



WAUWATOSA MUNICIPAL COMPLEX SITE

Redevelopment Cost/Benefit Analysis

City Financial Affairs Committee Presentation | April 25, 2017

Purpose of the Analysis

- Analyzing the cost/benefit of redeveloping the Municipal Complex site
 - ▶ Estimating the difference in costs to the City of constructing new facilities versus maintaining existing buildings
 - ▶ Evaluating the ability to leverage private market potential to offset costs of new City Hall & Public Library



Analysis Builds Upon Prior Studies

- Engberg Anderson Master Plan Study (2010)
 - ▶ Recommends improvements to citizen access, staff productivity and security while reducing energy consumption
- EMG Facility Condition Assessment (2015)
 - ▶ Identifies deferred maintenance issues, existing deficiencies, and material code violations which affect the property's use
 - ▶ Deficiency repair estimate: \$6.6 M undiscounted; \$5.0 M discounted to 2017\$ (4.0%)
- Library Planning Associates Service Goals & Space Needs Assessment (2016)
 - ▶ Identifies library space needs: 71,600 square feet
- SB Friedman Market Analysis (2016)
 - ▶ Identifies market-supportable development program for private land uses on the site
 - ▶ Rental apartments, rental townhomes, commercial space, medical office
 - ▶ Estimated \$40.0-71.9 M in taxable market value from private development

Analysis Methodology

- Revenue projections from land sales & TIF are derived from market data/comparables
 - ▶ Residual land value & land sales comparison approach
 - ▶ TIF projections based on comparable developments
- Operating expense projections & deferred maintenance cost estimates from City facilities & EMG
- Redevelopment costs derived from market data/comparables
 - ▶ Approximately \$190-210 psf for private development
 - ▶ Approximately \$300 psf for public facilities
 - ▶ 29.3% reduction in footprint for new City Hall & Public Library facilities
- 20 year analysis period
- **All numbers are presented in 2017 dollars** (discounted at 4.0%)

Analyzed Scenarios

Scenario 1:
Continued Investment
in Existing Facilities

Scenario 2:
On-Site Reconstruction
of City Hall &
Public Library

Scenario 3: Public/Private Redevelopment

New On-site 71,400 sf Public Library | New Offsite 27,500 sf City Hall* with Structured Parking

Scenario 3A:

370 rental apartments

10,000 sf of commercial

Scenario 3B:

185 rental apartments

54 rental townhomes

10,000 sf of commercial

Scenario 3C:

100,000 sf of medical office

54 rental townhomes

10,000 sf of commercial

Alternate Scenarios

Surface, Rather than Structured Parking at New City Hall

Acquisition/Rehab of Existing Off-Site Building for City Hall

*Assumes City Hall built on land already owned by City

Scenario 1: Continued Investment in Existing Facilities

Scenario 1:
Continued Investment
in Existing Facilities

Revenues (Land Sales & TIF Revenue)	\$0
Construction Costs: Public Library & Civic Center	\$0
Construction Costs: New City Hall	\$0
Deferred/Future Building Maintenance	(\$4,961,000)
Ongoing Building Operations	(\$15,337,000)
Net Revenue / (Cost) NPV at 4.0%, 2017\$	(\$20,298,000)

Currently unbudgeted maintenance costs from EMG assessment (\$248,000 annualized over 20 years)

Utilities, operating expenses, salaries, & some level of repair/maintenance; no significant improvements

Scenario 2: On-Site Reconstruction of City Hall & Public Library

	Scenario 1: Continued Investment in Existing Facilities	Scenario 2: On-Site Reconstruction of City Hall & Public Library	
Revenues (Land Sales & TIF Revenue)	\$0	\$0	
Construction Costs: Public Library & Civic Center	\$0	(\$20,756,000)	New Public Library & Civic Center space, surface parked
Construction Costs: New City Hall	\$0	(\$7,972,000)	New more efficient City Hall space, surface parked
Deferred/Future Building Maintenance	(\$4,961,000)	\$0	Existing facilities demolished
Ongoing Building Operations	(\$15,337,000)	(\$10,504,000)	Reduction in operating expenses due to new building systems & efficiencies
Net Revenue / (Cost) NPV at 4.0%, 2017\$	(\$20,298,000)	(\$39,232,000)	

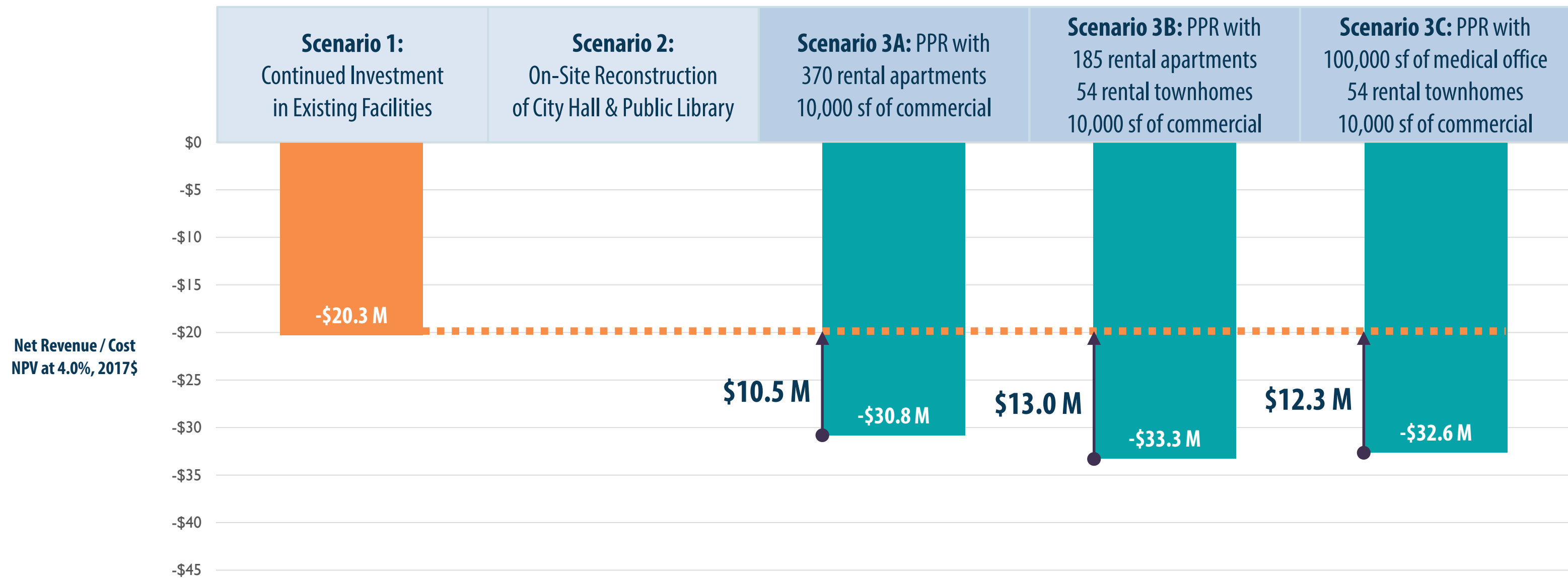
Scenario 3: Public/Private Redevelopment (PPR)

	Scenario 1: Continued Investment in Existing Facilities	Scenario 2: On-Site Reconstruction of City Hall & Public Library	Scenario 3A: PPR with 370 rental apartments 10,000 sf of commercial	Scenario 3B: PPR with 185 rental apartments 54 rental townhomes 10,000 sf of commercial	Scenario 3C: PPR with 100,000 sf of medical office 54 rental townhomes 10,000 sf of commercial
Revenues (Land Sales & TIF Revenue)	\$0	\$0	\$14,687,000	\$12,249,000	\$12,869,000
Construction Costs: Public Library & Civic Center	\$0	(\$20,756,000)	(\$24,487,000)	(\$24,487,000)	(\$24,487,000)
Construction Costs: New City Hall	\$0	(\$7,972,000)	(\$10,523,000)	(\$10,523,000)	(\$10,523,000)
Deferred/Future Building Maintenance	(\$4,961,000)	\$0	\$0	\$0	\$0
Ongoing Building Operations	(\$15,337,000)	(\$10,504,000)	(\$10,504,000)	(\$10,504,000)	(\$10,504,000)
Net Revenue / (Cost) NPV at 4.0%, 2017\$	(\$20,298,000)	(\$39,232,000)	(\$30,827,000)	(\$33,265,000)	(\$32,645,000)

New revenues from land sales and TIF

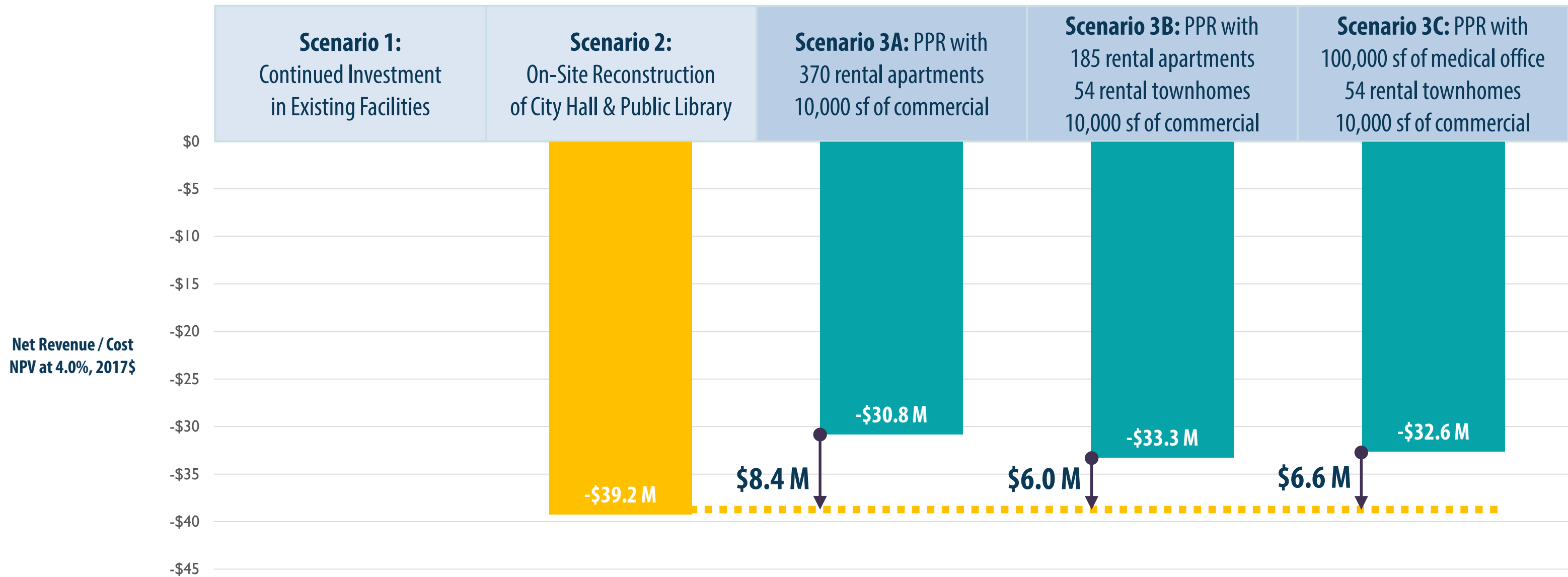
Additional construction costs due to structured parking in mixed-use environment

Costs of PPR vs. Continued Investment Scenario



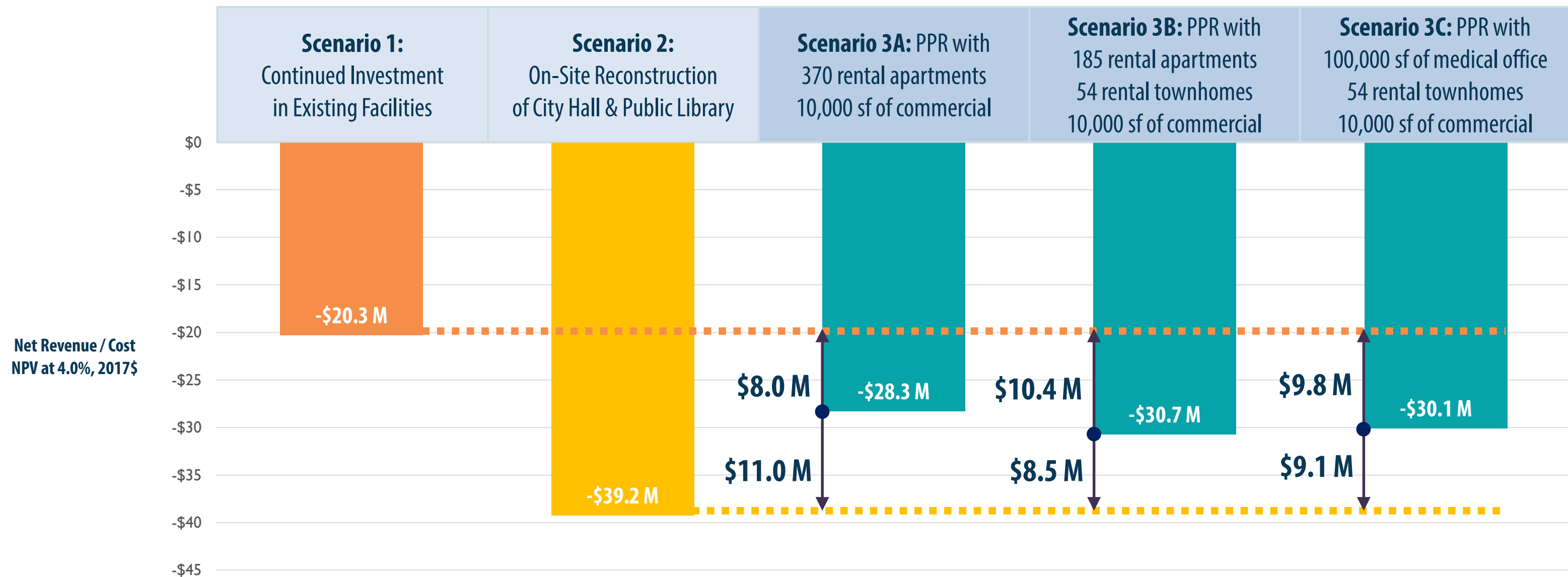
- With public-private redevelopment, an additional **\$10.5-13.0 M** over continued investment could build a new City Hall & Public Library
 - ▶ **\$526,000-648,000** annualized over 20 years

Benefit of PPR vs. On-Site Reconstruction of City Hall & Public Library



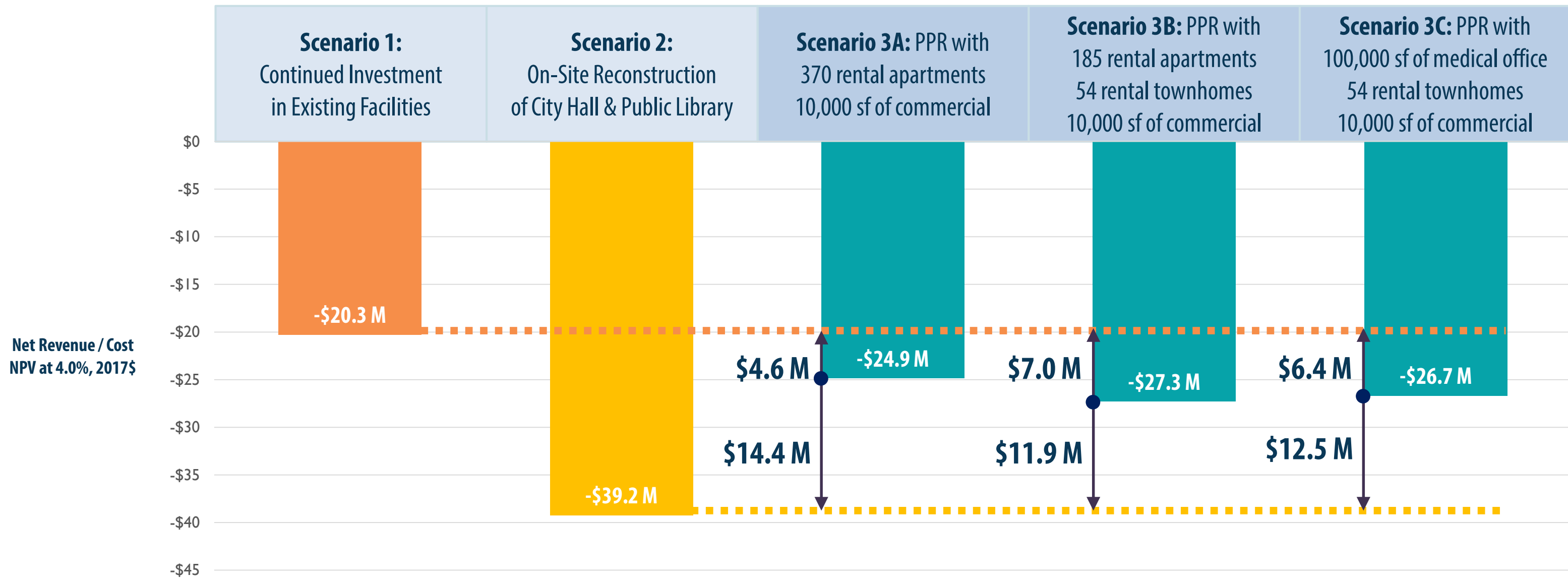
- Public-private redevelopment could save the City **\$6.0-8.4 M** in construction costs over building only a new City Hall & Public Library onsite
 - ▶ **\$298,000-420,000** annualized over 20 years

Surface, Rather than Structured Parking at New City Hall



- With public-private redevelopment, an additional **\$8.0-10.4 M** over continued investment could build a new City Hall & Public Library
 - ▶ **\$399,000-521,000** annualized over 20 years
- Public-private redevelopment could save the City **\$8.5-11.0 M** in construction costs over building only a new City Hall & Public Library onsite

Acquisition/Rehab of Existing Off-Site Building for City Hall



- With public-private redevelopment, an additional **\$4.6-7.0 M** over continued investment could build a new City Hall & Public Library
 - ▶ **\$229,000-351,000** annualized over 20 years
- Public-private redevelopment could save the City **\$11.9-14.4 M** in construction costs over building only a new City Hall & Public Library onsite

Options for City Expenditures over 20 Years

1. City needs to expend **\$1 M per year** to operate existing facilities and pay for deferred maintenance
2. On-site construction of new facilities results in net expenditures of **\$2 M per year**
3. Public-private development would partially offset costs of the new City Hall & Public Library construction reducing total annual payments to **\$1.5 M - \$1.7 M per year**
 - For an additional \$0.5 - \$0.7 M per year the City would have a new on-site Public Library and new offsite City Hall.
 - In aggregate the \$0.5-\$0.7 M per year over 20 years roughly totals the construction cost of a new City Hall.
 - Suggests that the majority of the costs associated with the new Public Library are covered by the public private development revenues and associated operational and maintenance cost savings.
 - From Year 21 onwards, annual cost savings due to building & operational efficiencies are realized and incremental taxes flow through to all taxing jurisdictions
4. If City Hall was a rehab of an existing office building or built new with surface parking, the public-private development scenario payments could be reduced to **\$1.2 M - \$1.5 M per year**