger building within overall Centerpointe envelope?
 - Floor plates relatively small and no ground-floor presence– decision point for LFUCG
- **Ownership at end of lease term**
 - LFUCG has indicated it wishes to have a 'path to ownership' in long term at a minimum
- **Tenant Improvements**
 - All interior buildout is at LFUCG expense
- **Operations and Maintenance responsibility**
 - Benefits of private ownership with regard to building maintenance are not realized under current structure
- **Parking**
 - Do LFUCG employees currently pay for parking? If not, LFUCG to pay for 500+ employees parking?
- **Subsidy**
 - Development subsidy a separate issue from office lease, but proposal as presented cannot move forward without finding funding for parking

Other Potentially Viable Development Sites

Library Block and Lexington Herald-Leader Site

Library Block

- Potential reconfiguration of publicly owned properties adjacent to and/or including the public library facility (Police, parking garage, county clerk office)
- Requires demolition of numerous parking structures and significant renovation of library – Site is likely not large enough to accommodate both parking and office building without use of library
- Would current parking structure be replaced elsewhere? Would current library need to be replaced as well
- Higher-cost option than pure ground-up due to potential reconfiguration / replacement of library and other facilities



Lexington Herald-Leader Site

- Acquisition, demolition and construction of ground-up facility
- Location is seen as sub-optimal (at edge of 'Downtown' area)
- Significant acquisition costs likely

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Transaction Structures

Transaction Structures

Overview

- Elsewhere in the public sector, numerous financial and transactional structures are being used to build, finance and maintain city halls and government centers
- Private sector involvement can range from design and construction, to full outsourcing of all aspects of occupancy (design, build, finance, and maintenance)
- Transaction structures possible for LFUCG are highly dependent upon land ownership; certain structures are only possible on publicly owned land (where the public sector can control all aspects of the transaction and dictate all terms)
- Privately-owned land transaction structures are subject to the desires of the private owner; negotiation can work to change this, however, in the end, it is their right to decide potential transaction structure. There is a range of private-finance deal structures that are possible; however, only one has been presented at the current time by the private site option
- Government has significant leverage as a major anchor tenant to change and influence transaction structures
- Overall, transaction structures are a balancing act between capital and control. The more capital invested by the public agency, the more control they can exert; and the more capital from the private sector, the more control they can exert.



Transaction Structures

Public and Private Financing

Public Finance

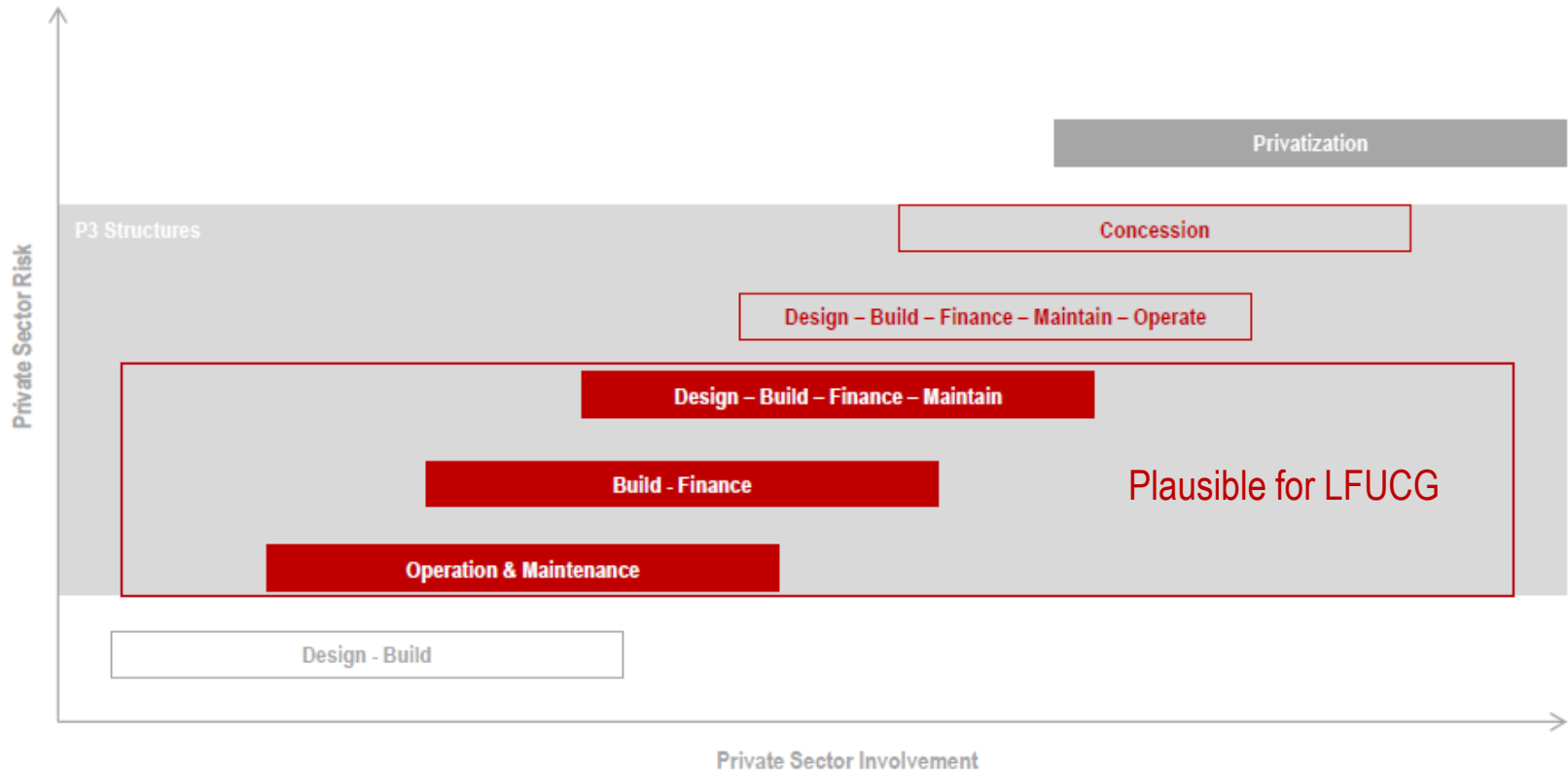
- Public Finance / ownership is simplest – LFUCG funds construction, owns and operates the building.
- Government may contract with a private provider for facility management/maintenance to ensure appropriate operations and maintenance levels
- Requires hiring private design, construction, project management at a minimum

Private Finance

- In a privately financed structure, the options are generally a market lease, or a credit-tenant lease build to suit
- Outsourcing financing, ownership, and maintenance to a private owner (generally, unless a triple-net lease is pursued)
- Specialized investors who focus on credit-tenant and government lease facilities typically look for lower returns than traditional real estate developers due to the lower risk profile of the transaction
- On publicly held land, a ground lease leaseback structure can be used to maintain ownership of the project but take advantage of private financing

Transaction Structures

Risk Transfer and Private Sector Involvement



Transaction Structures

Public and Private Financing

	Government Financed	Privately Financed
Cost of Capital	Lower (Gov't Bond financing)	Higher (equity and debt)
Speed of Delivery	Slower	Faster
Government Control Program, Operations, tenancy, etc.	Greatest	Least
Government Risk Delivery, Financing, Lease-up, etc.	Greatest Exposure	Least Exposure
Government Financial Impact	Greatest Exposure / Opportunity	Least Exposure / Opportunity

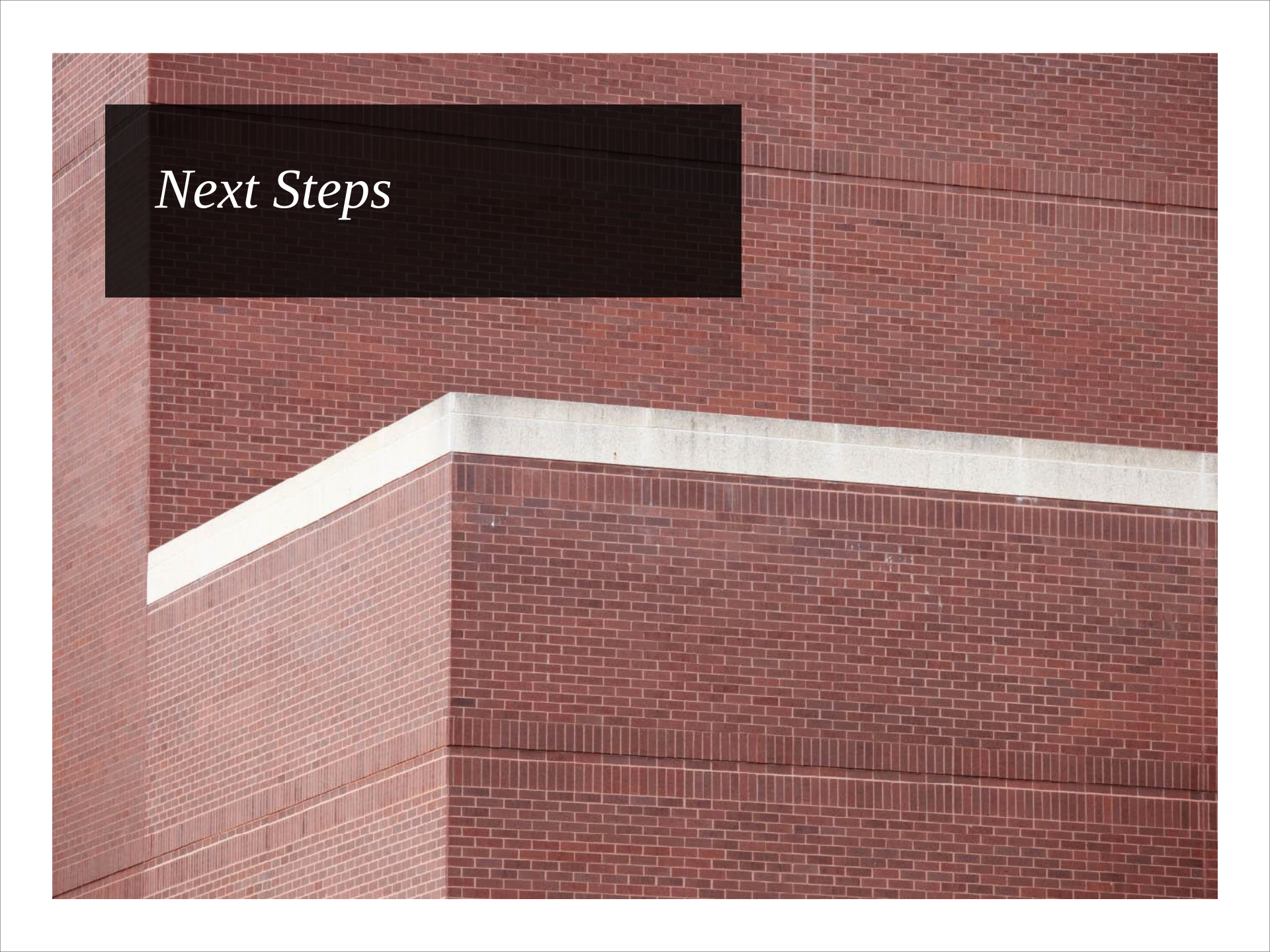
A photograph of a red brick building with a concrete ledge, serving as the background for the slide.

Costing of Options

Costing

Mid-Rise Office vs. High-Rise Office

- Significant cost differences exist between the costs of a ~5-6 story steel framed building and a high-rise (10+ story) concrete framed building
- Costs presented by Centerpointe are the best indicator of recent cost estimates for a high-rise building; were created in 2015 and may have escalated since creation (however are site and building design specific)
- JLL reviewed Centerpointe costs and believe they are within the reasonable range for such a project.
- Largest cost differential with Centerpointe is in the below-grade parking; it is not market standard to build this configuration
- Mid-rise can be significantly cheaper to build, depending on finishes and construction method. However, a larger site is needed to realize significant savings.
- Structured above-grade parking is approximately half the cost of the Centerpointe proposed below-grade spaces to construct.
- Detailed costing from a construction company and preliminary design work is necessary to examine the exact costs of construction on the Transit Center site (including demolition of the existing transit center and reconstruction of new bus bays)

A photograph of a red brick building with a concrete ledge. The text "Next Steps" is overlaid on a black rectangular box in the upper left corner.

Next Steps

Next Steps

- Enter into exploratory negotiations with Centerpointe
- Explore public financing and subsidy options around Centerpointe garage
- Perform preliminary design, cost estimation, and further investigation of existing conditions of Transit Center site
- Define program and plausibility of Lexington Convention Center option
- Decide on preferred public option between Transit Center and Lexington Convention Center
- Further detailed space planning can be performed once a design option is created



Thank you.