

MINUTES

CITY OF WESTMINSTER Mayor and Common Council Special Meeting Tuesday, June 18, 2019 at 6:00 p.m.

CALL TO ORDER

Elected Officials Present: Councilmember Chiavacci, Mayor Dominick, Councilmember Gilbert, President Pecoraro, and Councilmember Yingling.

Staff Present: Director of Public Works Glass, City Attorney Levan, Director of Community Planning and Development Mackey, City Administrator Matthews, Director of Finance and Administrative Services Palmer, and City Clerk Visocsky.

Guest: John Brunnett of Gant Brunnett Architects.

CONSENT CALENDAR

President Pecoraro requested a motion to approve the Consent Calendar as listed below:

- Approval - FY 2020 Grant Agreement between the City of Westminster and the Westminster Municipal Band
- Approval - FY 2020 Grant Agreement between the City of Westminster and the Westminster Volunteer Fire Department

Councilmember Yingling moved, seconded by Councilmember Chiavacci, to approve the Consent Calendar, as presented.

VOTE

AYES: President Pecoraro, Councilmember Chiavacci, Councilmember Gilbert, and Councilmember Yingling.

NAYS: None.

BIDS

Consulting Services for Water Re-use Pilot Testing Project

Ms. Matthews, on behalf of Mr. Glass, recommended that the Mayor and Common Council approve the sole procurement of engineering services for the City's water re-use pilot testing project and accept the proposal of WATEK Engineering Corporation in the total amount of \$147,000.

Councilmember Yingling moved, seconded by Councilmember Chiavacci, to approve the contract for WATEK Engineering Corporation in the total amount of \$147,000.

VOTE

AYES: President Pecoraro, Councilmember Chiavacci, Councilmember Gilbert, and Councilmember Yingling.

NAYS: None.

ORDINANCES & RESOLUTIONS

Ordinance No. 915

Ms. Matthews informed the Mayor and Common Council that Ordinance No. 915 would authorize the City to obtain a loan in the amount of \$1.3 million from the State to support the operation of the Westminster Fiber Network. The loan would be for a term of 30 years, with a 0% interest rate. Ms.

Matthews stated that the City and State had not yet finalized the loan note terms. For that reason, the ordinance would empower the Mayor to do so, in consultation with City staff and legal counsel.

Ms. Matthews informed the Mayor and Common Council that Ordinance No. 915, as introduced, had been modified to reflect a note maturity date of June 1, 2049. She advised the Mayor and Common Council that the ordinance should be amended to reflect this change before adoption.

Councilmember Chiavacci moved, seconded by Councilmember Yingling, to amend Ordinance No. 915 to reflect a note maturity date of June 1, 2049.

VOTE

AYES: President Pecoraro, Councilmember Chiavacci, Councilmember Gilbert, and Councilmember Yingling.

NAYS: None.

President Pecoraro requested a motion to adopt Ordinance No. 915, as amended - An Ordinance of the Common Council of the Mayor and Common Council of Westminster (the "City") to Authorize and Empower the City to Issue and Sell to the State of Maryland (the "State"), at Private Sale without Advertisement or Publication of Notice of Sale or Solicitation of Competitive Bids, upon the City's Full Faith and Credit, a General Obligation Note (the "Note") in the Original Principal Amount of One Million Three Hundred Thousand Dollars (\$1,300,000.00), for the Public Purpose of Financing, Reimbursing or Refinancing Operating Costs of the City's Broadband Fiber Infrastructure Project and, to the Extent Permitted by the State, Costs of Issuance; Setting Forth or Providing for the Approval of the Terms of the Note; Providing for the Imposition of Ad Valorem Taxes Sufficient for, and Pledging the Full Faith and Credit and Unlimited Taxing Power of the City to, the Prompt Payment of Debt Service on the Note if and when Due; Providing that Debt Service on the Note also may be Paid from any other Sources of Revenue Lawfully Available to the City for such Purpose; Authorizing and Directing Officials and Employees of the City to take certain Actions in Connection with the Note; Overriding and Suspending any Provisions of the Debt Policy of the City that the Issuance of the Note might otherwise Violate; Providing that the Provisions of this Ordinance shall be Liberally Construed; and otherwise Generally Relating to the Issuance, Sale, Delivery, Payment and Prepayment of the Note.

Councilmember Chiavacci moved, seconded by Councilmember Gilbert, to approve the adoption of Ordinance No. 915, as amended.

VOTE

AYES: President Pecoraro, Councilmember Chiavacci, Councilmember Gilbert, and Councilmember Yingling.

NAYS: None.

UNFINISHED BUSINESS

45 West Main Renovation Project

President Pecoraro stated that beginning in 2017, the Mayor and Common Council discussed the benefits of the City purchasing the property located at 45 West Main Street to house the City's administrative offices. Based on the information that the City was able to obtain during the negotiation process, the City purchased the former BB&T Bank building for \$1.6 million. Since the City's purchase of the property, the projected cost of renovating the building has increased. President Pecoraro stated that there were two options at this juncture – proceed with the building renovation project as originally envisioned or go in a different direction with the property that would revitalize downtown Westminster. He added that no one was to blame for the projected increase in the project's cost, as everyone had done his or her due diligence. President Pecoraro thanked City staff and Gant Brunnett Architects for their work on the project to date, and for providing the information requested by the Mayor and Common Council in preparation for the discussion.

Ms. Matthews stated that the studies done prior to the City's purchase of the 45 West Main Street property were to ensure that the building could meet the City's space needs and to identify Code deficiencies that would need to be addressed in order for the City to occupy the building. The City used the resulting information to arrive at an appropriate price for purchase of the property. Ms. Matthews then asked Mr. Brunnett to make a brief presentation.

Mr. Brunnett informed the Mayor and Common Council that considerable time was spent vetting different conceptual space layouts between early 2017 and September 2018. He noted that the bank had initially wanted to rent space in the building. He and his team developed a number of space configurations in an attempt to work around the bank's desired space needs. Mr. Brunnett stated that the basement level of the building was initially envisioned to remain largely untouched. The project subsequently evolved to include a full buildout of the basement. If the City desired to modify the current space layout, Mr. Brunnett recommended that the Mayor and Common Council make those decisions now.

Mr. Brunnett then provided the Mayor and Common Council with an overview of the space layout for each floor of the building, as well as the anticipated project timeline. He noted that his firm planned to file for the building permit during the week of June 17, 2019; the Westminster Planning and Zoning Commission had approved the site plan.

A copy of Mr. Brunnett's presentation is attached to these minutes and incorporated herein by reference.

Mr. Brunnett informed the Mayor and Common Council that his firm had submitted the 95% detailed drawings to the cost estimator. While the cost estimator was unable to provide the full report prior to the meeting, he provided Mr. Brunnett with an updated construction estimate of \$5.0 million. The cost estimator indicated that the higher cost was largely attributable to HVAC and electrical work.

President Pecoraro noted that the current construction estimate of \$5.0 million was significantly higher than the initial estimate of \$2.4 million. Mr. Brunnett stated that the \$2.4 million developed in the summer of 2017 assumed that the basement level of the building would remain as is; the current design called for a full buildout of the basement. Ms. Matthews reminded the Mayor and Common Council that the \$2.4 million figure was qualified by certain factors, including no repairs to central plant equipment. Additionally, a 15% annual escalation was recommended for planning purposes. A design contingency of 10% was also recommended as the project was at a very early stage.

Councilmember Gilbert inquired about the cost of new construction versus renovation. Mr. Brunnett responded that the projected renovation cost equated to about \$148 per square foot. The cost of a similarly sized new building would cost about \$300 per square foot, not including any associated site improvements.

Councilmember Chiavacci asked Ms. Matthews when the City's lease for office space at 56 West Main expired. Ms. Matthews replied that the current lease agreement expired on September 30, 2019. The lease provided for a one-time extension of three to twelve months; under the terms of the lease, the City was required to provide one year's notice in advance of the extended lease termination date.

President Pecoraro asked if an additional extension beyond the twelve-month period would be feasible. Ms. Matthews responded that she had advised the property owner that the City would need to extend the lease beyond the September 30, 2019 expiration date. The owner would likely be amenable to the City extending the lease beyond the currently allowable extension date of September 30, 2020.

Councilmember Gilbert asked Ms. Matthews what the City paid in rent for the office space at 56 West Main Street. Ms. Matthews replied that the current monthly rent was \$14,000.

Councilmember Chiavacci then asked Ms. Matthews if the owner of 56 West Main still wanted to purchase the City-owned parking lot located in front of the building. Ms. Matthews replied that the lease agreement provided for the owner's purchase of the parking lot, including the associated purchase price.

Councilmember Chiavacci stated that the total project cost, including purchase of the property, was now envisioned to be \$7.0 million. He had anticipated that the maximum cost would be \$5 million. Councilmember Chiavacci questioned whether renovating the building still made sense given the higher project cost.

President Pecoraro stated that, given that the City owned the 45 West Main property, the Mayor and Common Council needed to determine what to do with it. If the Mayor and Common Council did not proceed with the building renovation, the City needed to determine where to house the City's administrative offices, as continuing to lease space did not make sense economically. An alternative property would also require renovation to meet the City's needs. Councilmember Pecoraro reiterated that new construction would be more expensive than renovating the 45 West Main property.

Councilmember Chiavacci suggested that the City could possibly accommodate its administrative office needs in a smaller building. He noted that the City's decision to purchase the bank building was so that it did not sit vacant for several years. Purchasing the property gave the City control of this prominent corner in downtown Westminster. Councilmember Chiavacci noted that the bank wanted \$3.1 million for the property, and the City only paid \$1.6 million.

President Pecoraro asked Ms. Palmer to report on the status of the City's cash reserves. Ms. Palmer replied that the City currently had more than \$11.0 million in unreserved General Fund cash and another \$7.5 million in restricted cash. She stated that restricted cash includes approximately \$1.2 million that the City has set aside as a General Fund emergency reserve and \$250,000 for emergency projects in the Capital Projects Fund.

Councilmember Chiavacci thanked Ms. Palmer for her report, stating that he was more inclined to use reserves for the project in light of the information presented.

President Pecoraro then inquired about an appropriate level for bonded indebtedness. Ms. Palmer recommended that discussion be deferred until the City received the updated debt affordability study from Wye River Consulting.

President Pecoraro suggested that the Finance Committee meet with staff in the near future to discuss the development of a formal reserve policy and a possible update to the City's debt management policy. He noted that it was not fiscally responsible to maintain an overly high reserve level without a specific purpose for accumulating cash.

Councilmember Chiavacci noted factors that had resulted in the escalated project cost, including renovation of the basement level, new private office space, and exterior building enhancements.

Councilmember Gilbert commented that construction costs would likely continue to escalate. If the Mayor and Common Council believed this work was needed, it would be less expensive to do it now.

Mayor Dominick echoed Councilmember Gilbert's comments. He noted that future work would not only be expensive, but disruptive to City operations once the building was occupied.

Mr. Brunnett informed the Mayor and Common Council that there would be economies of scale by renovating the basement level as part of the project. He added that there are intangible costs of performing construction work in an occupied building, specifically the disruption to business operations. Mr. Brunnett also noted that there are peaks and valleys in the construction industry that drive pricing.

President Pecoraro stated that there is a difference between renovating the basement level of the building and outfitting the space for use. He stated that there was general agreement to continue to hold meetings at City Hall rather than relocate them to 45 West Main. Mayor Dominick disagreed, stating that this was still an open question.

President Pecoraro noted that the interior space design was attractive, but not extravagant. He appreciated the design team's cost consciousness.

Councilmember Yingling encouraged his colleagues to be visionary and creative in thinking about the best use of the 45 West Main property. He stated that marketing the property may be in the City's best interests given the higher renovation cost estimate, as well as furthering economic development activities in the downtown area. The City could then consider constructing a building that would better fit its administrative space needs.

President Pecoraro stated that he was not opposed to Councilmember Yingling's suggestion, noting the success of the 14 Liberty Street project. He informed his colleagues that the City conducted a study in the 1990s to identify key parcels for redevelopment. The parcels included the former post office, former fire hall, former JC Penney's building, and the Farmer's Supply building (now O'Lordans). Unfortunately, the economic downturn occurred shortly after the study.

Councilmember Yingling asked Mr. Mackey how the City could learn more about public-private partnerships. Mr. Mackey offered to provide literature to the Mayor and Common Council. Mr. Mackey noted that market forces play a major role in development and redevelopment matters, noting that the market for office space was depressed. President Pecoraro added that some land uses required a certain level of density to support them.

Mr. Mackey informed the Mayor and Common Council that governmental investment in public spaces, such as streetscapes, often spurred economic revitalization. Private investment followed, leading to increased property values. Mr. Mackey noted the dilapidated condition of City sidewalks, adding that a major streetscape project would enhance the appearance of the downtown area.

Mr. Mackey offered to provide developer contacts to the Mayor and Common Council if they wished to learn more about the feasibility of a public-private partnership for the 45 West Main site.

Mr. Brunnett commented that it was important for a local government to acknowledge both its strengths and weaknesses, and plan its economic development efforts around those strengths. He noted that this can be a lengthy process, and urged the Mayor and Common Council to keep moving forward with the 45 West Main project by filing for the building permit while the City weighed its options. Mr. Brunnett stated that the project timeline was geared towards a time in the construction market when an interior renovation project such as this would be attractive to bidders.

President Pecoraro stated that it was important for the City not to miss a good bidding window. He asked Mr. Mackey to provide the Mayor and Common Council with literature on public-private partnerships.

Ms. Matthews informed the Mayor and Common Council that she had requested information on several bonding scenarios from the State, as requested; that information was pending. President

Pecoraro noted that the City's cash position as outlined by Ms. Palmer made bonding less attractive than originally thought.

Councilmember Chiavacci inquired about the timing for a follow up discussion of this matter. President Pecoraro responded that a preliminary conversation would be scheduled for July 9, 2019.

The Mayor and Common Council authorized Gant Brunnett Architects to move forward in applying for the building permit for 45 West Main Street, while it continues to evaluate other options. A deadline of 30 days was set to make a final decision on the renovation project.

NEW BUSINESS

None.

ADJOURNMENT

President Pecoraro adjourned the meeting at 7:46 p.m.

Respectfully Submitted,

Shannon Visocsky, City Clerk

Full audio version is available on www.westminstermd.gov