

Town of Windsor

Memorandum

December 12, 2017

TO: The Honorable Mayor and Town Council
FROM: Michael Stallings, Town Manager *MS*
SUBJECT: Combined Facility Information

At the last Council meeting I was asked to do some research into the feasibility of a combined Town Hall/Library/Community Center. I have worked with James Sanderson from Davenport & Company, Peggy Jordan with USDA, and Brian Camden with Alpha Corporation on this.

Attached you will find an email from Mr. Sanderson regarding current bond rates as well as an email from Mrs. Jordan regarding current USDA loan rates.

Attached you will also find an email from Mr. Camden regarding the pros and cons of a combined facility.

Below you will find an explanation of how the construction cost of \$6,000,000 was arrived at.

The current proposed square footage the facilities are:

Town Hall – 7,834 (taken from final layout of Town Hall from Moseley study)
Library – 8,654 (taken from Blackwater Library space needs study of 2007)
Town Center – 14,826 (actual square footage of Town Center Facility, approx. 7,000 is the gym)

Total square footage = 31,314

If a combined facility were built, the total required square footage would be less than the total listed above. The discussion at the last Council meeting indicated that if this option were pursued, the existing Town Center would be maintained as a recreation center. Therefore, a new gymnasium would not need to be constructed at the combined facility. That along with combined restrooms, mechanical rooms, meeting rooms and others, should allow the combined facility to be around 22,500.

Using this square footage number and a per square foot cost of \$245 (obtained from Alpha Corporation), the construction cost would be \$5,512,500. It should be noted that this price does not include any design services or construction administration costs. As you can see from the emails, for the purpose of calculating payments, a cost of \$6,000,000 was used.

Based off the above cost, and using USDA's current rate of 3.5% for a 30 year term, the yearly payments would be \$335,000. This assumes that the total cost of \$6,000,000 is borrowed and no cash is used for the project. There is the potential to significantly reduce this number through the use of cash on hand, as well as through the disposition of currently owned properties that would no longer be used.

I would be happy to try and answer any questions that Council may have regarding the information provided in this memo or any of the attached emails.

This item is for Council's discussion.

Michael Stallings

From: Sanderson, James <jsanderson@investdavenport.com>
Sent: Thursday, November 16, 2017 6:38 PM
To: Michael Stallings
Subject: RE: Current Bond Rates

Michael- For planning purposes, we always add some cushion because you never know how much interest rates are going to increase until the project is financed. We would look at one of the state programs to start. As the town explores the project, we would certainly want to look at other options to see if we can reduce costs. A 30 year borrowing through the state program would have interest rates now in the 3.5% range. I would suggest that you use a 4.5% interest rate for planning purposes. We would add 2% for costs associated with the transaction. So if we are looking at \$6,000,000 project plus appr. \$120,000 for borrowing costs at 4.5% over 30 years, the annual debt service payment would be approximately \$375,000.

To give you a sense of the impact rates would have, at 3.5% annual debt service is \$335,000; at 4% annual debt service is \$350,000; and at 5% annual debt service is \$400,000.

One of the thing that we can help you with is looking at your existing debt and seeing if there is an affordable way to fit the new debt service into your current debt service schedules. I love to talk with you more about ways to plan for capital project like this. We are integral in doing this for the County for example.

Jimmy

James E. Sanderson, Jr.
Senior Vice President
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(w) 804-697-2912
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jsanderson@investdavenport.com

From: Michael Stallings [<mailto:mstallings@windsor-va.gov>]
Sent: Wednesday, November 15, 2017 3:41 PM
To: Sanderson, James <jsanderson@investdavenport.com>
Subject: RE: Current Bond Rates

This project would be a library/Town Hall/Meeting Space facility.

You are correct on your assumption. Just looking to develop a draft project budget.

Thanks,

Michael

From: Sanderson, James [<mailto:jsanderson@investdavenport.com>]
Sent: Wednesday, November 15, 2017 3:33 PM
To: Michael Stallings <mstallings@windsor-va.gov>
Subject: RE: Current Bond Rates

Hey Michael. Hope you are well. We can put together some information for you. There are a number of options that the Town may have that depend somewhat on the project. What type of project are you looking at financing? The type of loan will also dictate how long we can borrow and how far out our interest rate is locked in. We can also help you figure out what program or type of loan would be best for the town. Am I correct in thinking that right now you just want an estimated rate and what that translates into as far as an annual payment?

We can work with you to fine tune it and give you and council different options.

Jimmy

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jsanderson@investdavenport.com

From: Michael Stallings [<mailto:mstallings@windsor-va.gov>]
Sent: Wednesday, November 15, 2017 3:22 PM
To: Sanderson, James <jsanderson@investdavenport.com>
Subject: Current Bond Rates

Mr. Sanderson,

Wanted to see if you could give me an idea as to the current municipal bond rates.

I am exploring some scenarios for a couple capital projects. If we were to borrow in the neighborhood of 5-6million, what could we expect for rates on a 30 year term?

Michael Stallings, ICMA-CM
Town Manager
Town of Windsor

Michael Stallings

From: Jordan, Peggy - RD, Courtland, VA <Peggy.Jordan@va.usda.gov>
Sent: Wednesday, November 29, 2017 12:30 PM
To: Michael Stallings
Subject: RE: Current Financing Options

Hi Michael. Good to hear from you!

RD's current rate is 3.50% on this type of project. Our rate is subject to change on January 1. The term can go out to 40 years, if needed.

Has the Town had an Architectural Report (PAR) done at this point?

Peggy

From: Michael Stallings [mailto:mstallings@windsor-va.gov]
Sent: Wednesday, November 29, 2017 12:22 PM
To: Jordan, Peggy - RD, Courtland, VA <Peggy.Jordan@va.usda.gov>
Subject: Current Financing Options

Peggy,

I am exploring financing options for a future project, and I wanted to see what kind of low interest loans USDA currently has available. The project would be a combined Library/Town Hall/Community Center. Project cost around 6 million with maybe 5 million or less being borrowed.

Anything currently available from USDA for something like this? If so, what rates are you currently seeing?

Thanks,

Michael Stallings, ICMA-CM
Town Manager
Town of Windsor
(757) 242-4288

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Michael Stallings

From: Brian Camden <brian.camden@alphacorporation.com>
Sent: Tuesday, November 28, 2017 3:43 PM
To: Michael Stallings
Subject: FW: Windsor Combined Facility
Attachments: 492070_Model_knd.jpg

Michael,

In response to your questions regarding the pros and cons of combining the facilities, please see the e-mail below from Moseley Architects. I will start working on the cost estimate tomorrow.

Brian Camden
Program Manager

Alpha Corporation
295 Bendix Road, Suite 340
Virginia Beach, VA. 23452
757.533.9368 Phone
757.419.2306 Direct
www.alphacorporation.com

From: Hyder, Jeff [mailto:jhyder@moseleyarchitects.com]
Sent: Tuesday, November 28, 2017 2:07 PM
To: Brian Camden
Cc: Bell, Tony
Subject: Windsor Combined Facility

Good afternoon Brian,

Here are some of the pros and cons of doing a potential combined facility with a combined Town Hall, Community Center, and Library facility at Windsor.

Moseley has experiences in each of these building types.

In Warren County we are in the process of renovating a vacated middle school for a joint facility to serve the following. See attached plan – some portions are done – others are just starting design and the program and priorities are changing as the years pass.

1. Department of Social Services
2. Health Department
3. Voter Registrar
4. School Maintenance
5. Shenandoah Area Agency on Aging
6. Parks and Recreation
7. Alternative School (in school suspension)

In Spotsylvania County we have renovated portions of their former high school (now known as the Marshal Center) to serve County General Government functions, Fire and Rescue Administration, Library, and Community Meeting Room.

The facility proposed at Windsor for a new building to serve as Town Hall, Library, and Rec center could work well and share the large meeting room for all three functions. The challenge is segregating the circulation and the staff only spaces so that there are clear staff areas and public areas.

That is a failure of the existing Virginia Beach City Hall – all circulation is mixed and staff must use the same toilets, corridors, and support areas as the public.

There would also be some control challenges if you want to charge separate membership fees for recreation and control use of those areas.

Overall pros and cons of combining these building types into one building.

Pros:

- Shared spaces
- Economy of scale of construction
- Shared central HVAC Plant
- Operation/utility costs are less expensive than if these were all separate
- Staffing costs (shared staff)
- Collaboration among departments
- Community
- One Stop Shop – Brand location
- Save on escalation
- Shared site utility costs

Cons:

- Potential control issues if you want to control use of any of the spaces
- Back of house operation spaces vs. front of house general public spaces are more challenging
- Potential acoustic challenges depending on the recreation space use
- Different ventilation requirements for the recreation space (not any worse than a separate building, but you don't get that advantage with the combined space)
- Larger upfront funding requirement (vs phasing separate buildings over time)
- More difficult to give each use its own separate identity

For programs of this size, we do think there are more positive reasons to combine these spaces compared to building separate facilities for each one, provided the county/town can afford to fund them all together.

The cost per square foot would be a blended amount for each of these buildings (depending on the percentage of program of each building type) with some shared central plant savings, escalation savings, smaller overall square footage (due to the shared spaces) and economy of scale savings.

Site costs are the other big variable, but have nothing to do with combining the use groups. They are a strong consideration in terms of total building cost per square foot.

Please let us know if you have any questions or concerns to help in your discussions.

Thanks
Jeff