



City of Rialto

Legislation Details (With Text)

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On agenda: 4/26/2022 **Final action:**
Title: Request that the City Council: (1) Adopt Resolution No. 7870 to Initiate the Design-Build-Finance-Operate-Maintain Process (In Accordance with Government Code Section 5956) for Development of a New Police Station; and (2) Authorize the City Manager to Issue Request for Proposals No. 22-062 Related to Development of a New Police Station on the Site of the Existing Police Station located at 128 N. Willow Avenue.
(ACTION)

Sponsors:

Indexes:

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Attachments: 1. RFP 22-062 Development of New Police Station.pdf, 2. Resolution.pdf

Date	Ver.	Action By	Action	Result
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For City Council Meeting [April 26, 2022]

TO: Honorable City Council

FROM: Marcus Fuller, City Manager

Request that the City Council: (1) Adopt **Resolution No. 7870** to Initiate the Design-Build-Finance-Operate-Maintain Process (In Accordance with Government Code Section 5956) for Development of a New Police Station; and (2) Authorize the City Manager to Issue Request for Proposals No. 22-062 Related to Development of a New Police Station on the Site of the Existing Police Station located at 128 N. Willow Avenue.

(ACTION)

BACKGROUND

The City's existing Police Station was completed on November 10, 1973 and is an approximately 18,000 square foot single-story concrete block structure with a basement that includes a firing range.

The Police Department in 1973 consisted of 39 sworn officers and six civilian employees, serving a population of just over 30,000 citizens. Today, the sworn staffing of the Police Department has more than tripled to 126 members. The number of civilian personnel has increased to over 55 members, bringing the total number of department personnel to 181. With the addition of part-time personnel, the Department exceeds 205 total employees. The main police building is unable to accommodate the quadrupling of staff since 1973. Only 120 of the Department's 181 full-time personnel work out of the main police building. To address the overflow of personnel, three modular buildings have been added on the Police Station property to house the following units:

- Traffic Bureau - 13 Sworn, 11 Civilian employees
- Investigations Bureau - 15 Sworn, 3 Civilian employees
- Community Service Bureau - 5 Sworn, 2 Civilian, 4 Contract (SWAG) employees
- Personnel and Training Unit - 2 Sworn, 1 Civilian Employee
- Logistics - 1 Sworn employee
- Animal Control - 5 Civilian employees

The three modular buildings trailers provide approximately 6,800 square feet of additional space.

Additionally, in 2008 the City constructed a new approximately 27,000 square feet two-story structure as the Police Department's Annex located at 429 W. Rialto Ave. The Property and Evidence Unit functions out of the Annex. The Annex also serves as the only meeting/training room for the Police Department, and houses evidentiary vehicles, animal refuse, traffic trailers, and vehicles and equipment used for Inland Valley SWAT.

The total square footage allocated to the Police Department inclusive of the original station, modular trailers, and Annex is 51,800 square feet.

The Rialto Police Department currently has 195.5 full-time equivalent allocated positions that includes: 1 Chief, 2 Captains, 6 Lieutenants, 12 Sergeants, 12 Corporals, and 92 Officers. The Police Department has a 911 dispatch center that includes 1 Supervisor and 15 Dispatchers. Staffing includes other various administrative, technical and part-time staff.

Reconstruction of a new Police Station is overdue and is an urgent need to consolidate all the various office spaces into a larger facility that will address current space needs as well as flexibility for future increases to staffing that will be required to fully serve the Rialto community at build-out with 150,000 residents. It is anticipated that the Police Department organization will grow in size to 150 sworn staff and 75 civilian staff.

To meet the needs for the Police Department a new Police Station is desired. Specific organizational challenges caused by the shortage of adequate office space includes the following:

- Lack of lockers and locker room space
- No conference/meeting rooms
- Overcrowded dispatch center with no space for a real-time crime center
- Overcrowded briefing room
- No training room
- No dedicated report writing room (currently using briefing room)
- Outdated detention cells/arrestee intake area
- Lack of storage space (currently using firing range)
- Lack of restroom facilities, both male and female
- No emergency operations center/community meeting room
- Lack of an elevator to access the lower level of the police facility

The City Council previously expressed a priority for developing a new police station on the site of the existing police station at 128 N. Willow Avenue.

ANALYSIS/DISCUSSION

It is anticipated that the City will need to expand the police station by at least double the square footage of all of their current spaces into a consolidated new building. This will potentially yield up to a 100,000 square foot programming need.

Options for developing a new police station include the typical Design-Bid-Build process where the City completes a full design which might require 18-24 months, followed by a bid process to competitively bid a contractor, and then followed by a construction period of another 18-24 months. In this typical process, the bid is not a guaranteed fixed price and is subject to change due to unforeseen conditions in the City's bid documents, changes in the plans required for construction, and other issues that arise. In these cases, the City is responsible for any delays and additional costs required to complete the project.

Moreover, in the typical Design-Bid-Build process the City is responsible for fully financing the total cost of the project in advance, either through upfront capital funds previously budgeted, or through issuance of debt financing.

Other project delivery methods exist, including the Design-Build process where the City provides a 30% design level document and competitively solicits a bid to a general contractor and design team to complete the plans and construct the project. The Design-Build contract assigns all risk to the general contractor and design team to deliver the project scope as identified by the City in its 30% design level document for a fixed guaranteed price. In this delivery method, the City remains responsible for fully financing the total cost of the project in advance.

A more creative delivery method exists whereby the City pursues a Design-Build-Finance-Operate-Maintain process (in accordance with Government Code Section 5956) whereby the City can enter into a Public Private Partnership (P3) contract with a general contractor and design team (a "Developer") to deliver a project, and incorporate a Ground Lease and Facility Lease to establish a financing mechanism (without debt issuance by the City) to fund the entire cost of designing, building, operating and maintaining the project.

In this delivery method, the Developer itself finances the entire cost of the project by entering into a long-term ground lease over the City's property, and with the City in return entering into a long-term facility lease with the Developer to pay monthly lease payments that recover the Developer's costs to complete the project in addition to negotiated overhead and profit margins. At the end of the lease term, the City acquires the new facility for \$1.

It is the Design-Build-Finance-Operate-Maintain procurement approach that is being considered for the development of a new police station. This process will assign all project delivery risks to the Developer and require the Developer to fund and finance the project with the City paying fixed lease payments over a long-term period for rental of the new police station. At the end of the lease term, the City will assume ownership of the facility.

What will be proposed in the solicitation as a "Request for Proposals No. 22-062 to Design-Build-Finance-Operate-Maintain a New Police Station" (the "RFP") is the following general requirements:

- Selection of Temporary Facilities and Short-Term Lease for relocation of Police Department operations during construction
- Coordination of relocation of Police Department operations, including its 911 dispatch center
- Design-Build-Finance-Operate-Maintain Agreement for a multi-story concrete tilt-up building of 100,000 square feet (with final sizing to be determined in the project programming phase) for a new Police Station on the Property and to potentially consolidate the operations of the Police Department Annex located at 429 W. Rialto Ave.
- Design-Build-Finance-Operate-Maintain Agreement of a concrete parking structure as necessary to accommodate required on-site parking
- Completion of outfitting and tenant improvements
- Long-term property management and maintenance

The following goals in delivering this project are suggested:

1. Development of a new Police Station that will provide the greatest value to the City.
2. Smooth and efficient temporary relocation of existing Police Department operations, including the existing 911 dispatch center, to a site selected and leased by the selected Developer and as approved by the City.
3. Achieve the programming, planning, design, construction, outfitting and tenant improvements of the new Police Station on the Property reflecting current building design trends and incorporating the latest technology.
4. Initiate the planning and construction of the new Police Station on the Property, including parking structure if required, and complete the Project within two years commencing upon fully executed Ground Lease and Facility Lease agreements.

The method of delivering this project would include negotiating two long-term Ground Lease and Facility Lease agreements.

Ground Lease

Execution of a long-term Ground Lease for the Project will be required to provide the Developer with control of the Property and as a basis for obtaining the necessary financing for the Project, and the terms and conditions to Design-Build-Finance-Operate-Maintain the Project and will include a performance schedule. The desired term of the Ground Lease is typically thirty (30) years but will be determined by each potential Developer and proposed accordingly. The Ground Lease will require ground rent monthly payments by the Developer to the City together with annual rental adjustments. The Ground Lease document will provide the timing and other requirements for the development of the project. The Developer will be requested to submit a financial proposal as part of this Request for Proposals to the City specifying the amount of ground rent payable to the City and other key Ground Lease terms.

Facilities Lease

Execution of a long-term Facilities Lease between the Developer and the City will be required in which the Developer leases to the City and the City pays monthly rent to the Developer. The desired term of the Facilities Lease is typically thirty (30) years but will be determined by each potential Developer and proposed accordingly. The monthly rent will be payable on a modified gross basis

and shall include the cost of the tenant improvements. The City's monthly lease payments to Developer will be based on the overall cost of the Project, and monthly operating costs as reimbursement to Developer for its operating expenses (maintenance, custodial, utilities, etc.). There will be no expense pass through over and above the modified gross lease rate.

The Facilities Lease will include an option for the City to purchase the building and improvements on an annual basis after ten (10) years from lease commencement for a specified amount and at the end of the Facilities Lease term for one dollar. The lease will specify that in the event the City exercises its option to purchase the building and improvements, upon closing of escrow, the Ground Lease shall terminate. The Developer will be requested as part of the RFP to submit a financial proposal setting forth the proposed terms of the Facilities Lease. The Developer will be required to submit evidence of its ability to finance each portion of the project.

The Ground Lease and Facility Lease agreements will provide that the Developer shall design, entitle, permit, construct, and maintain (as Landlord) the Project and all related improvements, including a new parking garage if required. A Project budget will be established by line item to list all Project costs including the project contingency, overhead costs, and profit margin.

Short-Term Lease

Separately, a short-term lease of temporary facilities for relocation of the Police Department operations during construction of the Project will be required to be negotiated by Developer at a site approved by the City, with the cost of the short-term lease inclusive in the overall cost and financing of the Project.

RFP

A copy of the RFP is included as **Attachment 1**.

Publication of the RFP will be far and wide, with the City placing advertisements in major publications suitable to provide notice to the development community for this type of project. It is also anticipated that a minimum of 90 days be provided for potential developers to prepare their proposals for submittal to the City.

An Evaluation Panel consisting of an Ad-Hoc of the City Council and other stakeholders determined by the City Council will be established to review the proposals submitted to determine the most qualified developer providing the best value to the City in delivering this project.

SURPLUS LANDS ACT

The California Surplus Land Act ("Act") establishes the process by which local agencies can dispose of surplus land. It was recently modified by AB 1486, which added requirements, but also codified a number of exemptions to the Act. Under AB 1486, real property that is "used" or is "intended to be used" by a public agency is exempt from the Act. "Use" includes use "for the sole purpose of investment or generation of revenue" so long as the agency's governing body takes action in a public meeting declaring that the use of the site will directly further the express purpose of agency work or operations. In addition to codifying exemptions to the Act, AB 1486 also empowered the California Department of Housing and Community Development ("HCD") to establish implementing guidelines for the Act, which were published in April of 2021. Under the HCD Guidelines, prior to disposition of

exempt surplus land, public agencies must adopt a resolution supported by written findings determining the property exempt and it must provide a copy of the resolution HCD at least thirty days prior to disposition. While not expressly stated, the Act appears to suggest that if HCD does not notify the agency that the exemption determination violates the Act within 30 days, the agency receives “safe harbor” that it has complied with the law, and is not subject to the penalty provisions.

A copy of the Resolution for adoption by the City Council is included as **Attachment 2**.

ENVIRONMENTAL IMPACT

The proposed actions do not constitute a “project” as defined by the California Environmental Quality Act (CEQA). Pursuant to Section 15378(b), a project does not include organizational or administrative activities of governments that will not result in direct or indirect physical changes in the environment. However, prior to commencing construction of a new Police Station, the City will complete all necessary reviews pursuant to CEQA.

GENERAL PLAN CONSISTENCY

This action is consistent with Guiding Principle 3A of the General Plan:

Our City government will lead by example, and will operate in an open, transparent, and responsive manner that meets the needs of the citizens and is a good place to do business.

LEGAL REVIEW

The City Attorney reviewed and recommended approval of this staff report and resolution.

FINANCIAL IMPACT

Operating Budget Impact

Operating costs associated with a new police station will increase. In the Design-Build-Finance-Operate-Maintain process, the City has the option to include operational costs in the long-term facility lease through reimbursements to the developer for these costs. These costs will be negotiated through the development process leading to the Facility Lease agreement presented to City Council for approval.

Capital Improvement Budget Impact

The City Council previously appropriated \$10,500,000 towards development of a new police station. The potential cost to develop a new Police Station with 100,000 square feet of area as a multi-story concrete tilt-up building will be determined through the solicitation process. Depending on the final size and type of building, the inclusion of a multi-story parking garage, and other features incorporated into the facility, the anticipated cost will be established through the pre-development process with the selected Developer. Conceptually, the cost to construct the core and shell of the building may range from \$10 million to \$20 million, with outfitting, fixtures, furnishings and “tenant improvements” ranging from another \$10 million to \$20 million. The City has the discretion to

determine whether to include all costs in the financing through a Facility Lease or only the core and shell building improvements, to be determined during negotiations with the selected developer.

The Design-Build-Finance-Operate-Maintain process contemplates a public-private partnership whereby the City will finance the cost of the facility by entering into a long-term Ground Lease with the selected Developer and a coterminous long-term Facility Lease to rent the facility from the Developer for a fixed monthly lease rate that will pay the financed cost of the facility to the Developer. At the end of the lease, the City will acquire the facility for \$1. The City will have the option to acquire the facility prior to the end of the lease for a larger amount, which will be quantified for each year from Year 10 to Year 30 of the lease.

Many public agencies have pursued development of new facilities through the P3 process to avoid financing through debt issuance with bonds, or through the significant up front capital investment. Using the County of Riverside as an example, the County pursued the P3 process for development of the County's Riverside University Health System Medical Office Building Project in Moreno Valley. Through a competitive solicitation process, in 2017 the County selected a developer to build a three-story 200,000 square foot medical office building with a total cost of \$113.4 million. In this example, the County entered a 25-year ground lease with the developer at \$1 per year ground lease rent, and a coterminous 25-year facility lease with the developer at \$3.89 per square foot per month net lease rate based on the estimated cost of the project and \$1.22 per square foot operational cost for maintenance. The monthly lease rate was established at \$777,061 or \$9.3 million annually, with an additional \$244,000 per month for operational costs or \$2.9 million annually.

As this example was for a technically complex medical office building, and the lease term was 25 years, anticipated costs for a police station will be lower and when leveraged over a longer lease term. Simple extrapolation of the County's costs on a hypothetical \$40 million total project cost at a similar 25-year term would yield \$3.3 million annual lease payments with operational costs of \$1 million annually. It is difficult to draw an accurate cost comparison at this time, and these estimates are only provided to demonstrate a range of potential costs in financing development of a \$40 million police station complex. The City might consider a longer-term lease to further reduce annual payments.

Any lease financing should be compared to traditional debt financing to ensure the City receives the lowest overall financing cost. As an example, assuming \$40 million debt issuance at 5% interest over 30-year term would yield annual debt service payments of \$2.6 million.

RECOMMENDATION

Staff recommends that the City Council:

- (1) Adopt the Resolution to Initiate the Design-Build-Finance-Operate-Maintain Process (In Accordance with Government Code Section 5956) for Development of a New Police Station; and
- (2) Authorize the City Manager to Issue Request for Proposals No. 22-062 Related to Development of a New Police Station on the Site of the Existing Police Station located at 128 N. Willow Avenue