



## Commission Memorandum

**REPORT TO:** Honorable Mayor and City Commission

**FROM:** Andrea Surratt, City Manager  
Chuck Winn, Assistant City Manager  
Kristin Donald, Finance Director

**SUBJECT:** Presentation of Options; Joint Project with Gallatin County for Law Enforcement Building and a Bozeman Public Safety Complex on City-Owned Property on Rouse Avenue.

**MEETING DATE:** January 22, 2018

**AGENDA ITEM TYPE:** Action

**RECOMMENDATION:** Listen to presentation by staff and Thinkone Architects, ask questions, and provide direction to the City Manager.

**POSSIBLE MOTION:** After listening to the presentations and taking public comment, I move to direct the City Manager to work with Gallatin County to finalize a joint law enforcement project on the Law and Justice Center site and bring back to the City Commission draft mill levy ballot funding language for a June 2018 election.

**OR**

**POSSIBLE MOTION:** After listening to the presentations and taking public comment, I move to direct the City Manager to further explore Bozeman Public Safety Complex options on city-owned property on Rouse Avenue and return to the Commission with a recommended project for Bozeman Police, Bozeman Fire, and Bozeman Municipal Courts and associated support services.

**OR**

Other motion as determined by the Commission

**INTRODUCTION:** On November 13, 2017, the Commission passed a motion directing staff to “work with Gallatin County to formally reconvene a joint workgroup to develop options that address the critical facility and public safety needs of the City and County law and justice functions for consideration by both governing bodies . . .” and to “evaluate options for the provision of city services, including the municipal law and justice center and fire.”

Representatives from the City and County met on December 20, 2017 and January 3, 2018 to discuss options for proceeding with a joint phased project on the Law and Justice Center site.

Concurrent with that effort, the City worked on options to include the relocation of Fire Station 1 to the Rouse Avenue site with Bozeman Police, Municipal Courts and associated support services.

**BACKGROUND:** The City and County criminal justice services are collocated at the County's Law and Justice Center (L&J) at 615 South 16<sup>th</sup> Avenue. The current building is approximately 54,000 square feet and is a remodeled 1960's era high school. It houses 3 District Court rooms, 2 Justice Court rooms, 2 Municipal Court rooms, the Gallatin County Sheriff's Office, the Bozeman Police Department, joint evidence processing and storage, the City/County records division, the Gallatin County Coroner, Victim Services, and all associated support personnel. The capacity of the current building has been greatly exceeded by the growing demand for services. More concerning is that the facility does not meet current building and life-safety codes nor does it provide basic security measures to enhance the safety of the visiting public or staff.

Since February 2015, the City of Bozeman and Gallatin County have been working together to plan for and develop joint criminal justice facilities at the L&J campus. That effort resulted in a project proposal which included two new structures, a courts building and a law enforcement building, being constructed to the north and south of the existing L&J building. This plan provided for continuing operations of all City and County criminal justice functions during the construction phase after which time the old L&J would be demolished to provide building access and public parking. Voters were asked to approve a \$68,300,000 bond which included the costs of demolition and all necessary site improvements. The project was placed on the November 2016 ballot but did not gain voter approval.

Shortly after the election, the City and County formed a "Next Steps" group to evaluate feedback received on the bond failure and develop new options to address the still-critical facility needs of the criminal justice system. Many ideas were advanced as to the reasons for the failure of the bond, but one common theme was that cost savings could be realized by reusing all or part of the existing L&J building in the project. The "Next Steps" group agreed to fund a structural analysis of the current L&J building to determine its suitability for remodel and determine estimated costs to bring it up to current safety codes. Stahly Engineering was hired and completed a Tier 1 Structural Screening (Exhibit A) and more comprehensive Tier 3 Systematic Evaluation and Retrofit Alternatives report found [here](#).

On December 13, 2017, the City Commission heard a report from City staff outlining the results of the *Law and Justice Center Feasibility Study*. That study provided three (3) options for reuse of the existing L&J building. A fourth option included a phased project that included the law enforcement and courts buildings in the original project.

The study determined that the costs of reusing the existing building exceeded the costs of constructing new. For this, and other reasons, the City and County decided to take a phased approach to the original project plan and construct the joint law enforcement building first and return to voters for authorization to construct the court building at a later date to be determined. Following are descriptions of the two options being worked on by staff; the joint law enforcement building on the County-owned site, and a Bozeman public safety complex to be constructed on the city-owned property on Rouse Avenue.

## Joint Law Enforcement Building on the L&J Site – Project Description:

As originally designed, the project consisted of two separate buildings constructed on the L&J campus; a Courts building and a law enforcement building. The total estimated square footage for both buildings was 181,658. With this new phased approach, the law enforcement building would be constructed first. This fall, the County began construction of a records and vehicle storage building that had been planned before the joint project but put on hold as the storage could easily be included in the joint project. Approximately 4,900 sq. ft. has been removed from the law enforcement building. The new estimated cost allocations are outlined below.

The cost of construction of the law enforcement building would be allocated to the City and the County in proportion to the relative square footages of each party's condominium units except as otherwise noted here.

Shared Spaces. The cost of construction of certain project elements, designed on the architect's plans as "shared" spaces, would be shared equally. Examples of these shared elements are certain reception areas, shared conference rooms, restrooms, and break rooms. The City and County anticipate that their respective use of these shared areas will be more or less equivalent, and that an equal allocation of the costs of these spaces is fair based on the anticipated levels of use.

Common Spaces. The remaining common elements in the buildings, including lobbies, mechanical and other facilities support rooms, hallways, and stairwells would be shared on a pro-rata basis based on the relative size of the City's and County's condominium units.

The City and County have reviewed the layout and function of the law enforcement building and have agreed on the allocations.

### **Land and Financing Issues:**

- 1. Land Ownership.** The land on which the law enforcement building would be constructed is approximately 4.95 acres and is currently owned by the County. The City's payment to the County for its undivided interest in the project's real property is being discussed and would be different than the formula agreed to in the 2016 project. For the purposes of discussing project costs in this memo, we have assumed 50% ownership of 5.0 acres at \$150,000 per acre, equal to \$375,000.
- 2. Ownership Structure.** If both the bond and operating levy questions are approved by voters, the City and County would jointly own the law enforcement building as condominiums. This is the same form of property ownership chosen by the County and City for the joint 911 Center/Fire Station 3 property. Under this form, each party would own their condominium unit (the areas of the buildings exclusively occupied by that party), plus an undivided property interest in the common elements, expressed as a percentage. It is anticipated the City and County would each have a 50% voting interest in the condominium's common elements. The condominium declaration will include a dispute resolution mechanism to resolve any deadlocks.
- 3. Project Debt**
  - a. County Bond Election. As in the 2016 project, the County would issue the bonds for construction. The City would annually pay the County for its share of the project costs. All voters in the county would be asked to approve the full \$25.6M bond.

b. Mill Levy

- City residents will need to be asked to approve a debt service mill levy to reimburse the County for the City's proportional share of the Project costs financed through the bond. The City's share equates to \$13.2M – see fiscal effects.
- Operating and maintenance costs could be funded through a voted increase to the City's mill levy or funded through the levying of additional mills authorized within the existing cap but not currently levied.

**Ongoing Operations and Maintenance:**

The City and County have been discussing opportunities to share resources and expertise as it relates to operation, maintenance, and support of the building and the services contained within. Both entities recommend the County assume responsibility for facilities operation and maintenance of the new buildings and the City assume the information and technology services for new building.

1. Facility Services. The shared expenses for ongoing operations, maintenance, insurance, and other common expenses would be allocated based on the 50/50 space allocations for the project.
2. Information and Technology Services. The City would assume primary responsibility for providing information technology services for the new law enforcement building. The scope of services to be provided by the City and the parties' respective obligations would be detailed in a separate agreement.

The costs for each service have not yet been determined. Written agreements for those services party will be finalized should the project receive voter approval.

Further details related to operations, maintenance, and governance of the condominium association will be included in the condominium declaration and bylaws.

**Joint Law Enforcement Building on L&J Site – Financing**

**Construction:** The Joint Law Enforcement building project is \$27.9 million, of which both the County and the City have already funded \$2.3 million. The bonded amount for the project will be \$25.6 million total. The City obligation for the building construction is 50% of the costs, or \$12.8 million.

As described above, the County has requested that the City provide \$375,000 for its condominium interest in the 4.95-acre site. That cost has been included in the project cost below.

<b>Joint Law Enforcement Building Construction Costs</b>		
Building Construction Cost	\$	27,987,478.00
Minus: Planning Costs already spent by both County and City	\$	(2,351,730.00)
Total project costs to be bonded	\$	25,635,748.00
City Share of Construction Costs:	\$	12,817,874.00
City Land Payment to County*	\$	375,000.00
<b>Total City Amount to be bonded:</b>	<b>\$</b>	<b>13,192,874.00</b>
*County will likely decrease their bond amount for City Land Payment		

Between construction and land costs, the total obligation for the City portion of the building will be \$13.2 million. The annual debt payment would be \$969,797. With the value of a current mill at \$101,195, this is equivalent to 9.58 mills at today's mill value.

**Annual Operations:** The City will be providing full information technology support to both the Police Department and the Sheriff's Office located in the building, while the County will be providing facility maintenance. Under a yet-to-be-written operating agreement, the City will make payment to the County for facility maintenance, and the County will pay the City for information technology support. At this time, we believe those amounts will roughly offset each other. The main operation budget increase would be the City's portion of utilities. To estimate utility costs, we used the average cost per square foot of four of the City's larger buildings (City Hall, Stiff Professional Building, Fire Station 1 and the Library). The estimated annual budget increase needed would be about \$61,000 and adjusted each year for inflation. .

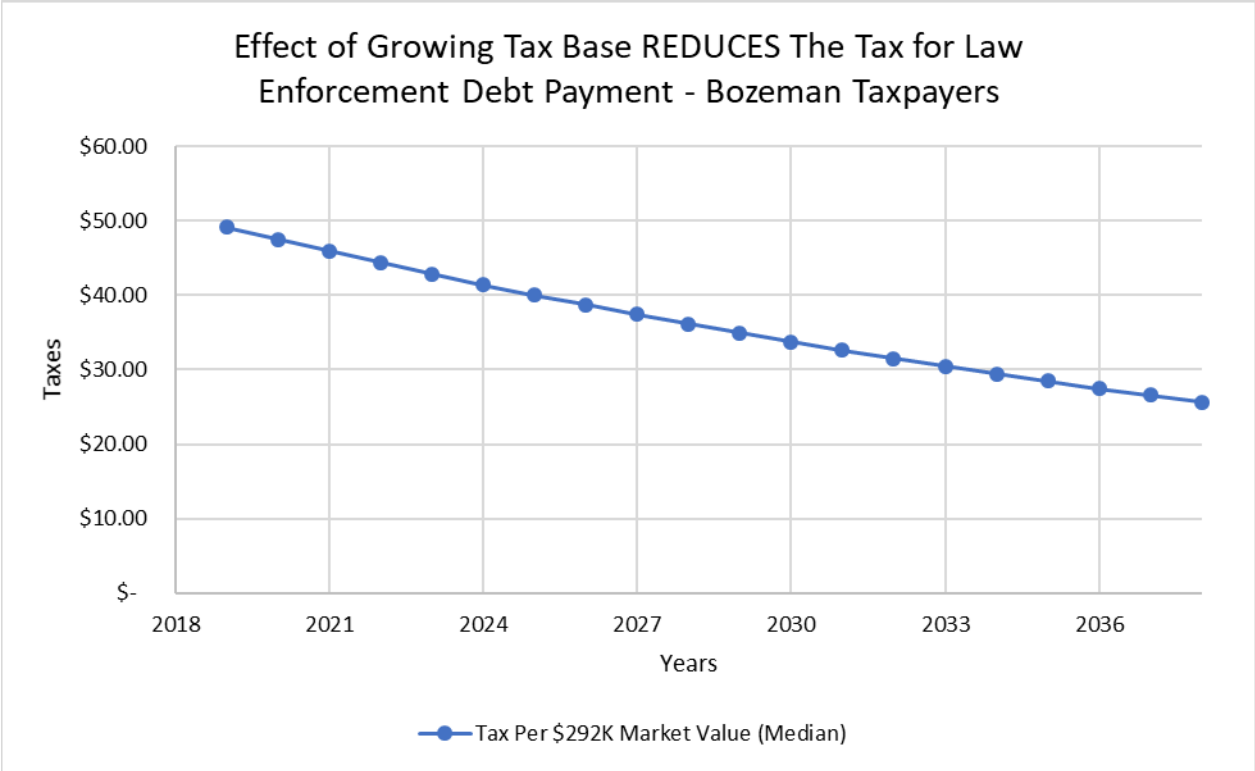
We will be continuing our lease with the County for at least the Courts space in the current Law & Justice Center, so lease payments and operational costs for the current Law and Justice Center will need to remain in the budget for a number of years until the courts are constructed (\$174,000 a year.) Also, because we will not be vacating the Courts space, we will not receive a residual payment from our capital investment under the capital lease (an element of our previous project.)

### **Impact on Median Home**

The median home taxable value in the City of Bozeman is \$292,000. Based on this value and our current mill value, we estimate the annual property tax increase from the bond for the median homeowner within the City of Bozeman would be \$50.77 for the first year as described in the table below.

<b>Joint Law Enforcement Building Impact on Median Home</b>		
<b>City Only Portion</b>		
Estimated Annual Payment	\$	969,797.82
Estimated Annual Mill Value	\$	101,195.00
Estimated # of Mills		9.58
Annual Cost of Levy to Median Home	\$	36.38
Monthly Dollar Cost of Levy to Median home	\$	3.03
<b>County Only Portion</b>		
Estimated Annual Payment	\$	914,768.48
Estimated Annual Mill Value	\$	286,963.00
Estimated # of Mills		3.19
Annual Cost of Levy to Median Home	\$	12.10
Monthly Dollar Cost of Levy to Median home	\$	1.01
<b>Operation Costs Levy (City Only)</b>		
Estimated Annual Payment	\$	61,000.00
Estimated Annual Mill Value	\$	101,195.00
Estimated # of Mills	\$	0.60
Annual Cost of Levy to Median Home	\$	2.29
Monthly Dollar Cost of Levy to Median home	\$	0.19
<b>City of Bozeman Resident (City and County)</b>		
Estimated Total Annual Payment	\$	1,945,566.30
Estimated Total Annual Cost of Levy to Median Home	\$	50.77
Estimated Total Monthly Dollar Cost of Levy to Median home	\$	4.23

The City's taxable value has grown at an average rate of 3.6% per year over the past 10 years. Using that as an indicator of future tax-base growth, the amount that tax payers would be required to pay each year of the 20-year bond would decline. For instance, by year 2028 we estimate that the median home would pay \$36.13 per year for the bond.

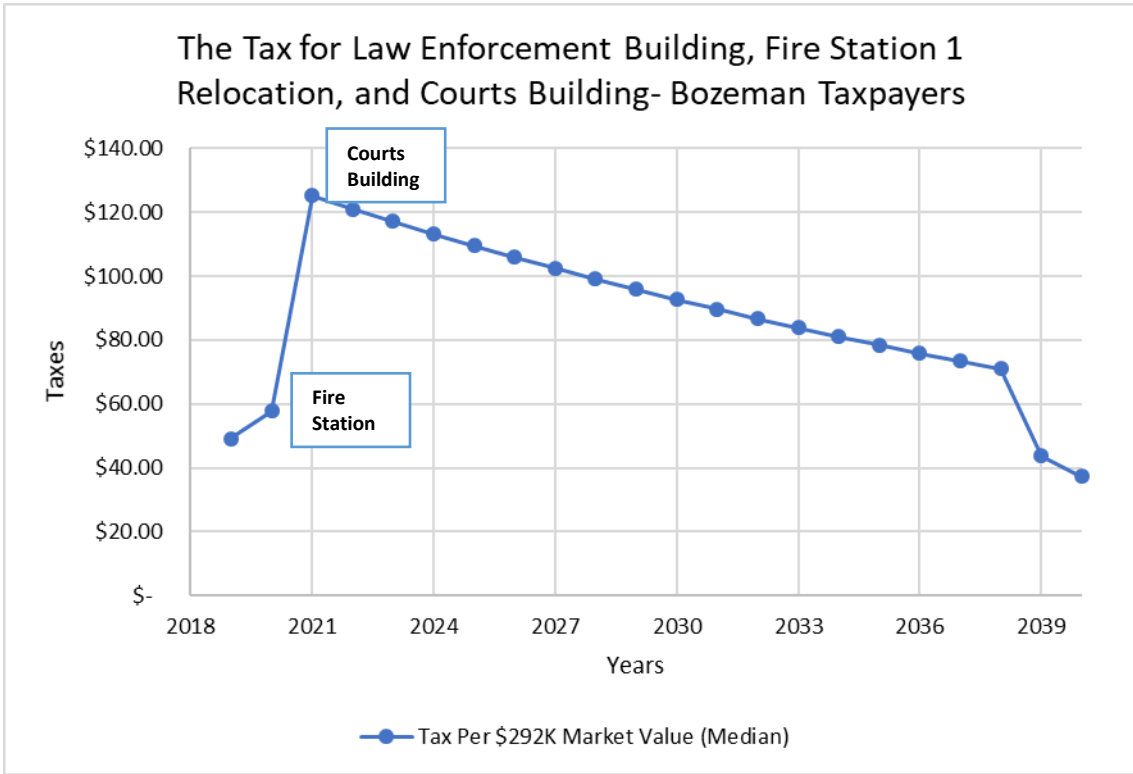


**Other Considerations**

- Two years following the Law Enforcement building we expect to proceed with a building for the Joint Courts and Justice functions.
- According to our adopted capital plan, the City will look to fund the relocation of Fire Station #1 in FY20 (Instead of building a fourth fire station, relocating Fire Station #1 and #2 would save around \$1.2 million/year in salaries and benefits).

City voters will need to approve these projects, and their property taxes will increase as a result. Keeping the current median home value of \$292,000, and assuming average tax-base growth of 3.6%, the following table illustrates that all three projects (Law Enforcement Building, Fire Station #1 Relocation, and Courts building) would cumulatively impact the median home by \$123.41/year property tax increase.

<b>Other Considerations of Note</b>	
FY 20 Fire Station One Relocation (7,170,000-2,500,000-650,000)	\$ 4,020,000.00
Additional cost to estimated Median home in FY20)	\$ 10.37
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FY21 Joint Courts Building Project total	\$ 50,000,000.00
FY21 Joint Courts Building (CITY SHARE)	\$ 20,000,000.00
Additional cost to estimated Median home in FY21) CITY & COUNTY	\$ 69.28
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<b>FY 20 Total estimated additional project impact on median home</b>	<b>\$ 55.65</b>
<b>FY 21 Total estimated additional project impact on median home</b>	<b>\$ 123.41</b>



**The Bozeman Public Safety Complex (BPSC) Project Description:**

The Commission directed staff to consider a public safety facility for the city-owned property on Rouse Avenue. We started with the police and municipal courts facility envisioned in 2014 and considered opportunities to include the relocation of Fire Station 1 on the site.

The City has three major public safety facility challenges to meet the demands of the growing community; Bozeman Police, Municipal Courts and the relocation of Fire Stations 1 and 2. The Fire Department Master Plan as recently accepted by the City Commission finds that the construction and staffing of a fourth fire station can be delayed and current services improved through the relocation of Fire Station 1 (built in 1963) and Fire Station 2 (built in 1974). The Fire Master Plan identifies the city-owned property on Rouse as an ideal location for Station 1. The City could solve three of its most important public safety facility challenges with the construction of a joint public safety building on Rouse Avenue.

As a starting point for the BPSC project, we used the work previously completed for the Police and Municipal Courts project presented to the voters in 2014. We added fire station programming spaced considered in previous projects to the police and courts building and considered site and access requirements. Due to compressed time frame limits we are unable to study specific floor plans for the Fire Station but have reduced the programmed square footages to take advantage of shared spaces and common building elements. We then attributed building costs based on current projects recently bid in Gallatin County to determine construction estimates.

The cost of construction of the BPSC project would be funded through city-issued bonds. There are significant benefits to collocating City public safety functions together on the Rouse site.

Shared Spaces. The Police and Fire Departments are both emergency public safety services and can share important functions within the building. These include, but are not limited to, staff meeting and training areas, public meeting facilities, command and emergency operation spaces and equipment as well as

Common Spaces. Common elements in the buildings, including lobbies, mechanical and other facilities support rooms, hallways, public meeting and restrooms, and stairwells would be shared by the courts, police and fire.

Emergency Service. Facilities for both Police and Fire require construction to the essential services provisions of the building code. It is critical these public safety entities are able to provide life-safety services to the community when disaster strikes. As with Fire Station 3/9-1-1 it is most efficient to share, operate and maintain expensive equipment between essential emergency service departments. Both the Police and Fire stations are designed to operate for 72 hours in the event of power disruption.

### **Land and Financing Issues:**

1. **Land Ownership.** The land on which the BPSC would be built is approximately 8 acres and is owned by the City. The property is currently being used to store public works equipment previously stored at the City Shops.
2. **Ownership Structure.** The City would own the entire project and have control over operations and maintenance.
3. **Project Debt**
  - City Bond Election. Construction of the BPSC would be funded through the sale of municipal bonds authorized by voters and paid back over 20 years. The City's bond rating has recently been improved and is the same as the County (Moody's Aa2).
  - Mill Levy Question(s). Operating and maintenance costs could be funded through a voted increase to the City's mill levy or funded through the levying of additional mills authorized within the existing cap but not currently levied.

### **Ongoing Operations and Maintenance:**

The City would need to increase budget amounts for operations and maintenance of the new facility. These new costs could be offset with funds currently paid to Gallatin County as described below.

Additionally, the City entered into a prepaid 40-year lease to the County in 1994 and prepaid \$765,000. The provisions in that agreement allow the City to vacate the building, and under certain conditions, require the County to refund unused lease funds. The amount of the refund would be determined by the date the City moved out but would be approximately \$267,000 if the project was approved by the voters in 2018 and the lease was terminated by mutual agreement in year 26 of the contract.

## Bozeman Public Safety Complex – Project Costs

**Construction:** The Bozeman Public Safety Complex building project is estimated \$37.6 million and will be built on land the City currently owns. A sale of the current Fire Station #1 property and cash from the Fire and Equipment Capital fund could reduce the bond costs by \$3,150,000. The bond for construction would total nearly \$34.5 million. The table below details the Cost of the Construction of the Project:

<b>Bozeman Public Safety Complex Building Construction Costs</b>	
Building Construction Cost	\$ 37,645,411.00
Minus: Sale of Current Fire Station One (pending true appraisal)	\$ (2,500,000.00)
Minus: Fire & Equip fund contribution	\$ (650,000.00)
Total Bonded amount	\$ 34,495,411.00
Total Law Enforcement Building Construction Cost	<u>\$ 34,495,411.00</u>

### **Operational Costs**

With the building of this project, the City would seek to be released from our current long-term lease and no longer have annual maintenance costs at the current Law and Justice Center. There would be an increase to the City’s budget that would need to be levied for operations. We estimated the utilities and maintenance based on the City’s buildings expenses per square foot. To estimate these costs, we used the average cost per square foot of four City’s buildings (City Hall, Stiff Professional Building, Fire Station 1 and the Library).

With the move of operations to this new building, there will be a need to increase staffing. Records Division (currently run by Gallatin County, funded through the 911 Levy) would need an additional 2.5 FTE and a .5 FTE evidence technician would be added. Court security will need staffing of to 2.0 FTE for security guards while court is in session (this function is new and not currently provided in the current L&J Center building).

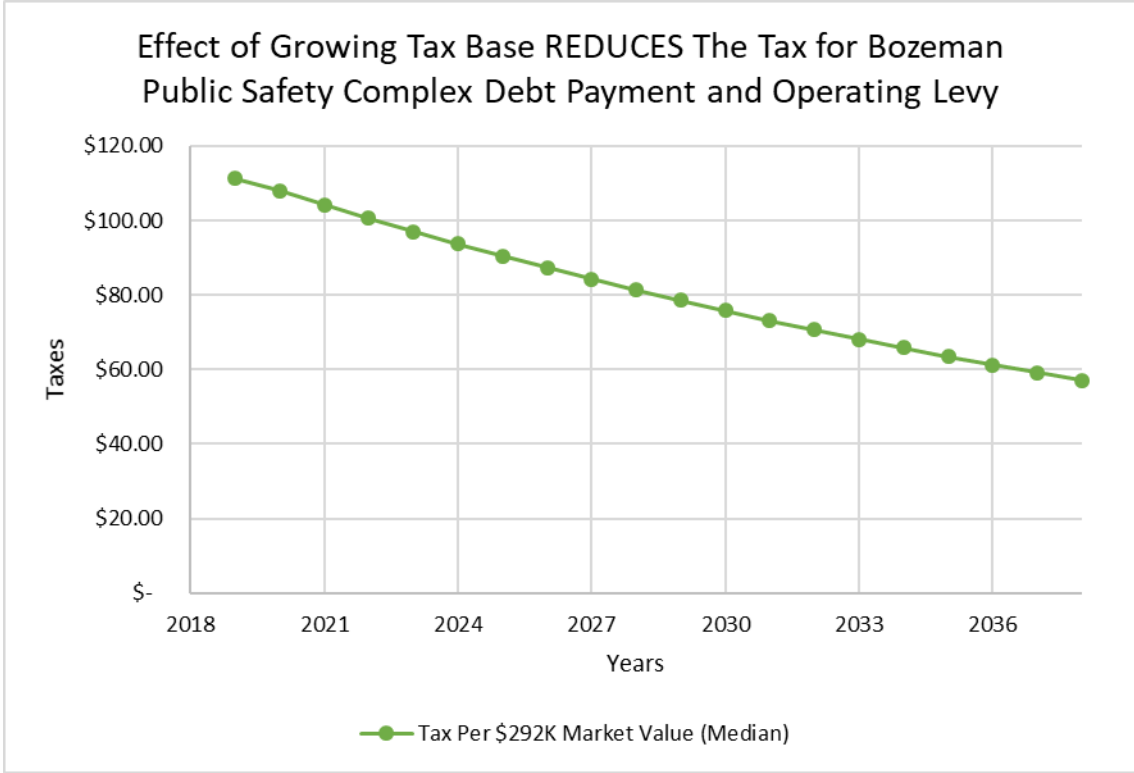
Maintenance, utilities and staffing could be funded by asking voters for an operating levy or use of a portion of the 15.97 mill still under the current cap (9.00 mills related to 911-Records, and 6.97 below for general fund cuts/carryover). The net effect would be an estimated 5 mill increase for City residents. Below is the summary table of expenses:

<b>Operational Costs</b> (Operational Levy Needed or use portion remainder of levy cap 15.97)	
<i>Savings from Current L&amp;J Operating Agreement</i>	\$ (145,000.00)
Utilities	\$ 177,478.49
Building & Grounds Maintenance	\$ 181,179.48
FTE- Evidence, Records and Security	\$ 302,302.41
Court Operations Costs:	<u>\$ 515,960.38</u>

## Impact on Median Home

The median home taxable value in the City of Bozeman is \$292,000 and based on this value we estimated the annual cost of the levy for the bonding of the buildings construction would be \$95.12 in the first year. The operating levy (if current available mills is not used) in the first year would be \$19.35. The total impact is in the table below and the impact over time is demonstrated in the graph:

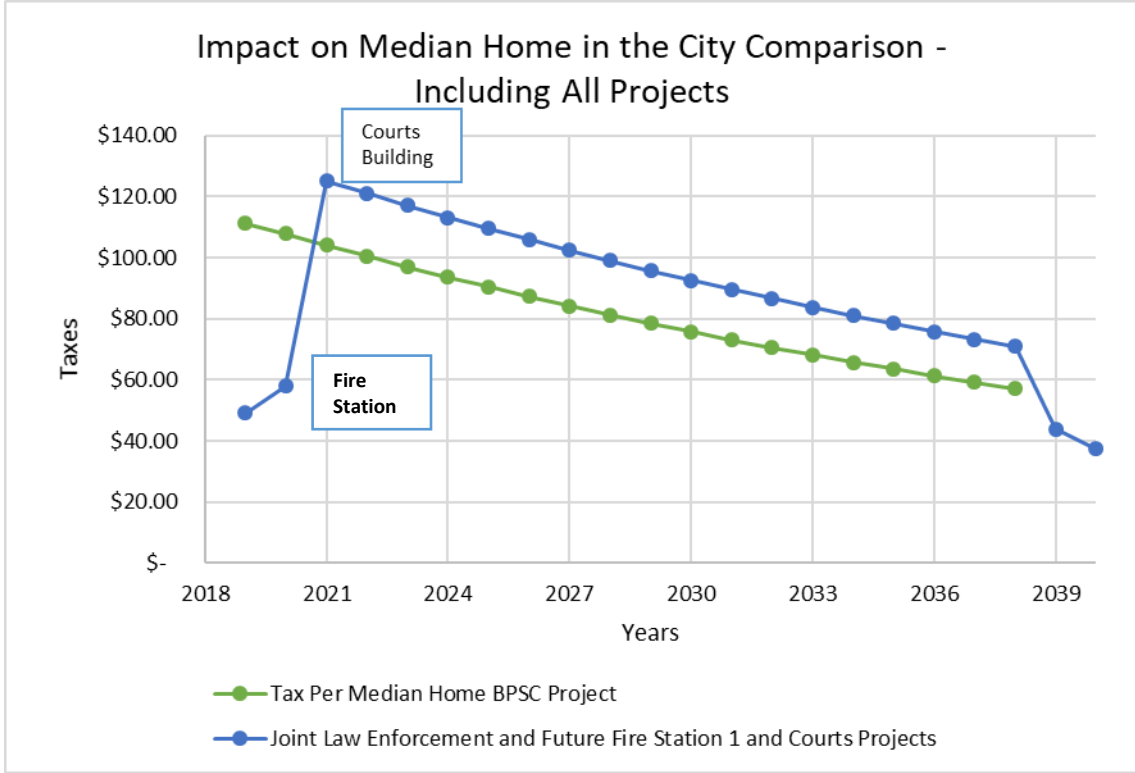
<b>Bozeman Public Safety Complex Impact on Median Home</b>		
<b>Bond Levy</b>		
Estimated Annual Payment	\$	2,535,868.62
Current Annual Mill Value	\$	101,195.00
Estimated # of Mills		25.06
Annual Cost of Levy to Median Home	\$	95.12
Monthly Dollar Cost of Levy to Median home	\$	7.93
<b>Operational Levy</b>		
Estimated Annual Amount	\$	515,960.38
Estimated Annual Mill Value	\$	101,195.00
Current Annual Mill Value		5.10
Annual Cost of Levy to Median Home	\$	19.35
Monthly Dollar Cost of Levy to Median home	\$	1.61
<b>Total Impact</b>		
Estimated Annual Payment & Operations	\$	3,051,829.00
Current Annual Mill Value	\$	101,195.00
Estimated # of Mills		30.16
Annual Cost of Levy to Median Home	\$	114.48
Monthly Dollar Cost of Levy to Median home	\$	9.54



**Other Considerations**

The City of Bozeman will also need to look at funding the relocation of Fire Station 2 (Relocating Fire Station 1 and 2 would save around \$1.2 million in salaries and benefits if a fourth Fire Station was built in lieu of these relocations).

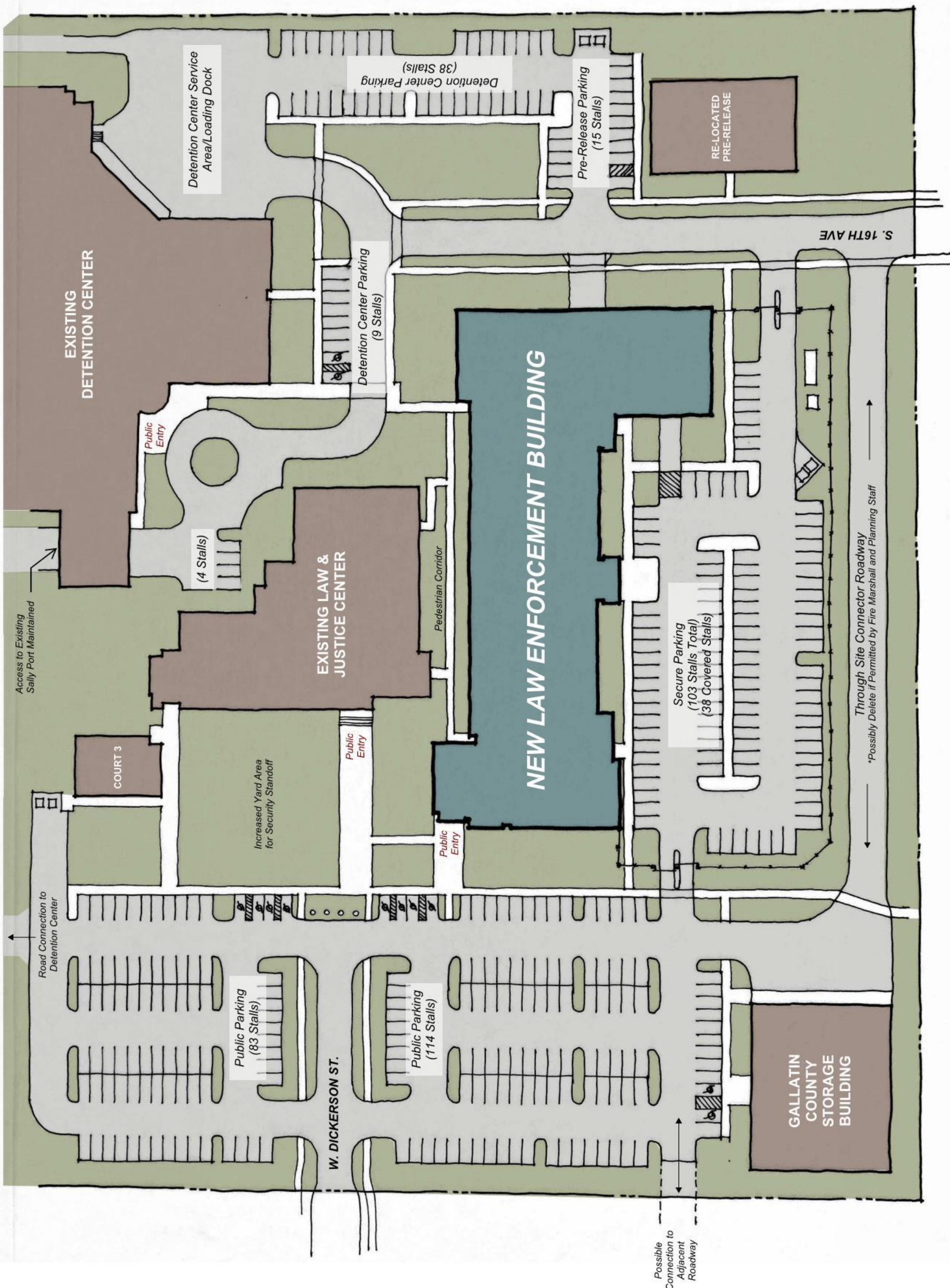
**Comparison of both future levies (Joint Project includes future Fire Station 1 relocation and Courts building)**

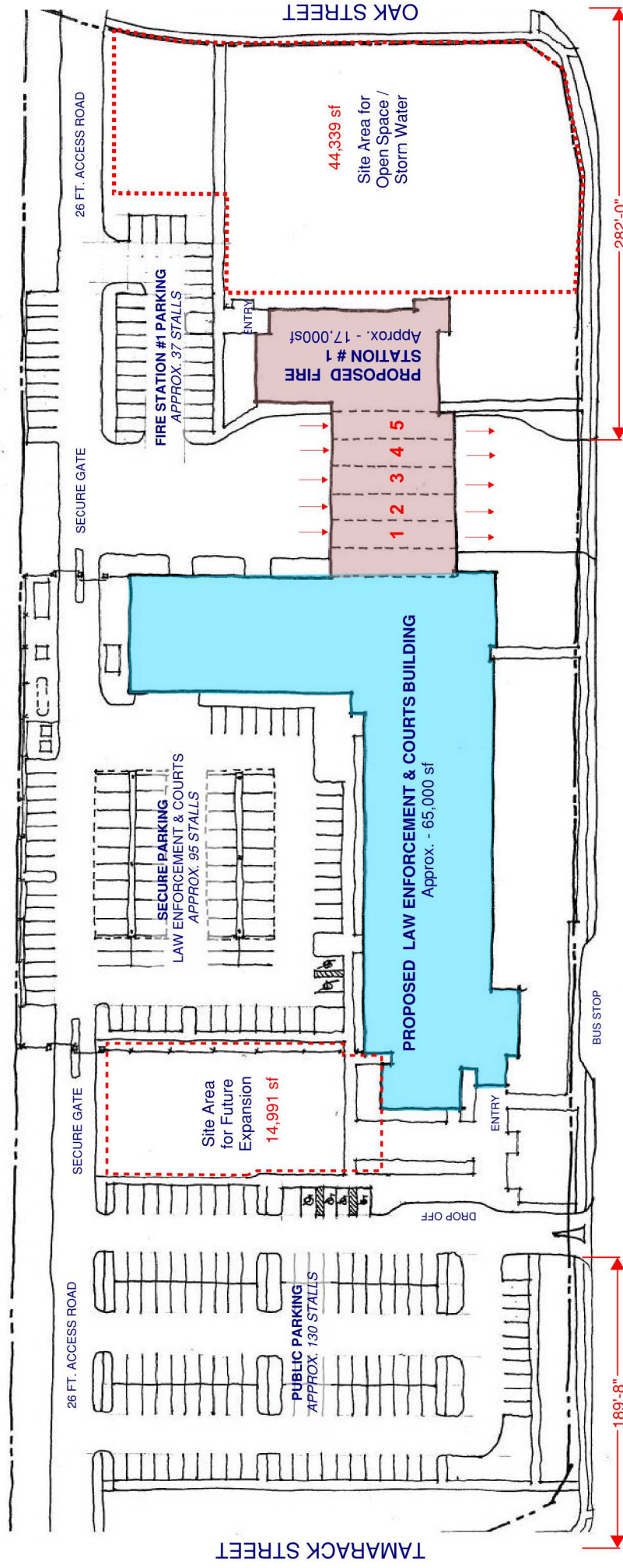


**ALTERNATIVES:** As suggested by Commission

*Attachments:*  
**Exhibit A:** L&J Site Plan for Phased Construction  
**Exhibit B:** BPSC site plan

Report compiled on: **January 17, 2018**





Site Plan Option #1-C  
Not to Scale

Bozeman Public Safety Campus