



Memorandum

TO: COMMUNITY AND ECONOMIC
DEVELOPMENT COMMITTEE

FROM: Paul Krutko
Peter Jensen

SUBJECT: CITY HALL RETAIL

DATE: March 13, 2009

Approved

Date

3-13-09

COUNCIL DISTRICT: 3

RECOMMENDATION

Accept a work plan update regarding the issuance of a Request for Proposals for the City Hall retail space.

BACKGROUND

On December 2, 2008 Council directed that staff issue a Request for Proposals (RFP) to select a developer or tenant(s) for the vacant space on the ground floor of City Hall on Fourth Street. As part of the direction, Council also asked for an analysis on the alternative of placing staff offices within the space.

As previously reported the 6,000 square foot retail space requires significant improvements to accommodate any use. Staff anticipates costs ranging from \$1.5 million to \$1.7 million necessary to facilitate any user. Potential retail or office users would then improve the space as necessary for the specific retail or office use. Funding requirements beyond the \$1.5 million to \$1.7 million will depend on the type of use and the level of improvements desired by a prospective tenant. The City Council has previously allocated an amount of \$800,000 to assist in the build out of the City Hall retail space.

ANALYSIS

Using Space for City Offices

The General Services Department staff has analyzed the opportunity to accommodate City staff in the Fourth Street space. The upfront investment required to locate City offices would be expected to be at the lower end of the \$1.5 million to \$1.7 million range noted above. Of this

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amount, \$800,000 has been previously committed and appropriated, as noted above. Based on a review of current office rents, staff estimates that the City could save approximately \$150,000 per year by relocating staff from leased space. Over the long term, this produces an estimated 10-11 year amortization period required to recoup the City's full investment.

In the alternative, a successful retail proposal would provide desired retail and generate sales tax revenue. Depending on the terms of the proposal, the City's upfront investment could be limited to the \$800,000 already budgeted, although it is expected that the proposer would seek to amortize any initial investment through a reduced lease rate.

Next Steps

Based on the analysis above, a retail RFP will be released in April, 2009. Staff anticipates returning to Council in August, 2009 with the results of the RFP. Staff recommends that the City Council revisit the option to relocate City staff into the Fourth Street space after analyzing the responses to the RFP. This will allow a more precise analysis of cost impacts based on actual proposals received.

Staff has already begun marketing the potential retail opportunity to prospective retail developers and tenants. Staff will publish the opportunity in several local and regional media outlets as well as mailing and phoning brokers, developers, and retail tenants directly.



PAUL KRUTKO
Chief Development Officer



PETER JENSEN
Director, General Services

For questions, please contact Dhez Woodworth, Economic Development Officer, at 535-8230.