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FLAGSTAFF ARIZONA EST. 1882

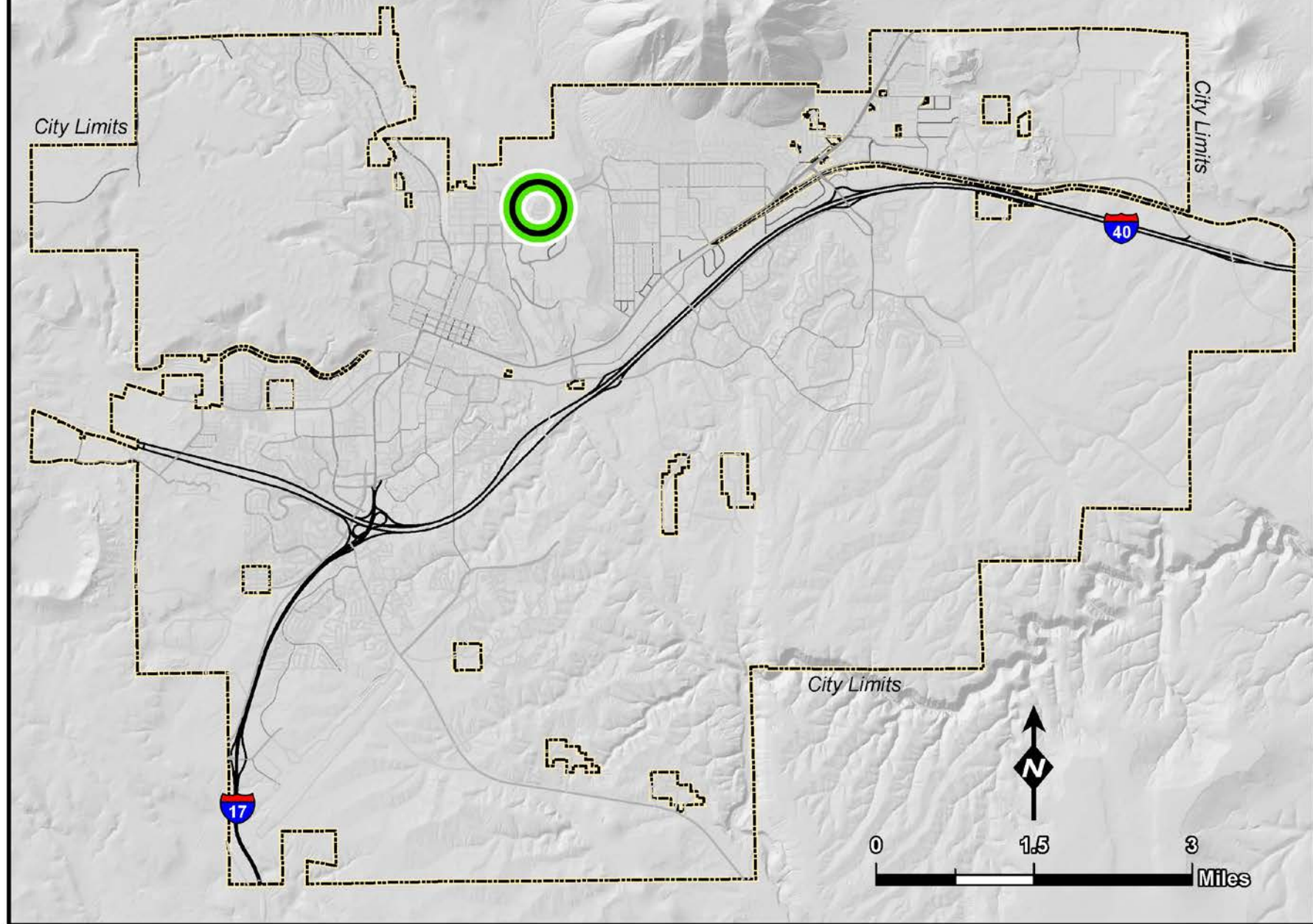
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OTHER  
ANCHERS,  
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FLAGSTAFF ARIZONA

# USGS Campus Build to Suit

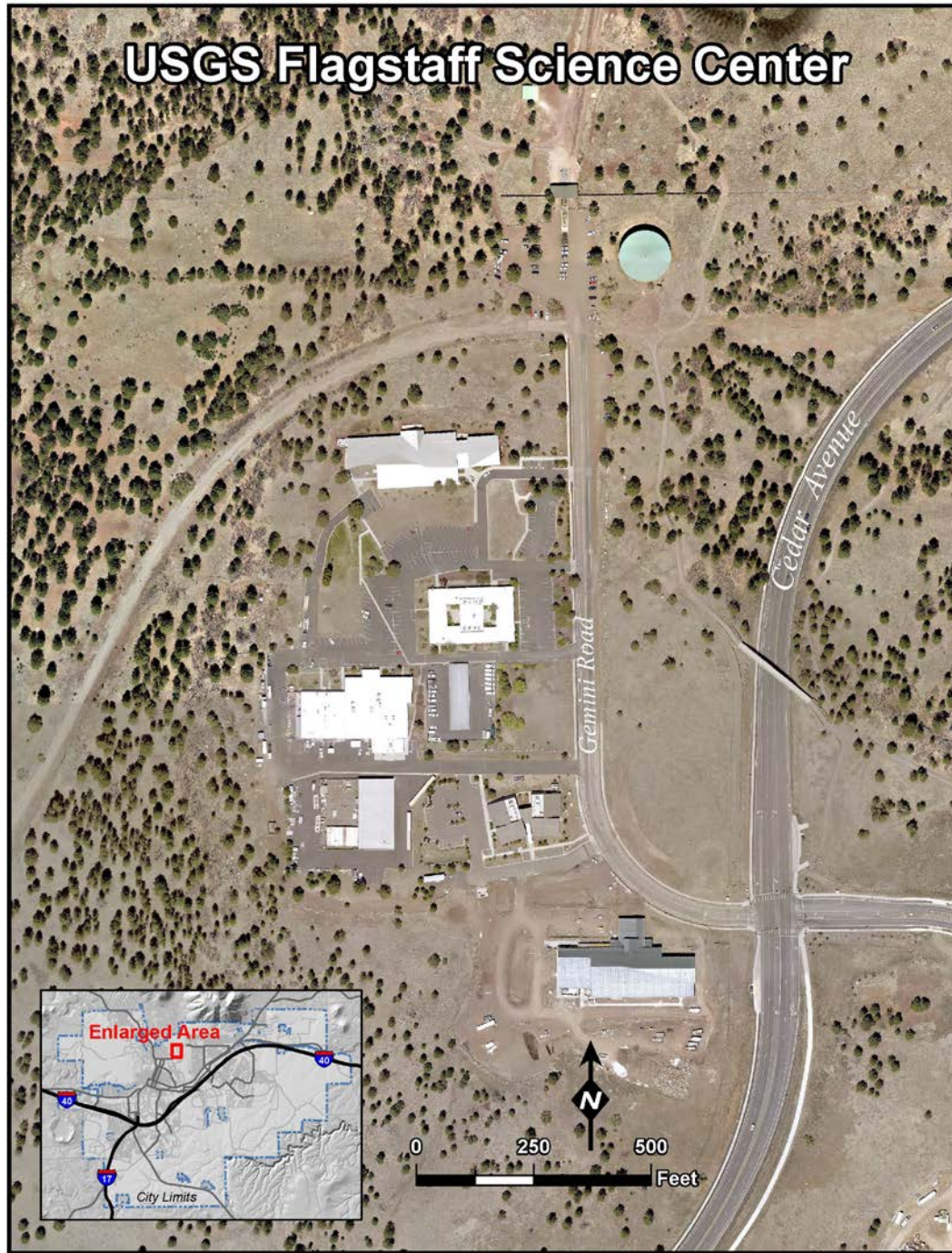
MOUNTAIN SPORTS  
LOCAL LIFE STYLE



# USGS Campus Build to Suit



# USGS Flagstaff Science Center





# USGS Campus – Build to Suit



## Over the Past Year...

- **City and GSA Staff have met numerous times**
  - Discussions have focused on finances and campus facilities
- **In Fall of 2020, when funding appeared likely to not cover construction expenses, the City started to look at a hybrid**
  - For example, construct one building; renovate another
  - Renovation estimates for Buildings 3 and 4 (each approximately 50-years-old) were costly and still not to current standards
  - Ultimately, GSA required two new buildings per Program Of Requirements (POR) and square footage requirements



# USGS Campus – Build to Suit

## Over the Past Year...

- **New construction estimates were also calculated during this time (currently \$38.3M)**
- **Last meeting with GSA and City Staff discussed the benefits of resoliciting the Build to Suit**
  - Updating of POR (infrastructure specifications) from USGS
  - Renegotiation of lease rates
  - Exploration of City funding options
  - Delay unfortunate, but better than starting construction and not being able to complete



# USGS Campus – Build to Suit

## Project Details

- Demolition of two existing buildings
- Construction of two new buildings
  - *New Lab/Office (7)*
  - *New Warehouse (8)*
- **USGS Flagstaff Science Campus**
  - *Four buildings (5, 6, 7, 8)*





# USGS Campus – Build to Suit

## Project Details

- **Council approved the lease between the City and the US General Services Administration (GSA) on 15 Sept 2020**
  - *Lease has not been executed*
- **Costs have significantly increased over the past five years**
  - Project estimates:
    - \$20,821,698 (2016)**
    - \$27,815,873 (2018)**
    - \$38,269,376 (2021)**



# USGS Campus – Build to Suit

## Suggested Path Forward

- **GSA has presented an option for a 10-year, or two (2) five-year leases, to extend the current lease for continuing USGS operations**
  - This would come back to Council for approval
- **Would allow time for the GSA to rescope and resolicit the Build-to-Suit Project**
  - USGS would update infrastructure needs
  - City would investigate funding opportunities
  - An updated leasing rate would result from a resolicitation



# USGS Campus – Build to Suit

## Suggested Path Forward

- **City Staff would come back to Council with a new lease for a future build-to-suit project**
- **POR was created in January 2014 and revised in June 2017**
  - This would be updated by USGS to reflect the agency's campus infrastructure requirements



# USGS Campus – Build to Suit



## SPECIAL THANKS TO...

- **Rick Tadder**, *Management Services Director*
- **Stacey Brechler-Knaggs**, *Grants and Contracts Manager*
- **Bryce Doty**, *Real Estate Manager*
- **Erin Winschel**, *US General Services Administration (GSA)*



# USGS Campus – Build to Suit



## Financial Details

- **Proposition 101 approved in May 2004**
- **Authorized amount was for \$61.2M**
- **City has bonded for \$3.37M, leaving a \$57.83M balance**
- **To provide for the construction and/or renovation of facilities to be leased to the General Services Administration (USGS) and others, and to pledge State shared or other revenues**
- **Debt can be no more than 25 years with maximum interest rate of 10%**





# USGS Campus – Build to Suit

## Financial Details – Previous Proposal

- **City has negotiated with GSA since May 2016**
- **City to contribute \$3M from USGS reserve account**
- **Financing \$24,815,873 with approximate 3.5% interest**
- **Estimated 22 to 24-year loan with a lease term of 20 years**
  - 10 years firm
- **Initial annual lease payment is \$1,894,137.78**
  - Paid by the USGS
  - Will cover the debt service payment and \$80K annually for insurance and maintenance of the facility



# USGS Campus – Build to Suit

## Financial Details – Updated Costs

- **Cost of construction increased over \$10 million**
- **GSA is not flexible on the monthly rental rate**
- **Option**
  - Identify additional \$10 million to contribute to the project
  - Eliminate annual reserve AND issue debt for over a 37 years period (lease only guaranteed for 10 years with a 10-year renewal)
  - Do not execute the lease agreement (staff recommendation)