



TO: Members of the Common Council

FROM: Mayor Paul R. Soglin and the Judge Doyle Project Coordination Team

RE: Judge Doyle Project - Block 88 Public Garage Cost Estimates

Date: March 2, 2017

Issue

The Judge Doyle Project Design Team has completed the cost estimate for the Block 88 underground public garage as a required element of the schematic design phase and has reviewed it with the City staff. The cost estimate for the public portion of the Judge Doyle Development which includes the below grade parking structure on Block 88, the bike center, the reconstruction of Pinckney Street and the demolition of the existing Government East Parking Structure came in approximately \$10 Million over the \$39.7 Million budget. Intense competition for construction work and rising materials costs are driving the increase in estimated costs.

As explained below, efforts have been made to reduce the projected costs without significantly compromising the needs of the Parking Utility and meeting the stated goals of the Common Council for a below ground garage that maximizes the above ground private development potential. These efforts have reduced the \$10 million gap to approximately \$6.0 million.

Prompt action is necessary to preserve the \$24 million of TIF from TID 25 planned for this project. Funds from TID 25 must be committed by September 19, 2017. To achieve this schedule, the design team must commence work on the design development phase of the parking garage before the end March 2017.

A resolution to implement a solution will be introduced at the March 7th Common Council meeting for referral to the Board of Estimates and consideration by the Common Council on March 21st.

Background

The schematic design phase of the architect's contract requires that prior to completion of that phase, the City's designated representative and the Parking Manager must approve the estimated cost before the architect proceeds to the Design Development phase of the work.

The total budget approved in the City's 2017 Capital Budget for the Block 88 garage component of the Judge Doyle project is \$39.4 million. The sources of funds are comprised of:

- \$13.1 million from Parking Utility reserves;

- \$24.0 million of TIF;
- \$1.0 million for the bicycle center; and
- \$1.3 million for the relocation of City fleet parking to the garage.

The negotiations between Beitler and the City, concluded and approved by the Common Council in July 2016, assumed that the total development cost for a 600-car underground Government East replacement garage (560 stalls of public parking and 40 stalls of replacement city fleet parking) on Block 88, including the bicycle center, plus the demolition of the Government East ramp on Block 105 would be \$39.4 million. There also remains \$293,600 in federal TIGER grant funding for the bike station portion of the project. This further increases the project budget to \$39.7 million. This initial budget for the parking facility construction was based on the initial proposed drawings from February 2016. The uses of funds are comprised of:

- \$1.5 million for Beitler Real Estate Services development services contract;
- \$2.85 million for the Design Team contract;
- \$0.5 million (e.g. surveying, testing, administration, miscellaneous FFE for the garage);
- \$1.0 million to demolish the GE garage upon occupancy of the Block 88 garage; and
- \$33.85 million for the construction of the Block 88 garage and bicycle center.

In September 2016, the City contracted with Lothan, Van Hook and DeStefano Architecture (LVDA) of Chicago and its team to design the ramp. The estimated construction cost identified in the contract was based on the concept information generated in February 2016. The construction cost in the contract was \$29,940,000 for the 600-car underground facility (\$49,900 construction cost per stall) plus \$1.0 million for the bicycle center, for a total construction cost of \$30,940,000, which was under the estimated construction budget of \$33.85 million.

Pre-Design and Schematic Design of the Public Garage

Through the fall and early winter, the first two design phases for the Block 88 underground garage moved forward. In development of the parking facility's program elements and the structure, the design team explored options to achieve the program with the minimum costs. The additional space needed to extend the firefighter's elevator core to the lower levels and accommodate incoming services rooms, along with more precise design input generally, made it likely that the program of 560 public parking spaces plus 40 City vehicles would require levels below a fourth lower level.

Working with the geotechnical engineers, it was also identified that a depth below approximately elevation 845 feet would incur significant costs as this was reaching below the lake levels. Costs in excavation, structure, waterproofing and construction means and methods significantly increase the costs at these levels. In analyzing this issue, the team continued to identify and examine several options to maximize the program and stay within the budget.

During the next phase of schematic design, further analysis was conducted, including having the proposed plans reviewed and analyzed by a second, independent cost estimator. That work was presented to the City in a meeting on January 25, 2017. It verified the preliminary conclusions in the Pre-Design Report. This estimate was \$10 million over the authorized funding.

The City directed that the LVDA and Beitler teams continue to seek cost reducing measures for the ramp and produce a cost estimate for a 560-car ramp to replace the 520-car Government east garage on Block 105 plus the 40-stalls of municipal fleet parking. (The City's Request for Proposals specified 560 cars as

the minimum size of the replacement parking facility for Government East.) Further, the City directed that the garage be located out of the water table to reduce the construction and ongoing operating costs.

On February 17, 2017, the LVDA and Beitler teams presented this further analysis to the City for a 562-car underground ramp. The estimated construction cost on the revised estimate is \$39.516 million (\$161.66 per square foot), a reduction of \$4.364 million from the earlier estimate but still \$5.666 million over the construction budget. The \$4.364 million savings resulting from earlier estimates came primarily from (1) a reduction in the number of total parking stalls to the RFP stated minimum, thus reducing the overall size of the underground facility and (2) changes to building foundation systems and structural framing, resulting in less concrete being needed for the nearly 245,000 gross square foot underground parking facility.

The primary reasons for the greater construction cost are market conditions. Pricing is escalating based on the overall work in the Madison marketplace and in general. Contractors today are not as hungry for work as they were even a couple of years ago which affects pricing. Additionally, inflation in pricing for concrete as well as other commodities is accelerating. It should also be noted that as the drawings have been refined in the pre-design and schematic design phases, issues such site soil conditions (water depth and MMB annex), structural requirements (including the required floor to floor heights), and public bidding requirements have become better understood as the drawings and expectations have become more precise.

Additional Issue

It is Beitler Real Estate's plan to continue the construction of the above grade apartments and parking immediately upon the City's completion of the underground garage on Block 88. To this end, Beitler has accelerated the land use application for the private construction on Blocks 88 and 105 to track with the City's land use application for the garage project. The rezoning application was filed with the City of February 22nd. Regardless of the planning and current expectations, however, if market conditions would change and Beitler is forced to delay the start of the apartment construction on Block 88, the City may need to provide a temporary cap on the underground ramp in order to operate the ramp. The cost of the temporary protection and shoring system has been estimated at \$950,000. While this is a cost that hopefully won't be needed, the contingency should nevertheless be provided for by the City.

Path Forward

Based on the City staff analysis of the cost estimates and the value analysis for the design of the ramp, it doesn't appear that further program reductions are feasible. It would either produce a ramp of inferior quality that the City would not be willing to accept, or have a car count far less than is acceptable for the replacement of the Government East parking garage. Further program reductions and delivery method modifications will not result in an estimate in line with the City's budget authorization.

Approximately \$500,000 of the \$6.5 million gap (anticipated ramp cost -- \$39.516 million plus temporary ramp cap of \$950,000 for a total estimated cost of \$40.466 million less project budget of \$33.85 million) can be addressed with funding in the Capital Improvement Plan/Engineering for Pinckney Street improvements.

The Common Council made a decision to place the proposed Block 88 garage below grade in its unanimous decision to select Beitler Real Estate Services' proposal on April 19, 2016. Care has been taken to design a cost efficient parking garage. The alternative of an above ground ramp will reduce the

cost but will mean a loss of the property taxes and lease revenues from the above ground private development.

The opportunity to use land lease payments to repay funding needed to close the gap is being explored. Under the terms of the City's Development Agreement, Beitler Real Estate will make payment in the amount of \$755,000 per year under a 98-year land lease for the private elements of the Project. The land lease payments will increase by five percent every five years beginning in the fifth year of the lease. Approximately eight years of land lease payment would be needed to repay the \$6.0 million gap. The revenue stream created by this public-private venture creates a unique opportunity to cover the gap by using the early years' lease payments.