

PRESIDENT'S COUNSEL ON PUBLIC/PRIVATE PARTNERSHIPS AND THE FUTURE OF CITY HALL, WEYANDT HALL, FORMER DOVER LIBRARY, AND OTHER CITY PROPERTIES

The President's Counsel on Public/Private Partnerships and the Future of City Hall, Weyandt Hall, Former Dover Library, and Other City Properties Meeting was held on October 21, 2015 at 9:04 a.m. with Chairman Hutchison presiding. Members present were Mr. Anderson (arrived at 9:04 a.m.; departed at 9:39 a.m. and returned at 9:40 a.m.), Mr. Neil, Mr. McDaniel (arrived at 9:28 a.m.), Mr. Mitten, Mr. Perza (arrived at 9:11 a.m.), Mr. Koenig, and Mrs. Mitchell. Mr. Clendaniel was absent.

AGENDA ADDITIONS/DELETIONS

Mr. Neil moved for approval of the agenda as presented, seconded by Mr. Anderson and unanimously carried.

Introduction of New Members

Members introduced themselves as follows: Chairman James Hutchison, Mr. Kevin Mitten, Mitten & Winters CPA; Mr. Scott Koenig, City Manager; Councilman Fred Neil; and Mrs. Donna Mitchell, Controller/Treasurer.

Other individuals present also introduced themselves as follows: Mr. L. D. Shank, local entrepreneur; Mr. George M. (Jerry) Records, Managing Member, Dover Renaissance LLC; Mrs. Kim Hawkins, Human Resources Director; and Mr. Harry Maloney, Electric Director.

In response to Mr. Koenig, Ms. Denise Devine, Assistant City Clerk, advised that the voting members of the committee were Chairman Hutchison, Councilman Anderson, Councilman Neil, Mr. Clendaniel, Mr. McDaniel, Mr. Mitten, Mr. Perza, Mr. Koenig, and Mrs. Mitchell.

Update - Dover Post Office

Mr. Scott Koenig, City Manager, informed members that he, Mr. Hutchison, and Mr. Kirby Hudson, Assistant City Manager, met with Senator Tom Carper and his legislative assistants at the Duncan Center to discuss the future of the Dover Post Office. Senator Carper indicated that the Post Office did not have enough money in its budget for a new facility and, therefore, would not likely have the ability to move to a different location in the foreseeable future, noting that they are happy at their current location. Mr. Koenig stated that inflicting a move on the Post Office would not likely be well received by the public. He assured members that, while there were some open code violations at the Post Office, Senator Carper's office had indicated that there were work orders in the system and the Post Office had signed agreements for contractors to repair some of the deficiencies on the outside of the building. Mr. Koenig stated that there was no realistic expectations for them to relocate and, based on the conversation with Senator Carper's Office, he did not believe it would be in the City's best interest to pressure them to do so.

Responding to Mr. Hutchison, Mr. Koenig stated his belief that the City's current agreement with the Post Office extended until 2020, noting that they would be looking to expand that agreement. He indicated that one of the issues associated with the Post Office had always been parking; however, it was his understanding that they had an agreement with Treadway Towers to use a

number of parking spaces for their vehicles. This seemed to be working and had freed up space in the Dover Public Library and City Hall parking lots.

Based on the information presented, Mr. Hutchison suggested foregoing any future discussions pertaining to the Post Office moving.

Overview of Public/Private Partnerships

Mr. Scott Koenig, City Manager, reviewed a presentation, entitled, “PRM University: Public-Private Partnerships,” stating that these partnerships are a financing tool that some governments used to secure and construct facilities that they might not have been able to construct under different relationships. He explained that this is an alternative financing option for open government driven by a detailed agreement. Mr. Koenig reviewed some of the pros and cons of utilizing public/private partnerships as a method of financing government projects. He stated that road maintenance, parking facilities, service consolidation, and privatization of systems were among those projects considered under the public/private partnership method of financing, noting that the City’s focus was on a potential new City Hall that could properly house staff, including those currently divided in a separate building at 5 E. Reed Street (Weyandt Hall).

Mr. Neil inquired whether using public/private partnerships to fund a new City Hall would be an alternative to selling bonds to finance it. He questioned which approach would be the most feasible and cost the taxpayers less and at what point this would be found out. Responding, Mr. Hutchison stated that the initial focus should be on determining what needed to be done in regard to City Hall, the Weyandt Building, and the old Dover Public Library and in what order this would take place.

Mr. Koenig stated, from his standpoint, that the City had experienced difficulty in the General Fund for some time and this is why the City was not further along in the process of addressing this issue. While a significant tax increase was approved in recent budget discussions, the majority of this financial support was related to public safety; therefore, the replacement of City Hall, 5 E. Reed Street, and the City warehouse were not even included in the five (5) year financial forecast. He advised members that, of the four (4) streams of revenue the City receives from the State, including the realty transfer tax, municipal aid, reimbursement for the old police pension plan, and Payment in Lieu of Taxes (PILOT), changes regarding at least two (2) of these were hotly debated in the last legislative session. Mr. Koenig stated that if these revenues were lost, this would greatly impact the City’s budget.

Mr. Koenig explained, from an operational standpoint, that the City could operate more effectively and efficiently if all staff were housed in the same building, noting that the current buildings had security and American Disabilities Act (ADA) concerns. He indicated that there may be significant savings on the operational side; however, he could not guarantee that the operational efficiencies realized would offset the cost of a new. Mr. Koenig reiterated that the plan for a new City Hall was only in the discussion stage, stating that more research was needed. In addition, he felt that more momentum was needed for both Council and the community to understand and agree with the need for a new City Hall and the associated costs. Mr. Koenig felt this needed to be accomplished before

beginning to track the options of how to pay for it. He stated that the reasonable life of the existing facilities was ending and staff's standpoint was that it would be in the best interest to replace them in the next few years, whether through a bond issue or a public/private partnership. Mr. Koenig felt there would be a net increase to the overall City budget.

Mrs. Mitchell concurred that more information was needed in terms of cost before beginning to move forward because without that there would be no way to plan how to pay for the project, or to determine if the route chosen would be a viable option based on the cost. She noted that public input must be considered and a referendum may be required for the General Fund, depending on the cost. Mrs. Mitchell stated that it was important to have more detail and information before trying to determine the financing.

Responding to Mr. Anderson regarding the cost to maintain and repair the current facilities, Mr. Koenig stated that this had not been determined. His recollection was that water, sewer, and electric expenses for City Hall were charged to the Facilities Management budget and E. Reed Street expenses to the Electric Fund. He indicated that annual operational and maintenance costs for City Hall and 5 E. Reed Street easily exceeded hundreds of thousands of dollars, but staff had not detailed this on a spreadsheet.

Mr. Koenig stated that he would like to see a recommendation from Council for the facilities replacement project to work its way through the budget process. If a decision were made to proceed with a new facility, he felt that the City needed to plan 40 to 50 years ahead. Mr. Koenig stressed the importance of ensuring the new facility would be able to serve the needs of the City for a long period of time, since building a new facility and then asking for funds to add on to it would not sit well with the community.

Mr. Hutchison expressed his thought that Kent County did a good job planning for and building their new facility, which would take care of their needs for the next 50 years. He felt this City should do this also; however, stated the need to research and gather specific information before determining the best direction, noting potential budgetary constraints due to changes that may be made by the State.

Mr. Neil concurred with Mr. Anderson regarding the need to understand the costs associated with repair and maintenance of the existing facilities, including the energy costs. He suggested the possibility of selling the two (2) old library buildings, which would help in finding exactly how much funding would be needed, noting that there would be no direct cost to the taxpayers at this time for doing this.

Responding, Mrs. Mitchell stated that she had previously outlined and provided steps for the process, as follows:

1. Develop an allocation method for the three (3) major funds to contribute to shared service functions.

2. Having financial advisor participate in formulation and analyses of alternative financing methods, including P3's.
3. Complete land acquisition in Year 1 and Year Two 2 (hopefully can finance with capital project funds, some capital-related reserves, and/or sale leaseback of current facilities until such time the City vacates the buildings).
4. Plan for engineering and design in Year 3 (try to finance with capital project funds).
5. Plan for Construction in Years 4 and 5 (debt service financed or alternative financing).

As an example, Ms. Mitchell stated that the City has a seven (7) year term with PNC loans (2012 and 2014) with a 20-year amortization that the City can refinance in the future.

Mr. Koenig noted that the City owns City Hall, 5 E. Reed Street, the old Dover Public Library site, and some additional sites downtown that could be a location for a potential City Hall. He stated that the Kent County building is on approximately 11 acres and is about 60,000 square feet, which is very accommodating; however, it is not the type of concept he would advocate for the City based on the desire to stay within the downtown area.

Mr. McDaniel and Mr. Anderson concurred that City Hall should remain in the downtown area. Mr. Anderson stated his belief that taking City Hall out of the downtown area would send the wrong message by vacating the area and be counterproductive to all of the hard work and investment that had been put into the City.

Presentations - Proposed Public/Private Partnerships

Mr. L. D. Shank, Dover Renaissance LLC, stated that his organization had offered to purchase 5 E. Reed Street and the old Dover Public Library for \$2.3M and expressed his hope to purchase the buildings, bring them up to the 21st century, and put them back on the tax roll for the City of Dover. Members were provided a handout regarding Dover Renaissance LLC and some of the contributions of its members and their families over the last 85 years and stating the proposal to acquire 5 E. Reed Street and 46 South State Street (*Attachment #1*).

Responding to Mr. Koenig, Mr. Shank confirmed that the City had received a letter dated October 7, 2015 offering to purchase the old Dover Public Library site, 5 E. Reed Street, and a third parcel currently used for parking for \$2.32M dollars and that this was independent of the public/private partnership option being discussed.

Mr. Koenig stated that this was an unsolicited offer and had not yet been brought before Council; therefore, no action had been taken.

Responding to Mr. Hutchison, Mrs. Mitchell indicated that the State was also interested in purchasing the former library and paid for an appraisal on the property, which returned a value of \$1.8M. She indicated that since the City purchased 5 E. Reed Street in 2001, two appraisals had been done on the property, returning values of \$2.1M and \$2.3M for that building alone. In response

to Mr. Jerry Records, Dover Renaissance, LLC Managing Member, Mrs. Mitchell agreed that the figures were dated and that new appraisals would be necessary to identify the current values of the properties.

Mr. Records added that EDiS estimated that \$1.6M dollars would be needed to bring 5 E. Reed Street up to speed from its current condition, and their engineer advised that it would cost approximately \$700,000 to do the same for the former library.

Mr. Koenig stated that the unsolicited offer should be discussed by City Council in Executive Session, noting that a consensus from Council that would give staff direction as to how to proceed.

Mr. Anderson moved to refer this matter to City Council for discussion in Executive Session, seconded by Mr. McDaniel, and unanimously carried.

Mr. Shank expressed interest in doing a sale/leaseback of City Hall as well; however, stated that a written proposal for this had not been submitted.

Mr. Hutchison reiterated the need to gather more updated information on the value of the properties and the costs associated with their repair/improvement, including security issues, etc., to provide accurate numbers and have a clear picture of the situation.

Responding to Mr. Neil, Mr. Hutchison stated that more information was needed before it could be determined if the City should invest in bringing the buildings up to speed and then getting an appraisal for the value, if they should be appraised as is, or if Council was even interested in selling the buildings. He said that the first determination to be made was what the consensus of Council was, which would provide direction as to how to proceed.

Mr. Koenig stated that he would like members to make a recommendation to Council on how to prioritize the issues discussed today.

Mr. Anderson expressed his skepticism regarding the idea of replacing the buildings. He stated that he was not completely opposed; however, he felt that the numbers were incredibly important because without them it would not be possible to make an educated recommendation.

By unanimous consent, the meeting adjourned at 10:01 a.m.

James L. Hutchison, Sr.
Chair

JLH/MFK/js/dd

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Attachments

Attachment #1 - Handout - Dover Renaissance LLC

October, 2015

Dover Renaissance LLC was formed to allow the city of Dover and the state of Delaware the opportunity to meet their office space needs in Downtown Dover for the coming decades. The managing members of the LLC are Robert C. (Bob) MacLeish, George M.(Jerry) Records Jr. and Luther D. (L.D.) Shank III.

Contributions to the Dover community by the members and their families over the last 85 years include but are not limited to the following:

The creation of Dover's first power plant, the Dover Air Force base, the ILC corporation, which morphed into Playtex apparel, Playtex family products, Rapid American, Reichold chemical, Standard Brands, and ILC Industries, which had a significant role in placing a man on the moon. The General Foods Corp, now Kraft foods, Scott paper, now Proctor & Gamble, Enterprise Park, State Street Assisted Living, and the Boys & Girls Club. Residential communities include the Sherwoods I, II, & III, The Hamlet, Woodcrest, The Overlook on Silver Lake, and the soon to be unveiled Swan Haven, a 75 million dollar state-of-the-art residential community.

Adaptive use and historic preservation include the Department of Corrections headquarters & training center, the Schwartz Center for Performing Arts, CenDel Foundation building, formerly Delaware Trust, 34 The Green (winner of the James B Jackson award), the Howe House, the Richardson house on State Street, and 120 million dollar Dogfish Head Brewery.

The business plan for the city and state is a proprietary concept, which would consist of acquiring their 5 East Reed Street, and 46 South State Street (the old library) properties.

Upon completion of this project, over 5 million dollars will be added to the city and county tax rolls.