



Agenda Item Number: 2008-8-8A

BERNALILLO COUNTY BOARD OF COUNTY COMMISSIONERS

Meeting Date:

Department: Staff Contact: Thaddeus Lucero, County Manager

TITLE: Purchase of 500 Marquette Building

ACTION: Motion to:

1. Authorize the purchase of the 500 Marquette Building for a maximum of \$41,800,000
2. Authorize the Chair and the County Manager to negotiate and execute the terms of a Purchase and Sale Agreement.
3. Authorize the Chair to execute a Purchase and Sale Agreement, any termination notice and all closing documents.
4. Approve **FR _____ - 2008** Authorizing the issuance and sale of Bernalillo County, New Mexico Gross Receipts Tax Revenue Bonds, Taxable Series 2008A, in the aggregate principal amount not to exceed \$42,200,000 .
5. Approve **FR _____ - 2008** budgeting bond sale proceeds of \$42,200,000 for the purchase of the 500 Marquette Building.

SUMMARY:

In December 2006, Bernalillo County completed a space needs analysis to look at current space conditions and future space needs. Long term planning requires continual evaluation of facilities. Requirements of taxpayers as well as reasonable accommodations for staff must be considered. The most recent facility evaluation plan forecasts the need for 221,600 square feet of office space for all departments except public safety and public works in ten years. These same County departments currently occupy 160,000 square feet of overcrowded space, in multiple locations, in older buildings, thus causing poor public service and public/employee safety concerns.

Bernalillo County's downtown offices are in three separate facilities making it impossible for taxpayers to perform County business efficiently. For example: the County Assessor is located in the Rio Grande Building at 5th Street and Tijeras, the Clerk and the Treasurer are in One Civic Plaza, and the Planning and Zoning Department is in Union Square at Central and Broadway.

Efficient utilization of Bernalillo County staff is not realized because it is inconvenient, if not impossible, to move staff between departments located at all of these facilities when sudden workload surges occur. In addition, coordination of information systems between multiple facilities is often challenging and uneconomical.

Ultimately, consolidation of all County departments into one "Headquarters" facility is the most economical and convenient solution for the County. This is especially true as many of the

existing County buildings (ie Union Square and Rio Grande) are in need of major repair estimated to be \$5 million over the next 5 years.

The owners/broker of 500 Marquette approached County management about the possibility of the County purchasing this building for its headquarters. The 500 Marquette Building is an ideal building for County purposes. It has the approximate square footage required by the County's long-term analysis, is in very good condition, is in the right location, and can be purchased at its appraised value of \$41,800,000 (including artwork and sculpture). This is approximately 50% of the price to build a comparable facility at today's construction cost (without parking garage). Assuming 6% annual inflation in construction costs, constructing a comparable building for occupancy in 2017 would cost more than \$145 million. Constructing a comparable 631 space parking garage would cost \$11,358,000 for a total cost of over \$92 million (at today's rates). The building is operating profitably today with a 30% vacancy rate so the County will be able to move key departments into the building quickly and pay no costs for occupancy. Remaining departments will be moved into the building during the next six years as leases for space expire. The advantage to this is that for the first six years of occupancy the rental income will offset debt service bond payments. As County buildings are vacated and either rented to other governmental agencies or sold, rental income and operational cost savings would offset the operational costs at 500 Marquette.

ATTACHMENTS:

1. **FR _____ - 2008** Authorizing the Sale of Taxable Gross Receipts Revenue Bonds not to exceed \$42,200,000
2. **FR _____ -2008** budgeting bond proceeds for the purchase of the 500 Marquette Building

FISCAL IMPACT

A minimum of \$4 million is saved during the next ten years assuming the County uses rental income from the 500 Marquette Building to pay debt service and operating costs, immediately decommissions vacated buildings and eventually sells the vacated buildings.

STAFF ANALYSIS SUMMARY

COUNTY MANAGER

Arrangements with the City of Albuquerque over One Civic Plaza have not been satisfactory during my 16 years of employment with Bernalillo County. Bernalillo County owns 50% of the One Civic Plaza building plus 100% of the land. Under the terms of the JPA with the City, the County pays 50% of debt service, 50% of the cost of improvements and is allocated utilities based upon occupancy. The County only occupies 30% of One Civic Plaza so its occupancy costs, per square foot, are much higher than the City's. Other issues with the current arrangement include:

1. The City routed HVAC from One Civic Plaza to Old City Hall and has allocated utility costs based solely upon One Civic Plaza occupancy. The County has overpaid utility costs for years.
2. The City managed debt service for One Civic Plaza and refinanced the debt several times without notifying, or involving the County

3. The use of maintenance and security staff is disputed because Old City Hall, the parking structure, and other City building also receive service from these same employees.

By purchasing the 500 Marquette Building, the County can consolidate its primary public service departments into one building. With current leases from occupants in 500 Marquette, the County can purchase the building with gross receipts revenue bonds and use the lease payments to pay for the bonds, thus having no impact to the taxpayer.

The County can also sell its existing properties if needed, thus generating additional revenue, and can occupy its own office building providing greater public service.

Also, by purchasing 500 Marquette, the County will help stabilize the downtown office rental market.

Finally, by purchasing this building, the County can become a strong independent government with consolidated public service delivery. TL 8/6/08

DEPUTY COUNTY MANAGER FOR FINANCE DIVISION

By purchasing the 500 Marquette Building during this short “window of opportunity” and following the plan developed by management, Bernalillo County can:

1. Realize savings of \$4 to \$10 million during the next 10-years.
2. Purchase an asset at 45% of the construction cost of a similar building.
3. Consolidate staff in order to provide outstanding, one-stop service to the Taxpayers of Bernalillo County.
4. Accommodate the staffing/space requirements identified in the County’s space needs analysis.

Dan Mayfield, DCM Finance 8/5/08

CHIEF INFORMATION OFFICER

Maintaining systems at multiple locations requires staffing, equipment and vehicles (for service calls) that will not be required if staff in consolidated in one facility. Security of equipment and system access can also be accomplished much more efficiently. Paul Roybal, CIO 8/8/08

DEPUTY COUNTY MANAGER FOR COMMUNITY SERVICES

There a several potential benefits to the public in having various departments in one facility creating “one stop shops”. Parks, CIP and Building staff interact routinely to review project plans and coordinate efforts on construction projects. This would be much easier if all three entities were in the same building.

Customers at Zoning Building Planning and Environmental Health often have to research property records in order to verify ownership to facilitate applications. This requires going to either the Assessor’s or Clerks office to review data there. This would be much easier for the public if these offices were in the same building.

Plan check and permitting for building projects requires sign off and sometimes separate approvals and permits from Public Works and Fire in addition to Zoning Building Planning and Environmental Health. Customers regularly need to go from Union Station to South Broadway and/or the Atrium and then back to Union Station to get all the necessary details worked out.

Providing a one-stop shop with representatives of all permitting departments available at a single location would be a great benefit to the public and would cut down significantly on the time and effort needed to obtain permits. This would not require a permanent relocation of Public Works or Facilities staff to a new location but could be accomplished by coordinating assignments so that representatives of each department are available on site throughout the day to address permitting questions and to review and approve plans. I recommend Board Approval. JMB 8/1/08.

DEPUTY COUNTY MANAGER FOR PUBLIC WORKS

Facilities staff participated in the Space Study conducted in December of 2006, and agreed to the size of the floor space, as well as the recommendation to consolidate to one building. Once the Study identified the buildings to vacate, Facilities staff was asked to analyze current and future expenditures related to the identified structures. Current operating costs for Union Square, the Rio Grande Building and 620 Lomas total to \$315,500.00 annually. More importantly are pending costs for re-roofing, heating and cooling. Combined projected expenditures for these three sites are estimated at \$2.3M in the next three to five years. Tom Zdunek, Deputy County Manager 08-06-08

DEPUTY COUNTY MANAGER FOR PUBLIC SAFETY

For Bernalillo County to continue the progress of quality customer service, it must look to the future and provide the space and tools to its employees to perform the work and keep pace with the needs of its constituents. The acquisition of this facility not only centralizes critical services for easier public access but provides a "one-stop" model of customer service. It also will provide a work environment to accommodate future Bernalillo County growth very cost efficiently as construction costs continue to sky rocket. I recommend approval of this item. JDantis 7/31/08

FINANCE

Budget

Space is not available to maintain General Ledger, Grants Management, Accounts Receivable and Financial Reporting functions at One Civic Plaza. Therefore my department has been relocated at the Compass Bank Building across the street. Even this short distance slows down workflow when questions regarding forms are actual checks require that several employees meet. Jeff Lovato, MBA, Accounting Director 8/8/08

The short-term financial model indicates that the County will have additional financial resources available for other projects through 2013 as a result of purchasing the 500 Marquette Building. Assuming sale or lease of vacated County properties by 2014, occupancy costs may not be greater than today's rates plus inflation. Teresa M. Byrd, Budget Director 8/8/08

Risk Management

The consolidation of County Departments will reduce overall insurance costs for Bernalillo County. The consolidation of Departments will reduce the risk to employees and the public traveling from building to building to do County business. The 500 Marquette Building will be covered under the County property insurance program. David A. Baca, Risk Management Director. 8/7/08

LEGAL

The purchase is within the Board's authority. The legal Department will be actively involved in negotiating the terms of the Purchase Agreement. JSL 08/07/08