



Stillwater Building Purchase

Background

- August 2019 – RFP
- December 2019 – Stillwater Building Selected
- Negotiation committee:
 - CMs: Boyett, Joy, Neese, Purinton, Shaw
 - City Staff: Iffland, Iverson, Zoeller
 - Private Citizen: Randy Hafer, architect
- July 13, 2021 – Council voted to enter into contingent buy-sell agreement to purchase the entire building for \$17 Million
- Due Diligence Period
- August 16, 2021 Work Session – Inspection results. Directed staff to terminate agreement and continue negotiations
- August 23, 2021 – Purchase agreement was terminated

Why the Stillwater Building?

- **LOCATION:** The Stillwater Building is located in the Downtown Billings Core less than two blocks from the current City Hall.
- **SIZE:** The building is large enough to house all City Offices currently at City Hall and in leased spaces, provide the additional space currently needed, and allow room for future growth. The building also allows for additional space for co-location of other public entities or services.
- **INFILL OF A VACANT BUILDING:** The Stillwater Building is currently mostly vacant with only Yellowstone County as a tenant.
- **COST:** The cost to purchase and building out the existing building is substantially less than the cost of new facility. Current construction cost for a new building are estimated at \$300-325/sf
- **LACK OF AN EQUIVALENT ALTERNATIVE:** There are currently no other available properties that offer all of the above advantages, specifically location of all departments in one facility.

Stillwater Building Challenges

- **PARKING:** Limited to basement and street parking. Employee parking would primarily be offsite.
- **EXCESS SQUARE FOOTAGE:** Time and resources to manage tenants and leases.

Other Facility Options

- Other proposals submitted under the RFP did not meet all criteria as well as the Stillwater Building.
- Recently discussed properties were not submitted as part of the RFP process.
- High level review of alternative options do not have the same advantages as the Stillwater Building.
- Significant investment of time and money into the Stillwater Building purchase process. These same costs and time would be incurred in investigating a new property.

New Purchase Agreement

- Further negotiations resulted in a reduced offer of \$13.5 Million
- Committee voted to recommend approval of purchase agreement at \$13.5 Million
- Council to take action at the October 11, 2021 regular business meeting with closing on October 15, 2021

City's Due Diligence

- Start Date: 7/13/2021
- Completion Date: 8/2/2021
- Components Inspected
 - MEP – Mechanical, Electrical, Plumbing – IMEG
 - Civil – IMEG
 - Envelope and Glazing – Terracon
 - SFRM – Fire Proofing Material – Tetra Tech
 - Asbestos and Radon – Tetra Tech
 - Roof – Bradford
 - Structural – Whitten and Borges
 - Elevators – KONE

Total Recommended Repair Costs

Electrical	\$1,617,500
Mechanical	\$2,340,000
Plumbing	\$170,000
Structural	\$30,000
Envelope/Roof	\$470,000
Windows	\$500,000
Civil	\$16,000
Replace Ducts	\$425,000
Elevators	\$780,000
Roof Replacement	\$700,000
TOTAL	\$7,073,500

Minimum Viable Repairs

Red Text Indicates Deferred Repairs

Electrical	\$1,617,500
Mechanical	\$2,340,000
Boilers	-\$460,000
Basement Exhaust	-\$80,000
Plumbing	\$170,000
Structural	\$30,000
Envelope/Roof	\$470,000
Windows	\$500,000
Civil	-\$16,000
Replace Ducts	\$450,000
Elevators	-\$780,000
Roof Replacement	-\$700,000
TOTAL	\$3,541,500

Asbestos Costs

- Full Remediation of All Existing Asbestos \$1,350,140
- Construction cost premium for Asbestos Containing Building Material (ACBM) abatement
 - Dependent on scope of remodel
 - Relocation or renovation of electrical/data rooms
 - Renovations that disturb areas of ACBMs
 - Replacement of ductwork

Cost per Square Foot – Entire Building As-Is

• Building Purchase Price	\$13,500,000
• Total Building Square Footage	213,615
• Purchase Price per Square Foot	\$63.20
• Infrastructure Upgrades	\$3,500,000
• Price per Square Foot	\$79.58

Sources and Uses

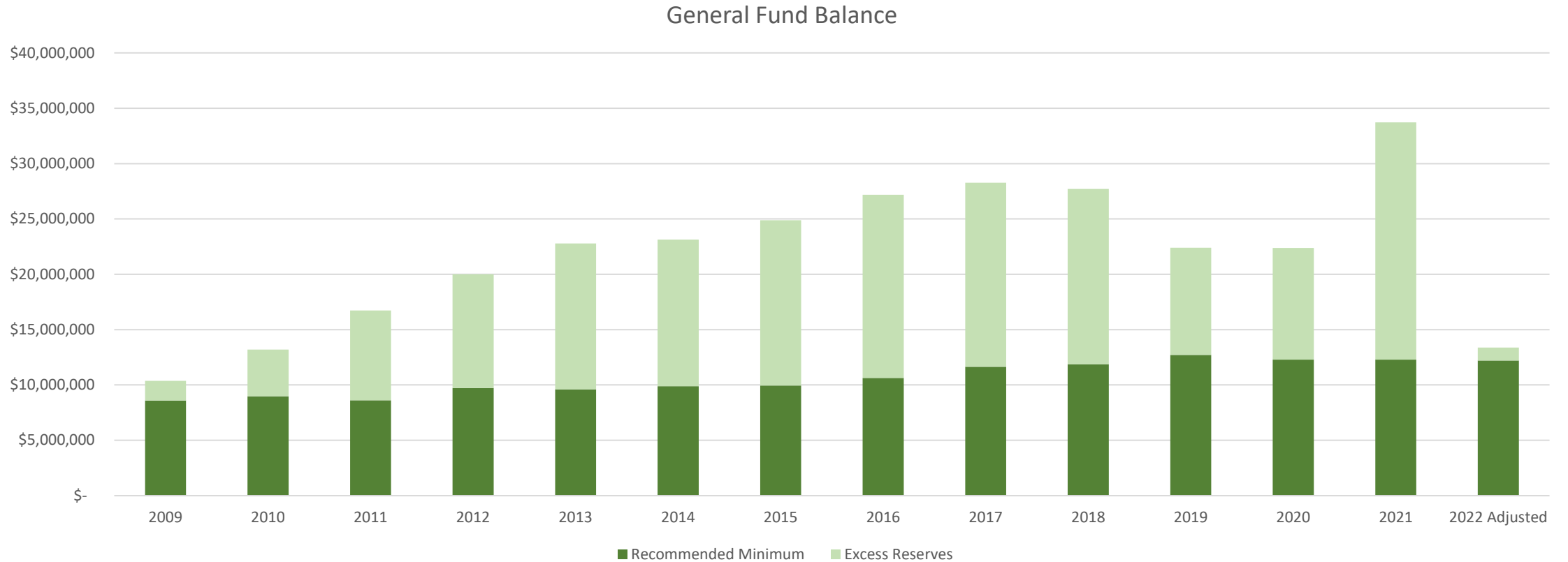
Sources

Excess General Fund Reserve	\$	20,350,560
Departmental Buildout Contribution (30%)		3,439,363
ARPA Funds for Public Safety Buildout		<u>5,810,077</u>
Total Sources	\$	29,600,000

Uses

Stillwater Purchase Price	\$	13,500,000
Infrastructure Upgrades		3,500,000
Architecture Costs		1,200,000
Estimated Buildout		10,000,000
Contingency @ 12.5%		<u>1,400,000</u>
Total Uses	\$	29,600,000

General Fund Reserve History



Rent Revenue

- Yellowstone County currently leases 17,395 sq ft
- Projected Rent (base rent plus CAM charges):

	2021	2022	2023	2024	2025	
						<u>Grand Total</u>
Total	\$94,629	\$389,868	\$401,564	\$413,611	\$177,510	\$1,477,182

- Final payment in May 2025 if the County chooses to not execute their 3 year lease renewal option.
- If the City leases an additional floor and a half of unneeded space (approximately 42,000 SF net leased area), the City could expect to collect an additional \$900,000 to \$1.1M in annual rent based on the County's lease rate.

Current Operation and Maintenance Costs

- Current expenses provided by owner:

Utilities	
Electrical	\$125,000
Gas	\$55,500
Water/Sewer	\$9,305
Phone	\$2,960
	\$192,765
Maintenance	
Mechanical	\$177,000
Elevators	\$29,000
Doors	\$1,500
Security System	\$7,600
	\$215,100

Operations	
Cleaning Common Areas	\$56,010
Snow Removal/Landscape	\$4,000
Insurance	\$41,000
Property Management	\$24,000
	\$125,010
Annual Capital Costs	
Roof (per 10 yrs)	\$18,000
Elevators (per 10 yrs)	\$20,000
Mech Systems (per 10 yrs)	\$6,000
Misc	\$1,000
	\$45,000
Total	\$577,875

- Leasable Square Footage: 129,600 NSF
- Expenses per square foot: \$4.46/SF

Facilities Charges

- **FY22 City Hall Charges:**
 - Leasable Square Footage: 42,660 NSF
 - Expenses per square foot: \$13.52
- **Miller Building:**
 - Annual Rent: \$226,596
 - Cost per square foot: \$15.77
- **Depot Building:**
 - Annual Rent: \$174,768
 - Cost per square foot: \$18.59

Line Item	1567
	CITY HALL
	6500-15670 Detail
DEPARTMENT	
MAYOR/COUNCIL	\$10,784
ADMINISTRATION	\$30,802
POLICE	\$245,085
PARKING	\$35,332
CITY ATTORNEY	\$35,990
INFORMATION TECHNOLOGY	\$56,306
TELEPHONE	\$3,219
FINANCE	\$43,460
MUNICIPAL COURT	\$90,639
HUMAN RESOURCES	\$25,066
TOTAL	\$576,683

Total Current Facility Costs

City Hall	\$577,875
Miller Building	\$226,596
Depot	\$174,768
Total	\$979,239

Projected Revenue and Expenses

- Based on current City Hall and Stillwater Building expenses, we estimate an annual O&M budget of \$1.75 - \$2 Million for a fully-occupied building

CH Department Charges	\$577,875
Current City Leases	\$401,364
County Lease	\$389,868
Sub-Total	\$1,369,107
Potential Leases	\$900,000
Total	\$2,269,107

Questions?