

## New City Hall Business Case

In FY2019 the Assembly appropriated funds to develop a business case and a high level cost estimate for the construction of a New City Hall. In the fall of 2018, CBJ Engineering contracted with NorthWind Architects and Raincoast Data to assist with this effort. This effort centered on relocating City Hall on top of the parking garage constructed in 2009 as part of the Downtown Transportation Center. This parking garage was intentionally designed and constructed to handle additional levels, either parking or office space. Two floors of office space added to the parking garage are sufficient to house all CBJ employees currently at City Hall (155 Seward St.) and in downtown leased spaces. Consolidation of CBJ business offices will make it easier for the public to navigate between city offices when conducting business. It will also provide a more collaborative work environment for city employees who often need to work across departments. There is a strong indication that centralization of staff and services would significantly improve the ability of the CBJ staff to be more efficient and better serve the public.

### Housing and Economic Development

Consolidating the business spaces of civic operations that are currently housed in City Hall and various leased spaces in the Marine View, Municipal Way, Sealaska, and Seadrome buildings would free up valuable commercial and residential space. In order for Juneau to have an economy capable of further growth, the community needs more housing. Juneau's two large seasonal impacts to the tight housing market are the legislative session and the summer visitor industry. Both of these impacts are largely centered in the downtown area. If CBJ vacates the 17,090 square feet of Marine View Building space that could potentially be converted back to 20+ apartments. Given the tight residential rental market in downtown Juneau, this would be a significant benefit.

### Municipal Revenue

Restoring property to commercial or residential use would generate revenue in the form of property and/or sales taxes. Commercial leases and any resulting public sales activity would be subject to CBJ sales tax. When privately owned, the property at 155 Seward (old city hall) would also be subject to property tax. Raincoast Data estimates that sales and property tax revenues would be approximately \$60,000 in the first year, and increasing in the future.

### Financial Options

The City and Borough of Juneau spends approximately \$1,056,760 annually for its downtown offices, including City Hall maintenance and private leases. As conceptually designed, NorthWind Architects estimates the New City Hall to cost \$26,732,600. Rain Coast Data estimates operating costs (custodial, utilities, and minor maintenance) to be \$331,762 annually.

Once the New City Hall is completed and occupied, the property at 155 South Seward (current city hall) could be sold to offset the cost of construction. Because the property is municipally owned, there has been no assessment to determine its value, but the structure is currently insured for \$3.4 million. The fair market value of the current City Hall at 155 Seward is estimated to be between \$2,500,000 and \$3,500,000.

The total amount of design and construction costs financed, by GO bonds, could be reduced by an appropriation from CBJ fund balance (savings). A higher up-front appropriation of fund balance (i.e. “down payment”) results in reduced debt service costs and reduced property tax increase to residents. Bond debt service would be covered by a combination of the \$750,000 already in existing CBJ operating budgets, to pay for leased office space, and the debt service component of the mill rate.

	Option 1	Option 2	Option 3
Project Cost – New City Hall	\$26,732,560	\$26,732,560	\$26,732,560
Less: FMV of current 155 Seward	(\$2,500,000)	(\$2,500,000)	(\$2,500,000)
Less: Appropriation of Fund Balance	(\$0)	(\$5,000,000)	(\$10,000,000)
<b>Project Cost to be Financed</b>	<b>\$24,232,560</b>	<b>\$19,232,560</b>	<b>\$14,232,560</b>
Annual Debt Service Cost for New City Hall (30 years)	\$1,454,300	\$1,154,300	\$854,200
Plus: Annual Custodial, Utility, and Maintenance Cost	\$331,762	\$331,762	\$331,762
<b>Total Annual Costs for New City Hall (30 years)</b>	<b>\$1,786,062</b>	<b>\$1,486,062</b>	<b>\$1,185,962</b>
Less: Offset CBJ Office Costs Available for Debt Service	\$1,056,760	\$1,056,760	\$1,056,760
<b>Annual Debt Service Cost paid by Increased Millage</b>	<b>\$729,302</b>	<b>\$429,302</b>	<b>\$129,202</b>
Millage Increase for New City Hall Debt Service	0.15 mills	0.09 mill	0.03 mill
Annual Property Tax Increase per \$100,000 Value	\$15.00	\$9.00	\$3.00
Annual Property Tax Increase per \$350,000 Home	\$52.50	\$31.50	\$10.50

Using Option 2 (\$5 million down payment) the debt service mill rate would increase from the FY20 proposed rate of 1.2 mills to 1.29 mills. This would be less than a 1% increase in a property owners overall tax bill (from 10.56 to 10.65 mills).

### Business Case Summary

The New City Hall would be designed to house 165 workers and improve public access to city services, provide an improved work space for employees to collaborate more effectively, and would do so without removing any property currently on the property tax rolls. In practice, when the 30-year bond is fully paid, CBJ would see an annual savings of more than \$700,000 from current costs. A New City Hall would create available commercial and residential space in the downtown area that could serve as an economic catalyst and relieve some long standing pressure for available space, both commercial and residential. Design, permitting, and an 18 month construction period would be scheduled once a decision to proceed has been reached and financing has been determined. According to the economic analysis completed by Raincoast Data, the construction effort would generate over 100 direct fulltime jobs with \$5.6 million in total wages over the design and construction time period. Additionally, it is estimated that close to 50 indirect jobs would be created with an estimated total salary of \$1.8 million through design and construction.

Bottom line is that for a small additional investment of property taxes for the next 30 years CBJ would own our own office space. And we would continue getting a return on our investment into the future and accomplish a big step towards several Assembly and community goals – downtown rejuvenation, housing, more efficient government, easier citizen access to CBJ.

## Next Steps

The public should have time to ruminate on this idea. With the consent of the Assembly, staff will prepare a presentation for public meetings with the following parameters:

- A. That this is a concept for discussion.
- B. That we invite other ideas.
- C. That we invite critique and refinement.

We recommend that the next steps be a series of public meetings, with an update for the Assembly after completion of the budget.