

# Request for City Council Committee Action From the Department of Public Works

Date: February 24, 2009

**To:** Honorable Sandra Colvin Roy, Chair Transportation & Public Works Committee

Referral: Honorable Paul Ostrow, Chair Ways & Means Committee

Subject: Replacement of Building Systems at Hamilton School

## Recommendation:

a) Authorize City officials to reimburse the Minneapolis Public Schools \$181,466.33 from the 2008 Capital Budget (PSD01 Facilities – Repair and Improvements program, Fund 04100 Department 901000 Project # CPSD0108) for the upgrade to the existing cooling systems at the Hamilton School building located at 4119 Dupont Avenue North. No additional appropriation is required.

b) Authorize City officials to negotiate a purchase price with the Minneapolis Public Schools for the acquisition of 4119 Dupont Avenue North.

### **Previous Directives:**

- December 12, 2007 Resolution 2007R-645 of the City Council Adopting the Facilities – Space Improvements program (PSD03) in the 2008-2012 Five-Year Capital Program.
- June 30, 2006 Authorize City Officials to negotiate and enter into a lease with the Minneapolis Public Schools for the Hamilton School building at 4119 Dupont Avenue North.

Prepared by: Greg Goeke, Director of Property Services

Approved by:

Steven A. Kotke, P.E., City Engineer, Director of Public Works

**Presenters:** Gary Modlin, Facilities Manager, Property Services

Greg Goeke, Director of Property Services

#### Reviews

Permanent Review Committee (PRC):	Approval <b>NA</b>	Date
Civil Rights Affirmative Action Plan:	Approval <b>NA</b>	Date
Policy Review Group (PRG):	Approval <b>NA</b>	Date

# **Financial Impact**

No financial impact

# **Community Impact**

Neighborhood Notification: Not Applicable City Goals: A Safe Place to Call Home Comprehensive Plan: Not Applicable

Zoning Code: Not Applicable

# **Background/Supporting Information**

The City has been leasing the Hamilton School Building from Minneapolis Public Schools (MPS) since November of 2006 for the needs of the Minneapolis Police Department, Regulatory Services and the Police Athletic League. Included in the lease is a provision for the City to have "first right of refusal" to acquire the building should MPS decide the facility is no longer needed for educational purposes. The goal of both the City and MPS is to preserve this public asset and to maintain and improve its current condition. The current lease expires in 2014.

## Maintenance Issues

The current lease defines responsibilities between both parties for maintenance of the facility and grounds. As the owner, MPS is responsible for the "major" and capital maintenance of the facility to include roofing, mechanical/electrical/life safety systems. As the tenant, the City is responsible for daily cleaning, grounds care, and "light" maintenance.

The heating and cooling systems for the building are the original installations, are well past their intended life, and are not efficient in the use of energy. Proper maintenance throughout the years allowed for this extended life and use. With advanced age and general wear, the systems are experiencing significant and frequent failures for extended periods of time that have impacted the City's use of the facility. The staff of MPS made several short term repairs allowing for a more strategic plan to be developed.

# Systems Repair and Replacement

It had been determined that the magnitude of repairs needed to keep the original systems operational for the term of the lease were not cost effective. Both the heating and cooling systems for the building needed replacement or major repair.

MPS staff determined the heating systems could be repaired and proceeded with such repairs in 2008 at their expense.

MPS staff had specified, bid out and replaced major components of the cooling system on a fast-track to resolve the cooling issue. The staff of MPS approached the City about how to pay for the costs associated with the cooling system components replacement. MPS proposed that the City and MPS share the costs of the improvements on an equal basis (each paying 50% of the costs). The systems would meet City standards for energy efficiency.

## Recommendation

<u>Systems Replacement</u>: The current partnership between the City and MPS has been a successful one. Continuing to partner with each other to make cost effective decisions for this facility serves the community well. By paying for half the costs the City will be assured that the equipment meets City standards for efficiency and the City will benefit by having new and reliable systems during its occupancy as a tenant and potential future ownership.

Property Services recommended that the equal basis reimbursement be contingent upon the MPS Boards' willingness to declare the property as excess inventory and enter into negotiations with the City on a purchase price and an eventual purchase agreement. The City would benefit by the savings in utility costs. It is estimated that the new system will save \$20,000 per year in reduced utility consumption (\$140,000 over the remaining years of the lease).

<u>Purchase Option</u>: Property Services has communicated to MPS staff the potential desire of the City to eventually acquire the property. MPS staff has determined that this Property will no longer be needed for educational purposes. They requested (at the February 10, 2009 MPS Board Meeting and subsequently was approved by the MPS Board) to declare the property as excess property and to be given the authority to determine a sale price with the City. There currently is a long term cost advantage to continue to utilize this facility for the operations of the Police Department and Regulatory Services versus construction of a new facility. It also provides a City presence and services in the area that are appreciated by the local residents.

Property Services is requesting authorization to begin negotiations to determine a purchase price and would return to the council at a future date for further direction and approvals.

#### Attachment:

Minneapolis Public Schools letter- February 10, 2009 Board of Education Regular Meeting – February 10, 2009