

MONO COUNTY'S SOUTH COUNTY FACILITY

How to Best Provide a
Safe, Comfortable, and Modest Facility
for County Services in Mammoth Lakes

TODAY'S PRESENTATION

1. Status Quo and Baseline Costs
2. Future Alternatives
3. Timing and Process
4. Recommended Action

MINARET MALL BASELINE COSTS

- Public Health, Environmental Health, Community Development, Building, IT

Total Useable Square feet = 10,675 (48% GF; 52% Non GF)

Annual Rent per square foot = \$12.18 monthly = \$1.01 per sf

Annual CAMS per square foot = \$17.00 monthly = \$1.41 per sf

Annual Total cost per square foot = \$29.18 monthly = \$2.43 per sf

Projected Annual Total Facility Cost = \$302,500 per year

Annual General Fund Impact (@48%) = \$145,200 per year

SIERRA CENTER MALL BASELINE COSTS

- CAO, County Counsel, Board Chambers, Behavioral Health, Social Services, DA, Probation, Economic Development/Tourism, Assessor

Total Useable Square feet = 21,545 (42% GF; 58% Non GF)

Annual Rent per square foot = \$28.22 monthly = \$2.35 per sf

Annual CAMS per square foot = \$10.05 monthly = \$.83 per sf

Annual Total Cost per Square Foot = \$38.27 monthly = \$3.19 per sf

Projected Annual Total Facility Cost = \$824,500 per year

Annual General Fund Impact (@42%) = \$346,290 per year

PROJECTED ANNUAL BUDGETARY IMPACT BASELINE COSTS

Minaret Mall Rent and CAMS	\$302,500
Sierra Center Mall Rent and CAMS	\$824,500
Total annual cost	\$1,127,000

Non- General Fund	\$635,510
Annual General Fund Impact	\$491,490

FUTURE ALTERNATIVES

- **What is driving the Timing? Why Now?**
 - Current lease at SCM through October 31, 2019 (32 months out)
 - Current lease at Minaret through Sept 30, 2021 (51 months out)
 - Due diligence/research on McFlex option cost is now complete
- **What is driving the consideration of future alternatives?**
 - Safe, comfortable, modest facility for citizens, customers, and staff.
 - Consolidation of County offices to one location
 - Interest in a long-term solution that will provide financial stability, predictability, and not require short-term re-negotiation
- **Initial Determinations, Ruled Out**
 - Minaret Mall not large enough to consolidate all County offices
 - Dividing County offices among various complexes in Mammoth not an option

FUTURE ALTERNATIVES

Three alternatives being explored at this time:

1. Lease space at Sierra Center Mall

Renegotiate terms, expand space, consolidate offices from Minaret in 2021

2. Purchase of Sierra Center Mall (Theoretical)

Major renovation, consolidate offices, lease remainder

3. Build County Facility at McFlex (Mammoth Community Federal Land Exchange)

Plan, finance and construct new facility at envisioned civic center

SIERRA CENTER MALL LEASE

- Background
 - County has leased space there for over 20 years
 - Renegotiated lease in 2006, for 20,695 square feet
 - 2006 renewal included \$400k in tenant improvements
5,566 sf of new space (\$71 per sf)
- Current status of process, negotiations
 - SCM Owners informal proposal in June 2016
 - Formally submitted proposal in September 2016
 - Offer rejected by County for unacceptable price and terms
 - Board directs January 9, 2017 reply, informing SCM of interest in *purchase*
 - Revised Lease proposal received Feb 8, 2017

SIERRA CENTER MALL LEASE

PROS

- Lower short term cash outflow
- Underground parking
- Proximity to commerce and restaurants
- Averts construction risk
- Averts future space needs risk
- Doesn't commit County to owning facility in Mammoth

CONS

- Above market rent / 3% escalator
- Building 40+ years old
- No control over remaining building
- No joint facility, regionalization, or outside agency proximity
- No long-term stability or predictability
- No asset creation
- Increase liability risks to staff, public
- Building condition is not in suitable condition for County business
- Negotiating has proven difficult

SIERRA CENTER MALL LEASE

February 8, 2017 Lease Proposal (to commence November 1, 2019)

Total Useable Square feet = 30,442 (52% GF; 48% Non GF)

2020 Annual Rent per sf =	\$21.00	monthly = \$1.75 per sf
2020 Annual CAMS per sf =	\$10.05	monthly = \$.83 per sf
2020 Annual Total per sf =	\$31.05	monthly = \$2.58 per sf

2020 Annual Total Facility Cost = \$945,000 per year

Annual General Fund Impact (@52%) = \$491,500 per year

SIERRA CENTER MALL LEASE

Total Useable Square feet = 30,442 (52% GF; 48% Non GF)

2030 Annual Rent per sf =	\$27.40	monthly = \$2.28 per sf
2030 Annual CAMS per sf =	\$13.04	monthly = \$1.08 per sf
2030 Annual Total per sf =	\$40.44	monthly = \$3.37 per sf

2030 Annual Total Facility Cost = \$1,231,000 per year

Annual General Fund Impact (@52%) = \$640,000 per year

SIERRA CENTER MALL PURCHASE (THEORETICAL)

- Background

- Interest in purchase of building has grown out of general disinterest in lease
- Provides solution to problematic tenant history
- Recognizes our organizational capacity to properly maintain facilities
- Recognizes our interest in creating long-term assets
- Advocated for by Supervisor Johnston
- Concept promised verbally by SCM owner at December BOS meeting
- Building Transaction History:

12/19/1986, \$3,350,000; 4/16/1997, \$3,250,000; 6/30/2006, \$21,650,000; 6/7/2012, \$8,600,000

- Current status of process, negotiations

- January 9 letter to SCM owners

- Expressed interest in a **lease with option to purchase or direct purchase**, requested response by January 24.
- Sent in an attempt to obtain information to be used in this comparative analysis.
- SCM Response did not include purchase option.

SIERRA CENTER MALL PURCHASE (THEORETICAL)

PROS

- Full control of building upon purchase
- Represents long-term approach
- Cost of tenant improvements is justified
- Creates and builds asset
- Provides opportunity to propose joint facility with Town
- May create opportunities for economic development
- May be able to recoup investment with rents, and lower cost considerably
- Sale of McFlex could offset cost further

CONS

- Owners don't want to sell
- Structural integrity not known
- Value not known
- Building is already 40 yrs old
- May not succeed in leasing property
- Outside County services and mission to manage commercial property
- Abandons McFlex
- Does not follow Town zoning or visioning

SIERRA CENTER MALL PURCHASE (THEORETICAL)

At a theoretical \$12m purchase price, many questions remain:

- Will owners sell?
- Will the building appraise for that price?
- If we acquire the building, could we take annual savings and apply to building, or would we have to obtain additional financing to pay for immediate improvements?
- How do we look at this for comparative purposes? Total square feet, including that which we do not use?
- Who in the organization will manage the property, leases, etc?
- Will we succeed in leasing space where SCM has not?
- Will Town want to participate?
- Can we purchase only the space we require? Condominium-ize?

SIERRA CENTER MALL PURCHASE (THEORETICAL)

Let's make some (a lot of) assumptions:

- The building appraises for \$12m, and is sold for \$12m.
- The structural report is sufficient and no major upgrades are necessary at the outset
- County secures financing for \$7m in building improvements, TI's, solar panels.
- Leasable Space on 1st and 2nd floor is 50% occupied at market rate (\$1.40), generating \$435,000 per year, and covers all CAMS for those spaces

SIERRA CENTER MALL PURCHASE (THEORETICAL)

With those assumptions:

County Useable Square feet = 30,442 (52% GF; 48% Non GF)

Purchase price debt service per sf =	\$23.78	monthly = \$1.98 per sf
Improvement debt service per sf =	\$13.17	monthly = \$1.10 per sf
Less net rental income per sf =	(\$14.31)	monthly = (\$1.19) per sf
Operating Costs per sf=	\$10.05	monthly = \$.83 per sf
2020 Annual Total per sf =	\$32.69	monthly = \$2.72 per sf

2020 Annual Total Facility Cost = \$995.149 per year

Annual General Fund Impact (@52%) = \$517,477 per year

BUILD COUNTY FACILITY AT MCFLEX

- Background
 - History, acquisition
 - County motivations at the time
 - Town visioning and planning
 - Current Status of process and progress
 - Tentative site plans
 - Meetings with Town staff re: MOU and mutual benefits
 - Prepared to issue RFQ for architecture and CEQA

BUILD COUNTY FACILITY AT MCFLEX

- **Cost Estimate**
 - Need to compare costs to SCM
 - County Committee worked with Collaborative Design Studio to estimate costs
 - September 7, 2016 CDS Report
 - Refinements to report in November, December 2016
 - Resulting Cost Estimate: \$24.9m
 - Work continues on determining specific space needs and opportunities for shared spaces among County staff and Town operations.
- **Financing Options**
 - Brandis Tallman Feb 8, 2017 Option to fund \$24.9m
 - 30 or 35 year option, interest rate = 4.2%
 - Annual debt service: \$1.58, or \$1.48m

MCFLEX COST ESTIMATE DETAILS

CDS Estimates we did NOT change

- Space
- Substructure/Foundation
- Shell/Exterior/Roofing
- Interior/Stairs/Finishes
- Plumbing
- HVAC
- Furnishings

CDS Estimates we changed

- Conveying/Elevators
- Utilities
- Parking
- Site Prep
- Fire
- Electrical
- Soft Costs

These changes increased:

Gen. Requirements, Contractor Fee, Ins., Design
Contingency, MOC

Above changes resulted in \$527/sf cost increasing to \$580/sf

BUILD COUNTY FACILITY AT MCFLEX

PROS

- Ownership = Control
- Agency coordination and Regionalization
- Efficiency – Net Zero
- Agency proximity – AOC, TOML, MH
- Security, privacy
- Investing in valuable Asset
- Benefit to future generations

CONS

- Higher cash outflow right now
- Risk associated with estimating construction, infrastructure cost
- Risk associated with timing
- Risk associated with changing space needs

MCFLEX COST SCENARIOS

Total Useable Square feet = 25,000 (52% GF; 48% Non GF)

2020 Annual Mortgage per sf =	\$59.42	monthly = \$4.95 per sf
2020 Annual Operating Costs per sf =	\$6.27	monthly = \$.52 per sf
2020 Annual Total per sf =	\$65.54	monthly = \$5.46 per sf

2020 Annual Total Facility Cost =	\$1,632,500
Annual General Fund Impact (@52%) =	\$848,900

MCFLEX COST SCENARIOS

Total Useable Square feet = 25,000 (52% GF; 48% Non GF)

2030 Annual Mortgage per sf =	\$59.42	monthly = \$4.95 per sf
2030 Annual Operating Cost per sf =	\$8.41	monthly = \$.70 per sf
2030 Annual Total per sf =	\$67.82	monthly = \$5.65 per sf

2030 Annual Total Facility Cost =	\$1,689,400
Annual General Fund Impact (@52%) =	\$878,500

GENERAL FUND IMPACTS OVER TIME

(in thousands)

Current Baseline = \$491

	2020	2030	2040	2056
SCM Lease Annual GF Impact	\$491	\$640	\$862*	\$1,407*
SCM Purchase (Theoretical)	\$517	\$571	\$646	\$262
New Building on McFLex	\$849	\$879	\$907	\$205

* if continued with same escalator

TIMING AND URGENCY

Q: When is the appropriate time to make a decision?

A: When ALL alternatives are viable, and reasonably executable.

SCM Lease: could be executed in October 2019.

SCM Purchase: could be executed in October 2019.

McFlex: must be executed in time to complete building by October 2019.

RECOMMENDED ACTION (SELECT ONE)

1. Conclude negotiations with SCM and **fully engage in development of a County facility on the McFlex property**. Continue coordination on MOU and site planning with Town, develop agreements for Architecture/Engineering, initiate CEQA, secure financing.
2. Continue negotiations with SCM for **direct purchase or lease-purchase** and maintain progress on McFlex concept – continue coordination on MOU and site planning with Town, develop agreements for Architect/Engineering, and revisit direction on March 21st.
3. Revisit negotiations with SCM for **Lease only** and maintain progress on McFlex concept – continue coordination on MOU and site planning with Town, develop agreements for Architect/Engineering, and revisit direction on March 21st.