

Lease-Purchase Update

Presentation to City Council

City of Independence, Missouri

December 27, 2023



Agenda

- Bill No. 23-121 Summary
- Plan Overview
- Questions About the GEHA/Landmark Building
- Questions About the Independence Utilities Center
- Questions About the Independence Police Headquarters



Bill No. 23-121 Summary

- Authorizes City to enter into a lease-purchase transaction.
- City Utilities occupy GEHA/Landmark building.
- Will be voted on at 1/2/24 Regular Meeting.
- Financing must close by January 17



Previous Activity

- September 25, 2023: Joint City Council/Chamber Board Meeting
- November 13, 2023: City Council Study Session
 - Posted on November 3
- December 18, 2023: 1st Reading
 - Posted on December 8



Police Facilities Issues Remain Unresolved

- Current Police Headquarters built in 1973.
- Facility is unsafe, inefficient, and harmful to recruiting.
- \$320,00 spent on facility repairs each year for the last 8 years (\$2.56 million)!
- Police recruitment and retention.



Comparison of Area Police Facilities

Municipality	Year Built/Renovated	Price	Size	Population Served	Sworn/Civilian Personnel
Blue Springs	2015	\$22 million	72,000 sq. ft.	59,430	102/51
Lee's Summit	2021	\$5.5 million		102,781	153/62
Grain Valley	2022*	\$14 million	22,000 sq. ft.	16,002	20/5
KCMO Shoal Creek	2006	\$16.2 million	43,500 sq. ft.	109,213	72/6
KCMO North	2017	\$10 million	26,500 sq. ft.	82,192	81/5
KCMO South	2012	\$28 million	102,000 sq. ft.	70,193	87/7
KCMO Metro	2010	\$17 million	56,000 sq. ft.	91,184	126/7
KCMO East	2015	\$57 million	138,000 sq. ft.	84,787	134/6
KCMO Central	2015	\$26 million	115,000 sq. ft.	70,388	153/9
AVERAGE	2015	\$21.7 MILLION	71,875 sq. ft.	76,241	103/17.5
Independence	1973	***	61,170 sq. ft.	122,088	230/94.33

Says Who?

- 2018 Downtown Redevelopment Coordinating Committee (DRCC) recommendations.
- 2018 Police Master Plan recommended building new facility to accommodate needs/growth for 100+ years.
- April 2023 Marijuana Sales Tax Question.



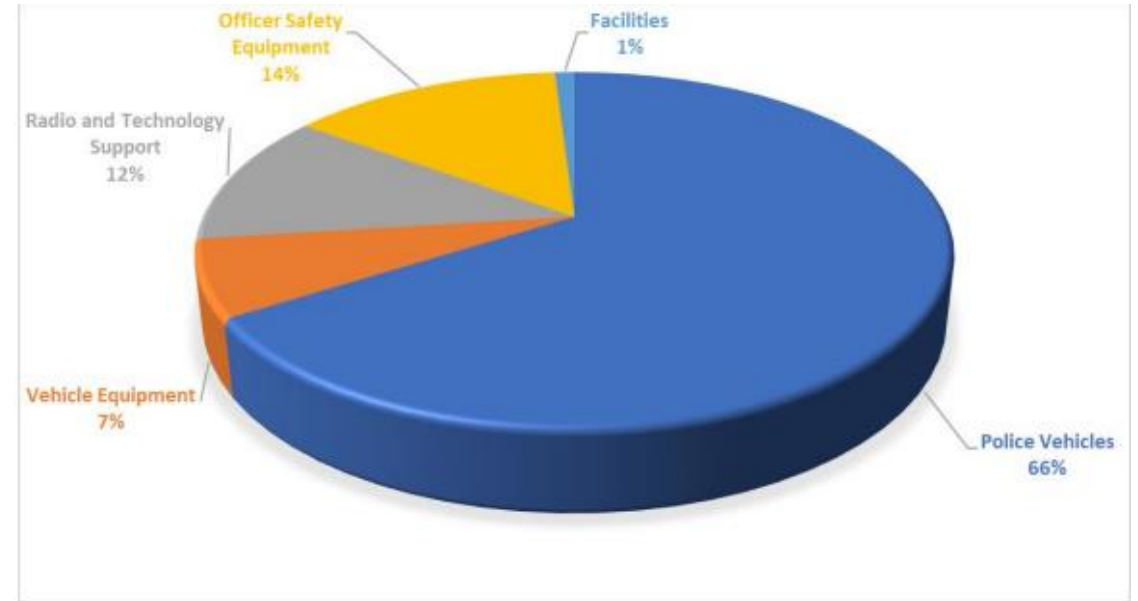
Earlier Efforts

- Community Improvement District
- Purchase of MCI Hospital Campus
- Construction of Independence Utilities Center



IPD Public Safety Sales Tax

- The current sales tax for IPD primarily supports police fleet and equipment.
- Only 1% of the current sales tax supports police facilities.
 - Expenses: Utility bills and technology contractors.



23RD STREET



MEDICAL CENTER PWY.

Communication Center
- Under Construction

CAMPUS SITE PLAN

2018 Study

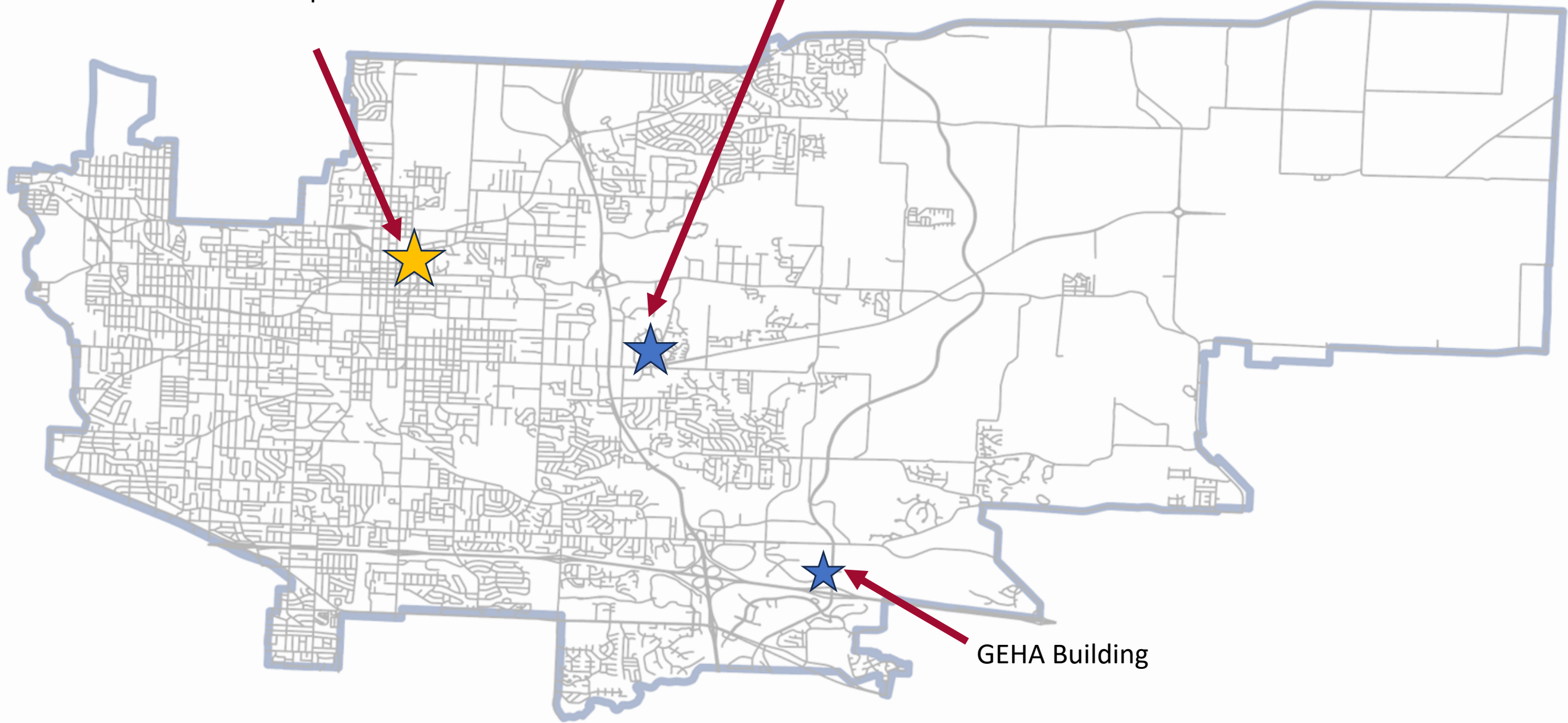
- Relocate Police to new campus sharing space with utilities
- 124,875 sq. ft.
- \$255/sq. ft.
- **Total Cost in 2018: \$37.1 million**

2023 Updates:

- 2023: \$651/sq. ft
- **Total Cost in 2023: \$120M**

Police Headquarters

Independence
Utilities Center



GEHA Building

Evaluating Options

	Purchase/Renovation Cost	Police HQ	TOTAL
Geha Purchase and IUC Buildout	\$20,000,000	\$50,000,000	\$70,000,000
Alternative Commercial Building Renovation and IUC Buildout	\$61,210,000	\$50,000,000	\$111,210,000

Facilities Plan Benefits

- Reduces costs for Justice Center (tripled in 5 years).
- Consolidates City operations and maximizes financial resources
- Backfills vacant/underutilized space in the community
- Improves employee recruitment/retention
- Opens redevelopment opportunities downtown
- Creates opportunity to bond for \$75M rec. center

Operating Cost Comparison

	IPD HQ	IUC	City Hall
Operating Costs	\$130,000	\$56,128	\$140,000
Utilities	\$163,724	\$76,417	\$95,087
TOTAL	\$293,724	\$132,545	\$235,087

Current Office Space Market Trends

- Still in hybrid work environment.
- Sublease market is out of control
- Demand for office space expected to shrink through early 2024.
- Adaptive reuses are the new norm
- *“Until these buildings are retrofitted, repurposed or demolished, a surplus of obsolete space will likely pose a headwind for the broader office market. High interest rates have slowed office deal volumes and will likely limit the number of retrofit and conversion projects this year.” NAIOP*

What is the GEHA/Landmark Building?

- 95,527 sq. ft. building and adjoining parcel.
- Built in 2001. Renovated in 2020.
- On market since March 2023 (278 days).
- Listed asking price: \$10.5 million (\$109.02 per square foot)
- City negotiated price: \$9.15 million (\$95.78 per square foot)
- 2004 sale price: \$18.7 million (\$195.75 per square foot)



How Would the City Pay for the Building?

- 20-year Lease/Purchase with Webster Bank
- \$20 million principal amount (acquisition and facility/site improvements).
- 5.18% interest rate.
- \$1.6 million annual debt service.
- Ability to return up to \$2 million without penalty.



How Would the City Make Lease Payments?

- City-owned utilities would make rental payments based on square footage occupied.
- General Fund would cover the balance.
- Potential Revenue Offsetting Transaction Costs:
 - Sale of Pad Site-\$1.3M
 - Lease of unoccupied space-\$700,000-\$800,000/yr.

Potential Debt Service

General Fund	33.0%	\$528,000
Internal Service Fund	26.0%	\$416,000
Water	20.3%	\$324,800
IPL	12.0%	\$192,000
Sewer	8.7%	\$139,200
TOTAL		\$1,600,000

Utilities Debt Service Comparison

	Curent Expense (Annual)	Proposed Expense (Annual)	Difference
IPL	\$330,840	\$192,000	-\$138,840
Sanitary Sewer	\$76,935	\$139,200	\$62,265
Water Fund	\$161,027	\$324,800	\$163,773

Impact to IPL

	Principal	Annual Debt Service	Lifetime Debt
Current Debt Service	\$5,220,000	\$ 330,840	\$ 9,925,200
Proposed Debt Service	\$2,400,000	\$ 192,000	\$ 3,840,000
Net Savings	-\$2,820,000	\$ (138,840)	\$ (6,085,200)



How Soon Will the Building Be Ready?

- Timetable under development.
- City hopes to have building move-in ready as soon as possible.



Will the Funds Be Spent on This Building?

- \$20 million held in trust fund at UMB Bank.
- Only available to City upon certain terms and conditions.
- Funds provided based on invoices submitted for work completed.
- \$20 million **can only be spent** on GEHA/Landmark Building and no other City building or project without prior approval of Bank and City Council.

Who Would Move into the Building?

- All City Departments currently located in IUC.
- Will also consider relocating other City departments.
- GEHA/Landmark building will not be fully occupied.
- City evaluating opportunities to lease space in the building.



What is the Independence Utilities Center?

- 47,800 sq. ft. renovated medical building.
- Former MCI Hospital campus.
- Completed in 2016.
- LEED Platinum Certified.
- 14-acre campus acquired in 2013 by IPL.
- IUC total costs: \$14.9M
 - Most space is administrative offices or training rooms.
 - No utility control systems.

Will IPL Be Repaid for the Property and Building?

- Yes.
- Must determine a fair market price and pay IPL if IUC used for police-related function.
- Potential funds include Marijuana Sales Tax, General Fund, and the Police Public Safety Sales Tax.
- Prior example: emergency response call center.



How Will the Upfront Police Costs Be Financed?

- Anticipated costs: relocation and remodeling.
- No current estimate.
- Some facility retrofitting and FFE purchases will be necessary.
- Funding options: General Fund, Marijuana Sales Tax, Police Public Safety Sales Tax.



Does This “Solve” the Need for IPD Facilities?

- No. It would be a start.
- 2019 Police Master Plan: 145,000 sq. ft. **at full buildout**
- IUC: 47,800 sq. ft.
- Several current functions would remain at IPD headquarters until new facilities are constructed.
- IPD currently operates out of 7 facilities.



What's the Plan for the Rest of IPD Facilities?

- General Obligation Bond
- Potential election date: April 2025.
- Current proposal allocates \$50 million for public buildings.
 - Justice Center: \$42 million.



Is \$42 Million Enough for a Justice Center?

- To be determined by space analysis study currently underway.
 - Allocation can be adjusted based on results of study.
- Current Justice Center pricing: \$651/sq. ft.
- Sufficient land available to consolidate IPD services.
- Public Safety Communications Center already located onsite.

What if the GO Bond Fails?

- Major portions of IPD functions relocated by this plan to a modern, centrally located building independent of a GO Bond.
- GO Bond remains best option for financing capital projects.
- If not approved:
 - Revisit GO Bond election at another date.
 - Finance construction in piecemeal manner using existing funds or alternative financing.
- Don't let perfect be the enemy of good.



What Comes Next?

- We need to do several important things and make sure they are done right:
 - Approve financing for the Landmark/GEHA building.
 - Renovate the space to be occupied by the City utilities and perhaps other City departments.
 - Engage real estate services to market unused portions of the Landmark/GEHA building and site to non-City enterprises.
 - Complete Justice Center Space Analysis/Master Plan Update.