



FOR COUNCIL MEETING OF:  
AGENDA ITEM NO:

March 17, 2008  
4 (c)

TO: MAYOR AND CITY COUNCIL  
THROUGH:  LINDA NORRIS, CITY MANAGER PRO TEM  
FROM:  RICK L. SCOTT, DIRECTOR  
URBAN DEVELOPMENT DEPARTMENT  
SUBJECT: CONSTRUCTION UPDATE: 295 CHURCH STREET  
REDEVELOPMENT PROJECT

**ISSUE**

Information only report regarding the 295 Church Street redevelopment project which includes a condominium unit for future use by Capital Community Television and a condominium unit for the future use by the City of Salem Information Technology Department.

**RECOMMENDATION**

Information only.

**BACKGROUND**

**The Project.** On December 4, 2006, the Urban Renewal Agency entered into a disposition and development agreement (DDA) with Cascadia Development LLC (Cascadia) for the predevelopment of a five-story building at 295 Church Street SE comprised of three floors of privately-owned residential units, one City-owned floor for the City's Information Technology Department (IT) and one City and County-owned floor for use by Capital Community Television (CCTV) adjacent to a small, privately-owned retail space.

Separate Unit Sales Agreements for the CCTV condominium and for the IT condominium were executed on November 21, 2007. Each Unit Sales Agreement established a Guaranteed Maximum Development Cost (GMDC) for the condominium unit and a price for the finished unit. The Unit Sales Agreement also included a change order procedure and cost sharing methods for shared savings on the construction of each unit.

The CCTV space is to be constructed on behalf of the Mid-Willamette Valley Cable Regulatory Commission (CRC), the intergovernmental agency that governs public, educational, and government (PEG) access to the cable system. The City and County contract with CCTV for PEG access programming and production services of local government programs. The City and County will jointly own the CCTV space.

The IT space is to be constructed on behalf of the City of Salem using proceeds from the sale of Agency and City owned properties in the vicinity.

## **FACTS AND FINDINGS**

The construction project is on schedule and within the Guaranteed Maximum Development Cost (GMDC) established per the terms of the construction contract (Attachment A).

To-date, the following major milestones have been accomplished:

- Preparation of the site for foundation,
- Construction of some walls, columns, stair tower and elevator shaft, and
- Installation of electrical conduit under slab.

For regular project updates, the City is maintaining a website of construction images at <http://www.cityofsalem.net/departments/doi/NewBuilding.htm>. On February 26, 2008, CCTV took a virtual tour of the building at the construction site. Video from this tour is available on CCTV's web site at <http://www.cctvsalem.org/295church.php>.

As part of the Unit Sales Agreement, two separate contingencies were established. One five percent contingency was established for the construction project as a whole. A separate two percent contingency, in the sum of \$45,651 for the CCTV condominium, was established for use by the owner. A few minor changes to the CCTV space are in process, per the terms of the Unit Sales Agreement, pending additional analysis. As yet, the proposed change orders are not expected to result in a net change in cost or in a substantial change in scope.

Another two percent contingency, in the sum of \$67,335 for the IT condominium, was established for use by the owner. A few minor changes to the IT space are in process, per change order process as described in the Unit Sales Agreement. Changes include additional cable conduit from the street to the building and a signal box at the corner. The bulk of the cost is associated with an unanticipated improvement to the server room floor, which will result in significant savings when the building is occupied. The change orders have resulted in a net increase in cost of approximately \$32,000. No substantial change in scope is expected.

## **NEXT STEPS**

Staff will return with a construction update in June 2008.

The following is a brief summary of major milestones scheduled to occur during construction between the March and June updates:

- Construct first floor slab,
- Form and place second and third floor deck, and
- Begin interior wall framing.

Attachment A: GMDC (Approved: November 5, 2007)

Report Prepared by:

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# CHURCH & TRADE MIXED USE DEVELOPMENT

295 CHURCH ST.

## GUARANTEED MAXIMUM DEVELOPMENT COST FOR CCTV AND IT

	43.60% CCTV	56.40% IT	Total Costs
<b>CONSTRUCTION / LAND COSTS</b>			
Building Construction Costs	\$2,282,557	\$3,366,744	\$5,649,301
Initial Land Acquisition Costs	\$97,022	\$125,506	\$222,528
Design Costs	\$218,550	\$205,860	\$424,410
Construction Contingency (5%)	\$114,128	\$168,337	\$282,465
Owner Construction Contingency (2%)	\$45,651	\$67,335	\$112,986
Bond Developer 1.5% on 11,000,000.	\$71,940	\$93,060	\$165,000
<b>SOFT COSTS</b>			
Wrap Insurance	\$115,000	\$125,000	\$240,000
Bldg. Risk Insurance in wrap	\$0	\$0	\$0
Updated phase 1	\$349	\$451	\$800
Reserve study	\$1,134	\$1,466	\$2,600
Surveying and Platting	\$9,000	\$10,000	\$19,000
Permits	\$23,980	\$31,020	\$55,000
Parking permits	\$3,488	\$4,512	\$8,000
SDC's	\$11,500	\$0	\$11,500
Prevailing wages (included in bid)	\$0	\$0	\$0
Utility Company fees	\$2,180	\$2,820	\$5,000
Special Inspections	\$3,488	\$4,512	\$8,000
Property Taxes	\$3,052	\$3,948	\$7,000
Developer Fee	\$150,000	\$150,000	\$300,000
<b>Guaranteed Maximum Development Cost</b>	<b>\$3,153,019</b>	<b>\$4,360,571</b>	<b>\$7,513,590</b>
<b>Adjusted Predevelopment Cost - prepaid through Design</b>	<b>-\$124,345</b>	<b>-\$193,235</b>	<b>-\$317,580</b>
<b>Unit Sales Price for CCTV and City IT Unit</b>	<b>\$3,028,674</b>	<b>\$4,167,336</b>	<b>\$7,196,010</b>
<b>Owner Supplied Cost</b>			
Peer review / Owner's Rep Design	\$25,580	\$33,090	\$58,670
Peer review / Construction	\$85,020	\$109,980	\$195,000
Owner supplied equipment	\$296,680	\$695,900	\$992,580
Staff time (estimate UD/Facilities)	\$32,995	\$42,681	\$75,676
Financing Cost/Borrowing for CCTV	\$30,000		
<b>Remaining Cost of Project</b>	<b>\$3,498,949</b>	<b>\$5,048,987</b>	<b>\$8,517,936</b>
Less prepaid owner's rep services	-\$25,580	-\$33,090	-\$58,670
<b>Remaining Obligation</b>	<b>\$3,473,369</b>	<b>\$5,015,897</b>	<b>\$8,459,266</b>

ATTACHMENT A