

City Council – Action Request Form

Date: December 9, 2019

To: Mayor, Mayor Pro Tempore, and Members of the City Council

From: Ben Rowe, Assistant City Manager

Council Action Requested:

Action Items Related to Potential Uses of the Remaining Balance in the Union Station Redevelopment Project

Strategic Focus Area: Economic Vitality and Diversity

Strategic Objective: Promote Travel and Tourism

Strategic Plan Action Item: No

Key Work Item: No



Summary of Information:

In July 2014, the Mayor and City Council approved the issuance of \$18.3 million in Limited Obligation Bonds (LOBS) for the redevelopment of Union Station. The project has been completed, and Union Station was re-opened in September 2019. The City Department of Transportation is set to move into the first level of the building, while City staff are working with prospective tenants such as Winston-Salem State University and reviewing proposals for a new restaurant.

Currently, there is a balance of \$3.1 million remaining in the Union Station project budget. A portion of this balance would be used to upfit space for lease to future tenants. In recent weeks, City management has become aware of a number of new capital needs related to the 2014 bond projects, the Grand Pavilion and Conference Center space beneath the Embassy Suites Hotel, and the preservation of open space. The LOBS issued for the Union Station project can be used to pay the debt service on the bonds, thus enabling the City to utilize the remaining balance to meet other capital needs. The following table lists these newly identified needs. Descriptions of these needs are provided below. The estimated cost of these needs totals \$2.915 million. If the Union Station project balance were appropriated to meet these needs, a remaining undesignated balance of \$185,000 would remain to address future capital needs, including any unforeseen issues.

Committee Action:

Committee	<u>Finance 12/9/19</u>	Action	<u>Approval</u>
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For	<u>Unanimous</u>	Against	<u></u>
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Remarks:

Remaining Balance	\$3,100,000
Potential Uses	
Updates to Grand Pavilion/Conference Center Space at Embassy Suites Hotel	\$1,565,000
Upfit to Winston-Salem DOT and Leased Space in Union Station	850,000
Happy Hill Park Improvements – Drainage and Water Table Issues	250,000
Nelson Malloy Park – Walking Track Improvements and Dog Park Amenities	150,000
Contribution toward Crossnore School & Children’s Home Conservation Easement	100,000
Total Estimated Cost	\$2,915,000
Undesignated Balance	\$185,000

Descriptions of Potential Uses of the Union Station Project Balance

Updates to Grand Pavilion/Conference Center Space at Embassy Suites Hotel

The City currently owns the Grand Pavilion and Conference Center space beneath the Embassy Suites Hotel. The City renovated the space as part of the City’s participation in the development of the Twin City Quarter in 2004. The current owners of the Embassy Suites Hotel assumed the lease of the space as part of their acquisition of the hotel in September 2017. Under the lease, the owners pay an annual rent of \$600,000 for the space, which covers the debt that the City issued to acquire and renovate the space. The Grand Pavilion and Conference Center now requires updates in order to maintain its marketability and enable the Twin City Quarter to attract larger events to The Benton. City staff have been working with Hospitality Ventures Management Group, which manages the Marriott Hotel, Embassy Suites Hotel, and The Benton, on a scope of work and cost estimates to “refresh” the Grand Pavilion and Conference Center space. The potential scope would include the replacement of carpet, new wall coverings, painting, new lighting fixtures, and lighting controls. In addition, the City is responsible for maintaining the elevator located at the skywalk in the Cherry-Marshall Parking Deck. The Property and Facilities Management Department, in consultation with the maintenance service provider, has determined that the elevator car needs to be modernized due to the difficulty of finding parts. The estimated cost of both needs totals \$1.565 million and includes design, construction, and contingency. In order to expedite this project, City management will bring forward a Council Action in the coming weeks to enter into a public-private partnership with the owners of the Embassy Suites Hotel under the authority of N.C. General Statute 160A-458.3(b), which states:

If the City council finds that it is likely to have a significant effect on the revitalization of the central business district, the City may acquire, construct, own, and operate or participate in the acquisition, construction, ownership, and operation of a downtown development project or of specific facilities within such a project.

The owners of the Embassy Suites Hotel are planning a \$20 million renovation that would begin in early 2020. A public-private partnership with the City also would ensure the Embassy Suites Hotel remains part of the allocation of shared expenses among the three properties in the Twin City Quarter.

The following pictures provide examples of the needs and areas within the Grand Pavilion and Conference Center that would be included in the scope of this project.

Grand Pavilion



Ballroom



Carpet, Wall Coverings



Light Fixtures



Railing



Pre-function Space



Lighting

Conference Center



Big House Gaines Ballroom



Breakout Room (Atkins 1)



Breakout Room (Ardmore 1)



Pre-function Space



Carpet



Doors

Upfit to Winston-Salem DOT and Leased Space in Union Station

Part of the remaining balance in the Union Station project is needed to upfit the first floor (ground level) space for the City's Department of Transportation, as well as the space on the second and third floors for future leases. In November, the Mayor and City Council approved a resolution to lease 8,000 square feet of space on the second level to Winston-Salem State University. In addition, City staff are in the process of reviewing proposals to develop the third floor (street level) space into a restaurant. City staff propose setting aside \$850,000 of the project balance for future upfit of space in Union Station.

Happy Hill Park Improvements – Drainage and Water Table Issues

During the construction of the improvements to Happy Hill Park, the contractor discovered a spring that created a drainage and high water table issue for the new track. The project team has determined that piping, stabilization stone, and geotextile fabric is required to direct the run-off from the spring into a nearby creek. The estimated cost to install this piping, stone, and fabric totals \$250,000, which includes a \$200,000 change order to the construction contract and \$50,000 for design and testing. The area of concern is circled in the picture below.





Nelson Malloy Park – Walking Track Improvements and Dog Park Amenities

The construction of Nelson Malloy Park in the North Ward is nearing completion. The City has designed and developed the park to provide park amenities for special needs populations. At the request of Council Member Adams, City staff have revised the scope of the project to include drainage improvements along the walking path to improve ease of use and additional amenities in the two dog parks (small and large dogs) for service dogs. The estimated cost of these improvements totals \$150,000.



Walking Path



Walking Path



Dog Park #1



Dog Park #2

Contribution toward Crossnore School & Children's Home Conservation Easement

On December 2, 2019, the Mayor and City Council approved a contribution of \$200,000 to the Piedmont Land Conservancy for the acquisition of a conservation easement for 92 acres of land owned by the Crossnore School & Children's Home. The conservation easement will keep the property undeveloped as open space. The City's contribution is provided from two sources of funding--\$100,000 from authorized 2018 bonds for parkland acquisition and development and \$100,000 from capital reserves, specifically the Union Station project balance. The City Council already approved a budget amendment to appropriate these funding sources to provide the contribution.

This Council Action includes the following action items:

- Amendments to the FY 2019-20 Annual Appropriation/Tax Levy and Project Budget Ordinances to utilize part of the Union Station project balance to pay the debt service on the LOBS and to make available \$1,565,000 for the Grand Pavilion/Conference Center, \$250,000 for Happy Hill Park, and \$150,000 for Nelson Malloy Park
- Resolution authorizing a change order to BAR Construction Company, Inc. for \$200,000 to construct the improvements needed to address the drainage and water table issues at Happy Hill Park

In the coming months, City staff will prepare action items to authorize contracts for the upfit of the various spaces in Union Station for the Council's consideration. In addition, City management will bring forward an action item to authorize a public-private partnership for renovations to the Embassy Suites Hotel and updates to the City-owned space in the Grand Pavilion and Conference Center beneath the hotel.

Attachment A provides an allocation by ward of authorized 2014 and 2018 bonds, LOBS, and other capital funding approved in recent years. The table and chart only include funding designated for specific projects in the wards; funding for citywide projects, such as the public safety radio communications system replacement, is not reflected in the allocation.