

Memorandum

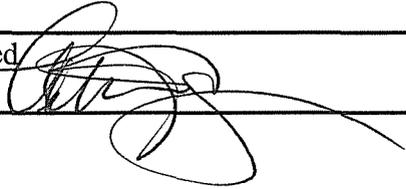
TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Peter Jensen
Paul Krutko
Larry Lisenbee

**SUBJECT: USE OF THE CITY HALL AND
EMPLOYEE GARAGE RETAIL
SPACES**

DATE: October 24, 2007

Approved



Date

10/26/07

**COUNCIL DISTRICT: 3
SNI AREA: N/A**

SUPPLEMENTAL

REASON FOR SUPPLEMENTAL

At the October 16, 2007 City Council meeting, the Council approved the elimination of \$870,000 of the \$1,045,000 City Hall Build-Out Earmarked Reserve recommended in the Annual Report. This amount was associated with the proposed build-out of the 4th Street City Hall space. Council further recommended that additional funding for the improvements be discussed in the context of the May/June budget hearings for the 2008-2009 budget.

This memo provides revised recommendations to use the remainder of the City Hall Build-Out Earmarked Reserve for the build-out of the Fourth and St. John (Employee) Garage space, and to go forward with improvements to the current Office of Cultural Affairs (OCA) space at the Convention Center (whether or not it continues to be used by OCA). The memo also provides information on next steps related to the City Hall space in order to develop budget recommendations to be presented as part of next year's budget process.

RECOMMENDATIONS

Amend the staff recommendations contained in the original staff memo to read as follows:

1. Approve the conversion of the Fourth and St. John (Employee) garage retail space to municipal use for the Transportation incident Management Center and a technology training center.
2. Adopt the following 2007-2008 Appropriation Ordinance amendments in the General Fund:
 - a. Eliminate the Reserve for City Hall Build-out of \$175,000; and
 - b. Establish an appropriation for Employee Garage Build-Out in the amount of \$175,000.

3. Adopt the following 2007-2008 Appropriation Ordinance amendments in the Convention and Cultural Affairs Fund:
 - a. Establish an appropriation for Office of Cultural Affairs Improvements in the amount of \$380,000; and
 - b. Reduce the Ending Fund Balance by \$380,000.
4. Acceptance of staff proposals regarding next steps for City Hall Retail Space and temporary uses of City Hall Retail Space.

ANALYSIS

The recommendations, based on Council's direction at the October 16 meeting, allow staff to move forward to move the Transportation Incident Management Center and a technology training center into the Employee Garage, as described in the original staff memo. It is also recommended that the appropriation action related to the current OCA space move forward, as the space is in poor condition and requires substantial improvements, whether it continues to be occupied by OCA or if it is converted to retail or other uses. The recommendations additionally allow staff to explore long term and temporary options for use of City Hall retail space.

Next Steps for City Hall Retail Space

Staff proposes to convene a focus group of interested stakeholders, including retail developers, representatives from labor, and community leaders. Retail development representatives may be asked to agree not to submit a proposal in response to a future City request for proposals (RFP) for retail development in the City Hall retail space, in order to prevent the possibility that the development representatives could influence the content of the RFP. The group's task would be to consider the potential impacts of changes to the terms of the most recent RFP, since it attracted no responsive proposals. The key issues for the group to consider include:

- **Level of City Investment**

As detailed in the staff memo, costs to prepare the space for retail will be higher than those for City uses, and are likely to total approximately \$1.9 million. In the course of the first two RFP processes, the Council approved \$800,000 from the General Fund to assist a potential master tenant.

- **Terms of Lease Agreement**

In the first RFP process, the selected master tenant agreed to cover the remaining costs to "warm the space," but accordingly negotiated lower lease payments (approximately \$90,000 over the course of the first ten years). It is likely that the City's lease revenue over time will correlate to the amount of its initial investment, so that increasing the initial investment would also produce increased ongoing lease revenue.

- **Labor Peace/Living Wage**

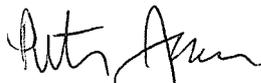
For the purpose of the first two RFP processes, Council approved the waiver of the imposition of living wage requirements for the master tenant or subtenants, but did require that a labor peace provision be included in any final agreement with the successful proposer. The selected proposer in the first RFP when it withdrew, and companies that chose not to respond to the second RFP, indicated that the labor peace requirements were a factor in those decisions. Any modification to the requirements for leasing the space, involving either living wage or labor peace, would require a change in the Council's previous policy direction.

The input provided by the focus group will allow staff to develop options for Council consideration. These options, including possible changes to a potential retail RFP, as well as possible City uses and funding scenarios associated with them, will be presented as a part of the 2008-2009 budget process.

Temporary Uses

Because the focus group process, any processes that follow based on Council direction, and design and construction of the space for its eventual use are likely to require two to three years to complete, staff will explore temporary uses of the City Hall space in an effort to provide more visual interest on 4th Street. Such uses might include displays related to the Mayor's Green Vision, static or interactive exhibits depicting local art and culture, or other material of interest to the community.

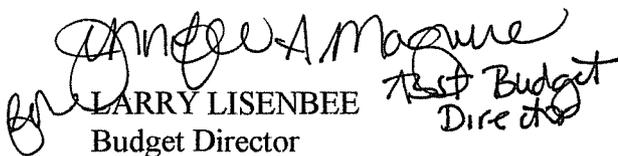
This opportunity was not contemplated in the City Hall Exhibits Policy approved by Council on August 21, 2007. Staff will return to Council with proposed amendments to the policy to include the retail space in the policy on a temporary basis. This will allow the Council the opportunity to determine general categories of usage, and will allow potential display ideas to be reviewed by the Exhibits Committee that was established as part of the new policy.



PETER JENSEN
Director of General Services



PAUL KRUTKO
Chief Development Officer



LARRY LISENBEE
Budget Director

For questions, please contact Peter Jensen, Director of General Services at 938-2025